

DENNIS CORPORATION

REPORT ON
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008

DENNIS CORPORATION

CONTENTS

	<u>PAGE</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1-2
FINANCIAL STATEMENTS	
Balance sheets	3
Statements of income	4
Statements of stockholders' equity	5
Statements of cash flows	6
NOTES TO FINANCIAL STATEMENTS	7 - 13



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Dennis Corporation
Columbia, South Carolina

We have audited the accompanying balance sheet of Dennis Corporation as of December 31, 2009, and the related statements of income, stockholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

The Company has not complied with accounting principles generally accepted in the United States of America relating to variable interest entities. In our opinion, the financial statements for the Company and a related entity (Dennis Corporation Development, LLC) should be consolidated in order to conform with accounting principles generally accepted in the United State of America. Had the activities of the related entity been recorded in these financial statements, net income would have decreased by \$14,140 and stockholder's equity would have decreased by \$53,364.

In addition, the Company had a long-term lease that was treated as an operating lease rather than a capital lease as required by accounting principles generally accepted in the United States of America. If this lease had been treated as a capital lease, property and equipment and capital lease obligations on the balance sheet would have increased by \$1,701,687 as of December 31, 2009.

In our opinion, except for the effects of not consolidating Dennis Corporation Development, LLC and the effects of treating a long-term real estate lease as an operating lease rather than a capital lease, the financial statements referred to above present fairly, in all material respects, the financial position of Dennis Corporation as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 2008 financial statements were compiled by us and our report thereon, dated January 26, 2009, stated we did not audit or review those financial statements and, accordingly, we express no opinion or any other form of assurance on them. However, we did become aware of a departure from accounting principles generally accepted in the United States of America that is described in the following paragraph.

For the 2008 financial statements, the Company did not comply with accounting principles generally accepted in the United States of America with respect to variable interest entities. In our opinion, the financial statements for the Company and a related entity (Dennis Corporation Development, LLC), should be consolidated in order to conform with accounting principles generally accepted in the United States of America. Had the activities of the related entity been recorded in the 2008 financial statements, net income would have decreased by \$39,224 and stockholders' equity would have decreased by \$39,224.

Elliott Davis, LLC

Columbia, South Carolina
February 12 2010

DENNIS CORPORATION
BALANCE SHEETS

	December 31,	
	2009	2008 (Unaudited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 36,389	\$ 108,393
Accounts receivable, net of allowance of \$102,164	2,105,359	1,002,025
Total current assets	2,141,748	1,110,418
PROPERTY AND EQUIPMENT, net	1,539,814	1,270,555
DUE FROM RELATED PARTY	20,070	-
	\$ 3,701,632	\$ 2,380,973
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Lines of credit	\$ 604,544	\$ 405,701
Current portion of long-term debt	371,144	204,709
Current portion of capital lease obligations	27,266	24,461
Accounts payable	454,620	255,351
Deferred income taxes	142,545	-
Due to stockholder	-	13,904
Total current liabilities	1,600,119	904,126
LONG-TERM DEBT	948,290	867,618
CAPITAL LEASE OBLIGATIONS	54,458	63,112
DEFERRED INCOME TAXES	199,714	114,428
STOCKHOLDERS' EQUITY		
Common stock (\$1.50 stated value; 100,000 shares authorized, 87,666 shares issued)	131,500	131,500
Retained earnings	767,551	300,189
Total stockholder's equity	899,051	431,689
	\$ 3,701,632	\$ 2,380,973

See accountants' report and notes to financial statements
which are an integral part of these statements.

