

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). <p style="text-align: center;">▶ Complete all entries in accordance with the instructions to the Form 5500.</p>	OMB Nos. 1210-0110 1210-0089 <div style="text-align: center; font-size: 1.5em; font-weight: bold;">2018</div> This Form is Open to Public Inspection
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Part I	Annual Report Identification Information		
For calendar plan year 2018 or fiscal plan year beginning <u>01/01/2018</u> and ending <u>12/31/2018</u>			
A	This return/report is for:	☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.)	
	☒ a single-employer plan ☐ a DFE (specify) ____		
B	This return/report is:	☐ the first return/report ☐ the final return/report ☐ an amended return/report ☐ a short plan year return/report (less than 12 months)	
C	If the plan is a collectively-bargained plan, check here. ▶ ☐		
D	Check box if filing under:	☒ Form 5558 ☐ automatic extension ☐ the DFVC program ☐ special extension (enter description)	

Part II	Basic Plan Information —enter all requested information		
1a	Name of plan <u>CFD RESEARCH CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN</u>	1b	Three-digit plan number (PN) ▶ <u>002</u>
		1c	Effective date of plan <u>01/01/2005</u>
2a	Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>CFD RESEARCH CORPORATION</u> <u>701 MCMILLIAN WAY NW</u> <u>HUNTSVILLE, AL 35805</u>	2b	Employer Identification Number (EIN) <u>63-0944385</u>
		2c	Plan Sponsor's telephone number <u>256-726-4841</u>
		2d	Business code (see instructions) <u>541330</u>

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/15/2019	PEGGY SARGENT
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	10/15/2019	PEGGY SARGENT
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Form 5500 (2018)
v. 171027

3a Plan administrator's name and address ☒ Same as Plan Sponsor	3b Administrator's EIN 3c Administrator's telephone number <div style="background-color: #cccccc; height: 40px; width: 100%;"></div>
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: a Sponsor's name c Plan Name	4b EIN 4d PN
5 Total number of participants at the beginning of the plan year	5 127
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d). a(1) Total number of active participants at the beginning of the plan year a(2) Total number of active participants at the end of the plan year b Retired or separated participants receiving benefits..... c Other retired or separated participants entitled to future benefits d Subtotal. Add lines 6a(2) , 6b , and 6c e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. f Total. Add lines 6d and 6e g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested	6a(1) 102 6a(2) 108 6b 2 6c 27 6d 137 6e 0 6f 137 6g 137 6h 6
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 2I 2K 2P 2Q 3I b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:	
9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

- (1)** ☒ **R** (Retirement Plan Information)
- (2)** ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
- (3)** ☐ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

- (1)** ☒ **H** (Financial Information)
- (2)** ☐ **I** (Financial Information – Small Plan)
- (3)** ☐ **A** (Insurance Information)
- (4)** ☒ **C** (Service Provider Information)
- (5)** ☐ **D** (DFE/Participating Plan Information)
- (6)** ☐ **G** (Financial Transaction Schedules)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2018 Form M-1 annual report. If the plan was not required to file the 2018 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2018
		This Form is Open to Public Inspection.

For calendar plan year 2018 or fiscal plan year beginning 01/01/2018 and ending 12/31/2018		
A Name of plan CFD RESEARCH CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN	B Three-digit plan number (PN) ▶	002
C Plan sponsor's name as shown on line 2a of Form 5500 CFD RESEARCH CORPORATION	D Employer Identification Number (EIN) 63-0944385	

Part I	Service Provider Information (see instructions)
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You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

- a** Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☐ Yes ☒ No
- b** If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

PFG

42-0127290

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
15 53	RECORDKEEPER/B OOKKEEPER	19099	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE H (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	<small>OMB No. 1210-0110</small> 2018 This Form is Open to Public Inspection
For calendar plan year 2018 or fiscal plan year beginning 01/01/2018 and ending 12/31/2018		
A Name of plan CFD RESEARCH CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN		B Three-digit plan number (PN) ► 002
C Plan sponsor's name as shown on line 2a of Form 5500 CFD RESEARCH CORPORATION		D Employer Identification Number (EIN) 63-0944385

Part I Asset and Liability Statement			
1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.			
Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....	1b(1)	0	216818
(2) Participant contributions	1b(2)	0	0
(3) Other.....	1b(3)	0	0
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....	1c(1)	60137	204227
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common.....	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property).....	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans.....	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities.....	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

		(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:		
(1)	Employer securities	1d(1) 7912608	8777010
(2)	Employer real property	1d(2)	
e	Buildings and other property used in plan operation	1e	
f	Total assets (add all amounts in lines 1a through 1e)	1f 7972745	9198055
Liabilities			
g	Benefit claims payable	1g 0	
h	Operating payables	1h 0	
i	Acquisition indebtedness	1i 0	
j	Other liabilities	1j 1801505	1557440
k	Total liabilities (add all amounts in lines 1g through 1j)	1k 1801505	1557440
Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l 6171240	7640615

Part II Income and Expense Statement

- 2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

		(a) Amount	(b) Total
a	Contributions:		
(1)	Received or receivable in cash from: (A) Employers	2a(1)(A) 650358	
	(B) Participants	2a(1)(B) 0	
	(C) Others (including rollovers)	2a(1)(C) 0	
(2)	Noncash contributions	2a(2) 0	
(3)	Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)	650358
b	Earnings on investments:		
(1)	Interest:		
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A) 2088	
	(B) U.S. Government securities	2b(1)(B) 0	
	(C) Corporate debt instruments	2b(1)(C) 0	
	(D) Loans (other than to participants)	2b(1)(D) 0	
	(E) Participant loans	2b(1)(E)	
	(F) Other	2b(1)(F) 0	
	(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)	2088
(2)	Dividends: (A) Preferred stock	2b(2)(A) 0	
	(B) Common stock	2b(2)(B) 0	
	(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C) 0	
	(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)	0
(3)	Rents	2b(3)	0
(4)	Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A) 0	
	(B) Aggregate carrying amount (see instructions)	2b(4)(B) 0	
	(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)	0
(5)	Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A) 0	
	(B) Other	2b(5)(B) 864403	
	(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)	864403

