

Quadlogic Controls Corporation Reports Financial Results for the interim six months ended August 31, 2017 and August 31, 2016 and announces Commencement of Litigation to recover Unpaid Royalties.

Long Island City, New York

Quadlogic Controls Corporation (OTC Markets: QDLC), today announced its financial results for the interim six months ended August 31, 2017 and August 31, 2016.

Total revenues for the six months ended August 31, 2017 were \$7.4 million as compared to \$5.9 million for the six months ended August 31, 2016. The Company reported net income for the six months ended August 31, 2017 of approximately \$249,000, or 3.3% of total revenues, compared to a net loss of approximately \$(395,000), for the six months ended August 31, 2016.

Effective with the year ended 2/28/17, the Company is recognizing royalties from its Mexican licensee upon receipt of payments.

Detailed interim six months financial information may be downloaded at www.quadlogic.com or <http://www.otcmarkets.com>

The Company also announced today that on January 16, 2018, it filed two lawsuits in connection with the enforcement of its Mexican license agreement. The first, instituted in the United States District Court for the Southern District of New York, seeks to recover \$7.3 million in unpaid royalties. The second, filed in New York State Supreme Court, involves the actions of a former employee of the Company in connection with the license. The Company intends to enforce its rights vigorously in both lawsuits.

About Quadlogic

The Company is engaged in the business of electricity metering, monitoring and control. All Quadlogic metering products feature the Company's proprietary robust power line communications technology. The business consists of four segments. First is the design, manufacture and sale of the Company's "smart" metering system, a line of digital, microprocessor-controlled meters that, in communication with the Quadlogic Transponder, measures and remotely monitors the time and amount of electricity consumption and other diagnostics. The second segment supports the first and consists of technical services including meter reading, customer billing, and system repair and maintenance. The third segment, the Energy Guard™ system of concentrated metering, is sold primarily to utilities in countries where electricity theft is common. It consists of pole-mounted sealed panels of meters, remote data concentrators and sub-station based data collectors capable of remote metering, theft and tamper detection and remote power disconnect and reconnect. The fourth segment is comprised of royalties from licensees producing and selling our Energy Guard system under licensing arrangements. The Company's customers include real estate development and construction companies, owners and operators of multi-tenant commercial and residential buildings, distributors and foreign electric utility companies, and licensees.

Future financial statement releases: The Company intends to release financial results twice per year upon completion of our audited annual financial statements and our unaudited interim six month financial statements.

Forward Looking Statements: This press release may contain forward-looking information concerning Quadlogic's plans, objectives, future expectations, forecasts and prospects. These statements may include those regarding Quadlogic's past financial performance including but not limited to lists of customers, revenue and profit, use of cash, investments, relationships and the

actual or potential impact of stock option expense, and the results of its product development efforts. Quadlogic's future results will depend on many factors, including Quadlogic's ability to attract new customers and preserve or expand its relationship with existing clients, its ability to retain and attract high quality employees, including its management staff, the ability to deliver new innovative products in a timely manner, changing accounting treatments, and other risks applicable to the Company. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

**For investor questions contact: Michael J. Wirth, CFO at 212-930-9300
or at InvestorRelations@Quadlogic.com**

QUADLOGIC CONTROLS CORPORATION
UNAUDITED CONDENSED BALANCE SHEETS
(In thousands, except per share data)

