

***Financial Statements***  
***Years Ended***  
***September 30, 2011 and 2010***

***LB&B Associates, Inc.***



**DIXON HUGHES GOODMAN<sup>LLP</sup>**  
Certified Public Accountants and Advisors

***LB&B Associates, Inc.***

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## *Report of Independent Auditors*

Board of Directors  
***LB&B Associates, Inc.***

We have audited the accompanying balance sheet of ***LB&B Associates, Inc.*** as of September 30, 2011, and the related statements of income, changes in equity, and cash flows for the year then ended. These financial statements are the responsibility of the management of ***LB&B Associates, Inc.*** Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of September 30, 2010 were audited by Goodman & Company, LLP, who merged into Dixon Hughes Goodman LLP as of April 1, 2011, and whose report dated February 25, 2011 expressed an unqualified opinion on those statements.

We conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ***LB&B Associates, Inc.***'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

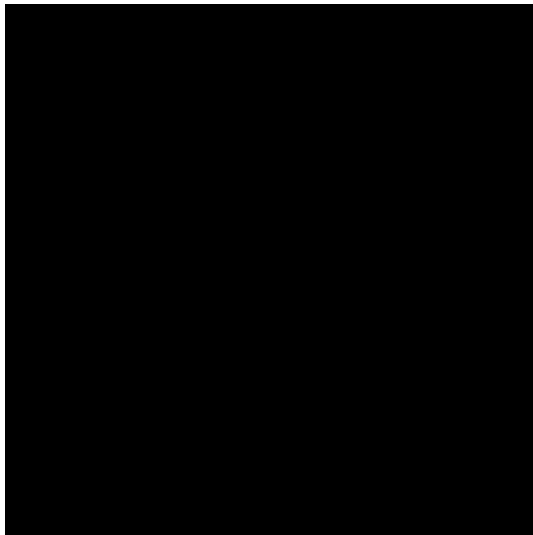
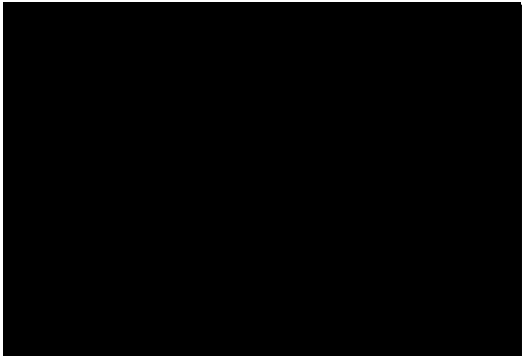
In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of ***LB&B Associates, Inc.*** as of September 30, 2011, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Dixon Hughes Goodman LLP*

Tysons, Virginia  
February 1, 2012

***LB&B Associates, Inc.***

***Balance Sheets***

<b>September 30,</b>	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash		
Accounts receivable - net		
Other receivables		
Due from joint ventures		
Other current assets		
<b>Total current assets</b>		
<b>Property and equipment - net</b>		
<b>Investments in joint ventures</b>		
<b>Deposits</b>		
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable		
Accrued expenses		
Accrued salaries and fringe benefits		
Capital lease obligation		
<b>Total current liabilities</b>		
<b>Stockholders' equity</b>		

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

***LB&B Associates, Inc.***

***Statements of Income***

<b>Years Ended September 30,</b>	<b>2011</b>	<b>2010</b>
<b>Contract revenue</b>		
<b>Direct contract costs</b>		
<b>Gross profit</b>		
<b>Indirect contract costs</b>		
<b>Costs not allocable to contracts</b>		
<b>Operating income</b>		
<b>Other income (expense)</b>		
Income from joint ventures		
Interest income		
Interest expense		
<b>Total other income (expense) - net</b>		
<b>Income before income taxes</b>		
<b>Income tax expense</b>		
<b>Net income</b>		

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

*LB&B Associates, Inc.*

*Statements of Changes in Equity*

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**Years Ended September 30, 2011 and 2010**

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	<b>Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
<b>Balance - September 30, 2009</b>			
Net income			
Distributions			
<b>Balance - September 30, 2010</b>			
Net income			
Distributions			
<b>Balance - September 30, 2011</b>			

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

***LB&B Associates, Inc.***

***Statements of Cash Flows***

**Years Ended September 30,**

**2011**

**2010**

**Cash flows from operating activities**

Net income from continuing 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 expenses

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 financial statements.*

***LB&B Associates, Inc.***

***Notes to Financial Statements***

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**September 30, 2011 and 2010**

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**1. Organization and Nature of Business**

***LB&B Associates, Inc.*** (Company) is a North Carolina corporation headquartered in Columbia, Maryland, that provides 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**

**Basis of Presentation**

The accounting policies of the Company are in accordance with accounting principles generally accepted in the United States of America (GAAP) applied on a basis consistent with that of the preceding years. Outlined below are those policies considered particularly significant.

