

**FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2010**  
**AND FOR THE YEAR THEN ENDED**

**TOGETHER WITH ACCOUNTANTS' COMPILATION REPORT**

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES  
DECEMBER 31, 2010

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To Board of Directors

I have compiled the accompanying balance sheet of \_\_\_\_\_ (a corporation) as of December 31, 2010, and the related statements of income and retained earnings and cash flows for the year then ended, and the accompanying supplementary information contained in Schedules 1, 2, 3 and Schedules I and II, which are presented only for supplementary analysis purposes.

I have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary schedules are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements and supplementary schedules in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements and supplementary schedules.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements and supplementary schedules without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements or supplementary schedules.

BALANCE SHEET  
DECEMBER 31, 2010

ASSETS

Current assets:

Cash	\$ 2,696
Contracts receivable	41,342
Contracts receivable - retention	21,194
Costs and estimated earnings in excess of billings on uncompleted contracts	39,393
Prepaid income taxes	800
Note receivable	<u>10,000</u>

Total current assets \$ 115,425

Fixed assets:

Auto and trucks	3,000
Machinery and equipment	176,136
Office equipment	<u>4,922</u>
	184,058

Accumulated depreciation (184,058)

Net fixed assets -

TOTAL ASSETS

\$ 115,425

See accompanying notes and accountant's compilation report.

**BALANCE SHEET**  
**DECEMBER 31, 2010**

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Current liabilities:**

Accounts payable	\$	8,500
Line of credit		11,487
Billings in excess of costs and estimated earnings on uncompleted contracts		1,284
Accrued payroll expenses		1,574
Income taxes payable		4,032

Total current liabilities		26,877
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**Long-term liabilities**

Deferred income taxes		9,391
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Total long-term liabilities		9,391
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**TOTAL LIABILITIES**

**\$ 36,268**

**STOCKHOLDER'S EQUITY**

Common stock -10,000 shares authorized 1,000 shares issued and outstanding		1,000
Additional paid-in capital		14,000
Retained earnings		64,157

**TOTAL STOCKHOLDER'S EQUITY**

**79,157**

**TOTAL LIABILITIES AND  
STOCKHOLDER'S EQUITY**

**\$ 115,425**

See accompanying notes and accountant's compilation report.

STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR THEN ENDED DECEMBER 31, 2010

Sales (schedule 1)	\$ 703,836	100.00 %
Cost of goods sold (schedule 1)	582,308	<u>82.73</u>
Gross profit (schedule 1)	121,528	17.27
General and administrative expenses (schedule 2)	54,342	<u>7.72</u>
Income from operations	67,186	9.55
Other income and (expenses) (schedule 3)	(597)	<u>(0.08)</u>
Net income before income taxes	66,589	9.47
Provision for income taxes	13,423	<u>1.91</u>
Net income	53,166	<u><u>7.56</u> %</u>
Retained earnings at January 1, 2010	10,991	
Retained earnings at December 31, 2010	<u>\$ 64,157</u>	

See accompanying notes and accountant's compilation report.

STATEMENT OF CASH FLOWS  
FOR THE YEAR THEN ENDED DECEMBER 31, 2010

INCREASE (DECREASE) IN CASH AND  
CASH EQUIVALENTS

Cash flows from operating activities:

Cash received from customers	\$	606,307
Cash paid to suppliers and employees		(621,998)
		(15,691)

Net cash used by operating activities		\$ (15,691)
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Cash flows from financing activities:

Net advances from line of credit		11,487
Increase in note receivable		(10,000)
Repayment of loans from shareholders		(65,000)
		(63,513)

Net cash used by financing activities		(63,513)
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Net decrease in cash and cash equivalents		(79,204)
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Cash and cash equivalents at January 1, 2010		81,900
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Cash and cash equivalents at December 31, 2010	\$	<u>2,696</u>
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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR THEN ENDED DECEMBER 31, 2010**

**RECONCILIATION OF NET INCOME TO NET CASH  
 USED BY OPERATING ACTIVITIES**

Net income		\$ 53,166
<b>Adjustments to reconcile net income to net cash used by operating activities:</b>		
Depreciation	\$ 7,987	
Increase in contracts receivable	(36,942)	
Increase in contracts receivable - retention	(21,194)	
Increase in costs and estimated earnings in excess of billings on uncompleted contracts	(39,393)	
Increase in prepaid income taxes	(800)	
Increase in accounts payable	8,500	
Increase in billings in excess of costs and estimated earnings on uncompleted contracts	1,284	
Decrease in accrued payroll expenses	(1,722)	
Increase in income taxes payable	4,032	
Increase in deferred income taxes	9,391	
Total adjustments		<u>(68,857)</u>
Net cash used by operating activities		<u>\$ (15,691)</u>

See accompanying notes and accountant's compilation report.



NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of management's review - Management has evaluated subsequent events through April 7, 2011, the date which the financial statements were available to be issued.

Description of Business - The Company is located in San Diego, California and operates as a painting and roofing contractor, providing services to the general public, throughout Southern California, under fixed-price contracts. The Company grants credit to its customers in the ordinary course of business.

Use of estimate - Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Revenue and Cost Recognition - The Company recognizes revenues from construction contracts on the percentage-of-completion method, measured by the percentage of cost incurred to date to estimated total costs for each contract. This method is used because management considers total cost to be best available measure of progress on contracts. Because of the inherent uncertainties in estimating total cost, it is at least reasonably possible that the estimate used will change within the near future.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect depreciation, etc. Provision for estimated losses, if any, on uncompleted contracts are made in the period in which such losses are determined. 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 and are recognized in the period in which provisions are determined.

Cash and Cash Equivalents - The Company considers unrestricted currency, demand deposits, certificates of deposits with less than three months of maturities and money market accounts as cash. The Company maintains cash balances at various financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. Also, the FDIC is providing temporary full guarantee of all non-interest bearing transaction accounts until December 31, 2012.

See accompanying accountant's compilation report.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
-continued-

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contracts receivable - It is the opinion of the Company's management that all contracts receivable are collectible. Accordingly, no allowance for uncollectible contracts receivable has been provided.

Property and Equipment - Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended December 31, 2010 is \$7,987. Repairs, maintenance and minor replacements are charged to operations as incurred. Major replacements and betterments are capitalized at costs. Long lived assets, such as property and equipment are reviewed on an ongoing basis for impairment based on comparison of carrying value against undiscounted future cash flows. If impairment is identified, the assets' carrying amounts are adjusted to fair value. There were no such adjustments during the year then ended December 31, 2010.

Income taxes - Deferred income taxes are provided for differences in timing in the reporting of income for financial statement and tax purposes arising from differences in the treatment of California franchise taxes, the methods of computing depreciation, and the methods of computing contract revenues. The deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

2. CONTRACTS RECEIVABLE - RETENTION

The company's customers retain a portion of the progress billings for construction projects in progress. Once the projects are completed, all retentions are remitted to the company.

3. CONCENTRATIONS

The Company performed four major contracts during the year ended December 31, 2010. As a result, the Company has a concentration of receivables with two owners, which accounts for 100% of the accounts receivable and due on retention.

See accompanying accountant's compilation report.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

-continued-

4. LINE OF CREDIT

The company has a revolving line of credit with Chase Bank with a limit of \$40,000. The outstanding balance as of December 31, 2010 is \$11,487.

5. PROVISION FOR INCOME TAXES

Provision for income taxes for the year then ended December 31, 2010, is \$13,423.

	Federal	State	Total
Accrued income taxes	\$ 2,448	\$ 1,584	\$ 4,032
Deferred income taxes	5,909	3,482	9,391
Provision for income taxes	\$ 8,357	\$ 5,066	\$ 13,423

6. BACKLOG

Backlog represents the amount of revenue the Company expects to realize from work to be performed on uncompleted contracts at year end and from contractual agreements on which work has not yet begun. The following summarizes the changes in backlog at December 31, 2010:

Backlog at January 1, 2010	\$ 0
New contracts during the year ended December 31, 2010	706,120
Contract revenue earned during the year ended December 31, 2010	(703,836)
Backlog at December 31, 2010	\$ 2,284

See accompanying accountant's compilation report.

SCHEDULES TO STATEMENTS OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR THEN ENDED DECEMBER 31, 2010

SCHEDULE 1 - SALES AND COST OF GOODS SOLD

	Sales	Cost of Goods Sold	Gross Profit
Contracts completed (schedule I)	\$ 453,792	\$ 369,770	\$ 84,022
Contracts in progress (schedule II)	250,044	212,538	37,506
<b>Total</b>	<b>\$ 703,836</b>	<b>\$ 582,308</b>	<b>\$ 121,528</b>

See accompanying notes and accountant's compilation report.

