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BONDABLE CONTRACTOR, INC.

Financial Statements and Independent Auditors' Report

December 31, 2008 and 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and
Shareholders of Bondable Contractor, Inc.
(A Subchapter S Corporation)

We have audited the accompanying balance sheets of Bondable Contractor, Inc. (a California S-Corporation) as of December 31, 2008 and 2007, and the related statements of operations, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of Bondable Contractor, Inc. management. 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bondable Contractor, Inc. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary financial information included on pages 15 through 20, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Sample Financial
January 28, 2009

Strive to be our clients' most trusted advisor and provide solutions that exceed their expectations



BONDABLE CONTRACTOR, INC.

BALANCE SHEETS
AS OF DECEMBER 31, 2008 AND 2007

	<u>ASSETS</u>	
	<u>2008</u>	<u>2007</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,100,000	\$ 1,200,000
Contract receivables, net of allowance for doubtful accounts of \$450,000 and \$575,000, respectively	19,000,000	18,000,000
Inventory	300,000	300,000
Cost and estimated earnings in excess of billings on uncompleted contracts	5,700,000	6,000,000
Claims receivable	1,200,000	
Other current assets	100,000	200,000
Total current assets	<u>29,400,000</u>	<u>25,700,000</u>
PROPERTY AND EQUIPMENT, net	<u>600,000</u>	<u>400,000</u>
OTHER ASSETS	<u>100,000</u>	<u>100,000</u>
Total assets	\$ <u>30,100,000</u>	\$ <u>26,200,000</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Line of credit	\$ 3,000,000	\$ 4,000,000
Accounts payable	6,200,000	5,500,000
Accrued expenses	3,200,000	3,100,000
Billing in excess of costs and estimated earnings on uncompleted contracts	2,100,000	3,800,000
Current portion of long-term debt	100,000	100,000
Other current liabilities	-	100,000
Total current liabilities	<u>14,600,000</u>	<u>16,600,000</u>
LONG-TERM DEBT, net of current portion	<u>1,000,000</u>	<u>1,100,000</u>
SHAREHOLDERS' EQUITY		
Common stock, 1,000,000 shares authorized, no par value; 2,000,000 shares issued and outstanding	2,000,000	2,000,000
Retained earnings	12,500,000	6,510,000
	<u>14,500,000</u>	<u>8,510,000</u>
Total liabilities and shareholders' equity	\$ <u>30,100,000</u>	\$ <u>26,210,000</u>

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



BONDABLE CONTRACTOR, INC.

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>%</u>	<u>2007</u>	<u>%</u>
CONTRACT REVENUE EARNED	\$ 100,000,000	100.0	\$ 70,000,000	100.0
COST OF REVENUE EARNED	80,000,000	80.0	57,000,000	81.4
GROSS PROFIT	<u>20,000,000</u>	<u>20.0</u>	<u>13,000,000</u>	<u>18.6</u>
OPERATING EXPENSES:				
General and administrative	9,050,000	9.1	6,200,000	8.9
Yard expense	600,000	0.6	500,000	0.7
Vehicle	500,000	0.5	500,000	0.7
Total operating expenses	<u>10,150,000</u>	<u>10.2</u>	<u>7,200,000</u>	<u>10.3</u>
INCOME FROM OPERATIONS	9,850,000	9.9	5,800,000	8.3
OTHER INCOME (EXPENSE)				
Interest expense	(500,000)	(0.5)	(300,000)	(0.4)
Other (expense) income	<u>(110,000)</u>	<u>(0.1)</u>	<u>90,000</u>	<u>0.1</u>
INCOME BEFORE INCOME TAX AND DISCONTINUED OPERATIONS	9,240,000	9.2	5,590,000	8.0
INCOME TAX	<u>140,000</u>	<u>0.1</u>	<u>80,000</u>	<u>0.1</u>
INCOME BEFORE DISCONTINUED OPERATIONS	9,100,000	9.1	5,510,000	7.9
DISCONTINUED OPERATIONS, NET OF TAX	<u>(150,000)</u>	<u>(0.2)</u>	<u>(200,000)</u>	<u>(0.3)</u>
NET INCOME	9,250,000	<u>9.3</u>	5,710,000	<u>8.3</u>
RETAINED EARNINGS, beginning of year	6,510,000		1,600,000	
DISTRIBUTIONS	<u>(3,260,000)</u>		<u>(800,000)</u>	
RETAINED EARNINGS, end of year	\$ <u>12,500,000</u>		\$ <u>6,510,000</u>	