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		0
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		0
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		0
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		0
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		0
c Other income.....	2c		348301
d Total income. Add all income amounts in column (b) and enter total.....	2d		1865150

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	318668	
(2) To insurance carriers for the provision of benefits	2e(2)	0	
(3) Other	2e(3)	0	
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		318668
f Corrective distributions (see instructions)	2f		0
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense.....	2h		34920
i Administrative expenses: (1) Professional fees.....	2i(1)	19744	
(2) Contract administrator fees.....	2i(2)	19099	
(3) Investment advisory and management fees.....	2i(3)	0	
(4) Other	2i(4)	20	
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		38863
j Total expenses. Add all expense amounts in column (b) and enter total	2j		392451

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		1472699
l Transfers of assets:			
(1) To this plan.....	2l(1)		0
(2) From this plan.....	2l(2)		3324

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unqualified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☐ Yes ☒ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: CRABTREE, ROWE & BERGER, P.C.

(2) EIN: 72-1541717

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....

b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)

	Yes	No	Amount
4a		X	0
4b		X	0

		Yes	No	Amount
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	4c		X	0
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	4d		X	0
e Was this plan covered by a fidelity bond?	4e	X		500000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	4g		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	4i	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)	4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k		X	
l Has the plan failed to provide any benefit when due under the plan?	4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m	X		
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	4n	X		

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? ☐ Yes ☒ No
 If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)
CFD RESEARCH CORPORATION 401K PROFIT SHARING PLAN	63-0944385	001

5c If the plan is a defined benefit plan, is it covered under the PBGC insurance program (See ERISA section 4021.)? ☐ Yes ☐ No ☐ Not determined
 If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year _____. (See instructions.)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2018 This Form is Open to Public Inspection.
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For calendar plan year 2018 or fiscal plan year beginning 01/01/2018 and ending 12/31/2018

A Name of plan <u>CFD RESEARCH CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN</u>	B Three-digit plan number (PN) ▶ <u>002</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>CFD RESEARCH CORPORATION</u>	D Employer Identification Number (EIN) <u>63-0944385</u>

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>42-0127290</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year	3	

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)
----------------	---

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount)	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?	☐ Yes	☐ No	☐ N/A

Part III	Amendments
-----------------	-------------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☐ No
--	-----------------------------------	-----------------------------------	-------------------------------	-----------------------------

Part IV	ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
----------------	---

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?	☐ Yes	☒ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☒ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☒ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☒ Yes	☐ No

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Schedule R (Form 5500) 2018
v. 171027

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year

b The plan year immediately preceding the current plan year

c The second preceding plan year

14a**14b****14c**

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year

b The corresponding number for the second preceding plan year

15a**15b**

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year

b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers

16a**16b**

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

- 19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

- a** Enter the percentage of plan assets held as:

Stock: _____ % Investment-Grade Debt: _____ % High-Yield Debt: _____ % Real Estate: _____ % Other: _____ %

- b** Provide the average duration of the combined investment-grade and high-yield debt:

☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

- c** What duration measure was used to calculate line 19(b)?

☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):

CFD RESEARCH CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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CFD Research Corporation Employee Stock Ownership Plan
Huntsville, Alabama

December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Trustee
CFD Research Corporation Employee Stock Ownership Plan
Huntsville, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of CFD Research Corporation Employee Stock Ownership Plan, which comprise the statement of net assets available for benefits as of December 31, 2018, and the related statement of changes in net assets available for benefits for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of CFD Research Corporation Employee Stock Ownership Plan as of December 31, 2018, and the changes in net assets available for benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – 2017 Financial Statements

The statement of net assets available for benefits for the year ended December 31, 2017 was compiled by us and, accordingly, we do not express an opinion or provide any assurance about whether the statement is in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information - 2018

Our audit was conducted for the purpose of forming an opinion on the 2018 financial statements as a whole. The supplemental schedules of Assets Held for Sale and Reportable Transactions, together referred to as "supplemental information," are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Crabtree, Rowe & Berger, P.C.

Huntsville, Alabama
October 14, 2019

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, Alabama

As of December 31, 2018
and December 31, 2017

	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
<u>Assets</u>	<u>Allocated</u>	<u>Unallocated</u>	<u>Total</u>	<u>Allocated</u>	<u>Unallocated</u>	<u>Total</u>
Investments, at fair value:						
Common stock of CFD Research Corporation	\$ 6,181,208	\$ 2,595,802	\$ 8,777,010	\$ 5,182,427	\$ 2,730,180	\$ 7,912,607
Investments - interest bearing cash	204,227	-	204,227	58,632	-	58,632
Receivables:						
Employer contributions	<u>216,818</u>	<u>-</u>	<u>216,818</u>	<u>106,032</u>	<u>-</u>	<u>106,032</u>
Total assets	6,602,253	2,595,802	9,198,055	5,347,091	2,730,180	8,077,271
<u>Liabilities</u>						
Accrued interest	-	7,805	7,805	-	9,021	9,021
Benefits payable	214,044	-	214,044	286,320	-	286,320
Loan payable to related party	<u>-</u>	<u>1,557,440</u>	<u>1,557,440</u>	<u>-</u>	<u>1,800,000</u>	<u>1,800,000</u>
Total liabilities	<u>214,044</u>	<u>1,565,245</u>	<u>1,779,289</u>	<u>286,320</u>	<u>1,809,021</u>	<u>2,095,341</u>
Net assets available for plan benefits	<u>\$ 6,388,209</u>	<u>\$ 1,030,557</u>	<u>\$ 7,418,766</u>	<u>\$ 5,060,771</u>	<u>\$ 921,159</u>	<u>\$ 5,981,930</u>

See Accompanying Notes
to Financial Statements.



STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, Alabama

For the year ended
December 31, 2018

	<u>Allocated</u>	<u>Unallocated</u>	<u>Total</u>
Additions to net assets attributed to:			
Investment Income:			
Net unrealized appreciation			
in fair value of investments	\$ 756,221	\$ 108,182	\$ 864,403
Dividends	346,796	-	346,796
Interest earned	2,088	-	2,088
Employer contributions	266,846	277,480	544,326
Allocation of 163,876.3714 shares, at fair value	<u>242,560</u>	<u>-</u>	<u>242,560</u>
 Total additions to net assets	 1,614,511	 385,662	 2,000,173
 Deductions from net assets attributed to:			
Distributions to participants	(249,715)	-	(249,715)
Interest on loan payable to related party	-	(33,704)	(33,704)
Allocation of 163,876.3714 shares, at fair value	-	(242,560)	(242,560)
Administrative expenses	<u>(37,358)</u>	<u>-</u>	<u>(37,358)</u>
 Total deductions from net assets	 <u>(287,073)</u>	 <u>(276,264)</u>	 <u>(563,337)</u>
 Net increase in net assets	 1,327,438	 109,398	 1,436,836
 Net assets available for plan benefits:			
Beginning of year	<u>5,060,771</u>	<u>921,159</u>	<u>5,981,930</u>
 End of year	 <u>\$ 6,388,209</u>	 <u>\$ 1,030,557</u>	 <u>\$ 7,418,766</u>

See Accompanying Notes
to Financial Statements.



NOTES TO FINANCIAL STATEMENTS

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, AL

December 31, 2018

NOTE 1 – DESCRIPTION OF PLAN

The following brief description of the CFD Research Corporation Employee Stock Ownership Plan is provided for general information purposes only. Participants should refer to the Plan agreement for complete information.

General

CFD Research Corporation (the Company) established the CFD Research Corporation Employee Stock Ownership Plan (the Plan) effective as of January 1, 2005. It was amended and restated effective as of January 1, 2010. The Plan operates as a leveraged employee stock ownership plan (ESOP), and is designed to comply with Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986, as amended (IRC) and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Under the Plan, there is an Employee Stock Ownership Trust (the Trust) which holds the investments of the Plan. The Plan is administered by CFD Research Corporation. The name of the Plan's Trustee is Ashok Singhal, the Company's Founder & Chairman.

In 2017, the Plan purchased Company common stock from a Company officer under a long-term repayment agreement. The borrowing is to be repaid over a period of seven years by fully deductible Company contributions to the trust fund. As the Plan makes each payment of principal, an appropriate percentage of stock will be allocated to eligible employees' accounts in accordance with applicable regulations under the IRC. The financial statements of the Plan as of December 31, 2018 and 2017, and for the year ended December 31, 2018, present separately the assets and liabilities and changes therein pertaining to:

1. The accounts of employees with vested rights in allocated common stock (Allocated) and
2. Common stock not yet allocated to employees (Unallocated).

Eligibility

Employees of the Company are generally eligible to participate in the Plan after one year of service providing they worked at least 1,000 hours during such plan year. Participants who do not have at least 1,000 hours of service during such plan year or are not employed on the last working day of a plan year are generally not eligible for an allocation of Company contributions for such year.

Eligibility for the 401(k) employer match to the Plan is based on participation in the Company's 401(k) plan. The amount of the match is based on employee deferrals and the provisions of the Company's 401(k) plan.

Employer Contributions

The Company's Board of Directors determines the form (either in Company stock or cash) and amount of employer contributions. During any year during which the Company has elected to be treated as a "Subchapter S Corporation," the Trust may also receive its share of any distributed earnings (S Corporation Distributions) paid to the Company's stockholders. Participants in the Company's 401(k) plan may also elect to have their company match contributed to the Plan instead of to their account in the 401(k) plan. Employees are not permitted to make contributions.



NOTES TO FINANCIAL STATEMENTS – CONTINUED

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, AL

December 31, 2018

NOTE 1 – DESCRIPTION OF PLAN (CONTINUED)

Payments of Benefits

Distributions on account of death, disability, or retirement are made in a lump sum or annual installments in the Plan year following the event. The method of payment will be either cash or stock distribution as required by the Plan Document.

Plan Termination

The Company reserves the right to terminate the Plan at any time, subject to Plan provisions. Upon such termination of the Plan, the accounts of all affected participants will become 100% vested. After termination of the Plan, the trust will be maintained until the Plan Benefits of all participants have been distributed in accordance with the terms of the Plan and the IRC.

Participant Accounts

Each participant's account can be credited with an allocation of (1) the Company's contributions, (2) Company matched funds as directed from the 401(k) plan, (3) Plan earnings or losses based on changes in the price of the Company stock, and (4) forfeitures of terminated participant's non-vested accounts. Allocations are based on participant earnings or account balances, as defined in the Plan Document. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Vesting

Employees entering the Plan prior to January 1, 2017 vest in the Company's contributions and related earnings at a rate of 25% per year over four years. Employees entering the Plan on or after January 1, 2017 vest in the Company's contributions and related earnings at a rate of 16.67% per year and are fully vested after six years. Employees are also fully vested upon reaching the normal retirement date as defined by the Plan Document, death of a participant, or total and permanent disability as defined by the Plan Document.

Put Option

Under Federal income tax regulations, the employer stock that is held by the Plan and its participants and is not readily tradable on an established market, or is subject to trading limitations, includes a put option. The put option is a right to demand that the Company buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the current appraised value of the stock. The Company can pay for the purchase with interest over a period of five years. The purpose of a put option is to ensure that the participant has the ability to ultimately obtain cash.



NOTES TO FINANCIAL STATEMENTS – CONTINUED

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, AL

December 31, 2018

NOTE 1 – DESCRIPTION OF PLAN (CONTINUED)

Diversification

Diversification is offered to participants close to retirement so that they may have the opportunity to move part of the value of their investment in Company common stock into investments which are more diversified. Participants who are at least age 55 with at least 10 years of participation in the Plan may elect to diversify a portion of their account. Diversification is offered to each eligible participant over a six-year period. In each of the first five years, a participant may diversify up to 25% of the number of post-1986 shares allocated to his or her account, less any shares previously diversified. In the sixth year, the percentage changes to 50%. Participants who elect to diversify receive a distribution that is directly transferred into the Plan Sponsor's 401(k) plan. Participants eligible to diversify make their election the year after the Plan year in which they become eligible.

