FARRELL ADVISORY
INC.
M&A ▪ RESTRUCTURING ▪ CFO

PROJECT CLOVER
DRAFT FOR DISCUSSION PURPOSES ONLY
STRICTLY PRIVATE AND CONFIDENTIAL

March 24th, 2020

Limitations of Analysis

- The information contained herein ("Report") has been prepared based upon financial and other data obtained by Farrell Advisory, Inc. ("FAI") from the management and staff of [Company] and its subsidiaries ("Borrower" or "Company"), its contract staff and advisors, [PE Owner] and from public sources FAI deemed to be reliable. FAI further relied on the assurance of management and staff of the Company, [PE Owner] and its advisors that they were unaware of any facts that would make the information provided to FAI by them incomplete or misleading.
- FAI has not subjected the information contained herein to an audit in accordance with generally accepted auditing or attestation standards or the Statement on Standards for Prospective Financial Information issued by the AICPA. Further, the work involved did not include a detailed review of any transactions, and cannot be expected to identify errors, irregularities or illegal acts, including fraud or defalcations that may exist. Accordingly, FAI cannot express an opinion or any other form of assurance on, and assumes no responsibility for, the accuracy or correctness of the historical information or the completeness and achievability of the projected financial data, information and assessments upon which the Report is presented.
- This Report was based on numerous assumptions, including business, economic, and other market conditions. Many of these assumptions are beyond the control of the Company and are inherently subject to substantial uncertainty. Such assumptions involve significant elements of subjective judgment which may or may not prove to be accurate, and consequently, no assurances can be made regarding the analyses or conclusions derived from analyses based upon such assumptions.
- The Report was prepared by FAI at the request of [Client] ("Firm"), in relation to their representation of [Bank or Agent], in its capacity as administrative agent ("[Bank or Agent]") for the lenders under the Credit Agreement dated as of XXXXX, XX 2018 (as amended and in effect from time to time, together with related agreements and instruments, the "Credit Agreement") by and among [Company], the other parties signatory thereto as guarantors, the Agent, and the lenders now or hereafter a party to the Credit Agreement (the "Lenders" or "Lending Group"). This Report is subject to the attorney-client privilege and the work product doctrine. Distribution of this Report to persons other than the Lending Group or its members' engagement professionals is prohibited without prior written consent of both FAI and [Client]. By accepting a copy of this Report, each member of the Lending Group and each of their engagement professionals agrees to keep all information contained herein confidential and not to distribute this Report or any portion thereof to any other party, without the prior written consent of both FAI and [Client].

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2. This Report has been prepared only for the purpose stated and shall not be used for any other purpose. Except as otherwise provided in the FAI engagement agreement, neither the Report nor any portions thereof shall be disseminated to third parties without the prior written consent of FAI and [Client].
3. Neither FAI nor any individual associated with the Report shall be required by reason of the Report to give further consultation, provide testimony or appear in court or other legal proceedings unless specific arrangements thereto have been made per FAI's engagement letter with [Client].
4. No responsibility is taken for changes in market conditions and no obligation is assumed to revise the Report to reflect events or conditions that occur subsequent to the date hereof.
5. The reader understands that the scope of work completed by FAI was performed in accordance with instructions provided by [Client] exclusively for the Lending Group's benefit and use.
6. The reader acknowledges that much of the information contained within this Report is non-public and considered confidential by the Company. Dissemination of this Report, in whole or in part, is restricted as outlined above.
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8. The reader agrees to release FAI and its personnel from any claim by the reader that arises as a result of the reader having inappropriate and/or unlawful access to the Report.

March 24, 2020

[Client]
Client Address

RE: [Company]

Dear Client Contact:

Consistent with our terms of engagement with you, we have prepared this information at your direction to assist in your representation of [Bank or Agent], in its capacity as administrative agent ("[Bank or Agent]" or the "Agent") for the Lenders under that certain Credit Agreement dated as of XXX XX, 2020 (as amended and in effect from time to time, together with related agreements and instruments, the "Credit Agreement") by and among [Company], the other parties signatory thereto as guarantors, the Agent, and the Lenders now or hereafter a party to the Credit Agreement.

We hope that you will find the enclosed information addresses your initial needs in representing your client. We look forward to discussing our Report at your convenience. In the interim, please do not hesitate to contact us with any questions that you may have.

Yours Sincerely,

Draft – FOR DISCUSSION PURPOSES ONLY

Farrell Advisory Inc.

The contacts at Farrell Advisory Inc. associated with this Report are:

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I. DEFINITION OF TERMS
Abbreviations and Definitions

ABBREVIATIONS	DEFINITIONS
2011	Year ended December 31, 2011
2012-F	Year ending December 31, 2012 based upon 10 months actual results through October 2012 and two months of projected information, as received on XXXXXX, XXX
2012-RF	Year ending December 31, 2012 based upon 11 months actual results through November 2012 and one month of projected information, as received on XXXXXX, XXX
2013-F	Year ending December 31, 2013 based upon the projected information, as received on XXXXXX, XXX
2013-RF	Year ending December 31, 2013 based upon the projected information, as received on XXXXXX, XXX
2014-F	Year ending December 31, 2014 based upon the projected information, as received on XXXXXX, XXX
2014-RF	Year ending December 31, 2014 based upon the projected information, as received on XXXXXX, XXX
AAE	Army Acquisition Executive
Acquisition Agreement	Agreement to acquire [Company] by [PE Owner]
Administrative Agent	[Bank or Agent]
Auditors	[Auditor]
ASC	FASB - Accounting Standards Codification
AP	Accounts payable
AR	Accounts receivable
Auditor and Consultant to the Company	[Auditor and Consultant]

ABBREVIATIONS	DEFINITIONS
Bank	[Bank or Agent]
PE Owner	[PE Owner]
Blue Sky	Not identified revenue included within forecasts
Borrower	[Company]
BRAC	Base Realignment and Closure
BS	Balance Sheet
CAS	Cost Accounting Standards
C4ISR	Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance
Capex	Capital expenditure
CCO	[Chief Compliance Officer]
CEO	[Founder and Chief Executive Officer]
CFO	[Chief Financial Officer]
CO	Contracting Officer
Company	[Company]
Contractor's Liability	Liabilities owing to the U.S. Government related to overbillings by [Company]
COO	[Chief Operations Officer]
CPFF Pricing	Cost-Plus Fixed Fee Pricing
Credit Agreement	Credit Agreement dated as of XXXXXX, 2020 as amended and in effect from time to time, together with related agreements and instruments ($1600.0 million term loan and a $40.0 million revolving bank line-of-credit)

I. DEFINITION OF TERMS

Abbreviations and Definitions, cont.

ABBREVIATIONS	DEFINITIONS
D&O	Directors and Officers
DCAA	Defense Contract Audit Agency
DCI	Detailed Cost Impact Proposal
DCMA	Defense Contract Management Agency
DoD	Department of Defense
DPO	Days payable outstanding
DSO	Days sales outstanding
EBITDA, As Reported	Earnings before interest, taxes, depreciation and amortization prior to any adjustments
EBITDA, Adjusted	EBITDA after Management adjustments
EBITDA, FAI Adjusted	EBITDA after Management and selective FAI adjustments
E	Estimated
F	Forecasts
FAI	Farrell Advisory Inc.
FAR	Federal Acquisition Regulations
F/S	Financial statements
GAAP	Generally Accepted Accounting Principles in U.S.
GDM	General Dollar Magnitude
G/L	General ledger
Gross Profit	Sales less actual cost of sales

ABBREVIATIONS	DEFINITIONS
Headquarters	Headquarters of the Company
Company B	[Company B]
HQDA	Headquarters, Department of the Army
I/C	Intercompany
ICS	Incurred Cost Submission
IDIQ	Indefinite Delivery/Indefinite Quantity
IT	Information technology
K or k	Thousands
KPI	Key performance indicators
LBE	Latest best estimate
Lenders or Lending Group	The lenders as part of the Credit Agreement
Lender's Presentation	Presentation dated November 6, 2012 provided by the Company to the Lenders
Firm	[Client]
LPTA	Lowest price, technically acceptable method
M or m	Millions
Management	Senior Management, Vice Presidents and Directors
Merger Sub	[Company B] Merger Sub LLC
Midco	[Company B] Intermediate Holdings, LLC
Company C	[Investment Bank]

I. DEFINITION OF TERMS
Abbreviations and Definitions, cont.

ABBREVIATIONS	DEFINITIONS
N/A	Not applicable
NA	Not available
Company D	[Company D]
N/P	Not provided by Management
N/Q	Not quantifiable
NWC	Net working capital
ODC	Other direct costs
OPEN	Outstanding information request
Original Forecasts	2012-F, 2013-F and 2014-F
P&L	Profit and loss statement
PCO	Procurement Contracting Officer
PEO Soldier	Program Executive Officer Soldier
PQ/PY	Prior quarter/prior year
QX- Month 20XX	Quarter X ended month year
Revised Forecasts	2012-RF, 2013-RF and 2014-RF
RFP	Request for proposal
RF	Revised Forecasts
Senior Management	CEO, CFO, COO and CCO

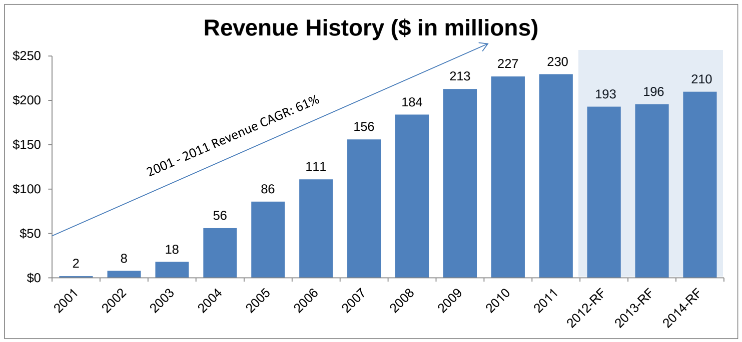
ABBREVIATIONS	DEFINITIONS
SG&A	Selling, general and administrative expenses
T&M Pricing	Time & Materials Pricing
TTM-10/12	Trailing twelve months ended October 2012
TTM-11/12	Trailing twelve months ended November 2012
U.S.	United States
WC	Working capital
YOY	Year-over-year
YTD-10/11	Ten months ended October 2011
YTD-10/12	Ten months ended October 2012
YTD-11/11	Eleven months ended November 2011
YTD-11/12	Eleven months ended November 2012

II. COMPANY, SITUATION AND SERVICES OVERVIEW

II. Company, Situation and Services Overview
Company and Services

Company

- Founded in 2000, [Company] and its subsidiaries (“Borrower”, “Company” or “[Company]”) provides Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (“C4ISR”) support services to the U.S. Army.
- The Company achieved 61% compound annual growth rate in revenue from 2001 through to 2011; however, growth in revenue is forecasted by Management to decline due to the reduction in optempo in Iraq and Afghanistan, increased margin pressure, consequences of the Base Realignment and Closure (“BRAC”) initiative, additional compliance focus by the Defense Contract Audit Agency (the “DCAA”) and Federal Government insourcing initiatives.



Source: Lender Meeting Presentation dated November 6, 2012 and Company forecasts.

- The Company has approximately 1,000 employees located at the following 10 locations: [redact]

Services

- The Company supports customers across the following three different types of services:
  - **Acquisition Management**
    - Supports planning, development acquisition, maintenance and fielding of military technologies.
    - Assists government personnel with identification and prioritization of resource requirements.
    - Prepares required reports for Headquarters, Department of the Army (“HQDA”), Department of Defense (“DoD”) and Congress.
    - Example of programs include [redact], [redact] and [redact].
  - **Contractor Logistics Support/Field Support Services**
    - Supplements U.S. Army resources with engineering and technical support personnel.
    - Assists in operation and maintenance of technologies, performs system installation and integration, new equipment training and supply and maintenance support.
    - Example of programs include [redact] and [redact].
  - **Program Analysis and Support**
    - Provides operational and financial guidance for future force C4ISR programs.
    - Supports location and management of funding necessary to pursue new C4ISR initiatives.
    - Provides support services for the DoD to maintain financially efficient and effective implementation of C4ISR programs.
    - Example of programs include HQDA OMNIBUS and HQDA.

Senior Management

- The senior management team (“Senior Management”) comprises:
  - **[Founder and Chief Executive Officer], Founder and Chief Executive Officer** (“CEO”);
  - **[Chief Financial Officer], Chief Financial Officer** (“CFO”) who was appointed in XXXXXX, XXX;
  - **[Chief Operations Officer], Chief Operations Officer** (“COO”); and
  - **[Chief Compliance Officer], Chief Compliance Office** (“CCO”) who was appointed in XXXXXX, XXX.

Financial Summary

Financial Summary ($ in millions)	2010	2011	2012-RF	2013-RF	2014-RF
Net Revenue	**$ 226.9**	**$ 229.6**	**$ 193.1**	**$ 195.7**	**$ 209.8**
YOY Growth %	*6.5%*	*1.2%*	*(15.9%)*	*1.4%*	*7.2%*
Gross Profit	**80.2**	**71.3**	**59.7**	**55.9**	**62.0**
Gross Margin %	*35.4%*	*31.1%*	*30.9%*	*28.6%*	*29.5%*
SG&A	**50.2**	**53.6**	**46.1**	**44.6**	**48.0**
% of Net Revenue	*22.1%*	*23.3%*	*23.9%*	*22.8%*	*22.9%*
Net Income	**18.4**	**(28.2)**	**(19.1)**	**(15.3)**	**(8.9)**
Adjusted EBITDA	**$ 30.1**	**$ 17.9**	**$ 12.8**	**$ 11.1**	**$ 13.6**
Adjusted EBITDA Margin %	*13.2%*	*7.8%*	*6.6%*	*5.7%*	*6.5%*
Capital Expenditures	**n/a**	**$ 1.0**	**$ 0.7**	**$ 1.9**	**$ 1.0**

Source: Lending Management presentation dated November 6, 2012 page 15 and Company prepared financial projection (2012-2014 Revised LBE_vFinal 1.9.2013.xlsx)

- 2013-RF Capex is forecast at $1.9 million due to the additional expenditure of $1.2 million forecast to be spent to migrate the Deltek GCS Premier accounting system to Deltek CostPoint.

Financial Period Ends

- The Company’s year end is December 31. The Company’s financial months end on the last Friday of each month with all financial months being 4 weeks of length except for (1) May and October which are six weeks in duration; and (2) December which ends on December 31st. Given the significant compliance issues related to overbillings by the Company and because it is outside our scope of reference,

Financial Period Ends, continued

FAI does not know nor attempted to calculate the true historical profitability of the Company (e.g., FAI would need to reduce revenue by the overbillings, as discussed at Section III, Executive Summary, and pro forma an additional cost base for increased compliance capabilities).

Auditors and Compliance Advisors

- The Company’s auditors are [Auditor] (“Auditors”) who were acquired by [Auditor] as of November 1, 2012. The Company also appointed [Auditor and Consultant] in June 2011 as compliance advisors to the Company.

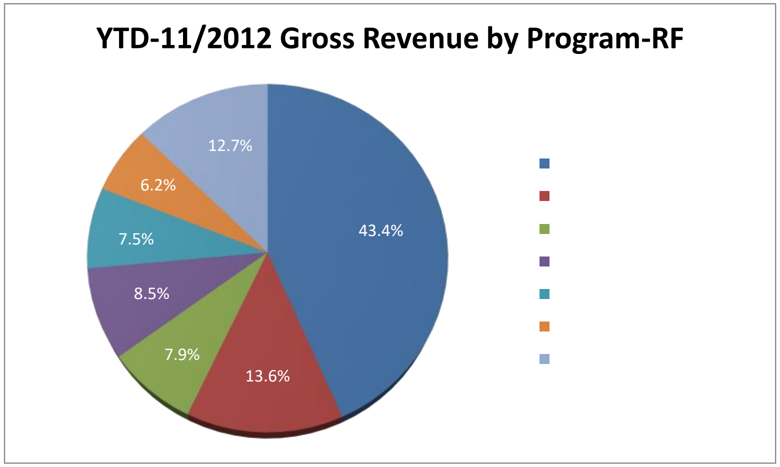
Investment Bankers

- Management appointed [Investment Bank] as the Company’s investment bankers. FAI recommends that you obtain a copy of the terms of reference for [Investment Bank].

Current Outlook

- [Company]’s future is heavily dependent on (1) outcome of the [redact] ([redact]) recompete effort; and (2) the resolution of its ongoing compliance audits:
  - Management represented that it has significant visibility as it relates to financial results for the remainder of 2013-RF.
  - 2012-RF net revenue of $193.1 million and Adjusted EBITDA of $12.8 million.
  - 2013-RF net revenue of $195.7 million (~83% related to existing task orders and follow-ons/options) and Adjusted EBITDA of $11.1 million.
  - [Company] did not meet its September 2012 financial covenants due to the ongoing deterioration of its financial performance; Management represented that they reported this default on November 5, 2012 to [Bank or Agent].
  - [Company]’s outlook beyond 2013 will be highly impacted by the Company’s ability to secure the [redact] contract (which represents approximately 36% of forecast revenue). The recompete contract is known as [redact].

Customer Concentration and Outlook



Source: Management

Analysis of Company Revenue ($000s)	2012-RF	2013-RF	2014-RF	% of Total 2012-RF	% of Total 2013-RF	% of Total 2014-RF
Existing Business:						
[redact]	$ 76,706	$ 43,362	$ -	39.5%	21.9%	-
Other Named Contracts	117,127	30,695	-	60.4%	15.5%	-
Total Existing Business	**193,833**	**74,057**	**-**	**99.9%**	**37.4%**	**-**
Option:						
[redact]	79	23,335	-	0.0%	11.8%	-
Other Named Contracts	45	19,492	30,833	0.0%	9.9%	14.7%
Total Options	**124**	**42,827**	**30,833**	**0.1%**	**21.7%**	**14.7%**
Recompete & New Business:						
[redact]	-	4,705	88,754	-	2.4%	42.2%
Other Named Contracts	-	30,201	90,647	-	15.3%	43.1%
Total Recompete	**-**	**34,906**	**179,401**	**0.0%**	**17.7%**	**85.3%**
Total [redact] Revenue	76,786	71,402	88,754	39.6%	36.1%	42.2%
Total Other Named Contracts	117,172	126,364	121,481	60.4%	63.9%	57.8%
Total Gross Revenue	**$ 193,958**	**$ 197,765**	**$ 210,234**	**100.0%**	**100.0%**	**100.0%**
SG&A Adjustments	-	(1,678)	(66)			
Adjusted Gross Revenue	**$ 193,958**	**$ 196,087**	**$ 210,168**			

Source: A 2-4 YTD P10 2012 Financial Package PRELIM[Contract Waterfall].xlsx

Terms

- **Option.** Additional revenue which could be won under the present contract.
- **Recompete.** Additional revenue which could be won on recompete bids (i.e., already performing work).