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



BONDABLE CONTRACTOR, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 9,250,000	\$ 5,710,000
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization	200,000	100,000
Provision for bad debts	125,000	250,000
(Increase) decrease in assets:		
Contract receivables	(1,125,000)	(4,650,000)
Inventory	-	(100,000)
Cost and estimated earnings in excess of billings on uncompleted contracts	300,000	100,000
Other current assets	100,000	(300,000)
Increase (decrease) in liabilities:		
Trade payable	700,000	100,000
Accrued expenses	100,000	50,000
Billing in excess of cost and estimated earnings on uncompleted contracts	(1,700,000)	1,150,000
Other current liabilities	(100,000)	(100,000)
Net cash flow from operating activities	<u>7,850,000</u>	<u>2,310,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(400,000)	(200,000)
Net advances to related parties	-	100,000
Net cash flow used for investing activities	<u>(400,000)</u>	<u>(100,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on bank line of credit	(1,000,000)	(600,000)
Repayments on notes payable - related parties	(100,000)	(100,000)
Distributions to shareholders	(3,260,000)	(800,000)
Net cash flow used for financing activities	<u>(4,360,000)</u>	<u>(1,500,000)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,090,000	710,000
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,200,000</u>	<u>500,000</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u><u>4,290,000</u></u>	\$ <u><u>1,210,000</u></u>
SUPPLEMENTAL DISCLOSURE FOR CASH FLOWS INFORMATION:		
Interest paid	\$ <u>600,000</u>	\$ <u>300,000</u>
Income tax paid	<u>150,000</u>	<u>90,000</u>

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



BONDABLE CONTRACTOR, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

Note 1 - Organization and summary of significant accounting policies

Business activity

Bondable Contractor, Inc. (the "Company") was formed in 1985. The Company operates as a construction contractor primarily in California and Arizona. The major lines of business include fireproofing, light gauge metal framing, insulation, drywall, lath plaster finishing, and exterior insulation and finish systems for new construction, remodeling, and tenant improvements.

Method of accounting for contracts

Revenues from time-and-materials contracts are recognized currently as the work is performed. Revenues from fixed-price contracts are accounted for under the percentage-of-completion method for financial statement presentation, measured by the percentage of costs incurred to date to estimated total costs for each contract. This method is used because management considers expended costs to be the best available measure of progress on these contracts.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Operating expenses which include selling, general and administrative costs are charged to operations as incurred and are not allocated to contract costs. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

The Company obtains field authorization for any work performed outside the scope of a contract and submits a change order for the additional work performed. Pending change orders are recorded based on anticipated approvals estimated by management. Final authorization of these change orders can significantly affect the profitability of each contract. Management feels that their estimates are conservative. However, final approval of change orders may be significantly different from estimates.

Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income. Changes in estimated jobs profitability resulting from job performance, job conditions, contract penalty provisions, claims, change orders, and settlements, are accounted for as changes in estimates in the current period when the estimates are revised. Because of the inherent uncertainties in estimating costs and income, it is at least reasonably possible that the estimates used will change within the near term.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



BONDABLE CONTRACTOR, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

Note 1 - Organization and summary of significant accounting policies (continued)

Cash and cash equivalents

The Company defines cash and cash equivalents as short-term investments in highly liquid debt instruments with original maturities of three months or less, which are readily convertible to known amounts of cash.