Forfeitures

Employer contributions and Plan forfeitures are allocated to each participant's account based upon the relation of the participant's compensation to total compensation for the Plan year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Accordingly, actual results may differ from those estimates.

Allocations

The financial statements of the Plan present separately the assets and liabilities and changes therein pertaining to (a) the accounts of employees with rights in allocated stock ("allocated") and (b) stock not yet allocated to employees ("unallocated"), including shares that are committed to be released. Shares are released from collateral and become allocated generally in the period in which debt service is actually paid.

Investment Valuation and Income Recognition

The shares of Company common stock are valued at fair value. See Note 6 for discussion of fair value measurements.

Dividend income is accrued on the ex-dividend date.



NOTES TO FINANCIAL STATEMENTS – CONTINUED

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, AL

December 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Expenses

Certain expenses of maintaining the Plan and Trust, which are based on the number of participants, are paid directly by the Company and are excluded from these financial statements. Other fees, including valuation fees and recordkeeping fees are paid by the Plan.

Payment of Benefits

Benefits are recorded when paid.

NOTE 3 – INCOME TAX STATUS

The IRS informed the Plan sponsor by a letter dated December 10, 2014, that the Plan and related trust received a conditional favorable determination that the Plan was designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Company believes they are in compliance with all requirements needed for a favorable determination. Although the Plan has been amended since receiving the determination letter, the Plan administrator and the Plan's tax counsel believe that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the IRC and, therefore, believe that the Plan is qualified, and the related trust is tax-exempt.

Accounting principles generally accepted in the United States of America require the Plan administrator to evaluate tax positions taken by the Plan and recognize a tax liability for any uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress.

NOTE 4 – ADMINISTRATION OF PLAN ASSETS

The Plan's assets, which consist principally of Company common shares, are held by the Trust and are managed by the Trustee. The Trustee invests cash received, interest, and dividend income. The Plan administrator, as directed by the Trustee, administers the payment of interest and principal on the loan and makes distributions to participants.

Certain administrative functions are performed by officers or employees of the Company. No such officer or employee receives compensation from the Plan. The Company may, at its discretion, require the Plan to reimburse it for administration expenses.



NOTES TO FINANCIAL STATEMENTS – CONTINUED

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, AL

December 31, 2018

NOTE 5 – INVESTMENTS

The Plan's investments, at December 31, 2018, are presented in the following table:

	2018		2017	
	<u>Allocated</u>	<u>Unallocated</u>	<u>Allocated</u>	<u>Unallocated</u>
CFD Research Corporation Common shares:				
Number of shares	<u>2,341,367</u>	<u>983,258</u>	<u>2,177,490</u>	<u>1,147,135</u>
Cost	\$ <u>1,479,275</u>	\$ <u>621,222</u>	\$ <u>1,375,738</u>	\$ <u>724,759</u>
Fair value	\$ <u>6,181,208</u>	\$ <u>2,595,802</u>	\$ <u>5,182,427</u>	\$ <u>2,730,180</u>

NOTE 6 – FAIR VALUE MEASUREMENTS

Fair Value Determination

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access. |
| Level 2 | <p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none"> • Quoted prices for similar assets or liabilities in active markets; • Quoted prices for identical or similar assets in inactive markets; • Inputs other than quoted prices that are observable for the asset or liability; • Inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p> |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |



NOTES TO FINANCIAL STATEMENTS – CONTINUED

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, AL

December 31, 2018

NOTE 6 – FAIR VALUE MEASUREMENTS (CONTINUED)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The common stock of CFD Research Corporation is not actively traded and significant other observable inputs are not available. Thus, the fair value of CFD Research Corporation common stock held by the Plan is valued at estimated fair value based on an independent appraisal. In determining the value, the appraisal emphasized an income-based approach. The appraiser took into account earnings capacity, a weighted average cost of capital, the acquisition market data method, EBIT, EBITDA, and net sales, market multiples and market indicators. In the appraisal, adjustments were made to the value of operations for the present value of stock appreciation rights and warrants and the repurchase obligation of the Plan. A discount was also taken for the lack of marketability and liquidity of the Company.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table represents the Plan's investments at December 31, 2018 and 2017 by level within the fair value hierarchy.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2018:				
Common stock	-	-	\$ 8,777,010	\$ 8,777,010
Total	<u>-</u>	<u>-</u>	<u>\$ 8,777,010</u>	<u>\$ 8,777,010</u>
December 31, 2017:				
Common stock	-	-	\$ 7,912,607	\$ 7,912,607
Total	<u>-</u>	<u>-</u>	<u>\$ 7,912,607</u>	<u>\$ 7,912,607</u>



NOTES TO FINANCIAL STATEMENTS – CONTINUED

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, AL

December 31, 2018

NOTE 6 – FAIR VALUE MEASUREMENTS – CONTINUED

The following tables reconcile the beginning and ending balances of fair value measurements using significant unobservable inputs (Level 3) for the years ended December 31, 2018 and 2017.

		CFD Research Corporation Common Stock
December 31, 2017 balance	\$	7,912,607
Total gains or losses (realized or unrealized) included in changes in net assets available for benefits		864,403
December 31, 2018 balance	\$	<u>8,777,010</u>

Gains and losses (realized and unrealized) included in changes in net assets available for benefits for the year ended December 31, 2018 are reported in net unrealized appreciation in fair value of investments.

NOTE 7 – RELATED PARTY AND PARTY-IN-INTEREST TRANSACTIONS

The Plan invests in common stock of the Company and has indebtedness guaranteed by the Company. These are related party and party-in-interest transactions. As described in Note 2, the Company pays some expenses of the Plan. The Plan's service provider is Principal Financial Group, which is a party-in-interest under ERISA. Fees paid to Principal Financial Group totaled \$19,099 for the year ended December 31, 2018.

As described in Note 8, the Plan holds a note payable to an officer of the Company, who is a related party and party-in-interest.