SCHEDULES TO STATEMENTS OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR THEN ENDED DECEMBER 31, 2010

SCHEDULE 2 - GENERAL AND ADMINISTRATIVE EXPENSES

Auto expense	\$ 8,639	1.23 %
Bank charges	592	0.08
Depreciation	7,987	1.13
Employee benefits	3,157	0.45
Insurance expense	10,266	1.46
Legal and accounting	3,480	0.49
Office expenses	8,007	1.14
Rent	6,250	0.89
Repairs and maintenance	1,436	0.20
Storage	3,155	0.45
Tax and licenses	208	0.03
Travel	1,165	0.17
	<hr/>	<hr/>
Total general and administrative expenses	<u>\$ 54,342</u>	<u>7.72 %</u>

SCHEDULE 3 - OTHER INCOME AND (EXPENSES)

Interest (expense)	\$ (1,004)	(0.14) %
Miscellaneous income	407	0.06
	<hr/>	<hr/>
Total other income and (expenses)	<u>\$ (597)</u>	<u>(0.08) %</u>

See accompanying notes and accountant's compilation report.

SUPPLEMENTARY SCHEDULES  
CONTRACT DESCRIPTIONS  
DECEMBER 31, 2010

JOB	DESCRIPTION
1	Unified School District
2	Unified School District
3	W
4	Wc Bld.
9999	Small jobs completed

See accompanying notes and accountant's compilation report.

SCHEDULE I - CONTRACTS COMPLETED  
DECEMBER 31, 2010

Job	Including Change Orders			Final Totals			Prior to January 1, 2010			For the Year Ended December 31, 2010		
	Contract Amount	Estimated Cost at Bid Time	Estimated Gross Profit	Contract Amount	Estimated Cost at Bid Time	Estimated Gross Profit	Contract Amount	Estimated Cost at Bid Time	Estimated Gross Profit	Contract Amount	Estimated Cost at Bid Time	Estimated Gross Profit
2	\$ 92,000	\$ 78,200	\$ 13,800	\$ 92,000	\$ 78,200	\$ 13,800	\$ 92,000	\$ 78,200	\$ 13,800	\$ 92,000	\$ 78,200	\$ 13,800
3	356,804	303,283	53,521	356,804	291,324	65,480	356,804	291,324	65,480	356,804	291,324	65,480
9999	4,988	3,990	998	4,988	3,045	1,943	4,988	3,045	1,943	4,988	3,045	1,943
	\$ 453,792	\$ 385,473	\$ 68,319	\$ 453,792	\$ 369,770	\$ 84,022	\$ 453,792	\$ 369,770	\$ 84,022	\$ 453,792	\$ 369,770	\$ 84,022

See accompanying notes and accountant's compilation report.

SCHEDULE II - CONTRACTS IN PROGRESS  
DECEMBER 31, 2010

Job	Original Total Including Change Orders		Billed To Date	Percent Complete	Cumulative Through December 31, 2010		For the Year Ended December 31, 2010				
	Contract Amount	Estimated Cost at Bid Time			Estimated Gross Profit	Earned Income	Cost	Earned Income	Cost	Gross Profit	
1	\$ 211,935	\$ 180,145	\$ 31,790	\$ 211,935	99.39%	\$ 210,651	\$ 179,054	\$ 31,597	\$ 210,651	\$ 179,054	\$ 31,597
4	40,393	34,334	6,059	0	97.52%	39,393	33,484	5,909	39,393	33,484	5,909
	\$ 252,328	\$ 214,479	\$ 37,849	\$ 211,935		\$ 250,044	\$ 212,538	\$ 37,506	\$ 250,044	\$ 212,538	\$ 37,506

See accompanying notes and accountant's compilation report.



SCHEDULE II - CONTRACTS IN PROGRESS  
DECEMBER 31, 2010

Job	Management Estimates		
	Revised Cost to Complete	(Over) Under Billings	Revised Estimated Gross Profit
1	\$ 1,091	\$ (1,284)	\$ 193
4	850	39,393	150
	<u>\$ 1,941</u>	<u>\$ 38,109</u>	<u>\$ 343</u>

See accompanying notes and accountant's compilation report.