Inventory

Inventory consists of uninstalled construction materials, supplies, and hand tools that have not been charged to specific contracts and are stated at the lower of cost (first-in, first-out) or market.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. For financial statement purposes, depreciation on assets is provided on a straight-line method over the estimated useful lives of the related assets, which range from 3 to 15 years. Amortization is provided on a straight line basis over the shorter of the economic useful lives of the assets or the remaining terms of the leases.

The related cost and accumulated depreciation of assets retired or otherwise disposed of are removed from the accounts and the resultant gain or loss is reflected in earnings. Maintenance and repairs are expensed currently while major renewals and betterments are capitalized.

Long-term assets of the Company are reviewed annually as to whether their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the future projected cash flows from related operations. Management also re-evaluates the periods of amortization to determine whether subsequent events and circumstances warrant revised estimates of useful lives. As of December 31, 2008, management expects these assets to be fully recoverable.

Income taxes

Effective July 1, 2000, the Company elected to be treated as an S Corporation for federal and state tax purposes. Earnings and losses after July 1, 2000 are included in the personal income tax returns of the stockholders and taxed based on their personal tax rates. Accordingly, the Company does not incur income tax obligations except for franchise tax paid to the State of California.



BONDABLE CONTRACTOR, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

Note 1 - Organization and summary of significant accounting policies (continued)

Accounting for uncertain tax positions

The Company has elected to defer implementation of FIN 48 to its first annual financial statements ending on December 31, 2009.

In examining its tax positions under FIN 48, the Company will assume the positions will be examined by the appropriate taxing authority, and the taxing authority would have full knowledge of all relevant information. The technical merits of the Company's tax positions are derived from sources of authorities in the tax law (legislation and statutes, legislative intent, regulations, rulings, and case law) and their applicability to the facts and circumstances of the tax positions. Past administrative practices and precedents of the taxing authority in its dealings with the Companies or similar enterprises that are widely understood will also be taken into account. Each tax position will be evaluated without consideration of the possibility of offset or aggregation with other positions. The measurement of tax positions will be based on management's best judgment of the amount the taxpayer would ultimately accept in a settlement with taxing authorities. Interest expense related to tax liabilities will be recognized in the first period that it would begin to accrue according to the relevant tax law. The amount of interest to be recognized will be computed by applying the statutory rate of interest to the difference between the tax position recognized under FIN 48 and the amount previously taken or expected to be taken in a tax return. In addition, the Company will recognize an expense for any applicable penalties in the period in which the Company claims or expects to claim the position in the tax return. The Company will create a liability for uncertain tax positions it believes to be a potential future obligation. In the case of a net operating carry-forward or a refund, the amount of such carry-forward or refund will be reduced. The FIN 48 liability will not be combined with deferred tax liabilities or assets.

The Company does not expect that the adoption of FIN 48 will have a material effect on its financial position, results of operations or cash flows.

Deposits held in financial institutions

During the normal course of business, the Company accumulates cash and maintains deposits in financial institutions. Although efforts are made to avoid significant concentrations of bank deposits, on occasion, the cash deposit at the bank may exceed the Federally Insured Limit. Any loss of cash requirement resulting from the failure of that bank would be limited to such excess amounts. Cash deposits in excess of the Federally Insured Limits approximated \$2,850,000 at December 31, 2008. The Company has not experienced any such losses and believes it is not exposed to any significant credit risk on this cash deposit.



BONDABLE CONTRACTOR, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

Note 1 - Organization and summary of significant accounting policies (continued)

Fair value of financial instruments

On January 1, 2008, the Company adopted SFAS 157, Fair Value Measurements. SFAS 157 defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures.

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value.

The carrying amounts reported in the balance sheet for accounts receivable and accounts payable qualify as financial instruments. There are no quoted prices of these instrument or any other similar instruments, and therefore, management utilized Level 3 to estimate the fair value because of the short period of time between origination of these financial instruments and their expected realization.

The Company did not identify any assets and liabilities that are required to be presented on the balance sheet at fair value in accordance with SFAS 157.