NOTE 8 – LOAN PAYABLE TO RELATED PARTY AND PARTY-IN-INTEREST

In 2017, the Plan sponsor entered into a \$1,800,000 seven-year promissory agreement with an officer of the Company who is a related party and party-in-interest. The proceeds of the loan were used to purchase the Company's common stock. Interest accrues at a fixed rate of 1.94% per annum. The loan is secured by a pledge of unallocated shares of common stock in the company. Shares are released and allocated to participants on a pro-rata basis annually when principal and interest payments are made. The fair value of the note payable as of December 31, 2018 and 2017 was \$1,557,440 and \$1,800,000, respectively. Future maturities of the loan payable are summarized as follows:



NOTES TO FINANCIAL STATEMENTS – CONTINUED

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, AL

December 31, 2018

NOTE 8 – LOAN PAYABLE (CONTINUED)

<u>Year ending December 31,</u>	
2019	\$247,266
2020	252,063
2021	256,953
2022	261,938
2023	267,020
Thereafter	<u>272,200</u>
	<u>\$1,557,440</u>

NOTE 9 – FORFEITURES

During the Plan year ended December 31, 2018, non-vested benefits of \$759 were forfeited by participants and re-allocated to remaining participants.

NOTE 10 – RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2018 and 2017 to Form 5500:

	<u>2018</u>	<u>2017</u>
Net assets available for benefits per the financial statements	\$ 7,418,766	\$ 5,981,930
Employer contributions receivable	-	(106,032)
Benefits payable	214,044	286,320
Accrued interest on loan payable	7,805	9,021
Rounding	-	1
Net assets available for benefits per the Form 5500	<u>\$ 7,640,615</u>	<u>\$ 6,171,240</u>



NOTES TO FINANCIAL STATEMENTS – CONTINUED

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, AL

December 31, 2018

NOTE 10 – RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500 (CONTINUED)

The following is a reconciliation of the change in net assets available for benefits per the financial statements for the year ended December 31, 2018 to Form 5500:

Change in net assets available for benefits per the financial statements	\$	1,436,836
Employer contributions receivable at December 31, 2017		106,032
Benefits payable at December 31, 2018		214,044
Benefits payable at December 31, 2017		(286,320)
Accrued interest on loan payable at December 31, 2018		7,805
Accrued interest on loan payable at December 31, 2017		(9,021)
Transfers of assets from this plan		3,324
Rounding		(1)
Change in net assets available for benefits per the Form 5500	\$	<u>1,472,699</u>

NOTE 11 – PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to provisions of ERISA. In the event of Plan termination, participants will become one hundred percent vested in their accounts and all unallocated amounts shall be allocated to the accounts of all participants in accordance with the Plan's provisions.

NOTE 12 – RISKS AND UNCERTAINTIES

The Plan investments consist primarily of the Company's common stock, which is exposed to various risks such as interest rate, market, and credit risks, as well as valuation assumptions, based on earnings and cash flows. Due to the level of risk associated with the investment in the common stock and to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in the value of the common stock will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 14, 2019, the date on which financial statements were available to be issued.

In August 2019, the promissory note payable to an officer of the Company was amended to extend the repayment to 2025, with a fixed interest rate per annum of 1.78%.



SUPPLEMENTAL SCHEDULES

SCHEDULE H, LINE 4i,--SCHEDULE OF ASSETS (HELD AT END OF YEAR)

CFD Research Corporation Employee Stock Ownership Plan
EIN: 63-0944385 Plan No. 002
Huntsville, Alabama

December 31, 2018

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(d) Cost	(e) Current Value
*	CFD Research Corporation	3,324,625 shares of CFD Research Corporation Common Stock	<u>\$ 2,110,873</u>	<u>\$ 8,777,010</u>

* Party in interest



SCHEDULE H, LINE 4j,--SCHEDULE OF REPORTABLE TRANSACTIONS

CFD Research Corporation Employee Stock Ownership Plan
 EIN: 63-0944385 Plan No. 002
 Huntsville, Alabama

December 31, 2018

(a) Identity of Party Involved	(b) Description of Asset (include interest rate and maturity in case of a loan)	(c) Purchase Price	(d) Selling Price	(e) Lease Rental	(f) Expense Incurred With Transaction	(g) Cost of Asset	(h) Current Value of Asset on Transaction Date	(i) Net Gain or (Loss)
CFD Research Corporation	Contributions and dividends from the Company to the Plan	\$ 891,122	N/A	N/A	N/A	\$ 891,122	\$ 891,122	N/A

CFD RESEARCH CORPORATION
EMPLOYEE STOCK OWNERSHIP PLAN
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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CFD Research Corporation Employee Stock Ownership Plan
Huntsville, Alabama

December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Trustee
CFD Research Corporation Employee Stock Ownership Plan
Huntsville, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of CFD Research Corporation Employee Stock Ownership Plan, which comprise the statement of net assets available for benefits as of December 31, 2018, and the related statement of changes in net assets available for benefits for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of CFD Research Corporation Employee Stock Ownership Plan as of December 31, 2018, and the changes in net assets available for benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – 2017 Financial Statements

The statement of net assets available for benefits for the year ended December 31, 2017 was compiled by us and, accordingly, we do not express an opinion or provide any assurance about whether the statement is in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information - 2018

Our audit was conducted for the purpose of forming an opinion on the 2018 financial statements as a whole. The supplemental schedules of Assets Held for Sale and Reportable Transactions, together referred to as "supplemental information," are presented for the purpose of additional analysis and are not a required part of the financial statements but are supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Crabtree, Rowe & Berger, P.C.