DENNIS CORPORATION
STATEMENTS OF INCOME

For the years ended
December 31,

	2009	2008 (Unaudited)
OPERATING REVENUES	\$ 7,901,484	\$ 5,938,216
OPERATING EXPENSES		
Automobile	227,000	285,142
Bad debts	94,026	126,852
Cleaning/janitorial	5,730	4,685
Contract labor	552,583	725,874
Contributions	31,959	18,074
Depreciation	360,614	259,241
Dues and subscriptions	37,269	45,831
Gifts	16,069	6,490
Insurance	385,534	279,512
Internet	7,585	5,245
Lab testing	77,340	40,519
Leased equipment	79,925	63,394
Marketing and advertising	51,233	14,424
Meals and entertainment	61,531	65,495
Miscellaneous expenses and fees	60,164	23,043
Office supplies	81,028	74,600
Payroll	3,817,846	2,820,281
Postage and delivery	14,801	14,436
Printing and reproduction	44,424	52,034
Professional development	5,162	23,796
Professional fees	148,969	46,304
Rent	492,762	201,020
Repairs and maintenance	412	12,742
Supplies	111,468	123,048
Survey expense	(45)	8,485
Taxes and licenses	90,471	76,285
Telephone and fax	89,939	70,583
Training and certification	59,916	32,506
Travel	82,440	88,755
Utilities	8,814	6,668
Total operating expenses	<u>7,096,969</u>	<u>5,615,364</u>
Net operating revenues over expenses	<u>804,515</u>	<u>322,852</u>
OTHER INCOME (EXPENSE)		
Rental income	5,000	6,500
Interest income	2,228	1,405
Other income	11,209	18,833
Loss on disposal of fixed assets	(2,947)	-
Interest expense	(124,812)	(93,144)
Total other income (expense)	<u>(109,322)</u>	<u>(66,406)</u>
Net income before income taxes	695,193	256,446
PROVISION FOR INCOME TAXES	227,831	63,601
Net income	<u>\$ 467,362</u>	<u>\$ 192,845</u>

See accountants' report and notes to financial statements
which are an integral part of these statements.

DENNIS CORPORATION
STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Retained Earnings	Total
	Shares	Amount		
Balance, January 1, 2008 (unaudited)	87,666	\$ 131,500	\$ 107,344	\$ 238,844
Net income (loss)	-	-	192,845	192,845
Balance, December 31, 2008 (unaudited)	87,666	131,500	300,189	431,689
Net income	-	-	467,362	467,362
Balance, December 31, 2009	<u>87,666</u>	<u>\$ 131,500</u>	<u>\$ 767,551</u>	<u>\$ 899,051</u>

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DENNIS CORPORATION
STATEMENTS OF CASH FLOWS

	For the years ended	
	December 31,	
	2009	2008
		(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 467,362	\$ 192,845
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	360,614	259,241
Deferred income taxes	227,831	63,601
Changes in deferred and accrued amounts		
Accounts receivable	(1,103,335)	(352,276)
Accounts payable and accrued expenses	199,270	36,929
Net cash provided by operating activities	151,742	200,340
INVESTING ACTIVITIES		
Purchases of property and equipment	(95,472)	(500,002)
Net cash used for investing activities	(95,472)	(500,002)
FINANCING ACTIVITIES		
Payments on stockholder loan	(13,904)	(116,835)
Advances to related company	(20,070)	-
Proceeds from advances on line of credit	198,843	297,208
Principal payments on notes payable	(293,143)	(282,781)
Proceeds from new notes payable	-	492,313
Net cash provided by (used for) financing activities	(128,274)	389,905
Net change in cash and cash equivalents	(72,004)	90,243
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	108,393	18,150
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 36,389	\$ 108,393
CASH PAID DURING THE YEAR FOR		
Interest	\$ 124,812	\$ 93,144
NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment acquired through capital leases and other financing	\$ 13,340	\$ 101,176

See accountants' report and notes to financial statements
which are an integral part of these statements.

DENNIS CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of business

Dennis Corporation (the Company) is a Southeastern licensed engineering, surveying and construction management firm specializing in a wide range of projects. Dennis Corporation's divisions include accounting, business development, civil infrastructure, construction management, construction services, expert witness services, information technology, intelligent transportation systems (ITS), marketing, roadway design, special projects, special inspections, structural engineering, building construction management, environmental inspections, steel inspections, surveying and traffic engineering.

The Company's significant accounting policies are summarized as follows:

Cash and cash equivalents

For reporting of cash flows, the Company considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable

Trade receivables are carried at their estimated collectible amounts. They are periodically evaluated for collectability based on management's review of outstanding receivables, historical collection information and existing economic conditions. An allowance for doubtful accounts is established as losses are estimated to have occurred through recognition of bad debt expense. Specific receivables that are determined to be uncollectible, based on particular circumstances of the customer, are written off as bad debts once all reasonable means to collect the receivable have been exhausted.

Property and equipment

Property and equipment is stated at cost. Maintenance and repairs which do not improve or extend the useful lives of the assets are charged to expense as incurred. For financial statement purposes, depreciation is computed using accelerated and straight-line methods over the estimated useful lives of the respective assets, which range from five to ten years. The gain or loss on the disposal of property and equipment is recognized in the year of disposition. For income tax purposes, depreciation is calculated principally using accelerated methods.

Revenue recognition

Revenue on fixed fee and cost-plus contracts is recognized primarily as work progresses and as labor hours and expenses are incurred on engineering, construction management, and consulting engagements. This method is used because management considers this to be the best measure of progress on these contracts.