Concentration of Contract Base

- [Company] generated 87% of its revenue for the eleven months ended November 2012 from six programs, which are comprised of more than 30 active task orders. The remaining 13% of revenue is generated from 16 other programs.
- [Company] is the prime contract on the three largest programs ([redact], [redact], and [redact]) it supports. Further details set out at Section X.E Program Overview.
- Management has probability weighted the forecast of new revenue by named contracts in 2013-RF and 2014-RF on the basis that the Company is not guaranteed to win the new work (recompete and option revenue-see bottom left table). Please note the government can cancel contracts at will for no cause.

[Redact] to [redact] Program

- The Company's largest program is [redact] (or [redact] program after the contract is rebid in November 2013). The revenue generated from this program is summarized in the bottom left table.
- [Company] has served as the [redact] Field Support Services provider of choice since December 2003 (i.e., 2003 Prime Contract Award of $134 million; 2008 Prime Contract Award of $390 million, increased to $475 million in May 2012; more than 100 task orders performed).
- [Redact] is the successor to [redact] that provides upgraded situational awareness, command and control and applications. [redact] will introduce a new user interface with intuitive features like touch-to-zoom maps and drag-and-drop icons as well as networked handheld devices. Management represented that it is expecting a request for proposal in Q1-2013 and an award date in Q4-2013. [redact] is expected to be a Cost-Plus Fixed Fee ("CPFF") 5-year contract with an estimated value of between $500 million to $520 million. As the incumbent, Management represented that significant resources, know-how and time will assist the Company in successfully winning this contract.

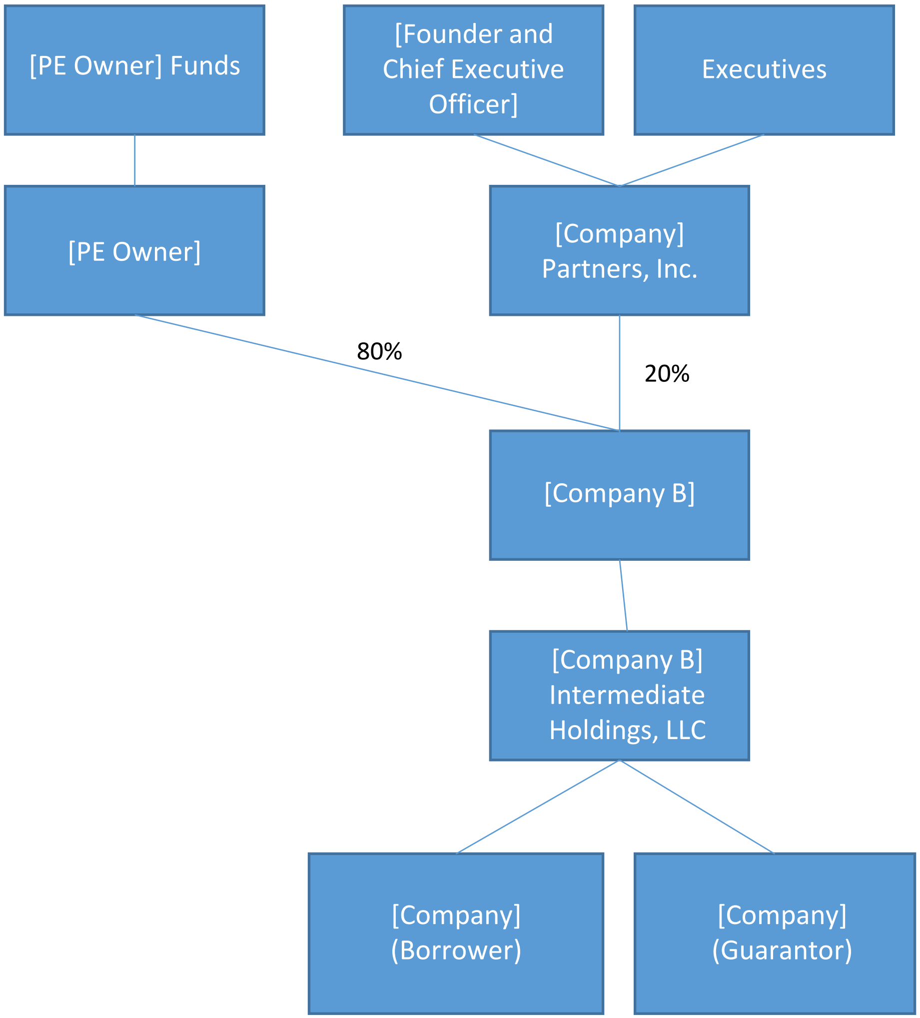
Customer Concentration and Outlook, cont.

[Redact] to [redact] Program, continued

- Management could not provide a list of competitors for the [redact]/[redact] bid. Management represented that more than 50 companies attended the government's "industry day" presentation about the opportunity in July 2012; however, Management does not expect that all of those companies to have the capability to bid as a prime contractor on this program due to the scope and complexity of the expected deliverables.
- The CEO represented on December 14, 2012 that he is very confident that [Company] will win the [redact] bid; however, the CEO also represented that he does not yet know the composition of the [redact] bid and that there are much stronger headwinds which may reduce the chances of winning the bid.
- Management appointed [Investment Bank] as the Company's investment bankers. FAI recommends that you obtain a copy of the terms of reference for [Investment Bank].

II. Company, Situation and Services Overview
Organization and History

Organization Chart



Acquisition of the Company by [PE Owner]

- On April 21, 2011, [PE Owner] purchased stock in [Company D] which resulted in [PE Owner] owning 80% of [Company D]. Immediately following the acquisition, [Company D] was reorganized as a limited liability company and changed its name to [Company B]. The transaction was partly financed through cash and debt financing. The debt funds were borrowed by [Company B] Merger Sub LLC ("Merger Sub") and guaranteed by [Company B] Intermediate Holdings, LLC ("Midco").
- The aggregate purchase price was $182.5 million. The acquisition was financed by an equity injection by the acquirer of $56.4 million and the issuance of a term loan and a revolving bank line-of-credit totaling $124.8 million. The term loan and bank line-of-credit were assumed by the Company as part of the acquisition. In addition, Management, including the selling party, collectively retained a 20% non-controlling indirect interest in the Company comprising an equity investment of $14.1 million. Approximately, $1.3 million of pre-existing debt was repaid as part of these transactions. In addition, [Company B] incurred approximately $7.9 million of deferred financing costs in obtaining the $124.8 million of debt financing.

Acquisition of [redact] IDIQ Prime Contract

- On December 2, 2011, the Company purchased certain assets and liabilities, including rights and economic interest on a specific contract from [redact], under a purchase agreement. In accordance with the terms of the purchase agreement, the consideration payable includes a base purchase price of $22.5 million, plus a maximum earn-out amount of $2.5 million through November 2012. Management represented that no earn-out will be payable as performance targets were not met after the transaction closed in June 2012 (following approval from the Government).
- The recent [redact] award activity has been slower than historical experience and expectations (i.e., ManTech [redact] revenue in 3Q-2012 was down 37% year over year; and [redact] revenue expected to decrease 21% from 2012 to 2013). Source: Management.
- The [redact] contract is recorded within the results of [Company].

Situation and Financing

Summary of Debt

- [Company] did not meet its September 2012 financial covenants due to the ongoing deterioration in the Company's financial performance. Management represented that they reported this default on November 5, 2012 to [Bank or Agent].
- A summary of the current net debt position and current interest rates is as follows:

Summary of Debt and Cash				
Instrument	**Rate**	**Nov-12**	**Difference**	**Dec-12-RF**
Term Loan	8.50%	$ 95,268	$ (3,000)	$ 92,268
Revolver	8.50%	20,000	-	20,000
Total Debt		**115,268**	**(3,000)**	**112,268**
Cash Balance		(9,339)	(2,192)	(11,531)
Net Debt		**$ 105,929**	**$ (5,192)**	**$ 100,737**

Source: Management and financial records

- The Company repaid $ 3.0 million of principal in December 2012.

Notes Payable and Bank Line-Of-Credit

- In March 2011, as part of the Acquisition Agreement, the Company entered into a $140.0 million Credit Agreement (the "Credit Agreement") with a consortium of financial institutions that is comprised of a $120.0 million term loan and a $20.0 million revolving bank line-of-credit. The revolving and term loan facilities include covenants that require the Company to maintain certain financial ratios.

Term Loan

- The term loan bears interest at the Eurodollar Rate plus the "Applicable Rate" of 6.25%, or at the option of the Company, the "Base Rate", plus the "Applicable Rate" of 5.25%. The Base Rate is defined as the highest of (i) the [Bank or Agent] prime rate; (ii) the Federal Funds rate plus 0.50%; and (iii) a daily rate equal to the Eurodollar Rate plus 1.00%. The interest rate on the term loan at December 31, 2011 is 7.75%.

Term Loan, continued

- The 7.75% Interest Rate was based upon the Company having a Consolidated Secured Leverage ratio that was greater than 3.5 to 1.0. If the Consolidated Secured Leverage Ratio drops below 3.5 to 1.0, the Applicable Rate on the Eurodollar Rate Loan would drop by 50 basis points to 5.75% plus the Eurodollar Rate. The same 50 basis points reduction would apply if the Base Rate Loan selection was made.
- In addition, the Credit Agreement provides for an unused commitment fee of up to 0.50% of the unused balance. Principal repayments in the amount of $1.5 million are due at the end of each fiscal quarter, with a balloon payment due at maturity. The outstanding balance on the term loan, after the cancellation of the portion purchased by [Company B], currently totals $95.3 million. The term loan matures on April 21, 2017.

Revolving Bank Line-Of-Credit

- The bank revolving line-of-credit bears interest at the Eurodollar Rate plus the "Applicable Rate" of 6.25%, or at the option of the Company, the 'Base Rate', plus the "Applicable Rate" of 5.25%. The Base Rate is defined as the highest of (i) the [Bank or Agent] prime rate; (ii) the Federal Funds rate plus 0.50%; and (iii) a daily rate equal to one-month LIBOR plus 1.00%. The interest rate on the revolving line-of-credit as at December 31, 2011 was 6.68%. The 6.68% Interest Rate was based upon the Company having a Consolidated Secured Leverage ratio that was greater than 3.5 to 1.0. If the Consolidated Secured Leverage Ratio drops below 3.5 to 1.0, the Applicable Rate on the Eurodollar Rate Loan would drop by 50 basis points to 5.75% plus the Eurodollar Rate. The same 50 basis points would apply if the Base Rate Loan selection was made. In addition, the Credit Agreement provides for an unused commitment fee of up to 0.5% of the unused balance. The revolving line-of-credit matures on April 21, 2016.
- Borrowings outstanding on the revolving line-of-credit is currently $20.0 million; the maximum allowed under the Credit Agreement.

Limited Scope & Access to Management – Phase 1

Scope of Due Diligence

- At the request and direction of [Client], FAI performed the following very specific and limited due diligence procedures as part of Phase I.

Phase I

- **Cash**
  - Summarized the current cash balances and locations by bank. (See Section VII).
  - Summarized the cash burn since September 2012 (after draw down on the revolver of approximately $16 million). (See Section III).
  - Reviewed the Company prepared projected inter-weekly cash balances. (See Section V).
  - Reviewed the Company prepared projected uses (needs) over the next two months with projected cash balances on January 1, 2013 and February 1, 2013. (See Section III).
- **Overbilling Claims (See Sections III and IV)**
  - Analyzed the expected base case total of current liability related to overbillings ("Contractor's Liability").
  - Analyzed the projected worst-case Contractor's Liability.
  - Discussed with Management information that can be provided regarding any additional look backs prior to 2005 and additional clarity in regard to the three additional potential items that were identified but excluded from the estimate of the Contractor's Liability.
  - Discussed with Management the expected timing and amount of cash payments on the Contractor's Liability.
- **Operational Cash Flow (See Section V)**
  - Discussed with Management the cash generation / burn from operations before debt service.
  - Discussed with Management the reasons the Company is cash flow neutral or burning cash before debt service when the Company has been and projects to be EBITDA positive.
  - Analyzed non-operating and restructuring expenses (e.g., [PE Owner]'s management fees, legal fees, and consultant fees).
- **Operational Cash Flow, continued (See Section VII)**
  - Reviewed the quality of the Company's accounts receivable and accounts payable including aging reports. Summarized billing and receivables.
- **Liquidity/Debt (See Section III)**
  - Estimated at a high level the expected amount of additional capital the Company will need to cover the Contractor's Liability and provide sufficient on-going working capital.
  - Estimated a median level of debt the Company can support.

Information and Meetings

- FAI first received information from Management on December 11th, 2012. FAI was onsite at the Company's premises for three days from December 12th through 14th, 2012, and had meetings with the following people:
  - **From [Company]:**
    - [Founder and Chief Executive Officer], Founder and Chief Executive Officer ("CEO").
    - [Chief Financial Officer], Chief Financial Officer ("CFO").
    - [Chief Compliance Officer], Chief Compliance Office ("CCO").
    - Wade Simms, Director, Financial Planning and Analysis.
  - **From [PE Owner]:**
    - [Redact], Principal.
    - [Redact], Associate.
  - **[Investment Bank], investment banker and advisor to [Company]:**
    - [Redact], Managing Director.
    - [Redact], Senior Vice President.
    - [Redact], Senior Vice President.
    - [Redact], Associate.
    - [Redact], Associate.

Limited Scope & Access to Management – Phase 2 (1 of 3)

Scope of Due Diligence

- At the request and direction of [Client], FAI performed the following very specific and limited additional due diligence procedures.

Phase 2

- **Forecasts (see Sections III and IV)**
  - Assessed the Company prepared forecasts for 2013-RF and 2014-RF for reasonableness and discussed with Management potential significant upsides (e.g., revenue improvement or non-recognized cost savings) to these forecasts.
  - Reviewed profitability by key contracts and commented on the Company's cost allocation methodology (See Sections II and VIII).
  - Reviewed and commented (e.g., by contract, cost savings, type of contract) on Management's bridges (revenue, gross profit/gross profit margin and EBITDA/EBITDA margin) for:
    - 2011 to 2012-RF;
    - 2012-RF to 2013-RF; and
    - 2013-RF to 2014-RF.
  - Analyzed the amount of billable revenue for the forecast period related to the non-operating expenses which are excluded from EBITDA, Adjusted (See Section VII).
  - Utilized the Company's pipeline report and commented on the potential impact on revenue for 2013-RF and 2014-RF.
  - Reviewed Management's forecast for 2013-RF and 2014-RF for the amount of cash needed to fund working capital requirements for new key contracts during the "ramp-up" period.
  - We could not identify key nonperforming contracts by analyzing return on revenue and working capital requirements versus net profit as Management can not produce net profitability by contract (See Margins Section I).
- **Historical Financials (see Section VII)**
  - Reviewed and analyzed historical profitability for estimated 2012 (or year to date 2012) and working capital requirements by key contracts.
  - Reviewed Management's assessment of billable revenue for 2012-RF (or year to date 2012) as a result of expenses excluded from EBITDA, Adjusted.
  - Hazard Pay:
    - Utilized Management's estimate of employees receiving Hazard Pay and prepared an analysis to determine the impact on revenue.
  - [Redact] Program:
    - Analyzed and commented on the profitability trends of the [redact] contract acquired by [redact].
- **Cost Saving Initiatives (See Section VII)**
  - Reviewed Management's key cost savings initiatives to establish whether these savings have been included with the 2013-RF and 2014-RF forecasts.
  - Discussed with Management other key potential cost saving initiatives.
  - Management would not allow us to review their assessment of the Company's cost base on the grounds that the information is "competitively sensitive"; however, FAI has not seen evidence that Management has performed this review.
- **Compliance and IT Implementation Plans (See Sections III and IV)**
  - Reviewed at a high level the Company's compliance remediation plan and analyzed to what extent Contractor's Liability (compliance related) payments have been factored into the Company's forecasted cash needs.
  - Reviewed at a high level and commented on the Company's IT migration plan and plans for implementing new procedures.
  - Reviewed and commented on the Company's assessment of the effect of a potential (up to) 10% withholding on future revenues during 2013-RF on key contracts which the ACO could withhold payments in accordance with DFARS Clause 252.242.7005.
- **Outside Our Scope**
  - FAI was not asked, nor did FAI perform a legal review of the Contractor's Liability nor make direct contact with [Auditor and Consultant].

Limited Scope & Access to Management – Phase 2 (2 of 3)

Meetings

- For Phase II, FAI first received limited information from Management on January 4th, 2013. FAI was onsite at the Company's premises for three days from January 9th through 11th, 2013, and had meetings with the following people:
  - **From [Company]:**
    - [Chief Financial Officer], Chief Financial Officer ("CFO").
    - [Chief Compliance Officer], Chief Compliance Office ("CCO").
    - [Redact], Director, Financial Planning and Analysis.
  - **From [PE Owner]**
    - [Redact], Principal.
  - **[Investment Bank], investment banker and advisor to [Company]:**
    - [Redact], Associate.
    - [Redact], Associate.

Information

- We were not able to obtain the following information for the reasons noted below:

Information Not Provided by Management

- Management represented that the accounting system had not been set up to report on net profit by task order nor contract and they had only prepared the contract level results for 2013-RF and 2014-RF for revenue and gross profit which still did not include all direct costs (i.e., hazard pay).
- In addition, Management represented that they could not easily provide data on the following areas as the accounting system had not been set appropriately:
  - Deployed pay (normal and hazard pay) on either a Company or contract basis; however, Management did manage to estimate the current run rate (see Section VII. Historical Financials).
  - Further analysis of direct cost of goods beyond direct labor, travel, subcontractor costs and other direct costs.
- ***The above lack of data provides evidence that Management can not readily review the results of the Company in enough detail to fully understand the net profitability at a contract level.***
- Management represented that the following plans/analysis have not been prepared:
  - IT implementation plans and the cost benefit analyses for migrating the Company's ERP system from Deltek GCS Premier to Deltek CostPoint. Management represented that the timing of the implementation for the new system is dependent on the financial health of the Company and that no deposits/guarantees had been provided to third parties. The 2013-RF forecast includes Capex for this migration starting in April 2013-RF, which is less than four months away. FAI would normally have expected certain analyses to have been completed.
  - Formal project management status updates by work stream to identify and rectify the compliance and procedures. However, a four page summary on the compliance issues (see Section IV. Compliance Issues) and notes from the latest [Auditor and Consultant]'s bi-weekly call with Management (see Section X.G. [Auditor and Consultant] Status) was provided to FAI.
- Management represented that only two internal audits were performed as follows:
  - **Employees Qualifications** - Ensure the employees had the correct qualifications per the relevant contract enabling the Company to bill this work to the customer. The results of this internal audit, which was recently completed, are discussed at Section III. Compliance Issues.
  - **Subcontractors Qualifications** - Ensure that subcontractors had the correct qualifications per the contractual terms so that the Company can bill this work to the customer. Management represented that this internal audit has not been completed and accordingly has not released any results nor initial findings from this review.