Huntsville, Alabama
October 14, 2019

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, Alabama

As of December 31, 2018
and December 31, 2017

	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
<u>Assets</u>	<u>Allocated</u>	<u>Unallocated</u>	<u>Total</u>	<u>Allocated</u>	<u>Unallocated</u>	<u>Total</u>
Investments, at fair value:						
Common stock of CFD Research Corporation	\$ 6,181,208	\$ 2,595,802	\$ 8,777,010	\$ 5,182,427	\$ 2,730,180	\$ 7,912,607
Investments - interest bearing cash	204,227	-	204,227	58,632	-	58,632
Receivables:						
Employer contributions	<u>216,818</u>	<u>-</u>	<u>216,818</u>	<u>106,032</u>	<u>-</u>	<u>106,032</u>
Total assets	6,602,253	2,595,802	9,198,055	5,347,091	2,730,180	8,077,271
<u>Liabilities</u>						
Accrued interest	-	7,805	7,805	-	9,021	9,021
Benefits payable	214,044	-	214,044	286,320	-	286,320
Loan payable to related party	<u>-</u>	<u>1,557,440</u>	<u>1,557,440</u>	<u>-</u>	<u>1,800,000</u>	<u>1,800,000</u>
Total liabilities	<u>214,044</u>	<u>1,565,245</u>	<u>1,779,289</u>	<u>286,320</u>	<u>1,809,021</u>	<u>2,095,341</u>
Net assets available for plan benefits	<u>\$ 6,388,209</u>	<u>\$ 1,030,557</u>	<u>\$ 7,418,766</u>	<u>\$ 5,060,771</u>	<u>\$ 921,159</u>	<u>\$ 5,981,930</u>

See Accompanying Notes
to Financial Statements.



STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, Alabama

For the year ended
December 31, 2018

	<u>Allocated</u>	<u>Unallocated</u>	<u>Total</u>
Additions to net assets attributed to:			
Investment Income:			
Net unrealized appreciation			
in fair value of investments	\$ 756,221	\$ 108,182	\$ 864,403
Dividends	346,796	-	346,796
Interest earned	2,088	-	2,088
Employer contributions	266,846	277,480	544,326
Allocation of 163,876.3714 shares, at fair value	<u>242,560</u>	<u>-</u>	<u>242,560</u>
 Total additions to net assets	 1,614,511	 385,662	 2,000,173
 Deductions from net assets attributed to:			
Distributions to participants	(249,715)	-	(249,715)
Interest on loan payable to related party	-	(33,704)	(33,704)
Allocation of 163,876.3714 shares, at fair value	-	(242,560)	(242,560)
Administrative expenses	<u>(37,358)</u>	<u>-</u>	<u>(37,358)</u>
 Total deductions from net assets	 <u>(287,073)</u>	 <u>(276,264)</u>	 <u>(563,337)</u>
 Net increase in net assets	 1,327,438	 109,398	 1,436,836
 Net assets available for plan benefits:			
Beginning of year	<u>5,060,771</u>	<u>921,159</u>	<u>5,981,930</u>
 End of year	 <u>\$ 6,388,209</u>	 <u>\$ 1,030,557</u>	 <u>\$ 7,418,766</u>

See Accompanying Notes
to Financial Statements.



NOTES TO FINANCIAL STATEMENTS

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, AL

December 31, 2018

NOTE 1 – DESCRIPTION OF PLAN

The following brief description of the CFD Research Corporation Employee Stock Ownership Plan is provided for general information purposes only. Participants should refer to the Plan agreement for complete information.

General

CFD Research Corporation (the Company) established the CFD Research Corporation Employee Stock Ownership Plan (the Plan) effective as of January 1, 2005. It was amended and restated effective as of January 1, 2010. The Plan operates as a leveraged employee stock ownership plan (ESOP), and is designed to comply with Section 4975(e)(7) and the regulations thereunder of the Internal Revenue Code of 1986, as amended (IRC) and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Under the Plan, there is an Employee Stock Ownership Trust (the Trust) which holds the investments of the Plan. The Plan is administered by CFD Research Corporation. The name of the Plan's Trustee is Ashok Singhal, the Company's Founder & Chairman.

In 2017, the Plan purchased Company common stock from a Company officer under a long-term repayment agreement. The borrowing is to be repaid over a period of seven years by fully deductible Company contributions to the trust fund. As the Plan makes each payment of principal, an appropriate percentage of stock will be allocated to eligible employees' accounts in accordance with applicable regulations under the IRC. The financial statements of the Plan as of December 31, 2018 and 2017, and for the year ended December 31, 2018, present separately the assets and liabilities and changes therein pertaining to:

1. The accounts of employees with vested rights in allocated common stock (Allocated) and
2. Common stock not yet allocated to employees (Unallocated).

Eligibility

Employees of the Company are generally eligible to participate in the Plan after one year of service providing they worked at least 1,000 hours during such plan year. Participants who do not have at least 1,000 hours of service during such plan year or are not employed on the last working day of a plan year are generally not eligible for an allocation of Company contributions for such year.

Eligibility for the 401(k) employer match to the Plan is based on participation in the Company's 401(k) plan. The amount of the match is based on employee deferrals and the provisions of the Company's 401(k) plan.

Employer Contributions

The Company's Board of Directors determines the form (either in Company stock or cash) and amount of employer contributions. During any year during which the Company has elected to be treated as a "Subchapter S Corporation," the Trust may also receive its share of any distributed earnings (S Corporation Distributions) paid to the Company's stockholders. Participants in the Company's 401(k) plan may also elect to have their company match contributed to the Plan instead of to their account in the 401(k) plan. Employees are not permitted to make contributions.



NOTES TO FINANCIAL STATEMENTS – CONTINUED

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, AL

December 31, 2018

NOTE 1 – DESCRIPTION OF PLAN (CONTINUED)

Payments of Benefits

Distributions on account of death, disability, or retirement are made in a lump sum or annual installments in the Plan year following the event. The method of payment will be either cash or stock distribution as required by the Plan Document.

Plan Termination

The Company reserves the right to terminate the Plan at any time, subject to Plan provisions. Upon such termination of the Plan, the accounts of all affected participants will become 100% vested. After termination of the Plan, the trust will be maintained until the Plan Benefits of all participants have been distributed in accordance with the terms of the Plan and the IRC.