Changes in contract performance, contract conditions, and profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to revenue and costs, and are recognized in the year in which such revisions are determined. Provisions for estimated losses on work-in-progress, if any, are recognized in the year when such losses are determined.

For income tax purposes, the Company reports revenue and costs using the cash method, whereby revenue is recognized when collected and costs are recognized when paid.

(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates made by management relate primarily to the recognition of revenue under long-term contracts. Under the method of accounting for contracts discussed above, amounts reported in the financial statements relating to contracts are based on estimates of the total contract amount and of the total costs to be incurred to complete the contract. Due to the nature of contracts, it is reasonably possible that the estimates included in the financial statements may change in the near term.

Advertising

The Company expenses advertising costs as they are incurred.

Income taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently payable plus the change during the period in deferred tax assets and liabilities. Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Deferred taxes may also be recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Subsequent events

These financial statements have not been updated for events occurring after February 12, 2010, which is the date these financial statements were available to be issued.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade receivables. The Company places temporary cash investments with banks located in South Carolina. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insured limits.

The Company sells its products to customers throughout the Southeast and extends credit based on an evaluation of the customer's financial condition, generally without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company monitors its exposure to credit losses and writes off uncollectible accounts as needed.

(Continued)

NOTE 2 - CONCENTRATIONS OF CREDIT RISK, Continued

The Company derives a substantial portion of its gross revenues from services to certain major customers. Following is a summary of the operating revenues and accounts receivable with these customers at and for the years ended December 31, 2009 and 2008:

	<u>Operating revenues for the year ended December 31, 2009</u>		<u>December 31, 2009</u>	<u>Operating revenues for the year ended December 31, 2008</u>		<u>December 31, 2008</u>
	<u>Amount</u>	<u>Percent of revenues</u>	<u>Accounts receivable</u>	<u>Amount</u>	<u>Percent of revenues</u>	<u>Accounts receivable</u>
Customer 1	\$ 2,463,700	31%	\$ 476,092	\$ 1,539,954	26%	\$ 301,072
Customer 2	*	* %	*	2,330,624	39%	114,637
Customer 3	1,045,578	13%	400,942	*	* %	*

* This customer did not account for more than 10% of the Company's revenue for the year or 10% of the Company's total accounts receivable balance at year-end.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31:

	<u>2009</u>	<u>2008</u>
Accounts receivable	\$ 2,173,240	\$ 1,095,443
Accounts receivable-stockholder	3,683	2,941
Accounts receivable-related entity	30,600	5,805
Allowance for doubtful accounts	<u>(102,164)</u>	<u>(102,164)</u>
	<u>\$ 2,105,359</u>	<u>\$ 1,002,025</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2009</u>	<u>2008</u>
Software, telephone, and office equipment	\$ 377,146	\$ 316,484
Equipment	287,386	257,294
Furniture	138,620	120,157
Vehicle fleet	<u>1,570,109</u>	<u>1,049,451</u>
	2,373,261	1,743,386
Less accumulated depreciation	<u>833,447</u>	<u>472,831</u>
	<u>\$ 1,539,814</u>	<u>\$ 1,270,555</u>

NOTE 5 - LINE OF CREDIT

The Company had a \$300,000 line of credit with a local financial institution at December 31, 2008. Borrowings on the line accrued interest at Wall Street Journal Prime (3.25% at December 31, 2008) plus 1%. The line was secured by a blanket first lien on all accounts receivable and equipment of the Company. On October 27, 2009, this line of credit was increased to \$500,000. Borrowing on this new line of credit accrues interest at prime rate or 6%, whichever is the greater. This line of credit is secured by a first lien on all accounts receivable and guaranteed by the Company's stockholder and by Dennis Corporation Development, LLC. The line of credit has a maturity date of October 27, 2010. On January, 11, 2010, the Company increased the line of credit to \$800,000. This line of credit matures on January 11, 2011. As of December 31, 2009 and 2008, the balances due on these lines of credit were \$423,519 and \$205,701, respectively.

The Company has a \$200,000 working line of credit with the City of Columbia. Borrowings on the line accrue interest at 5.25%, which must be paid monthly with minimum monthly principal payments of \$1,500. The line is secured by a blanket second lien on all accounts receivable of the Company and guaranteed by the Company's stockholder. This line of credit has a maturity date of June 1, 2010 and contains various covenants, including tangible net worth and a debt service coverage ratio. As of December 31, 2009 and 2008, the balance due on this line of credit was \$181,025 and \$200,000, respectively.