Limited Scope & Access to Management – Phase 2 (3 of 3)

Information, continued

Information Unlikely To Be Available

- [Company]'s accounting system was disapproved by the Government in 2012. Management sent a letter to the DCAA on January 11, 2013 requesting that DCAA begin its review of the accounting system on January 31, 2013. DCAA has since confirmed a start date for the review of February 5, 2013. Management represented that DCAA auditors plan to return at the end of February for further testing of year-end conformance (after the year-end accounting entries have been made). As such, Management does not expect a report, which will confirm whether that the accounting system is approved/disapproved, until the end of March or early April 2013.
- The above was confirmed by email by [Investment Bank]; we have not reviewed any of the above correspondence. If Management manages to obtain the approval of the accounting system by early April 2012, there is likely to be minimal risk of withholds being imposed in accordance with DFARS Clause 252.242.7005.

Information Not Provided by Management

- Management represented that they would not supply the following information as it contained competitive sensitive information:
  1) Data (e.g., the latest trailing three months results) which supported the 2013-RF and 2014-RF gross profit margin assumptions by contract.
  2) The 2013 provisional Incurred Cost Submission ("ICS") rates. As a result we have not been able to confirm that the ICS rates supplied to the Government are in accordance with the revised forecasts.
  3) Management's review or data of the cost structure of the Company and its consistency with industry averages (e.g., employee salaries and estimate versus market rates).

III. EXECUTIVE SUMMARY

Increase in Forecasts and Uncertainty

Financial Summary ($ in millions)	2010	2011	2012-RF	2013-RF	2014-RF
Net Revenue	$ 226.9	$ 229.6	$ 193.1	$ 195.7	$ 209.8
YOY Growth %	*6.5%*	*1.2%*	*(15.9%)*	*1.4%*	*7.2%*
Gross Profit	80.2	71.3	59.7	55.9	62.0
Gross Margin %	*35.4%*	*31.1%*	*30.9%*	*28.6%*	*29.5%*
SG&A	50.2	53.6	46.1	44.6	48.0
% of Net Revenue	*22.1%*	*23.3%*	*23.9%*	*22.8%*	*22.9%*
Net Income	18.4	(28.2)	(19.1)	(15.3)	(8.9)
Adjusted EBITDA	$ 30.1	$ 17.9	$ 12.8	$ 11.1	$ 13.6
Adjusted EBITDA Margin %	*13.2%*	*7.8%*	*6.6%*	*5.7%*	*6.5%*
Capital Expenditures	n/a	$ 1.0	$ 0.7	$ 1.9	$ 1.0

Source: Lending Management presentation dated November 6, 2012 page 15 and Company prepared financial projection (2012-2014 Revised LBE_vFinal 1.9.2013.xlsx)

Overview

- As part of Phase I, FAI received forecasts for the year ending December 31, 2012, 2013 and 2014 ("2012-F", "2013-F" and "2014-F") on December 15, 2012 (together called "Original Forecasts").
- As part of Phase II, FAI received revised forecasts for the year ending December 31, 2012, 2013 and 2014 ("2012-RF", "2013-RF" and "2014-RF") on January 10, 2013 (together called "Revised Forecasts").
- From evidence gained on site at the Company, it appears the forecasts are being calculated real time by [Investment Bank] with guidance from Management; however, this approach does not appear to provide adequate opportunity for review by Management.

Improvements in 2012-RF, 2013-RF and 2014-RF

- The Revised Forecasts showed that revenue and EBITDA, Adjusted had increased compared with the Original Forecasts by the following:
  - **2012-RF** - Revenue: $2.1 million; EBITDA, Adjusted: $0.6 million.
  - **2013-RF** - Revenue: $19.8 million; EBITDA, Adjusted: $0.8 million.
  - **2014-RF** - Revenue: $11.8 million; EBITDA, Adjusted: $1.5 million.
- Further explanation of the differences are summarized at Section VI. Forecasts.

Lack of Contract Data

- Management represented that the accounting system had not been set up to report on net profit by task order nor by contract and they had only prepared the forecast results for 2013-RF and 2014-RF by contract for revenue and gross profit. In addition, the gross profit metric did not include all direct costs (i.e., hazard pay) and Management had not adjusted the forecast revenue by contract for new overhead rates

Lack of Contract Data, continued

following changes in new business revenue in 2013-RF and 2014-RF; this adjustment was estimated by FAI and allocated to individual contracts.

- Management represented that they would not supply the support for the 2013-RF and 2014-RF gross profit margin assumptions by contract as it contained competitive sensitive information. In addition, Management could not provide further analysis of direct cost of goods beyond direct labor, travel, subcontractor costs and other direct costs at either the Company or contract level.
- Accordingly, FAI has concerns that Management does not fully understand the drivers of contract profitability and is unable to identify unprofitable contracts.

Lack of Certainty in 2014-RF Results and Valuation

- Management is forecasting revenue excluding existing business (i.e., where there are no signed task orders currently in operation) at $24.0 million and $138.6 million for 2013-RF and 2014-RF, respectively, which represent 17.6% and 61.1%, respectively, of the discounted pipeline as currently estimated by the Business Development department.
  - **For 2013-RF**, $24.0 million, equivalent to 12.2%, of total 2013-RF revenue is not being generated by existing contracts/task orders.
  - **For 2014-RF**, $138.6 million, equivalent to 66.0%, of total 2014-RF revenue is not being generated by existing contracts/task orders.
- Management represented that the Company will continue (e.g. [redact] recently awarded contract of 3.6% net margins) to lower margins for new bids so that the Company does not lose business on rates (e.g., [redact]); this strategy may further reduce the future margins which have not been incorporated in the Revised Forecasts.
- A key issue is that Management appears to be working to a projected EBITDA, Adjusted margin (2012-RF: 6.6%; 2013-RF: 5.7%; 2014-RF: 6.5%) and FAI does not have sufficient data in order to evaluate the reasonableness of these assumptions. If 2013-RF EBITDA, Adjusted margin increased by 0.8 percentage points to 6.5%, EBITDA, Adjusted would increase by $1.6 million to $12.7 million.
- While the valuation of the business would be negatively impacted by a lower 2013-RF EBITDA, Adjusted margin, a greater impact on the valuation of the Company is the uncertainty in the 2014-RF forecasts and the Contractor's Liability.

Adjusted Results

Revised EBITDA ($000s)	2012-RF	2013-RF	2014-RF
Revenue, As Reported	$ 193,958	$ 196,087	$ 209,770
[redact] Revenue	(803)	-	-
[redact] Revenue	(659)	(316)	(234)
Total Revenue, FAI Adjusted	**192,496**	**195,771**	**209,536**
EBITDA, As Reported	**3,525**	**9,178**	**12,357**
Management Adjustments	9,262	1,881	1,269
EBITDA, Adjusted	**12,786**	**11,059**	**13,626**
[redact] Revenue	(803)	-	-
[redact] Revenue	(659)	(316)	(234)
EBITDA, FAI Adjusted	**$ 11,324**	**$ 10,743**	**$ 13,392**

Source: 2012-2014 Revised LBE_3 Stmt Model_01.10.2013.xlsx

Program Revnue by Task Order ($000s) Task Order		June 2012	July 2012	August 2012	September 2012	October 2012	November 2012	YTD-11/12
	Revenue	$ 243	$ 466	$ 388	$ 495	$ (12)	$ 128	$ 1,707
	Gross Margin ($)	23	45	32	49	(6)	13	156
	Gross Margin (%)	9.3%	9.7%	8.3%	9.9%	47.6%	9.8%	9.1%
	Revenue	197	346	761	524	(1)	30	1,858
	Gross Margin ($)	19	33	71	50	(1)	3	175
	Gross Margin (%)	9.4%	9.5%	9.4%	9.6%	103.5%	9.5%	9.4%
	Revenue	-	-	-	-	438	527	966
	Gross Margin ($)	-	-	-	-	42	50	93
	Gross Margin (%)	-	-	-	-	9.6%	9.6%	9.6%
	Revenue	35	55	84	84	82	73	412
	Gross Margin ($)	4	7	10	10	10	9	51
	Gross Margin (%)	12.0%	12.4%	12.3%	12.2%	12.4%	12.4%	12.3%
	Revenue	148	39	375	102	(1)	0	664
	Gross Margin ($)	17	(108)	152	14	(1)	0	74
	Gross Margin (%)	11.5%	-274.5%	40.6%	13.7%	139.6%	11.6%	11.2%
	Revenue	467	754	1,107	746	319	(104)	3,288
	Gross Margin ($)	48	34	69	66	24	(11)	231
	Gross Margin (%)	10.3%	4.5%	6.3%	8.9%	7.5%	10.3%	7.0%
	Revenue	20	39	101	10	35	37	242
	Gross Margin ($)	1	4	7	2	(4)	1	11
	Gross Margin (%)	5.9%	9.4%	6.7%	19.0%	-11.4%	3.7%	4.5%
	Revenue	126	268	928	66	1,344	617	3,349
	Gross Margin ($)	14	30	105	8	151	69	377
	Gross Margin (%)	11.2%	11.3%	11.3%	11.9%	11.2%	11.2%	11.3%
	Revenue	-	-	-	-	959	891	1,850
	Gross Margin ($)	-	-	-	-	126	159	286
	Gross Margin (%)	-	-	-	-	13.2%	17.9%	15.4%
	Revenue	884	4	10	1	-	-	899
	Gross Margin ($)	810	0	(0)	1	-	-	811
	Gross Margin (%)	91.6%	9.4%	-0.2%	100.0%	-	-	90.3%
Total	**Revenue**	**$ 2,119**	**$ 1,971**	**$ 3,753**	**$ 2,029**	**$ 3,163**	**$ 2,198**	**$ 15,234**
	Gross Margin ($)	**936**	**46**	**447**	**201**	**342**	**294**	**2,265**
	Gross Margin (%)	**44.2%**	**2.3%**	**11.9%**	**9.9%**	**10.8%**	**13.4%**	**14.9%**

Source: C.7. Task Orders_YTD P11 2012.xlsx

EBITDA, FAI Adjusted

- As summarized in the top left table, FAI excluded the following special items from EBITDA, FAI Adjusted:
  - **Estimated revenue from [Auditor and Consultant] fees** which are recoverable from Cost-Plus contracts as these costs were excluded from EBITDA, Adjusted (see Section VII).
  - **$803k one-off revenue from the [redact] contract** which was a net payment from [redact] in July 2012 as the novation of the contract was delayed from December 2011 to June 2012 (see Section VIII).
- We believe the revised metrics Revenue, FAI Adjusted (2012-RF: $192.5 million; 2013-RF: $195.8 million; 2014-RF: $209.5 million) and EBITDA, FAI Adjusted (2012-RF: $11.3 million; 2013-RF: $10.7 million; 2014-RF: $13.4 million) represent a better metric for measuring the recurring performance of the business; however, these adjusted results do not include the impact of other risks which are discussed within this Report.

Unreliable [redact] 2012 Monthly Results (See bottom left table and Section VII. Historical Financials)

- Management represented that the unusual trends in the monthly financial statements of the [redact] contract arose because there were not full internal controls (e.g., accrual for subcontractor expenses and resulting revenue accrual) in operation for the contract. Management represented that these control weaknesses are in the process of being corrected and that the [redact] contract and operations are now fully incorporated within the Company.
- In accordance with the terms of the purchase agreement, the consideration payable included a base purchase price of $22.5 million plus a maximum earn-out amount of $2.5 million. Management represented that the earn-out target through November 2012 was not achieved and accordingly no further monies are owed.

Unreliable 2010 Monthly Financial Results (Refer to Section X.A. Monthly Profit and Loss Accounts)

- Management represented that the 2010 monthly financial statements are not reliable due to the lack of rigor around period closes and the use of "all other" groupings (vs. appropriate allocation to programs). According to Management, this makes the 2010 figures unreliable for comparison purposes.

III. Executive Summary

Compliance Issues – Update from Phase II

Contractor's Liability Expected Payments ($'000 and Timing)			
Item	Topic	Expected Timing	Expected $'000
Liabilities Agreed:			
10	2005 Incurred Cost Submission	Q1 2010	$ 110
3b	Deployed Premiums > Dept. of State Guidelines (2006)	Q2 2012	70
11	2006 Incurred Cost Submission	Q4 2012	58
	Total Paid to date		**238**
11	2006 Incurred Cost Submission	Q4 2012	100
	Total Q4 2012 (Agreed)		**100**
Liabilities Not Yet Agreed:			
6a	CAS 405: Failure to Identify Unallowable Labor	Q1 2013	719
6b	CAS 405: Failure to Identify Unallowable Labor	Q1 2013	100
	Total Q1 2103		**819**
2	CAS 401: Overhead & Fringe applied to Deployed Premiums	Q2 2013	4,238
2a	CAS 401: Overhead & Fringe applied to Deployed Premiums	Q2 2013	200
1a	CAS 401: Overhead applied to Direct Labor & Fringe	Q2 2013	6,689
1b	CAS 401: Overhead applied to Direct Labor & Fringe	Q2 2013	200
3a	Deployed Premiums > Dept. of State Guidelines (2011)	Q2 2013	5,506
	Total Q2 2013		**16,833**
3c	Deployed Premiums > Dept. of State Guidelines (2007)	Q3 2013	NQ
4	Labor qualifications under minimum labor category requirements	Q3 2013+	1,962
5	Reserve for final rate settlement	Q3 2013+	1,800
	Total Q3 2013		**3,762**
14	CAS 401: Misallocation of direct labor [(1)]	Q4 2013	NQ
15	CAS 402: Inconsistency in allocation of costs[(1)]	Q4 2013	NQ
16	2012 REV3B Disclosure Statement Audit[(1)]	Q4 2013	NQ
13	Change in Accounting Methodology Not Disclosed	Q4 2013	500
	Total Q4 2013		**500**
12	CAS 409: Estimated Useful Lives of Assets	Q1 2014	100
	Total Q1 2014		**100**
	Total Expected Payments to Be Made		**$ 22,114**
	Increase in Liability		(1,100)
	Per Phase I Assessment		**$ 21,014**
	Difference Between Current Estimate and Cash Flow		(508)
	Per 2013-RF & 2014-RF		**$ 21,606**

[(1)] Management represented earliest payment date

Source: CFO and CCO

Overview

- FAI reviewed the Compliance issues, as previously summarized on page 24 of the Lender Meeting Presentation dated November 6, 2012 with the CFO and the COO from a business prospective to establish a more up to date Management view of the potential payments of Contractor's Liability in terms of amount and timing. In addition, FAI read selected DCAA audit reports and correspondence from [Auditor and Consultant], [Company] and various bodies of the federal government (i.e., DCAA, DCMA). Please note, FAI did not perform a legal review and thus it may be prudent for counsel to perform an additional review.

Potential Liability

- The table summarizes the key issues and Management's view of the liabilities settled and expected payments, and timing of the payments, to settle the Contractor's Liability (i.e., excluding legal and advisory fees).
- From our Phase II discussions with Management, the latest view of Management of the expected liability is $22.1 million (or a range of $16.4 million to $27.2 million), an increase of $1.1 million from Phase I; however, there are still issues where Management has not yet quantified the potential liabilities (i.e., issues 14 through 16 as summarize within the table). The majority of the increase in the Contractor's Liability explained by:
  - **Issue 13: Change in accounting methodology not disclosed to the government:** $500k (new issue);
  - **Issue 16: CAS 401-Overhead > Fringe affected Deployed Premiums:** $200k (new for 2012);
  - **Issue 12: CAS 409-Changes to Depreciation Rules:** $100k (new issue); and
  - **Issue 6(b): CAS 405-Failure to identify unallowable labor:** $100k (new for 2012).
- Other than as summarized on the above table and the disapproved accounting system, Management represented that there are no other compliance issues except the Contract Briefs, which summarize the terms of contracts, are not documented correctly.

Additional Detail on Compliance Issues

- A summary of expected payments by quarter is set out later in this section.
- A more detailed summary is set out in Section IV. Compliance Issues. ***FAI recommends that, before any new financial commitments are entered into by the Lending Group, Management confirms the Contractor's Liabilities (including quantifying the potential liabilities with regards to issues 14 through 16 which have not yet been quantified by Management).*** FAI asked Management to provide a range for Contractor's Liabilities for issues 14 through 16 but Management represented that they had not started their analysis and accordingly could not provide an order of magnitude nor range for the potential liabilities.

Cash Flow Statement ($000s)	2012-RF	2013-RF	2014-RF
Revenue, As Reported	**$193,058**	**$195,687**	**$209,770**
EBITDA, Adjusted	**12,786**	**11,059**	**13,626**
EBITDA Margin	6.6%	5.7%	6.5%
Changes in Working Capital:			
Receivables	11,076	(5,657)	(1,058)
Trade Payables	2,902	590	2,038
Other Changes	(301)	901	122
(Increase)/Decrease in Net Working Capital	**13,677**	**(4,165)**	**1,102**
Working Capital Requirements for RADARS	-	(2,026)	-
State Sales Taxes	(741)	(203)	(203)
Capex - Recurring	(552)	(750)	(720)
Net Cash Flow from Operations	**25,169**	**3,914**	**13,805**
Non-Recurring Payments:			
Capex - IT System Implementation	-	(1,155)	(254)
S3 Acquisition[1]	(22,502)	-	-
Haymarket Rent[4]	(320)	(960)	-
Restructuring Expenses:			
Payment to Lending Group	-	(600)	-
Moelis Advisory Fees	(308)	(1,125)	-
Weil Legal Fees	(160)	(300)	-
FTI Due Diligence Fees	-	(175)	-
Total Restructuring Expenses	**(468)**	**(2,200)**	**-**
Other One-Time Expenses	(150)	(100)	-
Other Expenses:			
Haymarket Rent Settlement[4]	(4,416)	-	-
S3 Professional Fees[1]	(914)	(150)	-
BDO-BCG	(1,172)	(527)	(366)
Other	(1,026)	(400)	(100)
Total Other Expenses[2]	**(7,528)**	**(1,077)**	**(466)**
Compliance Payments	(157)	(16,539)	(5,067)
Net Cash Flow from Non-Recurring	**(31,125)**	**(22,030)**	**(5,787)**
Financing Outflows:			
Long Term Debt - Principal Payments	(6,734)	(6,000)	(6,000)
Revolver - Principal Payments	(9,300)	-	-
Revolver - Drawdown (April: $2.0M; September: $16.5M)	18,500	-	-
Interest Paid	(10,279)	(9,450)	(11,271)
Total (Payments)/Drawdowns on Debt	**(7,813)**	**(15,450)**	**(17,271)**
Mandatorily Redeemable Units	1,625	-	-
Equity Infusion (S3 Acquisition)[1]	22,502	-	-
Berkshire Management Fees[2]	(759)	(600)	(600)
Net Cash Flow from Financing	**15,555**	**(16,050)**	**(17,871)**
Total Cash Absorption	9,601	(34,167)	(9,853)
Cash at Beginning of Period	1,930	11,531	(22,636)
Cash at the End of Period	**$ 11,531**	**$ (22,636)**	**$ (32,489)**
Memo:			
Total Capex	$ (552)	$ (1,905)	$ (974)
Interest Expense - New Revolver[3]	$ -	$ (714)	$ (2,240)

Source: 2012-2014 Revised LBE_3 Stmt Model_01 10 2013.xlsx

[1] Cash flows associated with the financing of the S3 Acquisition during 2012

[2] Other expenses have been reduced by the fees paid to Berkshire which have been included in the financing outflows

[3] Assumes new revolver financing equal to cash needs of the Company with interest charged at the current rate of 8.50% per year. This cost is not included within the above model.

