

*Consolidated
Financial Statements
Years Ended
September 30, 2010 and 2009*

LB&B Associates, Inc. and Subsidiary



Certified Public Accountants
Specialized Services
Business Solutions

LB&B Associates, Inc. and Subsidiary

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Report of Independent Auditors

Board of Directors
LB&B Associates, Inc.

We have audited the accompanying consolidated balance sheets of *LB&B Associates, Inc. and Subsidiary* as of September 30, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the management of *LB&B Associates, Inc. and Subsidiary*. Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of *LB&B Associates, Inc. and Subsidiary* as of September 30, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Goodman & Company, LLP

McLean, Virginia
February 25, 2011

LB&B Associates, Inc. and Subsidiary

Consolidated Balance Sheets

September 30,

2010

2009

Assets

Current assets

Cash

Accounts receivable - net

Other receivables

Due from joint ventures

Other current assets

Total current assets

Property and equipment - net

Investments in joint ventures

Deposits

Liabilities and Stockholders' Equity

Current liabilities

Accounts payable

Accrued liabilities

Accrued salaries and fringe benefits

Capital lease obligation

Notes payable - current portion

Total current liabilities

Notes payable - less current portion

Total liabilities

Stockholders' equity

The accompanying notes are an integral part of these consolidated financial statements.

LB&B Associates, Inc. and Subsidiary

Consolidated Statements of Income

Years Ended September 30,	2010	2009
Contract revenue		
Direct contract costs		
Gross profit		
Indirect contract costs		
Costs not allocable to contracts		
Operating income		
Other income (expense)		
Income from joint ventures		
Interest income		
Interest expense		
Total other income (expense) - net		
Income before income taxes		
Income tax expense		
Net income from continuing operations		
Discontinued operations		
Loss from discontinued operations (net of tax of \$0)		
Net income		

The accompanying notes are an integral part of these consolidated financial statements.

LB&B Associates, Inc. and Subsidiary

Consolidated Statements of Changes in Equity

Years Ended September 30, 2010 and 2009

	Capital	Retained Earnings	Total
Balance - September 30, 2008			
Net income			
Distributions			
Balance - September 30, 2009			
Net income			
Distributions			
Balance - September 30, 2010			

The accompanying notes are an integral part of these consolidated financial statements.

LB&B Associates, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended September 30,	2010	2009
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Cash flows from operating activities

Net income from continuing operations
Loss from discontinued operations
Adjustments to reconcile to net cash from operating activities:
 Bad debt recovery
 Depreciation
 Income from joint ventures
Change in:
 Accounts receivable
 Other receivables
 Due from joint ventures
 Other current assets
 Deposits
 Accounts payable and accrued liabilities
 Accrued salaries and fringe benefits
 Net cash from operating activities

Cash flows from investing activities

Purchase of property and equipment
Distributions from joint ventures
 Net cash from investing activities

Cash flows from financing activities

Principal payments on notes payable
Distributions to stockholders
Principal payments on capital lease obligations
 Net cash from financing activities

Net change in cash

Cash - beginning of year

Cash - end of year

Supplemental disclosures of cash flow information

Cash paid for interest
Cash paid for income taxes

Supplemental disclosures of noncash financing activities

During 2010, the Company acquired \$1,912,011 of vehicles under a capital lease agreement.

The accompanying notes are an integral part of these consolidated financial statements.

LB&B Associates, Inc. and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2010 and 2009

1. Organization and Nature of Business

LB&B Associates, Inc. and Subsidiary (Company) are North Carolina corporations headquartered in Columbia, Maryland, that provide diversified services, primarily operations and maintenance support services, to the U.S. government. The Company also provides manufacturing and assembly services for the U.S. government and various private companies.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include *LB&B Associates, Inc.* (LB&B) and its wholly owned subsidiary *Solar Microsystems, LLC*, (*Solar*) collectively referred to as the Company. All significant intercompany balances and transactions have been eliminated in consolidation. As further discussed in Note 13, the Company discontinued the operations of Solar. Accordingly, the operating results of Solar have been presented as discontinued operations in the accompanying consolidated financial statements.

Revenue Recognition

Revenue on fixed-price contracts is recognized as per the payment schedule detailed in the corresponding contracts and approximates the percentage-of-completion method, which uses costs incurred in relation to total estimated costs. Revenue on time-and-materials contracts is recognized to the extent of billable rates times hours delivered plus materials expense incurred. Revenue on cost-plus-fee contracts is recognized to the extent of costs incurred plus a proportionate amount of fee earned. Anticipated losses are recognized in the period they become known.

Because of the inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change within the near term.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with maturities of three months or less to be cash or cash equivalents.

Concentrations of Credit Risk

The Company maintains its cash in bank deposit accounts, which at times may exceed the federally insured limit. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents as management places the Company's funds with high quality financial institutions. At September 30, 2010, the [REDACTED] \$0 above the federally insured limit at September 30, 2009.