NOTE 6 - NOTES PAYABLE

Notes payable consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
Various notes payable, secured by vehicles, interest at rates of 0% to 9.79%, due in monthly installments ranging from \$402 to \$2,328, maturing at various dates through December 2014.	\$ 1,079,198	\$ 769,246
Note payable, secured by survey equipment, interest at 6%, due in monthly installments of \$1,581, maturing June 2013.	59,044	74,501
Note payable to the Business Development Corporation, secured by a blanket third lien on certain real estate owned by the Company's stockholder and a second lien on other real estate owned by the Company's stockholder and member, guaranteed by the stockholder and by Dennis Corporation Development, LLC, interest at prime rate (3.25% at December 31, 2009) plus 2.25%, due in monthly installments of \$5,010 and maturing on May 23, 2013.	<u>181,192</u>	<u>228,580</u>
	1,319,434	1,072,327
Less current maturities	<u>371,144</u>	<u>204,709</u>
Long-term portion	<u>\$ 948,290</u>	<u>\$ 867,618</u>

(Continued)

NOTE 6 - NOTE PAYABLE, Continued

Maturities of notes payable in each of the five years following December 31, 2009 are as follows:

2010	\$ 371,144
2011	370,787
2012	322,421
2013	195,169
2014	<u>59,913</u>
	<u>\$ 1,319,434</u>

The Company is also a guarantor of three separate notes payable for Dennis Corporation Development, LLC. The amount available under these notes payable totals \$2,833,000 and these notes payable mature at various dates through December 2019. The balance of the notes payable totaled \$1,771,580 at December 31, 2009.

NOTE 7 - CAPITAL LEASES

The Company leases certain equipment under capital leases expiring at various times through 2014. The leased assets are recorded at the net present value of future minimum lease payments based on interest rates ranging from 8.16% to 17.87%. The equipment had an original cost of \$114,516 and a current net book value of \$86,591.

Future minimum lease payments for the years following December 31, 2009, are as follows:

2010	\$ 35,583
2011	30,460
2012	18,077
2013	14,560
2014	<u>4,059</u>
Total minimum lease payments	102,739
Less amounts representing interest	<u>(21,015)</u>
Present value of minimum lease payments	81,724
Less current portion	<u>(27,266)</u>
Long-term portion	<u>\$ 54,458</u>

NOTE 8 - RETIREMENT PLANS

The Company has a 401(k) plan effective October 1, 2007 covering substantially all employees with no waiting period. The Company may make discretionary matching or profit sharing contributions to the plan subject to certain limitations. The Company did not make any discretionary contributions to the plan for the years ended December 31, 2009 and 2008.

NOTE 9- RELATED PARTY TRANSACTIONS

The Company had a demand note payable with a stockholder in the amount of \$13,904 at December 31, 2008, with no stated interest rate. Interest has been imputed based on the blended applicable federal rate of 4.71% for 2008. The note was repaid in 2009.

Accounts receivable at December 31, 2009 and 2008, included \$3,683 and \$2,941 due from a stockholder, respectively. In addition, accounts receivable at December 31, 2009 and 2008 also included \$30,600 and \$5,805 due from an entity owned by a stockholder, respectively. The Company recognized revenues of \$64,992 and \$33,400 relating to services provided to this stockholder and related entity for the years ending December 31, 2009 and 2008, respectively.

The Company has advanced \$20,070 as of December 31, 2009 to a company, which is owned by a stockholder. These advances are due on demand, however, management does not anticipate the advances will be repaid prior to December 31, 2010 and, accordingly, has classified the advance as a long-term asset in the accompanying balance sheet.

The Company leased office space in Ridgeland, South Carolina from a relative of the stockholder expiring April 30, 2009. Subsequent to April 30, 2009, this lease continued on a month-to-month basis. Lease payments are \$7,000 per month.

The Company also leases office space from an entity owned by a stockholder. Details regarding the method used to account for this lease and a summary of future minimum lease payments relating to the lease are presented in Note 10.

NOTE 10 - LEASES

The Company has entered into various operating leases for office space and equipment, including some with related parties (see Note 9.) These leases expire at various times through October 2014.

Future minimum lease commitments under non-cancelable operating leases for equipment, with remaining terms greater than one year at December 31, 2009 are as follows:

2010	\$	114,544
2011		118,214
2012		97,885
2013		31,375
2014		<u>32,238</u>
	\$	<u><u>394,256</u></u>

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