[4] Haymarket related expenses allocated to two options.

Lack of Cash Flows from Operations to Support Non-Recurring Payments and Financing

Cash Flow From Operations

- The Company expects to generate Cash Flow from Operations of $25.9 million, $4.1 million and $14.0 million in 2012-RF, 2013-RF and 2014-RF, respectively.
  - **2012-RF** benefited from a reduction in working capital requirements due to the reduction in business levels (i.e., 2012-RF revenue is expected to decrease by 15.9%).
  - **2013-RF** cash flow is forecast to be negatively impacted by the increase in the working capital of $6.2 million (increase in normal activity: $4.2 million; Radars (new contract): $2.0 million due to timing between ramp up and normal customer payment profile being achieved). FAI challenged Management about their working capital assumptions as 2013-RF revenue is only forecast to increase 1.4% and FAI would also expect some reduction in working capital requirements following the completion of certain task orders; however, Management represented that they still believe the forecast assumptions are reasonable and that no additional (above normal) working capital is required for other new contracts.

Non-Recurring Expenses

- The [redact] Acquisition payment of $22.5 million was fully funded by an equity infusion in June 2012.
- Management is forecasting $22.2 million and $6.0 million of Non-Recurring Expenses in 2013-RF and 2014-RF, respectively. Key forecast expenditures are as follows:
  - **Capex-IT System -** Management represented that migrating to Deltek CostPoint would lead to greater efficiencies but a new IT system is not required to obtain approval for the accounting system from the Government. Management represented that the timing of this expenditure is dependent on the financial health of the Company.
  - **Haymarket -** Management did not enter into a back to back agreement with landlord and accordingly had to continue paying rent when the customer contract was terminated in March 2012. Accordingly, the Company entered into an early termination agreement for the Haymarket property rental agreement in 2012 which resulted in the Company being obliged to pay an early termination fee and continuing to pay rent through March 2013.
  - **[Investment Bank] Fees –** [Investment Bank] revised fees of $1,433k (Phase 1: $1,500k) is estimated at (1) $75k per month; plus (2) a success fee of $975 less 50% of monthly fees already paid.
  - **[Auditor and Consultant] -** This represents the estimate of [Auditor and Consultant] advisory fees to assist Management in their handling of the compliance issues.
  - **Compliance Payments -** This represents Management's estimate and timing of payments for Contractor's Liabilities which is $508k below Management's latest estimate of $22.1 million (which has increased by $1.1 million from the Phase 1 estimate of $21.0 million) following discussions with Management. Management has forecast that it can enter into deferred payment schedule for $9.5 million of Contractor's liability payments spread across 2013-RF and 2014-RF.

III. Executive Summary

Cash Requirements – Overview

High Level Assessment for Discussion Purposes

Cash Balance Scenarios ($000s)	Scenario	As At Dec-13-RF	Dec-14-RF
Revised Forecast - Cash Position	**A**	**$ (22,636)**	**$ (32,489)**
Exclude Cumulative Payments:			
Financing Payments:			
Interest		9,450	20,721
Principal		6,000	12,000
Berkshire Management Fees		600	1,200
No Financing and Berkshire Management Fee Payments - Cash Position	**B**	**$ (6,586)**	**$ 1,432**
Contractor's Liability Payments (Cumulative)		16,539	21,606
No Financing, Berkshire Management Fees and Contractor's Liability Payments - Cash Position	**C**	**$ 9,953**	**$ 23,038**

Minimum Cash Balances During the Year	2013-RF	2014-RF
Scenario A	**$ (22,636)**	**$ (32,489)**
Date	Dec-13-RF	Dec-14-RF
Scenario B	**$ (8,278)**	**$ (5,884)**
Date	Aug-13-RF	Jan-14-RF
Scenario C	**$ 2,875**	**$ 10,654**
Date	Feb-13-RF	Jan-14-RF

Source: 2012-2014 Revised LBE_3 Stmt Model_01.10.2013.xlsx and FAI Analysis

High Level Assessment for Discussion Purposes Only

- As Management has not provided an assessment of the funding requirements of the Company, FAI prepared a very high level assessment based on three scenarios.
- This high level assessment, which has not been discussed with the Company nor its advisors, is for directional and discussion purposes only and should not be relied upon.

Scenarios (See Table For Further Details)

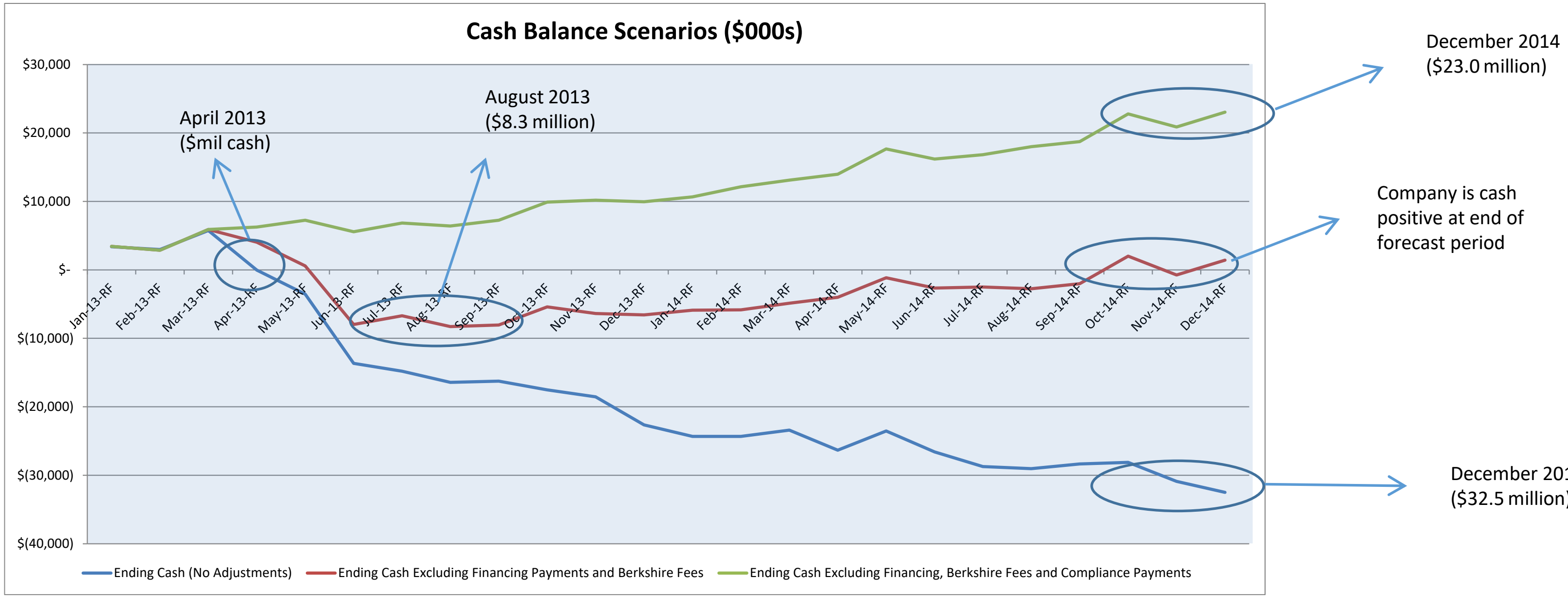
- The three scenarios are summarized as follows:
  - **Per Revised Forecasts (i.e., no adjustments made).**
    - This shows that the Company requires $32.5 million of funding.
  - **No Financing and [PE Owner] Management Fee Payments**
    - This shows that the Company requires $8.3 million of funding based on the Revised projections.
  - **No Financing, [PE Owner] Management Fees and Contractor's Liability Payments**
    - This scenario forecasts that the Company will be cash generative and will not require any additional capital infusion.
    - The cash balance at the end of December 2014 is projected to be $23.0 million.
- A summary of monthly cash balances for the above three scenarios is set out on the following page.

Sensitivities

- The Revised Forecasts summarized above have not been adjusted for:
  1) **Contractor's Liability** is, according to Management, understated by $508k which is discussed in Section III. Compliance Issues.
  2) **Revolver Facility -** Management represented that they would require a revolver facility of approximately $6.0 million, in addition to the new funding mentioned above, in case of inaccuracies (i.e., in terms of value and timing) with regards to receipts, payments and the Contractor's Liability.
- The above scenarios should be run through a more detailed model and discussed with Management before any conclusions are reached.

Cash Requirements – Timing

High Level Assessment for Discussion Purposes



Source: FAI Analysis

Source: Management and FAI Analysis

Scenarios (See Prior Page for Description)

- The above graph summarizes the month end cash position for the three scenarios as described on the previous page. The bottom graph summarizes the expected payments of the Contractor's Liabilities with significant payments expected in Q2-2013-RF.
- Based on Management's Revised Forecasts, the Company will require financing from April 2013-RF.

13-Week Cash Flow Projections

- Management provided FAI with an updated 13-Week Cash Flow for the period ending April 5, 2013; these projections are based on actual results as of January 4, 2013.
- ***These projections forecast that the Company will only have cash of $1.9 million as of April 5, 2013; this is a minimal cushion given the ongoing discussions on the "Fiscal Cliff".***

Borrowing Capacity (1 of 2) High Level Assessment for Discussion Purposes

High Level Assessment for Discussion Purposes Only

- As Management has not provided an assessment of the borrowing capacity of the Company, FAI prepared a very high level assessment based on three scenarios.
  1) Leverage Ratio;
  2) Interest Coverage Ratio; and
  3) Fixed Coverage Ratio.
- This high-level assessment, which has not been discussed with the Company nor its advisors, is for directional and discussion purposes only and should not be relied upon.

1. Leverage Ratio

1) Leverage Ratio $'000 Borrowing EBITDA Multiples	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
EBITDA, Adjusted	**$ 10,000**	**$ 11,000**	**$ 12,000**	**$ 13,000**	**$ 14,000**
2.0 x	20,000	22,000	24,000	26,000	28,000
3.0 x	30,000	33,000	36,000	39,000	42,000
3.5 x	35,000	38,500	42,000	45,500	49,000
4.0 x	40,000	44,000	48,000	52,000	56,000
4.5 x	45,000	49,500	54,000	58,500	63,000
5.0 x	50,000	55,000	60,000	65,000	70,000
6.0 x	60,000	66,000	72,000	78,000	84,000
7.0 x	70,000	77,000	84,000	91,000	98,000

Source: FAI Analysis

- The schedule above provides potential debt borrowing capacity based on various levels of EBITDA and related multiples. This analysis is based on the debt capacity related to assumed Leverage Ratios [Debt/EBITDA].

Borrowing Capacity (2 of 2) High Level Assessment for Discussion Purposes

2) Leverage Ratio

2) Interest Coverage Ratio $'000		Interest Coverage Ratio =	1.25 x		
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Interest Rates	**6.00%**	**7.00%**	**8.00%**	**9.00%**	**10.00%**
EBITDA, Adjusted					
$ 10,000	$ 133,333	$ 114,286	$ 100,000	$ 88,889	$ 80,000
11,000	146,667	125,714	110,000	97,778	88,000
12,000	160,000	137,143	120,000	106,667	96,000
13,000	173,333	148,571	130,000	115,556	104,000
14,000	186,667	160,000	140,000	124,444	112,000
15,000	200,000	171,429	150,000	133,333	120,000

2) Interest Coverage Ratio $'000		Interest Coverage Ratio =	1.5 x		
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Interest Rates	**6.00%**	**7.00%**	**8.00%**	**9.00%**	**10.00%**
EBITDA, Adjusted					
$ 10,000	$ 111,111	$ 95,238	$ 83,333	$ 74,074	$ 66,667
11,000	122,222	104,762	91,667	81,481	73,333
12,000	133,333	114,286	100,000	88,889	80,000
13,000	144,444	123,810	108,333	96,296	86,667
14,000	155,556	133,333	116,667	103,704	93,333
15,000	166,667	142,857	125,000	111,111	100,000

2) Interest Coverage Ratio $'000		Interest Coverage Ratio =	1.75 x		
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Interest Rates	**6.00%**	**7.00%**	**8.00%**	**9.00%**	**10.00%**
EBITDA, Adjusted					
$ 10,000	$ 95,238	$ 81,633	$ 71,429	$ 63,492	$ 57,143
11,000	104,762	89,796	78,571	69,841	62,857
12,000	114,286	97,959	85,714	76,190	68,571
13,000	123,810	106,122	92,857	82,540	74,286
14,000	133,333	114,286	100,000	88,889	80,000
15,000	142,857	122,449	107,143	95,238	85,714

Source: FAI Analysis

3) Leverage Ratio

3) Fixed Coverage Charge $'000		Fixed Coverage Charge Ratio =	1.0 x		
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Interest Rates	**6.00%**	**7.00%**	**8.00%**	**9.00%**	**10.00%**
EBITDA, Adjusted					
$ 10,000	$ 166,667	$ 142,857	$ 125,000	$ 111,111	$ 100,000
11,000	183,333	157,143	137,500	122,222	110,000
12,000	200,000	171,429	150,000	133,333	120,000
13,000	216,667	185,714	162,500	144,444	130,000
14,000	233,333	200,000	175,000	155,556	140,000
15,000	250,000	214,286	187,500	166,667	150,000

3) Fixed Coverage Charge $'000		Fixed Coverage Charge Ratio =	1.25 x		
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Interest Rates	**6.00%**	**7.00%**	**8.00%**	**9.00%**	**10.00%**
EBITDA, Adjusted					
$ 10,000	$ 133,333	$ 114,286	$ 100,000	$ 88,889	$ 80,000
11,000	146,667	125,714	110,000	97,778	88,000
12,000	160,000	137,143	120,000	106,667	96,000
13,000	173,333	148,571	130,000	115,556	104,000
14,000	186,667	160,000	140,000	124,444	112,000
15,000	200,000	171,429	150,000	133,333	120,000

3) Fixed Coverage Charge $'000		Fixed Coverage Charge Ratio =	1.5 x		
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Interest Rates	**6.00%**	**7.00%**	**8.00%**	**9.00%**	**10.00%**
EBITDA, Adjusted					
$ 10,000	$ 111,111	$ 95,238	$ 83,333	$ 74,074	$ 66,667
11,000	122,222	104,762	91,667	81,481	73,333
12,000	133,333	114,286	100,000	88,889	80,000
13,000	144,444	123,810	108,333	96,296	86,667
14,000	155,556	133,333	116,667	103,704	93,333
15,000	166,667	142,857	125,000	111,111	100,000

Source: FAI Analysis

Overview

- The schedules above provide potential debt borrowing capacity based on various levels of EBITDA and the related Interest Coverage and Fixed Charge ratios, respectively.

Management Capacity High Level Assessment for Discussion Purposes

Cost Savings

- As noted at Section V. Forecasts, Management has or is in the process of implementing various cost saving initiatives which should increase EBITDA (2012-RF: $2.5 million; 2013-RF: $3.6 million; 2014-RF: $3.6 million), net of any reductions in revenue because approximately 68% of the revenue base is earned on Cost-Plus contracts.
- Management represented that they had not prepared action/reorganization plans for additional cutting costs in the future based on various scenarios (e.g., loss of [redact] bid) and improving working capital requirements (e.g., reduction in unbilled and improving aging of accounts receivable) This would provide Management with the ability to quickly react to events in an informed manner (e.g., costs versus benefits).

Management Capacity

- From evidence gained on site at the Company it appears that Management is somewhat reliant on support from:
  - **[PE Owner]** for advice dealing with borrowers, strategic direction and board approval.
  - **[Investment Bank]** for developing forecast models and interacting with the Lending Group and its advisors.
  - **[Auditor and Consultant]** as compliance advisors to the Company.
- While the Finance and Compliance Departments are in the process of being strengthened both internally and externally (i.e., appointment of CFO, CCO and [Auditor and Consultant]), there are still major distractions for Management from normal operations (i.e., covenant and compliance issues, improving in reporting and migration to a new accounting system). Accordingly, there is a risk that:
  - Management, especially the CFO, is spread too thin and as result can not (1) make the necessary operating improvements (e.g., improving processes and operating performance of contracts); and (2) review analysis in enough detail (e.g., Forecasts which are being prepared in real time and supplied to FAI without prior adequate Management review as well as contract performance not being supplied to line management so that they can manage their contracts more effectively).

Management Capacity, continued

  - Management does not have the necessary data (e.g., net profitability and operating performance metrics, regularly updated Contractor’s Liability schedule and/or a listing of all potential issues which may generate a Contractor’s Liability) or plans (e.g., compliance issue rectification and migration plans) readily at hand to make efficient and timely decisions.
  - FAI has not seen any evidence that Management is receiving the appropriate advice with regards to a potential reorganization (e.g., further cost savings needed, “Zone of Insolvency”, fund raising or corporate sale).

Lack of Strategic Plan or Bridge

- ***Management has still not shared a plan with FAI for dealing with this funding issue and/or not provided an amount and type of funding which the Company requires to continue operations; this may be due to Management not having a well thought-out plan.***

Current Challenges and Key Risks (1 of 5)

The confluence of industry headwinds (i.e., Time and Materials to Cost-Plus Contracts, additional competitive pressures and compliance monitoring) and Company weaknesses (i.e., reporting and analysis, compliance, C-Suite) has led to significant margin pressure, reduced organic growth opportunities and compliance challenges in a highly leveraged Company.