Participant Accounts

Each participant's account can be credited with an allocation of (1) the Company's contributions, (2) Company matched funds as directed from the 401(k) plan, (3) Plan earnings or losses based on changes in the price of the Company stock, and (4) forfeitures of terminated participant's non-vested accounts. Allocations are based on participant earnings or account balances, as defined in the Plan Document. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

Vesting

Employees entering the Plan prior to January 1, 2017 vest in the Company's contributions and related earnings at a rate of 25% per year over four years. Employees entering the Plan on or after January 1, 2017 vest in the Company's contributions and related earnings at a rate of 16.67% per year and are fully vested after six years. Employees are also fully vested upon reaching the normal retirement date as defined by the Plan Document, death of a participant, or total and permanent disability as defined by the Plan Document.

Put Option

Under Federal income tax regulations, the employer stock that is held by the Plan and its participants and is not readily tradable on an established market, or is subject to trading limitations, includes a put option. The put option is a right to demand that the Company buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the current appraised value of the stock. The Company can pay for the purchase with interest over a period of five years. The purpose of a put option is to ensure that the participant has the ability to ultimately obtain cash.



NOTES TO FINANCIAL STATEMENTS – CONTINUED

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, AL

December 31, 2018

NOTE 1 – DESCRIPTION OF PLAN (CONTINUED)

Diversification

Diversification is offered to participants close to retirement so that they may have the opportunity to move part of the value of their investment in Company common stock into investments which are more diversified. Participants who are at least age 55 with at least 10 years of participation in the Plan may elect to diversify a portion of their account. Diversification is offered to each eligible participant over a six-year period. In each of the first five years, a participant may diversify up to 25% of the number of post-1986 shares allocated to his or her account, less any shares previously diversified. In the sixth year, the percentage changes to 50%. Participants who elect to diversify receive a distribution that is directly transferred into the Plan Sponsor's 401(k) plan. Participants eligible to diversify make their election the year after the Plan year in which they become eligible.

Forfeitures

Employer contributions and Plan forfeitures are allocated to each participant's account based upon the relation of the participant's compensation to total compensation for the Plan year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Accordingly, actual results may differ from those estimates.

Allocations

The financial statements of the Plan present separately the assets and liabilities and changes therein pertaining to (a) the accounts of employees with rights in allocated stock ("allocated") and (b) stock not yet allocated to employees ("unallocated"), including shares that are committed to be released. Shares are released from collateral and become allocated generally in the period in which debt service is actually paid.

Investment Valuation and Income Recognition

The shares of Company common stock are valued at fair value. See Note 6 for discussion of fair value measurements.

Dividend income is accrued on the ex-dividend date.



NOTES TO FINANCIAL STATEMENTS – CONTINUED

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, AL

December 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Expenses

Certain expenses of maintaining the Plan and Trust, which are based on the number of participants, are paid directly by the Company and are excluded from these financial statements. Other fees, including valuation fees and recordkeeping fees are paid by the Plan.

Payment of Benefits

Benefits are recorded when paid.

NOTE 3 – INCOME TAX STATUS

The IRS informed the Plan sponsor by a letter dated December 10, 2014, that the Plan and related trust received a conditional favorable determination that the Plan was designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Company believes they are in compliance with all requirements needed for a favorable determination. Although the Plan has been amended since receiving the determination letter, the Plan administrator and the Plan's tax counsel believe that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the IRC and, therefore, believe that the Plan is qualified, and the related trust is tax-exempt.

Accounting principles generally accepted in the United States of America require the Plan administrator to evaluate tax positions taken by the Plan and recognize a tax liability for any uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress.

NOTE 4 – ADMINISTRATION OF PLAN ASSETS

The Plan's assets, which consist principally of Company common shares, are held by the Trust and are managed by the Trustee. The Trustee invests cash received, interest, and dividend income. The Plan administrator, as directed by the Trustee, administers the payment of interest and principal on the loan and makes distributions to participants.

Certain administrative functions are performed by officers or employees of the Company. No such officer or employee receives compensation from the Plan. The Company may, at its discretion, require the Plan to reimburse it for administration expenses.



NOTES TO FINANCIAL STATEMENTS – CONTINUED

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, AL

December 31, 2018

NOTE 5 – INVESTMENTS

The Plan's investments, at December 31, 2018, are presented in the following table:

	2018		2017	
	<u>Allocated</u>	<u>Unallocated</u>	<u>Allocated</u>	<u>Unallocated</u>
CFD Research Corporation Common shares:				
Number of shares	<u>2,341,367</u>	<u>983,258</u>	<u>2,177,490</u>	<u>1,147,135</u>
Cost	\$ <u>1,479,275</u>	\$ <u>621,222</u>	\$ <u>1,375,738</u>	\$ <u>724,759</u>
Fair value	\$ <u>6,181,208</u>	\$ <u>2,595,802</u>	\$ <u>5,182,427</u>	\$ <u>2,730,180</u>

NOTE 6 – FAIR VALUE MEASUREMENTS

Fair Value Determination

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access. |
| Level 2 | <p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none"> • Quoted prices for similar assets or liabilities in active markets; • Quoted prices for identical or similar assets in inactive markets; • Inputs other than quoted prices that are observable for the asset or liability; • Inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p> |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |



NOTES TO FINANCIAL STATEMENTS – CONTINUED

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, AL

December 31, 2018

NOTE 6 – FAIR VALUE MEASUREMENTS (CONTINUED)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The common stock of CFD Research Corporation is not actively traded and significant other observable inputs are not available. Thus, the fair value of CFD Research Corporation common stock held by the Plan is valued at estimated fair value based on an independent appraisal. In determining the value, the appraisal emphasized an income-based approach. The appraiser took into account earnings capacity, a weighted average cost of capital, the acquisition market data method, EBIT, EBITDA, and net sales, market multiples and market indicators. In the appraisal, adjustments were made to the value of operations for the present value of stock appreciation rights and warrants and the repurchase obligation of the Plan. A discount was also taken for the lack of marketability and liquidity of the Company.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table represents the Plan's investments at December 31, 2018 and 2017 by level within the fair value hierarchy.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2018:				
Common stock	-	-	\$ 8,777,010	\$ 8,777,010
Total	-	-	\$ 8,777,010	\$ 8,777,010
December 31, 2017:				
Common stock	-	-	\$ 7,912,607	\$ 7,912,607
Total	-	-	\$ 7,912,607	\$ 7,912,607



NOTES TO FINANCIAL STATEMENTS – CONTINUED

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, AL

December 31, 2018

NOTE 6 – FAIR VALUE MEASUREMENTS – CONTINUED

The following tables reconcile the beginning and ending balances of fair value measurements using significant unobservable inputs (Level 3) for the years ended December 31, 2018 and 2017.