Financial instruments

Financial accounting standards require disclosure of the fair value of financial instruments held by the Company. Fair value of financial instruments is considered the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying amount of receivables, accounts payable, and other liabilities included on the accompanying balance sheets approximate their fair value due to their short-term nature. The carrying amount of long-term debt approximates fair value because stated interest rates are similar to debt offered with similar remaining maturities and collateral requirements.



BONDABLE CONTRACTOR, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007**Note 2 - Contract receivables**

Contract receivables at December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Billed receivables	\$ 8,011,500	\$ 13,000,000
Retainage	10,788,500	5,575,000
Claim receivables	<u>650,000</u>	<u>-</u>
Total contract receivables	19,450,000	575,000
Less: Allowance for doubtful accounts	<u>450,000</u>	<u>575,000</u>
Contracts receivables, net	<u>\$ 19,000,000</u>	<u>\$ 18,000,000</u>

Contract receivables are pledged as collateral for the Company's line of credit. The Company follows the practice of filing statutory liens on all construction projects where collection problems are anticipated. The liens serve as collateral for contract receivables.

The Company recorded claims on two jobs during the year ended December 31, 2008. The claim amounts have been recorded up to the costs incurred on these jobs and are included in contract receivables on the accompanying balance sheet. Management believes that collection of the recorded amounts is likely based on their job cost documentation, opinions from third party consultants, and the Company's prior success in settling claims.

Activity in the allowance for doubtful accounts for the years ended December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Balance at beginning of year	\$ 575,000	\$ 500,000
Provision charged to operations	125,000	250,000
Write-offs	<u>(250,000)</u>	<u>(175,000)</u>
	<u>\$ 450,000</u>	<u>\$ 575,000</u>

Bad debts are provided on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year.

Recording of claim receivables and the allowance for doubtful accounts require significant estimates. Actual results could differ significantly from the estimates.



BONDABLE CONTRACTOR, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

Note 3 – Construction contracts

Activity related to construction revenues, costs and gross profit as of December 31, 2008 is as follows:

	<u>Contract amount</u>	<u>Contract revenues earned</u>	<u>Costs of revenues earned</u>	<u>Gross profit</u>
Completed contracts	\$ 61,000,000	\$ 41,000,000	\$ 32,075,000	\$ 8,925,000
Contracts in progress	<u>154,500,000</u>	<u>59,000,000</u>	<u>47,925,000</u>	<u>11,075,000</u>
Total	<u>\$ 215,500,000</u>	<u>\$ 100,000,000</u>	<u>\$ 80,000,000</u>	<u>\$ 20,000,000</u>

Activity costs, estimated earnings and billings on contracts in progress are as follows as of December 31:

	<u>2008</u>	<u>2007</u>
Cost incurred on contracts in progress	\$ 91,000,000	\$ 68,000,000
Estimated earnings to date	<u>22,000,000</u>	<u>6,700,000</u>
	113,000,000	74,700,000
Less: Billing to date	<u>109,400,000</u>	<u>72,500,000</u>
Net	<u>\$ 3,600,000</u>	<u>\$ 2,200,000</u>

The above amounts are reflected in the accompanying balance sheet as follows as of December 31:

	<u>2008</u>	<u>2007</u>
Cost and estimated earnings in excess of billing on contracts in progress	\$ 5,700,000	\$ 6,000,000
Billing in excess of costs and estimated Earnings on contracts in progress	<u>(2,100,100)</u>	<u>(3,800,000)</u>
Net	<u>\$ 3,600,000</u>	<u>\$ 2,200,000</u>

As of December 31, 2008, contract amounts included \$2,000,000 of change orders which have not been approved as of the report date (February 28, 2009). These change orders have been recorded in contract amounts as management anticipates approval of these amounts.



BONDABLE CONTRACTOR, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007**Note 4 – Claims receivable**

The Company recorded a claim receivable on the ZZZ Best Company during the year ended December 31, 2008. A claim amount was recorded based on an anticipated settlement amount and is included in claims receivable on the accompanying consolidated balance sheets.