	<u>August 31, 2017</u>	<u>August 31, 2016</u>
<u>ASSETS</u>		
Current assets		
Cash	\$ 65	\$ 136
Accounts receivable	2,028	1,964
Inventories	1,700	1,520
Prepaid expenses and other current assets	<u>134</u>	<u>195</u>
Total current assets	<u>3,927</u>	<u>3,815</u>
Property and equipment, net	770	859
Other assets		
Patent & trademarks costs, net	414	446
Other assets	354	841
Lease deposits	<u>192</u>	<u>192</u>
Total other assets	960	1,479
Total assets	<u>\$ 5,657</u>	<u>\$ 6,153</u>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities		
Current maturities of installment debt	\$ -	\$ 60
Debt obligations - preferred shareholders	-	83
Accounts payable	1,621	1,616
Customer deposits	115	271
Accrued expenses and other liabilities	758	1,041
Current portion of accrued compensation	<u>608</u>	<u>562</u>
Total current liabilities	<u>3,102</u>	<u>3,633</u>
Non-current liabilities		
Accrued compensation	590	583
Secured line of credit - borrowings	870	1,267
Other non-current liabilities	<u>920</u>	<u>1,197</u>
Total liabilities	<u>5,482</u>	<u>6,680</u>
Shareholders' equity		
Common stock, \$0.001 par value; 20,000,000 shares authorized, 11,373,351 shares issued and outstanding for both 2017 and 2016	11	11
Additional paid-in capital	9,500	9,500
Accumulated deficit	<u>(9,336)</u>	<u>(10,038)</u>
Total shareholders' equity (deficit)	<u>175</u>	<u>(527)</u>
Total liabilities and shareholders' equity	<u>\$ 5,657</u>	<u>\$ 6,153</u>

QUADLOGIC CONTROLS CORPORATION
UNAUDITED CONDENSED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	<u>August 31, 2017</u>	<u>August 31, 2016</u>
Revenues:		
Meter sales	\$ 3,737	\$ 2,962
Royalty income	1,000	500
Billing and technical services	<u>2,711</u>	<u>2,402</u>
Total revenues	7,448	5,864
Cost of revenues:		
Cost of meters sold	2,405	2,154
Cost of billing and technical services	<u>1,411</u>	<u>1,424</u>
Total cost of revenues	3,816	3,578
Gross Profit	3,632	2,286
Operating expenses:		
Selling	858	793
Engineering	744	639
General and administrative	<u>1,697</u>	<u>1,138</u>
Total operating expenses	3,299	2,570
Operating income (loss)	333	(284)
Other expense:		
Interest expense	(68)	(96)
Other expense, net	<u>(16)</u>	<u>(15)</u>
Total other expenses	(84)	(111)
Net income (loss)	\$ <u>249</u>	\$ <u>(395)</u>
Net earnings/ (loss) per share:		
Basic	\$ 0.02	\$ (0.03)
Shares used in computing basic earnings per share	11,373,351	11,373,351
Diluted	\$ 0.02	\$ (0.03)
Shares used in computing diluted earnings per share	11,743,111	11,683,111

QUADLOGIC CONTROLS CORPORATION
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)

	<u>August 31, 2017</u>	<u>August 31, 2016</u>
Cash flows from operating activities:		
Net income/ (loss)	\$ 249	\$ (395)
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	12	12
Depreciation and amortization	99	95
Stock based compensation	35	10
Patent abandonment	25	-
Changes in assets and liabilities:		
Accounts receivable	(22)	209
Inventories	(138)	(38)
Prepaid expenses and other current assets	61	236
Accounts payable	(205)	(110)
Customer deposits	(75)	(52)
Accrued expenses and other liabilities	(37)	419
Accrued compensation	(23)	(13)
Other non-current liabilities	(245)	(31)
Net cash provided (used) by operating activities	<u>(264)</u>	<u>342</u>
Cash flow from investing activities:		
Purchases of property and equipment	(13)	(81)
Patent acquisition costs	(17)	6
Net cash used in investing activities	<u>(30)</u>	<u>(75)</u>
Cash flows from financing activities:		
Payments on debt obligations	(28)	(80)
Borrowing from line of credit	7,692	6,558
Repayment of line of credit	(7,433)	(6,880)
Net provided by financing activities	<u>231</u>	<u>(402)</u>
Net increase/ (decrease) in cash	<u>(63)</u>	<u>(135)</u>
Cash beginning	<u>128</u>	<u>271</u>
Cash ending	<u>\$ 65</u>	<u>\$ 136</u>