Topic	Summary Observations	Comments
Financial Performance, Debt and Cost of Compliance Issues	▪ Significant reduction in EBITDA, Adjusted (2010: $30.1 million; 2011: $17.9 million; 2012-RF: $12.8 million; 2013-RF: $11.1 million; 2014-RF: $13.6 million). ▪ Net debt of $100.7 million as of December 31, 2012 is equivalent to approximately 7.9 times 2012-F EBITDA, Adjusted. ▪ Key risks and financial resources, which may reduce the valuation of [Company], are: • For 2014-RF, $126.2 million of revenue, equivalent to 60.2% of total 2014-RF revenue, not forecasted to be generated by contracts presently signed. • Settlement of compliance issues ("Contractor's Liability") of approximately $22.1 million (based on latest known Management estimates) and related advisory costs ([Auditor and Consultant]: approximately $2.1 million of which approximately $893k is expected in 2013-RF and 2014-RF); • Migration from an old but still supported accounting system (Deltek GCS Premier) to a new (CostPoint) IT system (CAPEX approximately $1.4 million and $0.4 million of expenses) as, accordingly to Management, the old accounting system is leading to inefficiencies. • Investment Banking fees from [Investment Bank] (approximately $1.2 million which includes a success fee of $975k for dealing with the covenant defaults). ▪ The [Auditor and Consultant] consulting fees, which were excluded from EBITDA, Adjusted, are allowable billable overheads for Cost-Plus contracts. Management has not excluded the estimated related revenue (2012-RF: $659k; 2013-RF: $316k; 2014-RF: $234k) from EBITDA, Adjusted. ***FAI recommends that the definition of EBITDA, Adjusted for covenant testing purposes be adjusted accordingly.***	▪ On December 13, 2012, the CEO represented to FAI that he is focused on growing the value of the business and it is for the Lending Group to provide the financing. [PE Owner] represented that they are not prepared to put any more money into [Company]. ***FAI recommends that you consider requiring [PE Owner] to take no further management fees (currently $125k per quarter plus travel expenses which are not due to be paid until the default notice has been cured) until the debt leverage is significantly reduced and/or the Lending Group's debt has been settled.*** ▪ Historical EBITDA was inflated by a non-quantified amount by the overbillings to the government. ▪ Management represented that it expects to obtain approval of its accounting system by April 2013. ▪ ***FAI recommends that Management prepares an IT implementation plan that addresses all the key issues, including improvement of procedures and staffing issues, and that Management budgets the proper resources to ensure the satisfactory and timely implementation of the new IT system and related new procedures.*** ▪ Management assessment of the Contractor's Liability has increased from $21.0 million at Phase I by $1.1 million to $22.1 million. ▪ ***FAI recommends that Management maintains a compliance remediation action plan (e.g., with regards to timing, areas for improvement, cost and resources) to fully quantify the Contractors' Liability and correct the compliance issues. Thereafter Management should provide at least quarterly updates on progress being made against previously set targets.*** ▪ Company effectively has to win $3 of new low margin (3% to 7%; the new norm due to the Company not selling intellectual property and because competitors are now accepting lower margins than [Company]) revenue for every $1 of high margin (12%, which was approximately half of the Company's competitive margins) revenue lost. New contracts tend to require additional working capital requirements in ramp up period.

Current Challenges and Key Risks (2 of 5)

Topic	Summary Observations	Comments
Undeveloped Reporting, Policies and Procedures	▪ Inadequate finance and accounting resources led to difficulty in reporting/analyzing financial performance. ▪ Fast growth, insufficient policies/controls, management with inadequate compliance skills and, minimal DCAA supervision led to compliance issues. The DCAA is now very focused on Company and presently has two staff based on-site effective January 7, 2013. ▪ [Company]'s accounting system was disapproved by the Government in 2012. Management sent a letter to the DCAA on January 11, 2013 requesting that DCAA begin its review of the accounting system on January 31, 2013. The DCAA has since confirmed a start date for the review of February 5, 2013. Management represented that the DCAA plans to return for further testing of year-end conformance (at the end of February after the year-end accounting entries have been made). As such, Management does not expect a report, which will confirm whether that the accounting system is approved/disapproved, until the end of March or early April 2013. The above was confirmed by email by [Investment Bank]; we have not reviewed any of the above correspondence. If Management manages to obtain the approval of the accounting system by early April 2012, there is likely to be minimal risk of withholds being imposed in accordance with DFARS Clause 252.242.7005. ▪ Indirect cost/overhead efficiency was historically not an area of focus by Management as [Company] was making 12% margins without a leveraged balance sheet. ▪ Collectability of unbilled accounts receivable, especially at Risk Billings, needs to be carefully monitored as the Company performs work for the Government/Prime contractors where funding is not in place (i.e. "At Risk" work).	▪ The Company made two appointments in April 2012: (1) [Chief Financial Officer], as Chief Financial Officer; and (2) [Chief Compliance Officer], as Chief Compliance Office, to strengthen the finance and compliance capabilities of the Management team. In addition, the finance team was restructured by the new CFO. ▪ New improved reporting (i.e., margins including SG&A expenses by contract) and more robust monitoring needs to be implemented so that Management can monitor costs far more carefully in the new norm of low margins (with competitors undercutting [Company]) and lack of cash. ▪ The ACO may withhold payments of up to 10% if there are significant deficiencies in the business systems in accordance with DFARS Clause 252.242.7005 and if the clause is included in the contract. Based on Company data, FAI estimated that seven task orders with 2012-RF revenue of $77.9 million (2013-RF: $80.0 million; 2014-RF: $11.3 million) have this clause; this equates to a potential withhold of up to $8.0 million (2013-RF: $8.0 million; 2014-RF: $1.1 million) if the ACO imposed this clause. Refer to Section X.I. Potential Withholdings - DFARS Clause 252-242.7005. Management represented that no notification has been received for withholding payments. ▪ Management will need further time to refine the 13-Week Cash Flow model for practicalities to ensure accuracy with its forecasts.

Current Challenges and Key Risks (3 of 5)

Topic	Summary Observations	Comments
Management	▪ Management needs to determine if there are sufficient incentives to retain key Management given the value of the Company versus the value of the debt (due to the increased risk of bankruptcy proceedings following the default of the Credit Agreement in November 2012). ▪ There is also increased potential risk of losing key Management who have access to customers. ▪ Knowledge of historical transactions for compliance reviews may be limited due to loss of previous CFO and incomplete accounting records. ▪ While the Finance and Compliance Departments are in the process of being strengthened both internally and externally (i.e., appointment of CFO, CCO, and [Auditor and Consultant]), there are still major distractions for Management from normal operations (i.e., covenant and compliance issues and migration to a new accounting system). ▪ Management represented that the Government has the ability to make False Claims against employees who signed off against claims which were incorrectly stated.	▪ The customers' perceptions of the Company could be negatively impacted by the disapproved accounting system and the compliance issues; accordingly, there is a risk that success rates of bids for new work, especially on Cost-Plus type contracts, may be reduced until the accounting system is approved. The CEO represented that he continues to have regular contact with the Company's customers and that he does not expect to lose any work as a result of these compliance issues. ▪ Management represented that there is a broad group of employees who have access to the customers which reduces the risk of losing work if a few key employees leave the Company. However, Management represented that the CEO and COO are key to writing successful bids due to their experience and expertise. ▪ Management needs to be more focused on costs (which are mainly salaries) to make sure [Company] is competitive for future bids; however, a reduction in expenses leads to a decline in revenue in the short-term on Cost-Plus contracts. A culture of cost control and cash preservation needs to be set by the CEO. ▪ Management represented that [PE Owner] improved the Directors and Officers ("D&O") insurance when it acquired the Company in 2011. Management further represented that all employees are covered, as long as they have not performed fraudulent acts, under the D&O insurance in the event the government makes a False Claims accusation. Further investigation would need to be preformed to establish the adequacy of the D&O insurance policies.

Current Challenges and Key Risks (4 of 5)

Topic	Summary Observations	Comments
Optempo Pressure and Changes within DoD	▪ Reduced optempo in Iraq and Afghanistan has pressured margins more than anticipated, due to higher billing rates for deployed activity. ▪ Base Realignment and Closure ("BRAC") consequences. ▪ Federal Government insourcing initiative. ▪ Pressures on the Defense budget leading to fewer, smaller and delayed awards. ▪ Risk of January 2013 sequestration adds uncertainty. ▪ Migration from Time & Materials to Cost-Plus pricing on new contracts, renewals and recompetes pressure margins and reduce profit impact of cost cutting initiatives. ▪ Change in basis of award from Best Value to Lowest Price, Technically Acceptable. ▪ Increased compliance scrutiny by DCAA especially as two DCAA auditors are now permanently based at the Company's Headquarters.	▪ Management will need to track trends more carefully and react accordingly (e.g., aligning labor costs with employees with its competitors and cutting costs quickly with the termination of contracts or reduction in customer requirements). ▪ As a result of the disapproval of the Company's accounting system, Management will have to submit additional information before the Company can win Cost-Plus contracts until the accounting system is approved again. ▪ Management's mentality will need to change from "Mission First" to only delivering what is required by the contract (i.e., Best Value to Lowest Price, Technically Acceptable). In addition, Management will probably have to be more proactive, and perhaps provide more resources, in helping to write proposals.
Concentrated Customer Base	▪ [Company] generated 87% of its revenue for the ten months ended October 2012 from six programs, which are comprised of more than 30 active task orders. ▪ Increased levels of competition (e.g., larger companies looking to win smaller contracts and to accept lower margins to maintain or increase market share) may lead to lower win rates and margins. ▪ Unresolved compliance matters may impact [Company]'s ability to win new or retain business.	▪ Management represented that it has recently invested in business development (i.e., by employing two extra people) to help monitor and win more business. However the CEO represented that the Company will need to be selective in which bids it pursues as new contracts typically require additional working capital in the short-term during the ramp-up period and because the Company does not have the infrastructure to manage many new large contracts or bids. ▪ Bid win rates will most likely decrease from the high 90%'s due to the Company having to chase more bids given increased competition; this will lead to higher business development costs and more Management time being diverted to winning bids rather than running contracts.

Current Challenges and Key Risks (5 of 5)

Topic	Summary Observations	Comments
[Redact] Contract	▪ [Redact] is the successor to [redact] that provides upgraded situational awareness, command and control and applications. Recompletion for JPC-P contract is effective November 20, 2013 and has an estimated contract value of between $500 million to $520 million. ▪ Potential loss of [redact] (approximately 39.6% of 2012-F Revenue) would have a significant impact on the Company. ▪ Potential (non-quantified) severance and other one time costs associated with downsizing should the Company lose the rebid. ([redact] focused employees represent approximately 450 out of approximately 1,000 total employees). ▪ Loss in contract may result in higher overhead costs being allocated to other contracts; therefore impacting competitiveness.	▪ The CEO verbally stated on December 14, 2012 that he strongly believes that the Company will win the [redact] contract; however, the CEO further represented that he did not yet know the full composition of work within the expected contract.
Key Program Shift	▪ [Redact], [Company]'s 2nd largest program at the time of investment, did not renew its work effort after March 2012. [Company] lost bid as prime contractor for follow-on contract. ▪ [Redact] Contract (purchased for $22.5 million in June 2012): Recent [redact] award activity has been slower (perhaps between 21% and 37%) than historical experience and expectations.	▪ Management will need to track trends more carefully and react accordingly (e.g., aligning cost base of employees with its competitors and cutting costs quickly with the termination of contracts or reduction in customer requirements).
Non-Recurring Payments - Haymarket Rent	▪ Management did not enter into a back to back agreement with landlord for the property being utilized with this contract and accordingly the Company had to continue paying the rent of approximately $320k when the customer contract ended in March 2012. As a result the Company entered into an early termination agreement with the landlord in 2012 which resulted in the Company being obliged to continue paying rent ($320k per quarter which equates to approximately $1.3 million) through to March 2013 and pay an early termination fee of $600k (By June 30, 2012: $300k: By September 30, 2012: $100k; By December 31, 2012: $100k; By March 31, 2013: $100k).	▪ Management has attempted to claw back, in full and in part, the monies from the government but has not yet been successful. Management is still attempting to obtain a contribution for these costs (approximately $2.8 million) from the government. Management represented that they are discussing this claim with the relevant Procurement Contracting Officer ("PCO"). Management further represented that they do not know the amount, if any, or the timing of any potential recoveries from this claim; accordingly, no recoveries have been included within 2013-RF and 2014-RF.

Accounting System Remediation (1 of 2)

Remediation Related to Disapproval of Accounting Systems

- Management represented that a migration to a different cost accounting system is not a requirement to mitigate the DCAA compliance issues resulting in the disapproval of the accounting system.
- Management has addressed the following key issues in order to obtain approval of its accounting system:
  - **Labor Qualification –** Management represented that they have reviewed and revised internal relevant processes to ensure that qualifications of personnel meet the stated minimum requirements in the contract.
  - **Billable vs. Non-Billable G&A –** Management represented that they have set up codes on the General Ledger so that non-billable costs are correctly coded, and that the allocation of overhead is correctly applied to the contract for billing purposes. Management represented that they have submitted the provisional 2013 indirect rates to the DCAA; however, Management will not release a copy of the submissions as they contain commercially sensitive rates.
  - **Danger and Hardship Pay with Deployed Individuals –** Management represented that the DCAA stated that the Company has been billing in excess of the “State Department’s guidelines” for danger and hazard pay for its own employees and its subcontractors. Management’s position is the “State Department’s guidelines” are not official and are only used for the employees of the State Department and thus are not applicable to vendors of the U.S. Government. DCAA position is that the Company (1) has not limited the chargeable hours for danger and hardship pay to 40 hours per week; and (2) invoiced danger and hardship pay for employees not in austere danger zones (e.g., Kuwait). Management represented that this is an industry related issue and is not specific to the Company. Management represented that the potential liability for this issue ranges up to $6 million. The Company has retained AttorneyB as legal Counsel to represent them in this matter. Management presently estimates the expected Contractor’s Liability at $1.8 million. Management represented that it does not have calculations to support this estimate.

Remediation related to Disapproval of Accounting Systems, continued

- Management sent a letter to the DCAA on January 11, 2013 requesting that DCAA begin its review of the accounting system on January 31, 2013. DCAA has since confirmed a start date for the review of February 5, 2013. Management represented that the DCAA plans to return for further testing of year-end conformance at the end of February (after the year-end accounting entries have been made). As such, Management does not expect a report to be issued until the end of March or early April 2013.
- Effective January 7, 2013, the DCAA now has a permanent office staffed by two DCAA employees at the Company; this increased DCAA presence is likely to lead to further reviews.
- The Company presently utilizes the Deltek GCS Premier (accounting system) which was first developed in 1984. According to Deltek’s website, GCS Premier is still supported by the software developer. In 1994 Deltek issued its next generation of ERP accounting system called CostPoint (latest version is 7).
- Although the current GCS Premier system has been customized in order to facilitate the current business, GCS Premier does not provide the flexibility to easily manage multiple cost pools that are required for the Company to be able to price new Cost-Plus contracts. For example, the present account structure is limited to a seven-digit string and GCS Premier only allows for up to seven cost pools unless Management implements complicated work around solutions.

Accounting System Remediation (2 of 2)

Transition to Updated Accounting System, continued

- Management stated that it had retained a consultant to review the existing GCS Premier system. Management stated that this consultant was "astounded that a firm the size and complexity of [Company] is still utilizing the Deltek GCS program".
- Management represented that the Company does not need a new system in order to obtain "Approval" for its accounting system. As discussed earlier, it was procedural issues which caused the DCAA to disapprove the accounting system. However, Management represented that migrating to Deltek CostPoint would lead to greater efficiencies and provide flexibility for an unlimited number of cost pool. In addition, Management appears to be putting off certain improvements (e.g., departmental cost structure) in the existing accounting system because this would lead to more complications when migrating to a new IT platform.
- ***Management has not prepared an analysis (e.g., cost justification, project plan, hardware and training issues) to justify their case for migrating to CostPoint. While there appears to be a strong business case for the Company migrating to CostPoint, Management does not currently believe this is a critical exercise as Management represented that they have already corrected the procedures in order for the Company's accounting system to be approved by the DCAA. In addition, it is questionable whether Management presently has the bandwidth to take on an additional major project of implementing a new accounting system.***

Additional Analysis and Reporting from [Company]

Overview

- **We recommend that Management be required to perform the following additional analysis so that the Lending Group may obtain a more detailed understanding of the Company's expected performance:**

Forecasts

- Monthly detailed income statements (cost of goods sold and SG&A) by contracts for at least 2013-F (and quarterly for 2014-F). This analysis should also help identify underperforming contracts which could be improved and/or where too many costs were allocated to cost of goods sold and/or SG&A expenses.

Contracts and Pipeline

- An operational performance score card by contract so that Management can better assess the performance of the contract and the probability that the Company could win a recompete, if relevant.

Cost Savings and Action Plans

- Cost base analysis (e.g., particularly with regards to employee costs) of the Company to ensure it is comparable to its competitors as well as aligned with current market conditions and the new revenue base.
- Action/reorganization plans for cutting costs in the future based on various scenarios (e.g., loss of [redact] bid, sequestration) and improving working capital requirements (e.g., reduction in unbilled and improving aging of accounts receivable, delay vendor payments and employee expenses by one week) so that Management can react quickly to changing in events based on well informed data.

Default Not Rectified

- In case Management is not successful in refinancing the Company, FAI also recommends that Management provides:
  - An updated valuation of the Company which takes into the consideration of the risks and costs associated with the compliance issues (e.g., on-going support from [Auditor and Consultant], updated Contractor's Liability and the capex requirements for the migration to new IT system and implementation of new procedures).
  - A list of potential buyers for the Company.
  - A list of key employees and employees with key relationships (e.g., for business development and operations) by contract.
  - Suggested incentives plans to retain key Management and/or alternatives for finding replacements.

IV. Compliance Issues

Overview (1 of 2)

Overview

Phase I On Site Work

- As part of Phase I, FAI reviewed the compliance issues (as previously summarized on page 24 of the Lender Meeting Presentation dated November 6, 2012) with the CFO and the COO from a business prospective to establish a more updated Management view of the potential Contractor's Liability in terms of amount and timing. In addition FAI read selected DCAA audit reports and correspondence from [Auditor and Consultant], [Company] and various bodies of the federal government (i.e., DCAA, DCMA).