Note 5 - Property and equipment

Property and equipment, and accumulated depreciation and amortization, at December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Machinery and equipment	\$ 700,000	\$ 700,000
Data processing equipment	200,000	200,000
Vehicles	100,000	100,000
Leasehold improvements	300,000	300,000
Furniture and fixtures	<u>500,000</u>	<u>100,000</u>
	1,800,000	1,400,000
Less: Accumulated depreciation and amortization	<u>1,200,000</u>	<u>1,000,000</u>
Property and equipment, net	<u>\$ 600,000</u>	<u>\$ 400,000</u>

Depreciation expense for the years ended December 31, 2008 and 2007 was \$200,000 and \$100,000, respectively.

Note 6 - Line of credit

The Company has two credit facilities that provide for total borrowings of \$5,000,000 as of December 31, 2008. Interest is charged at Prime rate plus 0.75% or LIBOR rate plus 3.50% based on elections made by the Company. The bank allows borrowings of up to 75% of the Company's eligible contract receivables. The credit facility totaling \$4,000,000 expires December 31, 2009 and the credit facility totaling \$1,000,000 expires March 31, 2009.

The line of credit is secured by the Company's accounts receivable, inventory, equipment, general intangibles, insurance policies, and personal guarantees of the principal shareholders.

The loan agreements include covenants related to minimum financial requirements, which the Company satisfied at December 31, 2008. The outstanding balance of the credit facilities were \$3,000,000 and \$4,000,000 as of December 31, 2008 and 2007, respectively.



BONDABLE CONTRACTOR, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

Note 7 - Notes payable

The notes payable consists of the following as of December 31:

	<u>2008</u>	<u>2007</u>
Unsecured note payable to a stockholder with interest at 7%, and minimum annual payments of \$100,000 including interest, maturing May 2013, subordinated to all bank, other institutional lending and third party obligations under lending covenants.	\$ 700,000	\$ 800,000
Unsecured note payable to an officer with interest at 6%, both interest and principal due June 2011 subordinated to all bank, other institutional lending and third party obligations under lending covenants.	<u>400,000</u>	<u>400,000</u>
	1,100,000	1,200,000
Less current portion	<u>100,000</u>	<u>100,000</u>
Long-term portion	<u>\$ 1,000,000</u>	<u>\$ 1,100,000</u>

Principal payments on notes payable are due as follows:

Year ended December 31,	
2009	\$ 100,000
2010	100,000
2011	500,000
2012	100,000
2013	300,000
Thereafter	<u>\$ 1,100,000</u>



BONDABLE CONTRACTOR, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

Note 8 - Employee benefit plan

On July 1, 1997, the Company adopted a 401(k) deferred compensation plan covering non-union employees who have completed one year of service and have attained the age of 21. Employees may make voluntary contributions to the plan. The Company is required to make 50% matching contributions up to 5% of an employee's annual compensation. In addition, the company may make voluntary contributions to the plan. Employee contributions are vested immediately, while company contributions become 100% vested after six years of service. Company matching contributions totaled \$60,000 and \$70,000 for the years ended December 31, 2008 and 2007, respectively.

Note 9 - Related party transactions

During the year ended December 31, 2008, the Company made advances to the Shareholder totaling \$500,000. The amounts were repaid prior to December 31, 2008. No interest was charged on the advances.

The Company leases their facility located at XYZ Street from the Shareholder. The Company currently leases this property under a monthly operating lease agreement. Total rent expense incurred related to the lease was \$300,000 and \$200,000 during the years ended December 31, 2008 and 2007, respectively.

Note 10 - Legal contingencies

The Company is involved in various legal actions and claims primarily arising from class action lawsuits related to asbestos installations allegedly performed several years ago. Management intends to defend all pending litigation claims vigorously. It is the opinion of management and legal counsel that such matters will be resolved without a significant effect on the financial position of the Company.