		CFD Research Corporation Common Stock
December 31, 2017 balance	\$	7,912,607
Total gains or losses (realized or unrealized) included in changes in net assets available for benefits		864,403
December 31, 2018 balance	\$	<u>8,777,010</u>

Gains and losses (realized and unrealized) included in changes in net assets available for benefits for the year ended December 31, 2018 are reported in net unrealized appreciation in fair value of investments.

NOTE 7 – RELATED PARTY AND PARTY-IN-INTEREST TRANSACTIONS

The Plan invests in common stock of the Company and has indebtedness guaranteed by the Company. These are related party and party-in-interest transactions. As described in Note 2, the Company pays some expenses of the Plan. The Plan's service provider is Principal Financial Group, which is a party-in-interest under ERISA. Fees paid to Principal Financial Group totaled \$19,099 for the year ended December 31, 2018.

As described in Note 8, the Plan holds a note payable to an officer of the Company, who is a related party and party-in-interest.

NOTE 8 – LOAN PAYABLE TO RELATED PARTY AND PARTY-IN-INTEREST

In 2017, the Plan sponsor entered into a \$1,800,000 seven-year promissory agreement with an officer of the Company who is a related party and party-in-interest. The proceeds of the loan were used to purchase the Company's common stock. Interest accrues at a fixed rate of 1.94% per annum. The loan is secured by a pledge of unallocated shares of common stock in the company. Shares are released and allocated to participants on a pro-rata basis annually when principal and interest payments are made. The fair value of the note payable as of December 31, 2018 and 2017 was \$1,557,440 and \$1,800,000, respectively. Future maturities of the loan payable are summarized as follows:



NOTES TO FINANCIAL STATEMENTS – CONTINUED

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, AL

December 31, 2018

NOTE 8 – LOAN PAYABLE (CONTINUED)

<u>Year ending December 31,</u>	
2019	\$247,266
2020	252,063
2021	256,953
2022	261,938
2023	267,020
Thereafter	<u>272,200</u>
	<u>\$1,557,440</u>

NOTE 9 – FORFEITURES

During the Plan year ended December 31, 2018, non-vested benefits of \$759 were forfeited by participants and re-allocated to remaining participants.

NOTE 10 – RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2018 and 2017 to Form 5500:

	<u>2018</u>	<u>2017</u>
Net assets available for benefits per the financial statements	\$ 7,418,766	\$ 5,981,930
Employer contributions receivable	-	(106,032)
Benefits payable	214,044	286,320
Accrued interest on loan payable	7,805	9,021
Rounding	-	1
Net assets available for benefits per the Form 5500	<u>\$ 7,640,615</u>	<u>\$ 6,171,240</u>



NOTES TO FINANCIAL STATEMENTS – CONTINUED

CFD Research Corporation Employee Stock Ownership Plan
Huntsville, AL

December 31, 2018

NOTE 10 – RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500 (CONTINUED)

The following is a reconciliation of the change in net assets available for benefits per the financial statements for the year ended December 31, 2018 to Form 5500:

Change in net assets available for benefits per the financial statements	\$	1,436,836
Employer contributions receivable at December 31, 2017		106,032
Benefits payable at December 31, 2018		214,044
Benefits payable at December 31, 2017		(286,320)
Accrued interest on loan payable at December 31, 2018		7,805
Accrued interest on loan payable at December 31, 2017		(9,021)
Transfers of assets from this plan		3,324
Rounding		(1)
Change in net assets available for benefits per the Form 5500	\$	<u>1,472,699</u>

NOTE 11 – PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to provisions of ERISA. In the event of Plan termination, participants will become one hundred percent vested in their accounts and all unallocated amounts shall be allocated to the accounts of all participants in accordance with the Plan's provisions.

NOTE 12 – RISKS AND UNCERTAINTIES

The Plan investments consist primarily of the Company's common stock, which is exposed to various risks such as interest rate, market, and credit risks, as well as valuation assumptions, based on earnings and cash flows. Due to the level of risk associated with the investment in the common stock and to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in the value of the common stock will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 14, 2019, the date on which financial statements were available to be issued.

In August 2019, the promissory note payable to an officer of the Company was amended to extend the repayment to 2025, with a fixed interest rate per annum of 1.78%.



SUPPLEMENTAL SCHEDULES

SCHEDULE H, LINE 4i,--SCHEDULE OF ASSETS (HELD AT END OF YEAR)

CFD Research Corporation Employee Stock Ownership Plan
EIN: 63-0944385 Plan No. 002
Huntsville, Alabama

December 31, 2018

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(d) Cost	(e) Current Value
*	CFD Research Corporation	3,324,625 shares of CFD Research Corporation Common Stock	<u>\$ 2,110,873</u>	<u>\$ 8,777,010</u>

* Party in interest



SCHEDULE H, LINE 4j,--SCHEDULE OF REPORTABLE TRANSACTIONS

CFD Research Corporation Employee Stock Ownership Plan
 EIN: 63-0944385 Plan No. 002
 Huntsville, Alabama

December 31, 2018

(a) Identity of Party Involved	(b) Description of Asset (include interest rate and maturity in case of a loan)	(c) Purchase Price	(d) Selling Price	(e) Lease Rental	(f) Expense Incurred With Transaction	(g) Cost of Asset	(h) Current Value of Asset on Transaction Date	(i) Net Gain or (Loss)
CFD Research Corporation	Contributions and dividends from the Company to the Plan	\$ 891,122	N/A	N/A	N/A	\$891,122	\$ 891,122	N/A