Phase II On Site Work

- Initially, Management represented that there were no changes to the Contractor's Liability nor timing with expected payments. However, as FAI performed additional work as part of Phase II, FAI identified circumstances where the expected Contractor's Liability increased an additional $1.1 to $22.1 million. Please note, FAI did not perform a legal review as part of Phase I and II.
- ***Management does not have a formal remediation plan (e.g., with regards to timing, areas for improvement, cost and resources) to fully quantify the Contractors' Liability and correct the compliance issues nor does Management formally update a schedule estimating the Contractor's Liability.***

Background

- Management represented that [Company] was a small player and accordingly not a focus for the DCAA until the closure of Fort Monmouth, NJ. The military base was home to several units of the U.S. Army Materiel Command and offices of the Army Acquisition Executive ("AAE") that performed research and managed Command and Control, Communications, Computing, Intelligence, Surveillance and Reconnaissance ("C4ISR") capabilities. and related technology, as well as an interservice organization designed to coordinate C4ISR, an academic preparatory school, an explosive ordnance disposal unit, a garrison services unit, an Army health clinic, and a Veterans Administration health clinic. The post was selected for closure by the Base Realignment and Closure Commission ("BRAC") in 2005.

Background, continued

- Most Army functions and personnel were required to be moved to Army facilities in Maryland, such as Aberdeen Proving Ground, and Ohio by 2011. Fort Monmouth officially closed on September 15, 2011.
- Accordingly many Fort Monmouth contractors left the area, leaving fewer companies for the DCAA regional team to focus on. Management represented that the DCAA became more focused on [Company] in late 2010/early 2011.
- Due to this focus by the DCAA and the lack of compliance skills and capabilities, Management appointed [Auditor and Consultant] in approximately June 2011 to assist Management with identification of overbillings and compliance issues, communication with government bodies and implementing new procedures.
- Management represented that they incurred fees of approximately $191k in 2011 from [Auditor and Consultant] and expect to incur an additional $2.1 million (2012-RF: $1,172k; 2013-RF: $527k; 2014-RF: $366k) of fees from [Auditor and Consultant] before the DCAA compliance issues are corrected (i.e., total expected fees of $2.3 million).
- The CEO represented that the Company made two appointments in April 2012; [Chief Financial Officer], as Chief Financial Officer, and [Chief Compliance Officer], as Chief Compliance Officer, to strengthen the compliance capabilities of the Senior Management team.

Accounting System disapproved

- According to a DCAA letter dated May 2012, the Administrative Contracting Officer ("ACO") determined that although [Company] has adequately corrected several of the conditions in the DCAA audit (Independent Assist Audit of Employee Labor Qualifications on [Company] Labor amounts Billed to Lear Siegler Services, Inc. dated March 4, 2011 for the period February 2006 through April 2008), significant deficiencies in [Company]'s Billing System remain implying the potential for overbillings. The significant deficiencies noted were:
  - Failure to maintain records in accordance with FAR 4.703; [Company] failed to maintain original resumes and retain records in accordance with its own record retention policy, and did not track and employee's education and experience.

Overview (2 of 2)

Accounting System disapproved, continued

- Failure to adequately describe how [Company] qualifies labor in its new Policy and Procedure for Labor Qualification Conformance, effective date March 1, 2012.
- Failure to refund the Government $1.4 million that the Company has overbilled the government, for the period December 1, 2008 through March 11, 2011, as related to hazard pay for subcontractors. This issue is covered by point 3.a on the summary of Compliance Detail.
- Failure to comply with its own policy, for processing interim, year-end and final vouchers.
- Failure to properly identify the danger and deployment (hardship) pay related to other direct costs ("ODC") cost of its invoices.

- The ACO concurred with the DCAA audit findings. In accordance with DFAR 242.7502 [Company]'s accounting system was disapproved (as the Billing system is a component of the accounting system).
- If the ACO makes a final determination to disapprove a Contractor's business system due to the system containing significant deficiencies, the ACO may withhold payments of up to 10% in accordance with DFARS Clause 252.242.7005. However, the clause must be included in the contract. Management represented that the Company has not received any notifications of potential withholds of payments and that it is does not know which contracts the ACO could withhold payments on. Further analysis is set-out at Section X.I Potential Withholdings (DFARS clause 252-242-7005).
- The customer's perception of the Company could be negatively impacted by the accounting system being disapproved as well as the Company having to provide more support when bidding for new Cost-Plus contracts. Accordingly, there is a risk that success rates of bids for new work may be reduced until the accounting system is deemed compliant within government standards. The CEO represented that he had communicated to customers that its accounting system was being disapproved in advance of the audit report being issued and that he does not expect to loose any work as a result.

Disapproval of Accounting Systems – Follow-up Audit

- Management sent a letter to the DCAA on January 11, 2013 requesting that DCAA begin its review of the accounting system on January 31, 2013. The DCAA has since confirmed a start date for the review of February 5, 2013. Management represented that the DCAA plans to return at the end of February after the year-end accounting entries have been made. As such, Management does not expect a report, confirming that the accounting system is approved/disapproved, until the end of March or early April 2013.

Internal Audits

- Management represented that only two compliance internal audits were performed on the Company as follows:
  1) **Employees Qualifications -** Ensure the employees had the correct qualifications per the relevant contract enabling the Company to bill this work to the customer. The results of this internal audit, which was recently completed, are discussed at Section IV. Compliance Issues.
  2) **Subcontractors Qualifications -** Ensure that subcontractors had the correct qualifications per the contractual terms so that the Company can bill this work to the customer. Management represented that this internal audit has not been completed and accordingly has not released any results nor initial findings from this review.

Migration to New Accounting System

CostPoint Migration Detail (April 2013-RF to April 2014-RF) $'000	Apr-13-RF	May-13-RF	Jun-13-RF	July-13-RF	Aug-13-RF	Sep-13-RF	Oct-13-RF	Nov-13-RF	Dec-13-RF	2013-RF	2014-RF	Revised Forecast
Ongoing Software License	**$ 10**	**$ 10**	**$ 10**	**$ 10**	**$ 10**	**$ 10**	**$ 10**	**$ 10**	**$ 10**	**$ 92**	**$ 31**	**$ 122**
Consulting/Prof Fees	-	-	-	-	-	46	46	46	46	185	-	185
Training Expenses	13	13	13	13	13	13	13	13	13	115	-	115
Nonrecurring Expense (Other Expense)	**13**	**13**	**13**	**13**	**13**	**59**	**59**	**59**	**59**	**300**	**-**	**300**
Capitalized [redact] Labor	21	21	21	21	21	21	21	21	21	188	63	250
Capitalized Consulting	45	45	45	45	45	45	45	45	45	408	136	544
Additional Hardware	8	8	8	8	8	8	8	8	8	75	25	100
Software Purchase	484	-	-	-	-	-	-	-	-	484	-	484
Capital Expenditures	**559**	**75**	**75**	**75**	**75**	**75**	**75**	**75**	**75**	**1,155**	**224**	**1,378**
Total	**$ 581**	**$ 97**	**$ 97**	**$ 97**	**$ 97**	**$ 144**	**$ 144**	**$ 144**	**$ 144**	**$ 1,546**	**$ 254**	**$ 1,800**

Source: H.16. CostPoint Detail

Transition to Updated Accounting System

- The Company presently utilizes Deltek GCS Premier which was first developed in 1984. According to Deltek's website, GCS Premier is still supported by the developer. In 1994, Deltek issued its next generation of ERP accounting system called CostPoint (latest version is 7).
- Although the current GCS Premier system has been customized to facilitate the current business, GCS Premier does not provide the flexibility to easily manage multiple cost pools required for increased flexibility in pricing Cost-Plus contracts. For example, the present account structure is limited to a seven digit string and GCS Premier only allows up to seven cost pools unless Management implements complicated solutions.
- Management stated that it had retained a consultant to review the existing GCS Premier system. Management told FAI that the consultant "was astounded that a firm the size and complexity of [Company] is still utilizing the Deltek GCS program."
- Management represented that the Company does not need a new accounting system to obtain "Approval" for its accounting system; as discussed earlier, procedural issues caused the accounting system to be disapproved.

Accounting System disapproved, continued

- Management represented that migrating to Deltek CostPoint would lead to greater efficiencies in managing its various cost pools. In addition, Management appears to be putting off certain improvements in the existing accounting system because this would lead to more complications when integrating new accounting software.
- ***Management has not prepared an analysis to justify their case for a new IT system (e.g., cost justification, project plan, hardware and training issues). While there appears to be a strong case for migrating to CostPoint, Management does not believe this is a critical exercise as the Company has already corrected the necessary procedures for the Company's accounting system to be approved. In addition, FAI is not sure the existing Management team has the bandwidth to take on the additional task of migrating to a new accounting platform.***
- Management projects approximately $1.8 million through to April 2014-RF in order to transition to the new Deltek platform (Capex: $1.4 million; Non-Recurring Expenses: $300k-see above table for further details; Ongoing Software License: $122k).

IV. COMPLIANCE ISSUES

Contractor's Liability – By Issue (1 of 2)

Contractor's Liability and Compliance Detail ($000s)				Revised Estimate for Contractor's Liability (As of January 15, 2013)								
				Estimated Payments					Estimated Payment Dates			
#	Topic	Period	Source	Gross	Interest	Expected	Low	High	Expected	Earliest	Latest	Status
1	CAS 401: Overhead applied to Direct Labor & Fringe											
1a	CAS 401: Overhead applied to Direct Labor & Fringe	2006-2011		$ 6,205	$ 484	$ 6,689	$ 6,205	$ 7,023	Q2 2013	Q1 2013	Q2 2013	
1b	CAS 401: Overhead applied to Direct Labor & Fringe	2012	CFO	200	-	200	200	200	Q2 2013	Q1 2013	Q2 2013	New response on 12/13/12 with new General Dollar Magnitude ("GDM").
2	CAS 401: Overhead & Fringe applied to Deployed Premiums											
2a	CAS 401: Overhead & Fringe applied to Deployed Premiums	2006-2011		3,859	379	4,238	3,859	4,450	Q2 2013	Q1 2013	Q2 2013	Contractor response submitted on 11/14/12; estimated completion date of DCAA audit 2/15/13.
2b	CAS 401: Overhead & Fringe applied to Deployed Premiums	2012	CFO	200	-	200	200	200	Q2 2013	Q1 2013	Q2 2013	Contractor response submitted on 11/14/12; estimated completion date of DCAA audit 2/15/13.
3	Deployed Premiums > Dept. of State Guidelines											
3a	Deployed Premiums > Dept. of State Guidelines	2008-2011		5,051	455	5,506	2,735	5,506	Q2 2013	Q1 2013	Q4 2013	DCAA identified but not demanded payment for approximately $1.406 million related to danger and hazard premiums when was subcontractor. DCAA still to issue Form 1's to prime contractors who will then send follow-up notice to . DCAA has not been notified of potential amount of payment. The $5,506k potential liability includes excess payments for acting as prime and subcontractor.
3b	Deployed Premiums > Dept. of State Guidelines	2006	CFO stated $70,000 paid out in May 2012	-	-	-	-	-	Paid			
3c	Deployed Premiums > Dept. of State Guidelines	2007	CFO	NQ	NQ	NQ	NQ	NQ	Q3 2013	Q3 2013	Q3 2013	Management to quantify potential liability.
4	Labor qualifications under minimum labor category requirements	2007-Forward	CFO	1,800	162	1,962	-	6,000	Q3 2013+	Q3 2013	Q4 2014+	Legal reply to Program Contracting Office ("PCO") submitted 10/22/2012 on largest questioned amount. Management represented that the potential liability may be $6M, however Management believes the actual liability will be nearer to $0. The Company has hired Venables to dispute this liability.
5	Reserve for final rate settlement	2004, 2007-2011	CFO	1,750	50	1,800	1,800	1,800	Q3 2013+	Q3 2013	Q4 2017	2006 settled; credit vouchers pending for unsupported direct costs.
6	CAS 405: Failure to Identify Unallowable Labor											
6a	CAS 405: Failure to Identify Unallowable Labor	2005-2011		664	55	719	719	719	Q1 2013	Q1 2013	Q1 2013	Detailed Cost Impact (DCI) proposal under government review.
6b	CAS 405: Failure to Identify Unallowable Labor	2012	CFO	100	-	100	100	100	Q1 2013	Q1 2013	Q1 2013	Detailed Cost Impact (DCI) proposal under government review.
7	Total Time Accounting	2006-2011	CFO	-	-	-	-	-	Dormant	Dormant	Dormant	
8	CAS 410: Material Uplift not in G&A Base	2011	CFO	-	-	-	-	-	Paid			
9	CAS 410: Improper Identification of G&A Personnel	2009-2011	CFO	-	-	-	-	-	Paid			
10	2005 Incurred Cost Submission	2005	CFO Total Payments $110k (Paid 1/12/10; $40k; 3/19/10; $71k)	-	-	-	-	-	Paid			

Source: Lending Management presentation dated November 6, 2012 page 23

Management's best estimate. Not based on detailed calculations.

Updated with Management's best revised esitmates. Not based on detailed calculations

(1) Source: DCAA Audit Report dated June 8, 2012

(2) Source: Argy Report dated November 14, 2011

- The table summarizes the key issues and Management's latest view of the expected payments to settle the compliance issues; these estimates may change. FAI has not performed a legal review to confirm the accuracy of Management's estimates.

Contractor’s Liability – By Issue (2 of 2)

Contractor's Liability and Compliance Detail ($000s)				Revised Estimate for Contractor's Liability (As of January 15, 2013)								
				Estimated Payments					Estimated Payment Dates			
#	Topic	Period	Source	Gross	Interest	Expected	Low	High	Expected	Earliest	Latest	Status
11	2006 Incurred Cost Submission	2006	CFO Total Payments $157k (Paid 11/2012; $58k (P&L); credit vouchers pending	100	-	100	100	100	Q4 2012	Q4 2012	Q4 2012	$157k payment included in 13-Week cash Flow Projections.
12	CAS 409: Estimated Useful Lives of Assets	2006-2012	CFO	100	-	100	-	105	Q1 2014	Q1 2014	Q1 2014+	Potential risk that revenue is overstated by about $100K per CFO
13	Change in Accounting Methodology Not Disclosed	2007-2012	CFO	500	-	500	500	1,000	Q4 2013	Q4 2013	Q1 2014+	The Company changed its methodology to account for state revenue taxes and did not perform and disclose associated cost impact analysis to the Government.
14	CAS 401: Misallocation of direct labor	2006-2011	CFO	NQ	NQ	NQ	NQ	NQ	Unknown	Q4 2013	Q2 2014	DCAA starting audit; charging practice direct versus indirect for similar activities.
15	CAS 402: Inconsistency in allocation of costs	2006-2011	CFO	NQ	NQ	NQ	NQ	NQ	Unknown	Q4 2013	Q2 2014	DCAA starting audit; application of incorrect overhead rates for employees based on-site versus ' sites (or vice versa).
16	2012 REV3B Disclosure Statement Audit	2012	CFO	NQ	NQ	NQ	NQ	NQ	Unknown	Q4 2013	Q2 2014	Created 13 deployed fringe pools in 2012 (previously only 1 pool). DCAA represented they do not like the change and accordingly reviewing the new calculation; this may result in a DCAA audit and questioned costs.
	Total as of January 9, 2013			**$ 20,529**	**$ 1,585**	**$ 22,114**	**$ 16,418**	**$ 27,203**				
	Difference			**(1,100)**	**0**	**(1,100)**	**800**	**(5,643)**				
	Memo: Phase I			**$ 19,429**	**$ 1,585**	**$ 21,014**	**$ 17,218**	**$ 21,560**				

Source: Lending Management presentation dated November 6, 2012 page 23

Management's best estimate. Not based on detailed calculations.

Updated with Management's best revised esitmates. Not based on detailed calculations

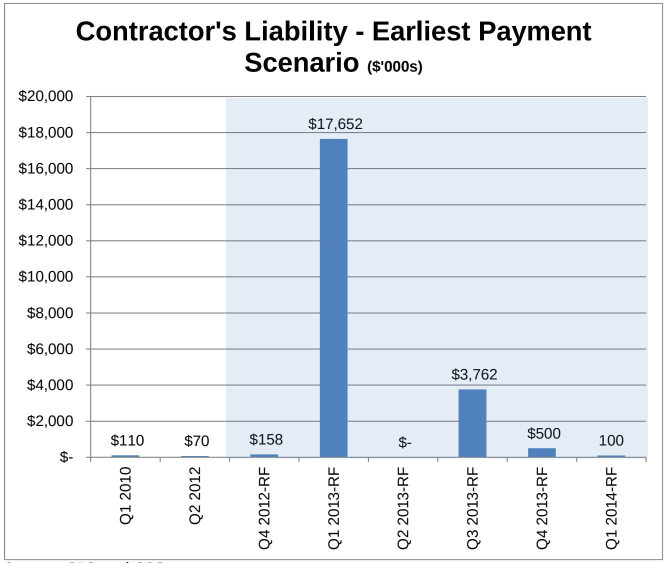
(1) Source: DCAA Audit Report dated June 8, 2012

(2) Source: Argy Report dated November 14, 2011

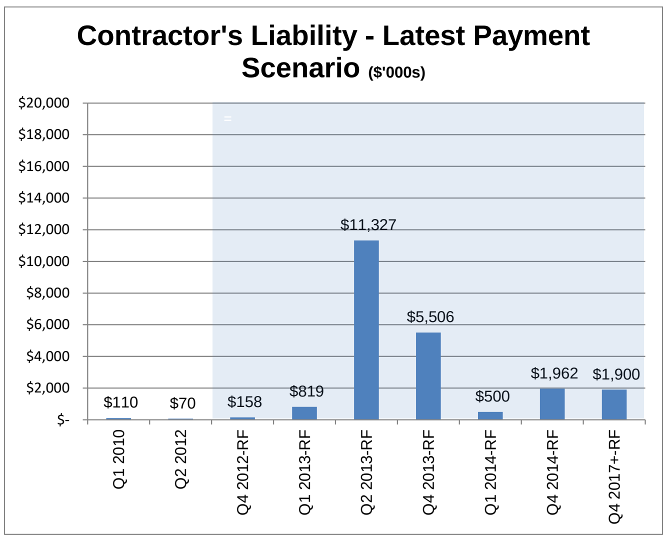
Potential Liability

- ***FAI recommends that direct communication is made with [Auditor and Consultant] to establish the reasonableness of Management assumptions for forecast compliance payments. In addition, FAI recommends that Management quantifies the potential liabilities with regards to issues 14 through 16.*** FAI asked Management to provide a range for Contractor’s Liabilities for issues 14 through 16 but Management represented that this analysis was not available.

Contractor's Liability – Payment Profile



Source: CFO and CCO



Source: CFO and CCO

Payment Profile of Contractor's Liability

- Management provided FAI with an assessment related to the timing and payment amounts of the Contractor's Liability.
- The tables on the left bottom tables summarize the expected payments on the basis of Management's assessment regarding the timing of the payments.