Note 11 - Business concentrations and risks

Major customers

As of December 31, 2008, three contracts accounted for 54% of the total revenue earned.

Deposits held in financial institutions

The Company occasionally maintains cash balances with a major financial institution in excess of FDIC coverage. The financial institution has a strong credit rating, and management believes that the credit risk related to these deposits is minimal.



BONDABLE CONTRACTOR, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007**Note 11 - Business concentrations and risks (continued)**Contract indemnifications

The Company is often required to make various indemnifications to project owners and other contractors in order to conduct business as a contractor. Often these indemnifications are unlimited in scope. The Company is insured by amounts which management believes is appropriate. However, there is always a risk that a major claim under these indemnifications clauses could exceed insured amounts.

Note 12 - Backlog

The following schedule summarizes changes in backlog on contracts during the year ended December 31, 2008. Backlog represents the amount of revenue the Company expects to realize from work to be performed on uncompleted contracts in progress at year end and from contractual agreements on which work has not yet begun.

Backlog balance at December 31, 2007	\$ 81,000,000
New contracts during the year	58,500,000
Contract adjustments	<u>2,000,000</u>
	141,500,000
Less contract revenue earned during the year	<u>100,000,000</u>
	41,500,000
Contracts signed but not started	<u>10,000,000</u>
Backlog balance at December 31, 2008	<u>\$ 51,500,000</u>

Note 13 – Discontinued operations

During the year ended June 30, 2006, management assessed the operating results of the Arizona office and decided to close the operation. The decision to close the Arizona office was made in October 2007. Operating results after managements' decision to close these operations have been classified as discontinued operations on the accompanying statement of operations.

Note 14 – Subsequent events

On February 29th, 2008, \$1,200,000 was received by wire transfer into the Company's bank account in settlement of the ZZZ Best claim. The ZZZ Best claim is reflected on the balance sheet as Claims Receivable for year ended December 31, 2008 and 2007 (See Note 4).



BONDABLE CONTRACTOR, INC.

AGING OF ACCOUNTS RECEIVABLE
AS OF DECEMBER 31, 2008

Customer	1 - 30	31 - 60	61 - 90	> 90	Retention	TOTALS
Center Place	\$ 100,000	\$ 230,000	\$ -	\$ -	\$ 70,000	\$ 400,000
Media Project	600,000	900,000	500,000	-	3,600,000	5,600,000
Vintage Museum	500,000	300,000	200,000	50,000	1,700,000	2,750,000
Hospital Project	800,000	900,000	900,000	-	4,800,000	7,400,000
University Hall	161,500	100,000	50,000	150,000	138,500	600,000
Science Center	300,000	-	-	250,000	100,000	650,000
Athletic Complex	250,000	600,000	-	-	250,000	1,100,000
Medical Center	500,000	-	-	250,000	100,000	850,000
Mega Hall	70,000	-	-	-	30,000	100,000
Allowance for doubtful accounts	-	-	-	(450,000)	-	(450,000)
Totals	\$ <u>3,281,500</u>	\$ <u>3,030,000</u>	\$ <u>1,650,000</u>	\$ <u>250,000</u>	\$ <u>10,788,500</u>	\$ <u>19,000,000</u>

See accompanying accountants' audit report.



BONDABLE CONTRACTOR, INC.

AGING OF ACCOUNTS PAYABLE
AS OF DECEMBER 31, 2008

<u>Customer</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>> 90</u>	<u>TOTALS</u>
Drywall Plus	\$ 600,000	\$ 500,000	\$ 150,000	\$ -	\$ 1,250,000
Strong Steel Co.	200,000	150,000	50,000	-	400,000
Equipment Co.	700,000	125,000	25,000	-	850,000
Yard Lumber, Inc.	400,000	600,000	50,000	-	1,050,000
Supply House	325,000	200,000	125,000	100,000	750,000
Safety Warehouse	<u>250,000</u>	<u>425,000</u>	<u>-</u>	<u>25,000</u>	<u>700,000</u>
Totals	\$ <u>2,475,000</u>	\$ <u>2,000,000</u>	\$ <u>400,000</u>	\$ <u>125,000</u>	\$ <u>5,000,000</u>

See accompanying accountants' audit report.