**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.

**Concentrations of Credit Risk**

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash invested at a financial institution in excess of Federal Deposit Insurance Corporation (FDIC) coverage. The Company maintains its cash investments with high quality financial institutions. At September 30, 2011, the cash balances were fully insured. [REDACTED] of the federally insured limit.



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.

[REDACTED] contract revenue was derived from two customers. For the year ended September 30, 2011, there was not a concentration of receivables. For the year ended September 30, 2010, approximately [REDACTED] or [REDACTED] accounts receivables was derived from one customer.

### 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, 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 salvage value after those four years. [REDACTED] depreciation expense incurred in 2011 and 2010, respectively, that would not have been incurred using the original estimate. This reduced property and equipment – net, operating income and net income by [REDACTED].

### Estimates

The preparation of 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 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 financial statements. The Company remains liable for income taxes in jurisdictions that do not recognize S corporation status. The Company has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2011. Fiscal years ending on or after September 30, 2008 remain subject to examination by federal and state tax authorities.

### Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through February 1, 2012, the date the financial statements were available to be issued.

### 3. Accounts Receivable

Accounts receivable is comprised of the following:

	<u>2011</u>	<u>2010</u>
Billed		
Accrued billings		
Unbilled		
Less - allowance for doubtful accounts		

### 4. Property and Equipment

Major classes of property and equipment consisted of the following:

	<u>2011</u>	<u>2010</u>
Vehicles		
Office furniture		
Manufacturing and communication equipment		
Computer equipment		
Fuel tanks		
Less - accumulated depreciation		

### 5. Line of Credit

The Company has a line of credit with a bank, due on demand, which provides for borrowings not to exceed

[REDACTED]

(3.01% at September 30, 2011). The agreement is secured by the Company's trade accounts receivable. As of September 30, 2011, the Company was in compliance with all financial covenants. There were no outstanding amounts at September 30, 2011 and 2010.

**6. Common Stock**

The Company has authorized 500 no par value common shares. There were [REDACTED] shares issued and outstanding at September 30, 2011 and 2010.

**7. Leases**

*Operating Leases*

The Company has entered into several noncancelable operating leases for office space expiring through 2017. The leases include an annual escalation clause and a portion of shared expenses. Rent expense charged to operations for [REDACTED]

Future estimated lease payments are as follows:

2012  
2013  
2014  
2015  
2016  
Thereafter



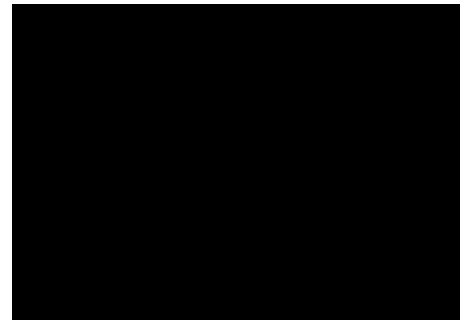
*Capital Leases*

The Company acquired multiple vehicles under a one-year capital lease agreement during 2010. At September 30, 2011, the carrying value of the equipment, less accumulated depreciation [REDACTED], was [REDACTED] 2011 and 2010, respectively. The capital lease was paid in full during 2011.

**8. Costs Not Allocable to Contracts**

Costs not allocable to contracts consisted of the following:

Bonus expenses  
Entertainment expenses  
Legal expenses  
Miscellaneous unallowable expenses



**9. Retirement Plan**

The Company maintains 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.

[REDACTED]

**10. Commitments and Contingencies**

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.

**11. 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 and adjusted for the Company's proportionate share of their undistributed earnings or losses.

Investments carried at equity consisted of the following:

**September 30, 2011**

Investment – at equity

Equity in income

Distributions

[REDACTED]

**September 30, 2010**

Investment – at equity

Equity in income

Distributions

[REDACTED]

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 is as follows:

**September 30, 2011**

Assets  
Liabilities  
Equity

Revenue  
Expenses  
Net income

**September 30, 2010**

Assets  
Liabilities  
Equity

Revenue  
Expenses  
Net income

The BSA/LB&B Joint Venture records distributions when paid. As of September 30, 2011, distributions had not been paid to all owners on a pro rata basis.

[Redacted]

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