Incurred Cost Submission ("ICS") – Overview

Overhead Rates	Latest ICS 2004	Negotiated 2005	Negotiated 2006	Latest ICS 2007	Latest ICS 2008	Latest ICS 2009	Latest ICS 2010	Latest ICS 2011	Provisional 2012
Fringe	25.86%	28.57%	29.74%	29.37%	27.89%	32.12%	31.64%	32.47%	32.69%
Site Overhead	N/A	10.90%	6.48%	18.63%	22.17%	24.91%	29.92%	23.20%	13.34%
Government Site OH	1.96%	32.37%	30.89%	7.24%	7.41%	6.13%	3.71%	3.74%	6.18%
Deployed Fringe	N/A	47.83%	41.40%	42.34%	41.00%	53.01%	63.97%	58.80%	Note 1
Material Uplift	N/A	N/A	N/A	N/A	N/A	1.90%	2.98%	1.90%	1.65%
G&A	3.94%	4.68%	6.00%	5.23%	6.31%	6.24%	6.94%	6.95%	8.57%

Note 1: Deployed Fringe is broken into 9 pools in 2012. Refer to 2012 overhead rate summary table for further information.

Source: A 2-4 YTD P10 2012 Financial Package PRELIM[ESP Overhead Rates].xlsx

Overview

- The above table summarizes the historical overhead rates; only years 2005 and 2006 have been agreed between [Company] and the Government. This is not uncommon within the industry even though contractors are required to submit finalized overhead rates within six months after fiscal year ends.
- FAI did not review the calculation for the above rates. Management represented that there are considerable variances in the rates in the period under review (i.e., G&A rates have increased from 3.94% in 2004 to 8.57% in 2012). The rates were not prepared on a consistent basis year over year; Management started to correct the 2010 and future ICS rate calculations once the Company received feedback on errors from prior years; As of 2012, the Company maintains approximately 14 cost pools (see table to the bottom right) to provide flexibility in pricing certain contracts.

2003 and 2004

- Management represented that [Company] resubmitted 2004 overhead rates in December 2012 after receiving 30 days notice that the DCAA was going to audit rates for 2003 and 2004. Management represented that the DCAA has decided to only audit 2004 rates.

2012

- Management represented that they resubmitted their 2012 provisional overhead rates in July 2012 given increased estimates for overhead. The latest calculation is summarized as follows:

Overhead Rate Summary ($000s)	2012 Estimate Pool	Base	Rate
Fringe	$ 27,936	$ 85,446	32.7%
[Company] Site Overhead	1,939	14,534	13.3%
Government Site OH	5,367	86,860	6.2%
Deployed Fringe			
Division 3 & 4 Germany/Italy/Korea	1	816	0.1%
Division 5 & 6 Kuwait/Kosovo 15%/10%	1	5	27.4%
Division 7 & 8 Kuwait/Kosovo	11	588	1.8%
Division 9 & 10 Iraq & Afghanistan 35/25	89	124	71.6%
Division 11 Iraq & Afghanistan 40 hrs only	2,982	3,246	91.9%
Division 12 Iraq & Afghanistan 35/10	20	13	151.4%
Division 13 Iraq & Afghanistan OT	433	2,000	21.6%
Division 14 Kuwait & Kosovo 10% Premium	4	19	19.7%
Division 16 Kuwait & Kosovo 10%/40 hours	33	233	14.2%
Material Uplift	601	36,363	1.7%
G&A	17,040	198,895	8.6%

Source: Management provided annual rate schedules

2013

- Management represented that they would not supply the 2013 provisional rates given the information is contained competitively sensitive.

Management's Focus

Overview

- We had further discussions with the CFO and CCO on January 10, 2013 about the Management's plans to address existing compliance issues as noted below.

Management's Focus (CFO & CCO)

1. Demonstrate responsibility, commitment and corporate integrity in accordance with regulatory requirements of Government Contracting.
2. Put in place a comprehensive set of Company policies and procedures.
3. Strengthen and reinforce accounting and business controls.
4. Rectify and settle existing Government CAS non-compliance issues.
5. Develop budgeting and forecasting tools and processes.
6. Improve the timekeeping processes & compliance.
7. Plan for oncoming DCAA Contractor Accounting and Business System Reviews.
8. Fix the fixable:
   a) With the assistance of [Company] senior staff – get [Company] accounting system approval reinstated.
   b) Make sure [Company] does not repeat past mistakes.
   c) Integrate & Procedures designated to advance four objectives:
      i. Mitigate risk of potential compliance failures.
      ii. Minimize actual compliance failures and consequences.
      iii. Identify and correct compliance deficiencies.
      iv. Foster ethics and compliance accountability.

Management's Focus (CFO & CCO), continued

v. Put in place a system of self-monitoring via internal/external auditing, and other measurements of:
   - The program's effectiveness; and
   - [Company]'s compliance/monitoring functions are in adherence with [Company]'s internal Policies & Procedures.

Accounting System Remediation

- Management has been focusing on the following:
  1) All Limited Scope Deficiencies have been addressed for a re-audit this month by the DCAA (i.e., to seek approval of the Company's accounting system).
  2) 21 (with an additional five to be issued) Policies and Procedures have been implemented in 2012 to personnel in Operations, Program Management, Contracts, Pricing, Finance/Accounting and HR.
  3) Training has been provided by the COO, VP of Contracts, CCO and CFO to all pertinent members of the staff, so they have an adequate understanding of implementation and execution of their respective responsibilities.
  4) The CCO represented that he is continuing to provide guidance to employees whom are requesting clarification on the new procedures.
- Management represented that there are additional Policies and Procedures under development but are not critical for DCAA approval of the [Company] accounting system, nevertheless, these procedures are essential for [Company] staff guidance on various aspects of [Company]'s business.

Company Procedures – Status of Procedures

Policy and Procedure Summary #	Number	Title	Effective Date	Revision Number	Policy Owner	Revision Date
I		Policy and Procedure for Time Keeping and Labor Charging	In progress			
II	ACCT-0019	Policy and Procedure for Danger Pay Allowances and Hardship Differential	8/21/2012	Original	CFO	N/A
III	ACCT-20	Policy and Procedure for Excessive Pass-Through Costs	11/9/2012	Original	VP - Contracts	N/A
IV	CACCT-0003	Policy and Procedure for Administration of Cost Accounting Standards and DCAA/DCMA Interface	1/2/2013	Original	CFO	N/A
V	CONTRACT-0002	Policy and Procedure for At-Risk Contract Work	12/10/2012	Original	VP - Contracts	N/A
VI	PRES-0001	Policy and Procedure for Delegation of Authority	7/15/2012	Original	CEO	N/A
VII		Policy and Procedure for Work-At-Home	In progress			
VIII		Policy and Procedure for Severance	In progress			
IX	BILL-01	Policy and Procedure for Project Setup	11/9/2012	Original	VP - Contracts	N/A
X	BILL-0002A	Policy and Procedure for Invoicing	2/15/2012	0002A	CFO	8/21/2012
XI	BILL-0003	Policy and Procedure for Billing Adjustments	2/15/2012	1	CFO	8/21/2012
XII	BILL-0004	Policy and Procedure for Overpayments, Offsets, and Refunds	2/15/2012	0004A	CFO	8/21/2012
XIII	BILL-0006	Policy and Procedure for Monitoring Contract Costs & Allotted Funding	11/9/2012	Original	VP - Contracts	N/A
XIV	CACCT-0001	Policy and Procedure Accounting for Unallowable Costs	5/4/2012	2	CFO	10/12/2012
XV	CACCT-0004	Policy and Procedure for Monitoring and Billing of Indirect Rates	2/15/2012	1	CFO	8/21/2012
XVI		Policy and Procedure for Incurred Cost Submissions	In progress			
XVII	CONTRACT-0001	Policy and Procedure for the Preparation of Contract Briefs	10/22/2012	Original	VP - Contracts	N/A
XVIII	CONTRACT-0007	Policy and Procedure for Proposal Preparation and Review	2/15/2012	Original	COO	N/A
XIX	CONTRACT-0008	Policy and Procedure for Administration of Government Property	12/28/2012	Original	VP - Contracts	N/A
XX	CONTRACT-0009	Policy and Procedure for Truth in Negotiations Act	11/14/2012	Original	VP - Contracts	N/A
XXI	CONTRACT-0012	Policy and Procedure for Contract Closeout	11/14/2012	Original	VP - Contracts	N/A
XXII		Policy and Procedure for Conflicts of Interest (Organizational/Personal)	In progress			
XXIII	CORPGOV-02	Policy and Procedure for Export Compliance	10/20/2012	Original	CCO	N/A
XXIV	CORPGOV-0005	Policy and Procedure for Record Keeping and Document Retention	11/26/2012	Original	CCO	N/A
XXV	HR-0009	Policy and Procedure for Labor Qualification Conformance	3/1/2012	3	COO	10/10/2012
XXVI		Policy and Procedure for Mandatory Disclosures	11/26/2012	Original	CCO	N/A

Source: E. 5 Electronic data room

Overview

- The above table summarizes the 26 Policies and Procedures that have been recently been introduced by Management (of which 5 are still in progress, see procedures shaded).

V. 13-Week Cash Flow Projections

V. 13-Week Cash Flow Projections
Overview

13-Week Cash Flow Projection - Revised	Actual	Revised Forecast													
	1/4/2013	1/11/2013	1/18/2013	1/25/2013	2/1/2013	2/8/2013	2/15/2013	2/22/2013	3/1/2013	3/8/2013	3/15/2013	3/22/2013	3/29/2013	4/5/2013	
Beginning Cash Bank Balance	$12,957	$ 10,685	$ 8,366	$ 8,413	$ 4,896	$ 6,097	$ 5,545	$ 7,019	$ 3,667	$ 6,552	$ 5,325	$ 9,093	$ 6,281	$ 3,391	$ 10,685
Collections	1,900	2,831	1,831	1,831	3,708	4,891	4,636	2,090	5,506	4,329	5,294	2,743	6,161	3,967	49,818
Disbursements:															
Payroll	(35)	(3,300)	(6)	(3,302)	(6)	(3,733)	(6)	(3,733)	(6)	(3,731)	(6)	(3,731)	(6)	(3,726)	(25,294)
AP Checks & ACH's	(1,857)	(1,583)	(1,777)	(1,777)	(1,406)	(1,406)	(1,406)	(1,406)	(1,520)	(1,520)	(1,520)	(1,520)	(1,520)	(1,520)	(19,881)
401k and Int'l Wires	-	(269)	-	(269)	(100)	(304)	-	(304)	(100)	(304)	-	(304)	(100)	(202)	(2,255)
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements	**(1,892)**	**(5,151)**	**(1,783)**	**(5,347)**	**(1,512)**	**(5,442)**	**(1,412)**	**(5,442)**	**(1,626)**	**(5,555)**	**(1,526)**	**(5,555)**	**(1,626)**	**(5,449)**	**(47,429)**
Operating Inflows/(Outflows)	**8**	**(2,320)**	**48**	**(3,517)**	**2,196**	**(551)**	**3,224**	**(3,352)**	**3,880**	**(1,226)**	**3,767**	**(2,812)**	**4,535**	**(1,483)**	**2,388**
SL / Revolver Inc / (Dec)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance (before Financing and Restructuring Charges)	**12,965**	**8,366**	**8,413**	**4,896**	**7,092**	**5,545**	**8,769**	**3,667**	**7,547**	**5,325**	**9,093**	**6,281**	**10,816**	**1,909**	**13,074**
Financing Outflows															
Principal	(1,500)	-	-	-	-	-	-	-	-	-	-	-	(1,500)	-	(1,500)
Interest	(780)	-	-	-	-	-	-	-	-	-	-	-	(2,376)	-	(2,376)
Restructuring Outflows															-
Restructuring Expenses (estimates)	-	-	-	-	(225)	-	(1,750)	-	-	-	-	-	-	-	(1,975)
Non-Recurring Payments:															-
Haymarket Rent	-	-	-	-	(320)	-	-	-	(320)	-	-	-	(420)	-	(1,060)
Contractor's Liability Payments	-	-	-	-	-	-	-	-	-	-	-	-	(2,228)	-	(2,228)
New Business Working Capital Outflows															-
Proposed RADARS Win	-	-	-	-	(450)	-	-	-	(675)	-	-	-	(901)	-	(2,026)
Ending Cash Balance including Outflows	**$10,685**	**$ 8,366**	**$ 8,413**	**$ 4,896**	**$ 6,097**	**$ 5,545**	**$ 7,019**	**$ 3,667**	**$ 6,552**	**$ 5,325**	**$ 9,093**	**$ 6,281**	**$ 3,391**	**$ 1,909**	**$ 1,909**
Difference	**685**				**3,401**				**4,261**			**1,229**			
Per Cash Flow to EBITDA Reconciliation	***$10,001***				***$ 2,696***				***$ 2,291***			***$ 5,052***			

Source: Updated 13-week Cash Forecast_ 01.10.2013.xlsx

13-Week Cash Flow Projections

- Management provided FAI with an updated 13-Week Cash Flow for the period ending April 5, 2013; these projections are based on actual results as of January 4, 2013. (Management projects the Company will only have cash of $1.9 million as at April 5, 2013; this is minimal cushion given the ongoing discussions on the "Fiscal Cliff").

Financing Payments

- The following 2013 forecast payments are noted:
  1) **Interest payments** of $2.4 million.
  2) **Principal payment** of $1.5 million in the week ending March 29, 2013.
- Management has forecasted $2.0 million of additional working capital for the RADARS contract (Revenue 2013-RF: $10.8 million) in the ramp up period.
- Management did not provide additional working capital requirements for new contracts in the Revised Forecasts.

V. 13-Week Cash Flow Projections

Original vs. Revised 13-Week Projections

13-Week - 12/29/2012 to 3/1/2013 ($000s)	13-Week Original	13-Week Revised	13-Week (Inc/Dec)
Week Beginning	***12/29/2012***	***12/29/2012***	
Beginning Cash Bank Balance	$ 5,660	$ 12,957	$ 7,298
Collections	35,324	29,224	(6,100)
Disbursements:			
Payroll	(13,738)	(14,127)	389
AP Checks & ACH's	(13,740)	(14,137)	397
401k and Int'l Wires	(1,223)	(1,345)	121
Total Disbursements	**(28,702)**	**(29,609)**	**907**
Operating Inflows/(Outflows)	**6,622**	**(385)**	**7,007**
SL / Revolver Inc / (Dec)	-	-	-
Ending Cash Balance	**12,281**	**12,572**	**(291)**
Financing Outflows:			
Principal	(1,500)	(1,500)	-
Interest	(2,000)	(780)	(1,220)
Restructuring Outflows:			
Restructuring Expenses (estimates)	(2,025)	(1,975)	(50)
Non-Recurring Payments:			
Haymarket Rent	(640)	(640)	-
New Business Working Capital Outflows			
Proposed RADARS Win	(1,126)	(1,126)	-
Ending Cash Balance including Outflows	**$ 4,991**	**$ 6,552**	**$ 1,561**
Week Ending	***3/1/2013***	***3/1/2013***	

Source: Cash Management Rpt 12-14-12[Weekly Cash].xlsx

Comparison against previous 13-Week

- In an effort to validate the Revised 13-Week, FAI developed the following analysis to evaluate cash flows from a comparable two month period (January and February 2013) between the original 13-week (2013-F) and revised 13-Week (2013-RF). The key observations based on FAI's discussion with Management are as follows:
  - **Cash Collections –** Management represented that there were significant number of collections received earlier than expected in December 2012. This resulted in cash balances at year-end that were approximately $7.0 million higher than anticipated. As a result the Revised 13-Week includes projections for less receipts that had already been collected in December 2012. In addition, the collection assumptions for the 13-Week were revised to exclude a $250k per month improvement in collections on unbilled accounts receivable given funding issues related to the failure in reaching an agreement on the federal budget.
  - **Interest Expense –** the Revised 13-week adjusts for the projected interest expense payments to occur at the end of each quarter. This adjustment resulted in timing differences when comparing to the previous 13-week forecast.

V. 13-Week Cash Flow Projections
Key Assumptions - Overview

Assumptions for 13-Week cash Flow Projections Ending April 5, 2013		Comments
Sales and Receipts:		
1	Collections forecast based upon remaining uncollected A/R per report with most recent billings + estimated collections for projected invoiced sales from latest best estimates ("LBE") for out periods.	Based on latest forecast as summarized at Section X.A. Monthly Profit and Loss Accounts.
2	Invoiced sales is based upon the LBE revenue +/- changes in projected unbilled revenue or revenue accruals for each period.	
3	Assumes 30% of billed revenue is billed on first billing of the month and 70% on month end billing.	Based on historical practices.
4	Collections assume payment terms of 30 days with an 18-day collection cycle.	Based on historical practices.
5	Assumes there are no improvement in unbilled revenue from prior month.	Lack of clarity with Fiscal Budget is leading to increased uncertainty with funding.
6	RADARS floating the cost from Jan 1-Mar 31 until we can invoice the Government ~ $2 million.	Very difficult to forecast working capital requirements for new contract in ramp up period.
Payroll:		
7	Payroll is based upon LBE payroll-related expenses.	Based on latest forecast as summarized at Section X.A. Monthly Profit and Loss Accounts.
8	401k based upon historical average 401k disbursements as % of payroll disbursements.	
9	[Company] 401K contributions based on LBE expense - assumed to decrease in 2013 due to elimination of safe harbor.	
Expenses and Payments:		
10	A/P disbursements based upon assumption that prior period expenses (on direct costs, SG&A, and other expenses excluding labor and 401k) are disbursed in current period (over the number of net working days).	Based on latest forecast as summarized at Section X.A. Monthly Profit and Loss Accounts
11	Haymarket termination fees due 12/31 in addition to normal rent and facilities expense of ~ $320k per month. 12/31 & 3/31 payments remaining of $100k each.	Management originally excluded payments from 13-Week cash Flow Forecast.
12	International wires based on historical amounts of approx. $80-$100k per month	
13	Other non-trading expenses (see separate table)	
Compliance Payments		
14	No payments made to regulatory body other than $157k for 2006 Incurred Cost Submission (issue 11).	Management confirmed that cash requirements for compliance penalties to be separately provided.
Financing:		
15	Principal based upon normal Principal payment schedule.	
16	Interest payments are based upon the interest due on the existing term loan every 90 days + estimated interest on the swing line and revolver + unused fees due monthly.	
17	Swing Line / Revolver balance assumed at $20 million for remainder of 2012 and beyond.	
18	Assumes current interest rates.	
Restructuring Payments		
19	[Investment Bank] payments: $75k per month plus $975k million success fee.	
20	AttorneyC (legal representation): $150k	
21	Lenders fees and expenses: $775k	

Source: Management

- FAI discussed the 13-week forecast methodology with the CFO, [Investment Bank] and [PE Owner]. Management represented that these cash projections were first produced during Q4 2012. The key assumptions used to develop the forecasts are set out in the above table. Assumptions that were revised from the initial 13-week cash flow are shaded on the schedule above.