BONDABLE CONTRACTOR, INC.

SCHEDULES OF COST OF REVENUE EARNED
FOR THE YEAR ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>%</u>	<u>2007</u>	<u>%</u>
Materials	\$ 29,000,000	29.0	\$ 18,500,000	26.4
Labor	34,500,000	34.5	25,500,000	36.5
Subcontractors	4,000,000	4.0	3,000,000	4.3
Equipment	1,200,000	1.2	1,000,000	1.4
Indirect costs applied	11,000,000	11.0	9,200,000	13.1
Under(over)applied overhead	<u>300,000</u>	<u>0.3</u>	<u>(200,000)</u>	<u>(0.3)</u>
	<u>\$ 80,000,000</u>	<u>80.0</u>	<u>\$ 57,000,000</u>	<u>81.4</u>
Indirect costs				
Supervision	\$ 1,000,000	1.0	\$ 800,000	1.1
Payroll taxes	3,000,000	3.0	2,500,000	3.6
Insurance	6,000,000	6.0	5,000,000	7.1
Other costs	<u>1,300,000</u>	<u>1.3</u>	<u>700,000</u>	<u>1.0</u>
Total indirect costs	11,300,000	11.3	9,000,000	12.8
Indirect costs applied	<u>(11,000,000)</u>	<u>(11.0)</u>	<u>(9,200,000)</u>	<u>(13.1)</u>
Under(over)applied overhead	<u>\$ 300,000</u>	<u>0.3</u>	<u>\$ (200,000)</u>	<u>(0.3)</u>

See accompanying accountants' audit report.



BONDABLE CONTRACTOR, INC.

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>%</u>	<u>2007</u>	<u>%</u>
Advertising and promotion	\$ 500,000	0.5	\$ 25,000	-
Bank charges	20,000	-	7,000	-
Depreciation	100,000	0.1	100,000	0.1
Dues and subscriptions	50,000	-	35,000	0.1
Equipment rental	900,000	0.9	875,000	1.3
Insurance	1,300,000	1.3	1,050,000	1.5
Legal and accounting	350,000	0.4	323,000	0.5
Meals and entertainment	100,000	0.1	100,000	0.1
Miscellaneous expense	90,000	0.1	85,000	0.1
Office supplies	50,000	-	50,000	0.1
Payroll taxes	900,000	0.9	850,000	1.2
Rent	300,000	0.3	200,000	0.3
Repairs and maintenance	900,000	0.9	750,000	1.1
Salaries - officer	2,000,000	2.0	700,000	1.0
Salaries - office	1,000,000	1.0	600,000	0.9
Taxes and licenses	100,000	0.1	95,000	0.1
Telephone and utilities	120,000	0.2	100,000	0.1
Travel	100,000	0.1	40,000	0.1
Uniform expense	20,000	-	15,000	-
Total general and administrative expenses	<u>\$ 8,900,000</u>	<u>8.9</u>	<u>\$ 6,000,000</u>	<u>8.6</u>

See accompanying accountants' audit report.