Accounts receivable mainly consist of amounts due from the federal government. These amounts are reviewed periodically by management in order to determine amounts which may potentially be deemed uncollectible.

Subsequent Event

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through February 25, 2011, the date the consolidated financial statements were available to be issued.

Accounts Receivable

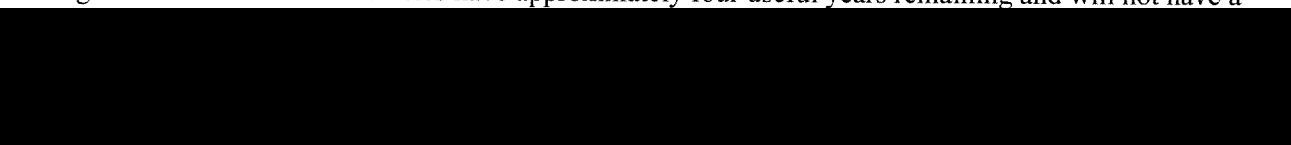
Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Accounts deemed uncollectible are charged off based on individual credit evaluation and specific circumstances of the parties involved.

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives as follows:

Vehicles	5 - 9 years
Office furniture	3 - 5 years
Manufacturing and communication equipment	5 years
Computer equipment	3 years
Fuel tanks	5 years

During 2010 and 2009, management determined that the estimated useful life of certain vehicles was longer than originally estimated. These vehicles had previously been depreciated to their salvage value. Management estimates these vehicles have approximately four useful years remaining and will not have a



Estimates

The preparation of consolidated financial statements in conformity 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Income Taxes

The stockholders of the Company have elected to be taxed as an S corporation, whereby all income, losses and credits of the Company are passed through to the stockholders. Consequently, no provision for federal income taxes is included in these consolidated financial statements. The Company remains liable for income taxes in jurisdictions that do not recognize S corporation status.

Reclassifications

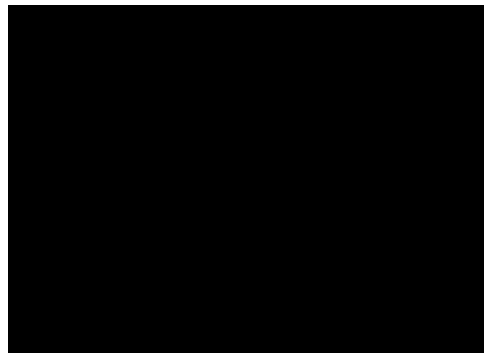
Certain reclassifications have been made to the current year consolidated financial statements in order for them to be in conformity with the current year presentation.

3. Accounts Receivable

Accounts receivable is comprised of the following:

Billed
Accrued billings
Unbilled

Less - allowance for doubtful accounts

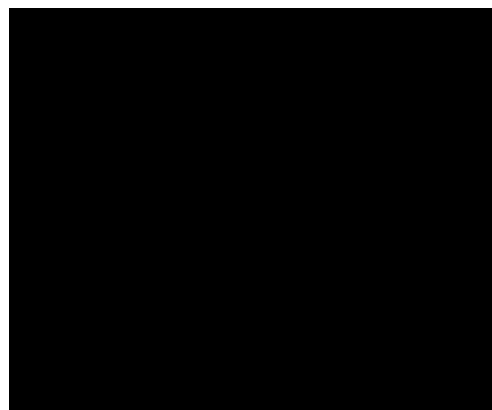


4. Property and Equipment

Major classes of property and equipment consisted of the following:

Vehicles
Office furniture
Manufacturing and communication equipment
Computer equipment
Fuel tanks

Less - accumulated depreciation



5. Notes Payable

The Company had several note payable agreements due in monthly installments of principal and interest ranging from \$23,017 to \$39,199, with interest rates ranging from 7.57% to 7.88%, collateralized by vehicles, maturing through 2011. The notes were paid in full during 2010.

6. Line of Credit

The Company has a line of credit with a bank, due on demand, which provides for borrowings not to exceed [REDACTED]. No stated maturity date exists on the line. The Company also has two letters of credit of [REDACTED] which expired on October 31, 2011. These letters of credit limit borrowings on the line to [REDACTED]. Interest is payable monthly at the prime rate per annum (3.25% at September 30, 2010). The agreement is secured by the Company's trade accounts receivable and is guaranteed by the stockholders. There were no outstanding amounts at September 30, 2010 and 2009.

7. Common Stock

The Company has authorized 500 no par value common shares. There were [REDACTED] shares issued and outstanding at September 30, 2010 and 2009.

8. Leases

Operating Leases

The Company has entered into several noncancelable operating leases for office space expiring through 2012. [REDACTED]

Future estimated lease payments are as follows:

2011
2012

[REDACTED]

Capital Leases

The Company acquired multiple vehicles under a one-year capital lease agreement during 2010. The carrying [REDACTED]

9. Costs Not Allocable to Contracts

Costs not allocable to contracts consisted of the following:

Bonus expenses
Entertainment expenses
Legal expenses
Miscellaneous unallowable expenses

2010 2009

[REDACTED]

10. Retirement Plan

The Company has adopted a 401(k) retirement plan (Plan) under which the Company may match employees' deferrals. Beginning on January 1, 2009, the Company changed its matching formula from 50% of deferrals up to 5% of compensation to matching 60% of deferrals up to 6% of compensation, upon the employee's completion of five years of service. The Company may also contribute an additional discretionary amount.