BONDABLE CONTRACTOR, INC.
SCHEDULE OF CONTRACTS COMPLETED
DECEMBER 31, 2008

CONTRACT NUMBER	CONTRACT TOTALS			INCURRED BEFORE JANUARY 1, 2008			DURING THE YEAR ENDED DECEMBER 31, 2008		
	REVENUES EARNED	COST OF REVENUES	GROSS PROFIT (LOSS)	REVENUES EARNED	COST OF REVENUES	GROSS PROFIT (LOSS)	REVENUES EARNED	COST OF REVENUES	GROSS PROFIT (LOSS)
1005	\$ 2,000,000	\$ 1,750,000	\$ 250,000	\$ 1,000,000	\$ 800,000	\$ 200,000	\$ 1,000,000	\$ 950,000	\$ 50,000
1006	9,000,000	7,000,000	2,000,000	2,000,000	1,500,000	500,000	7,000,000	5,500,000	1,500,000
1007	25,000,000	20,000,000	5,000,000	10,000,000	9,000,000	1,000,000	15,000,000	11,000,000	4,000,000
1008	17,000,000	14,000,000	3,000,000	2,000,000	1,500,000	500,000	15,000,000	12,500,000	2,500,000
1009	8,000,000	6,000,000	2,000,000	5,000,000	4,000,000	1,000,000	3,000,000	2,000,000	1,000,000
	-	-	-				-	125,000	(125,000)
	\$ 61,000,000	\$ 48,750,000	\$ 12,250,000	\$ 20,000,000	\$ 16,800,000	\$ 3,200,000	\$ 41,000,000	\$ 32,075,000	\$ 8,925,000



BONDABLE CONTRACTOR, INC.
 SCHEDULE CONTRACTS IN PROGRESS
 DECEMBER 31, 2008

CONTRACT NUMBER	TOTAL CONTRACT			FROM INCEPTION THROUGH DECEMBER 31, 2008					AT DECEMBER 31, 2008		FOR THE YEAR ENDED DECEMBER 31, 2008		
	TOTAL REVISED CONTRACT PRICE (INC. CHANGE ORDERS)	LATEST ESTIMATE OF TOTAL COST AT COMPLETION	ESTIMATED PROFIT (LOSS) AT COMPLETION	REVENUES EARNED	COST OF REVENUES	GROSS PROFIT (LOSS)	BILLED TO DATE	ESTIMATED COST TO COMPLETE	BILLINGS IN EXCESS OF COSTS AND ESTIMATED EARNINGS	COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS	REVENUES EARNED	COST OF REVENUES	GROSS PROFIT (LOSS)
1010	\$ 1,000,000	\$ 800,000	\$ 200,000	\$ 620,000	\$ 500,000	\$ 120,000	\$ 700,000	\$ 300,000	\$ 80,000	\$ 80,000	\$ 500,000	\$ 400,000	\$ 100,000
1011	50,000,000	40,000,000	10,000,000	37,500,000	30,000,000	7,500,000	37,000,000	10,000,000	-	500,000	20,000,000	15,000,000	5,000,000
1012	25,000,000	20,000,000	5,000,000	18,750,000	15,000,000	3,750,000	16,750,000	5,000,000	-	2,000,000	15,000,000	12,000,000	3,000,000
1013	61,000,000	50,000,000	11,000,000	47,580,000	39,000,000	8,580,000	48,000,000	11,000,000	420,000	-	19,000,000	16,900,000	2,100,000
1014	2,500,000	2,000,000	500,000	1,250,000	1,000,000	250,000	1,500,000	1,000,000	250,000	-	1,000,000	750,000	250,000
1015	3,000,000	2,500,000	500,000	1,000,000	850,000	150,000	1,400,000	1,650,000	400,000	-	800,000	650,000	150,000
1016	6,000,000	5,000,000	1,000,000	1,800,000	1,500,000	300,000	2,500,000	3,500,000	700,000	-	1,500,000	1,050,000	450,000
1017	1,000,000	800,000	200,000	750,000	600,000	150,000	1,000,000	200,000	250,000	-	200,000	100,000	100,000
1018	5,000,000	4,000,000	1,000,000	3,750,000	3,000,000	750,000	550,000	1,000,000	-	3,200,000	1,000,000	900,000	100,000
	-	-	-	-	-	-	-	-	-	-	-	175,000	(175,000)
	\$ 154,500,000	\$ 125,100,000	\$ 29,400,000	\$ 113,000,000	\$ 91,450,000	\$ 21,550,000	\$ 109,400,000	\$ 33,650,000	\$ 2,100,000	\$ 5,780,000	\$ 59,000,000	\$ 47,925,000	\$ 11,075,000

See accompanying accountants' audit report.