11. Commitments and Contingencies

Government Contracts

Substantially all of the Company's revenues have been derived from contracts with the U.S. government. These contract revenues are subject to adjustment upon audit by government agencies. Management does not expect the results of such audits to have a material effect on the Company's financial position or results of future operations. Final indirect cost rates have been established by audit for all years through 2004.

12. Investments in Joint Ventures

The Company has entered into several joint venture agreements. Under the term of the agreements, the Company shares 49% of all income and expenses of the joint ventures. The joint ventures are carried at equity, adjusted for the Company's proportionate share of their undistributed earnings or losses.

Investments carried at equity consisted of the following:

September 30, 2010

Investment – at equity

Equity in income

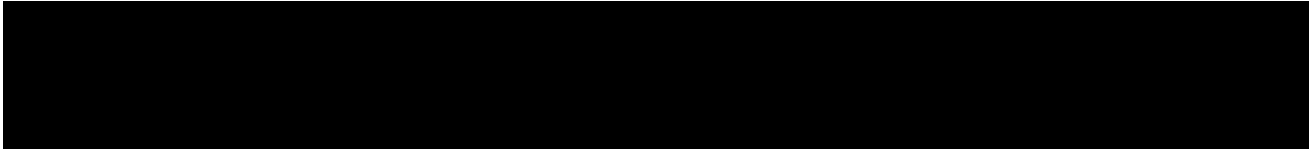
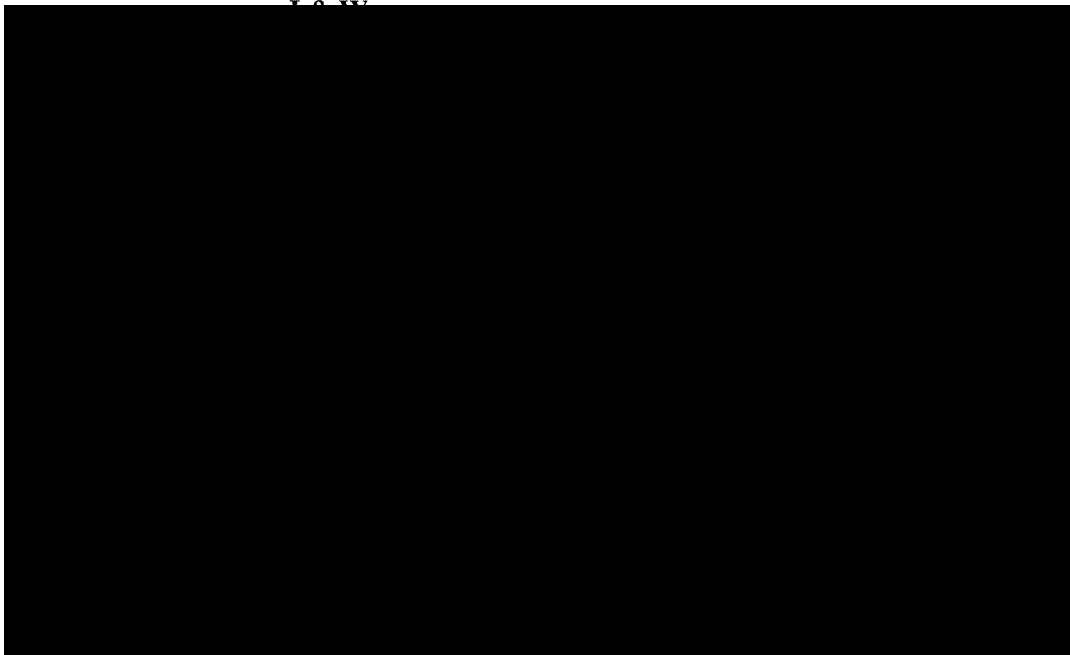
Distributions

September 30, 2009

Investment – at equity

Equity in income

Distributions



The amounts due from the joint ventures do not have set repayment terms and do not accrue interest.

Summarized information as to the assets, liabilities and results of operations are as follows:

September 30, 2010

Assets
Liabilities
Equity

Revenue
Expenses
Net income

September 30, 2009

Assets
Liabilities
Equity

Revenue
Expenses
Net income



The BSA/LB&B Joint Venture records distributions when paid. As of September 30, 2010, distributions had not been paid to all owners on a pro rata basis.

13. Discontinued Operations

During 2009, LB&B made a strategic decision to phase out its subsidiary, Solar. During 2010, all assets and liabilities were distributed to LB&B. There was no revenue, expenses, or gain/loss on disposal during 2010 for Solar Microsystems, LLC nor will there be any continuing cash flows from Solar.

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