V. 13-Week Cash Flow Projections
Key Assumptions – Restructuring and Haymarket

Restructuring Expenses

- A summary of restructuring expenses is set out below:

Restructuring Payments in 13-Week Cash Flow Statement			
Payment Date	Description		Amount $'000
12/3/2012	[Investment Bank] Monthly Retainer	$	75
12/3/2012	AttorneyC (Legal Fees)		160
	Week ending 12/7/2012		**235**
1/2/2013	AttorneyC (Legal Fees)		150
1/2/2013	[Investment Bank] Monthly Retainer		75
	Week ending 1/4/2013		**225**
2/1/2013	AttorneyC (Legal Fees)		150
2/1/2013	[Investment Bank] Monthly Retainer		75
	Week ending 2/1/2013		**225**
2/15/2013	FAI Consulting Fees		175
2/15/2013	Lender's fees and expenses		600
2/15/2013	[Investment Bank] Success Fee		975
	Week ending 2/15/2013		**1,750**
Total for the	**Weeks Ending 2/15/2013:**		**2,435**
	[Investment Bank]		1,200
	AttorneyC		460
	Lender's fees and expenses		775
	Total	**$**	**2,435**

Source: Management

- Management is forecasting to pay an additional $2.0 million in restructuring expenses ([Investment Bank]: $1.1 million; legal representation: $150k; Lending Group's fees: $775k).

Non-Recurring Payments - Haymarket Rent

- Management did not enter into a back to back agreement with landlord and accordingly had to continue paying rent when the customer contract was ended. Accordingly, the Company entered into an early termination agreement with the landlord in 2012. This resulted in the Company being obliged to pay an early termination fee of $600k (by June 30, 2012: $300k: by September 30, 2012: $100k; by December 31, 2012: $100k; by March 31, 2013: $100k).
- In addition, the Company has to make ongoing quarterly rental payments of approximately $320k through to March 2013; a summary of these forecast payments is as follows:

Non-Recurring Payments - Haymarket Rent, continued

Discountinued Operations - Haymarket Rent-RF			
Payment Date	Description		13-Week $'000
1/31/2013	Quarterly Rent		320
2/28/2013	Quarterly Rent		320
Total for the Weeks Ending 3/1/2013			**640**
3/31/2013	Termination Fee		100
3/31/2013	Quarterly Rent		320
Total[1]		**$**	**1,060**

[1] This schedule reconciles to Revised 13-week. A quarterly rent payment of $320k was made on December 31, 2012 prior to this forecast period

Source: Management

- ***Management attempted to claw back the money from the government but has not been successful. Management will continue to request reimbursement from the customer.***

Cash Burn – Update from Phase II

Cash Flow to EBITDA Reconciliation ($000s)	Period 1 (Actual) Sep-12	Oct-12	Nov-12	Period 2 (Revised Forecast) Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	Actual Period 1	Forecast Period 2	Total
Cash Balance b/f	**$ 12,994**	**$ 10,563**	**$ 10,001**	**$ 12,333**	**$ 4,896**	**$ 3,667**	**$ 6,281**	**$ 1,136**	**$ 127**	**$ 10,001**	**$ 127**
Operating Cash Flows											
EBITDA	1,172	2,195	138	(107)	46	542	905	921	3,505	2,307	5,811
Other Expenses, net	(194)	(458)	(263)	(73)	(224)	(216)	(135)	(142)	(915)	(790)	(1,705)
Change in A/R	(2,523)	(2,645)	909	3,056	(5,975)	372	2,411	970	(4,259)	833	(3,426)
Change in A/P	(1,570)	1,891	(1,144)	2,798	(999)	819	428	531	(822)	3,577	2,755
New Business Working Capital Outflow	-	-	-	-	-	(450)	(675)	(901)	-	(2,026)	(2,026)
Other	1,564	(1,848)	1,645	-	-	-	-	-	1,361	-	1,361
Total	(1,550)	(865)	1,284	5,674	(7,152)	1,066	2,934	1,379	(1,132)	3,901	2,769
Other Cash Flows											
Restructuring Outflows	-	-	-	(235)	(225)	(1,975)	-	-	-	(2,435)	(2,435)
Interest Expense - Principal	(1,887)	-	(1,846)	(708)	-	-	-	(1,959)	(3,733)	(2,667)	(6,400)
Interest Expense - Revolver	(21)	(65)	-	(364)	(17)	-	-	(417)	(87)	(797)	(884)
Repayment of Principal	-	(1,500)	-	(1,500)	-	-	-	(1,500)	(1,500)	(3,000)	(4,500)
Discontinued Operations - Haymarket Rent	-	-	-	(420)	-	(320)	(320)	(420)	-	(1,480)	(1,480)
One-time Payments	-	-	-	(207)	-	-	-	-	-	(207)	(207)
Compliance Payments	-	-	-	-	-	-	-	(2,228)	-	(2,228)	(2,228)
Total	**(1,908)**	**(1,565)**	**(1,846)**	**(3,434)**	**(242)**	**(2,295)**	**(320)**	**(6,524)**	**(5,320)**	**(12,814)**	**(18,134)**
Drawdown of Revolver	16,325	-	-	-	-	-	-	-	16,325	-	16,325
Total Cash Flows	12,866	(2,430)	(562)	2,240	(7,393)	(1,229)	2,614	(5,145)	9,874	(8,913)	960
Calculated Ending Cash Balance	**12,994**	**10,563**	**10,001**	**12,241**	**4,848**	**3,619**	**6,232**	**1,088**	**10,001**	**1,088**	**1,088**
Variance to Daily Cash Forecast	-	-	-	(92)	(49)	(49)	(49)	(49)	-	-	-
Ending Cash Balance [1]	**12,994**	**10,563**	**10,001**	**12,149**	**4,799**	**3,570**	**6,184**	**1,039**	**10,001**	**1,088**	**1,088**
Cash items in transit	1,039	4	662	618	1,428	595	440	(1,154)	662	(1,105)	(1,105)
Ending Cash Balance per B/S or F/S	$ 11,954	$ 10,559	$ 9,339	$ 11,531	$ 3,371	$ 2,975	$ 5,744	$ 2,193	$ 9,339	$ 2,193	$ 2,193
Number of Weeks	4	6	4	4	4	4	4	4	14	20	34
Annualized EBITDA, Adjusted	**$ 15,277**	**$ 19,077**	**$ 1,793**	**$ (1,396)**	**$ 602**	**$ 7,064**	**$ 11,798**	**$ 12,002**	**$ 13,018**	**$ 5,998**	**$ 8,888**

[1] Period ending cash balances do not reconcile to the balance sheet as the reported totals account for cash items in transit

Source: Updated 13-week Cash Forecast_01.10.2013.xlsx

Overview

- The table summarizes the change in cash positions for (1) Period 1 (actuals for September through November 2012) when the Company drew down $16.3 million from the revolver); and (2) Period 2 (forecasts for December 2012 through April 2013). A summary of the 13 Week Cash Flow projections ending April 5, 2013 is provided in this section of the Report.
- This table summarizes the trends in monthly EBITDA and other cash requirements.

Period 1

- The Company generated $3.5 million of EBITDA, Adjusted; however, this excluded certain expenses totaling $0.9 million which Management classified as non-trading expenses (i.e., [PE Owner] management fees: $145k; [Auditor and Consultant]: $278k; Professional fees related to [redact] transaction: $204k; State tax expense: $114k, partial settlement of 2006 Incurred Cost Submission ($58k); Other: $116k). In addition, the Company had to fund increases in accounts receivable of $4.3 million due to the normal delay in funding programs near to the federal government year end of September 30. The Company also paid $5.3 million (interest: $3.8 million, principal: $1.5 million) to the Lenders. Management represented that the Company made an advance quarterly payment of $125k in September 2012 related to [PE Owner] management fees for the quarter ending December 31, 2012. [PE Owner] and Management represented that while the Company will continue to accrued for the [PE Owner] management fees of $125k per quarter, no [PE Owner] management fee would be paid until the default situation has been resolved.

Period 2

- Management projects $2.3 million of EBITDA, Adjusted; excluded non-trading expenses totaling $790k (e.g., [PE Owner] management fees: $248k which Management represented would not be paid until the bank covenant default is rectified; [Auditor and Consultant]: $152k; Professional fees related to [redact] transaction: $225k; State tax expense: $85k; Other: $79k). In addition, Management is no longer forecasting to reduce unbilled revenue by $250k every month. The Company is also forecasting to pay $6.5 million (interest: $3.5 million, principal: $3.0 million) back to the Lending Group and $2.4 million ([Investment Bank]: $1.25 million; legal representation: $300k; Lending group fees: $750k; Other: $100k). One time costs includes $207k related to 2006 Incurred Cost Submission and $1.5 million for Haymarket rent.
- Management represented that contract funding is becoming more delayed due to the "Fiscal Cliff" and related discussion of sequestration.

VI. FORECASTS

VI. FORECASTS
Overview

Financial Summary ($ in millions)	2010	2011	2012-F	Difference	2012-RF	2013-F	Difference	2013-RF	2014-F	Difference	2014-RF
Net Revenue	**$ 226.9**	**$ 229.6**	**$ 190.9**	**$ 2.1**	**$ 193.1**	**$ 175.9**	**$ 19.8**	**$ 195.7**	**$ 198.0**	**$ 11.8**	**$ 209.8**
YOY Growth %	*6.5%*	*1.2%*	*(16.9%)*	*1.1%*	*(15.9%)*	*(8.9%)*	*11.3%*	*1.4%*	*12.6%*	*5.9%*	*7.2%*
Gross Profit	**80.2**	**71.3**	**$ 58.8**	**0.9**	**59.7**	**51.8**	**4.2**	**55.9**	**56.1**	**5.5**	**61.6**
Gross Margin %	*35.4%*	*31.1%*	30.8%	*1.5%*	*30.9%*	*29.4%*	*8.1%*	*28.6%*	*28.3%*	*9.8%*	*29.4%*
SG&A	**n/a**	**53.6**	**$ 46.7**	**(0.6)**	**46.1**	**41.5**	**3.1**	**44.6**	**44.1**	**3.9**	**48.0**
% of Net Revenue	*n/a*	*23.3%*	*24.5%*	*(1.3%)*	*23.9%*	*23.6%*	*7.4%*	*22.8%*	*22.3%*	*8.9%*	*22.9%*
Net Income	**n/a**	**(28.9)**	**(17)**	**(2.0)**	**(19.1)**	**(12.9)**	**(2.5)**	**(15.3)**	**0.0**	**-**	**n/a**
Adjusted EBITDA	**$ 30.2**	**$ 17.9**	**$ 12.2**	**$ 0.6**	**$ 12.8**	**$ 10.3**	**$ 0.8**	**$ 11.1**	**$ 12.1**	**$ 1.5**	**$ 13.6**
Adjusted EBITDA Margin %	*13.3%*	*7.8%*	*6.4%*	*5.2%*	*6.6%*	*5.8%*	*7.6%*	*5.7%*	*6.1%*	*12.6%*	*6.5%*
Capital Expenditures	**n/a**	**$ 1.0**	**$ 0.7**	**$ -**	**$ 0.7**	**$ 1.9**	**$ -**	**$ 1.9**	**$ 1.0**	**$ -**	**$ 1.0**

Source: Lending Management presentation dated November 6, 2012 page 15 and Company prepared financial projection (2012-2014 Revised LBE_vFinal 1.9.2013.xlsx)

Overview

- As part of Phase I, FAI received forecasts for the year ending December 31, 2012, 2013 and 2014 ("2012-F", "2013-F" and "2014-F") on December 15, 2012 (together called "Original Forecasts").
- As part of Phase II, FAI received revised forecasts for the year ending December 31, 2012, 2013 and 2014 ("2012-RF", "2013-RF" and "2014-RF") on January 10, 2013 (together called "Revised Forecasts").
- ***The Revised Forecast highlights an increase in revenue compared with the Original Forecast (2012-RF: 1.1%; 2013-RF:11.3%; 2014-RF: 5.9%) as Management represented that they had looked more closely at the Company's pipeline; however, Revised Forecast margins have remained relatively similar to original forecasts.***

Improvements in 2012-RF, 2013-RF and 2014-RF

- The key changes from the Original to Revised Forecasts include:
  - **2012-RF:** Management updated the latest estimate of the 2012-RF results for: (1) corrections in the revenue estimate for the performance on the [redact]/[redact] and [redact] contracts ($3.4 million); offset by (2) a $600k increase in the revenue allowance for overbillings. Management previously supplied FAI with two forecasts in Phase I (EBITDA. Adjusted: $12.2 million vs. $13.9 million); Management subsequently confirmed that the Original Forecast of $12.2 million for EBITDA, Adjusted is the correct version.

Improvements in 2012-RF, 2013-RF and 2014-RF, continued

- **2013-RF Revenue:** Management updated the latest estimate of the 2013-RF revenue for: (1) the [redact] contract from probability weighted to base revenue ($7.9 million); (2) new task orders related to [redact] contract including [redact]; (3) increase in projected revenue on the [redact] contract to current run rates ($5.1 million); offset by (4) the increase of $100k in the revenue allowance for overbillings.
- **2013-RF Profitability:** Despite the $19.8 million increase in revenue from the Original Forecast, the Revised Forecast includes an 0.1 percentage point reduction in overall EBITDA, Adjusted margins from 5.8% (2013-F) to 5.7% (2013-RF). The decrease in EBITDA, Adjusted is primarily driven by the change in contract mix offset by increased SG&A costs. (On the basis, the Company is mostly a Cost-Plus vehicle (approximately 65% of total revenue), changes in revenue should normally have a proportional impact on EBITDA).
- **2014-RF:** No explanation was provided by Management for a $1.5 million increase in EBITDA from 2014-F to $13.6 million in 2014-RF.

Bridge Analysis

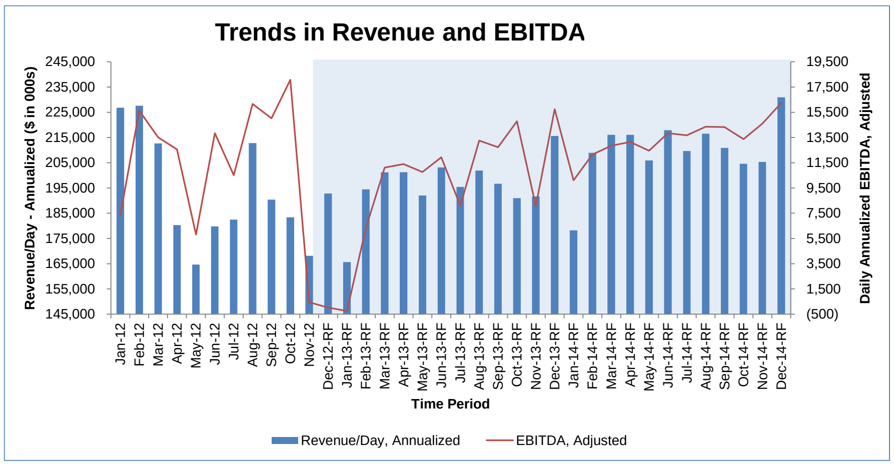
- A summary of Management's bridge analyses (2011 to 2012-RF to 2013-RF to 2014-RF) is set-out later in this section of the Report.

VI. FORECASTS
Trends

Annualization of Adjusted Results

($ in millions)	Annualized and FAI Adjusted Revenue	EBITDA	Margin
Historical Trends:			
12 months ended November 2012	$ 191.0	$ 10.5	5.5%
6 months ended November 2012	185.4	12.8	6.9%
3 months ended November 2012	194.4	13.1	6.7%
November 2012	154.8	0.4	0.3%
Forecast Trends:			
2012-RF	192.5	11.3	5.9%
2013-RF	195.8	10.7	5.5%
2014-RF	$ 209.5	$ 13.4	6.4%

Source: 2012-2014 Revised LBE_3 Stmt Model_01.10.2013.xlsx & FAI Analysis



Overview

- 2012-RF net revenue is forecast to decrease by $38.7 million, equivalent to 16.9%, even though the Company acquired the [redact] contract in June 2012; this contract is forecast to increase 2012-RF revenue by $16.5 million.

Contract Mix

- Management represented that the contract base of the Company is moving from Time and Material (“T&M”) to Cost-Plus (“CPFF”) leading to a compression of margins. However Management’s representation is not being supported by the review of gross margin (see Section X.D. Revenue Analysis) by type of contract because Management does not allocate all costs to contracts. A summary of gross margins for 2011 and the 11 months ended November 2012 (“YTD-11/12”) is as follows:
  - **Time and Materials:** 2011: 31.0%; YTD-11/12: 34.1%.
  - **Cost-Plus:** 2011: 35.3%; YTD-11/12: 35.5%. Please note that suppliers to the government are legally only allowed to make up to 10% margins on cost-plus contracts.
  - **Total for the Company:** 2011: 31.1%; YTD-10/12: 33.2%.

Trends

- The top left table summarizes the annualized results as adjusted by FAI so that we can review the recurring trends of the business (e.g., we have normalized results for differences in time for each monthly reporting cycle and adjusted the results for non-recurring items as discussed on the previous page). Based on the actual results through November 2012, the annualized adjusted results are summarized above.

VI. FORECASTS

Methodology and Assumptions (1 of 3)

Revised Forecast Rollforward ($000s)	2012-RF	2013-RF Base	2013-RF SG&A Adjustments	2013-RF Adjusted Base	2013-RF New Business	2013-RF Total
Existing Contract Revenue	$ 193,833	$ 185,145	$ -	$ -	$ 10,942	$ 196,087
Option Revenue	125	-	-	-	-	-
Recompete Revenue	-	-	-	-	-	-
Total Gross Revenue	**193,958**	**186,823**	**(1,678)**	**185,145**	**10,942**	**196,087**
Allowance	(900)	(400)		(400)		(400)
Net Revenue	**193,058**	**186,423**	**(1,678)**	**184,745**	**10,942**	**195,687**
% of Total Net Revenue in Year		95.3%			5.6%	
<u>Direct Costs</u>						
Direct Labor	70,884	66,495	-	70,886	2,800	73,686
Travel	18,521	17,374	-	18,521	808	19,329
Subcontractor Costs	34,124	32,011	-	34,125	1,782	35,906
Other Direct Costs	10,760	10,094	-	10,760	469	11,230
Total Direct Costs	**134,289**	**125,974**	-	**134,292**	**5,859**	**140,151**
Gross Margin	**58,769**	**52,131**	-	**50,453**	**5,083**	**55,536**
GM%	*30.4%*	*28.0%*	-	*27.3%*	*26.4%*	*28.4%*
Total Variable Costs	**28,311**	**24,925**	-	**24,925**	**2,593**	**27,518**
% of Net Revenue	*14.7%*	13.4%	-	*13.5%*	*23.7%*	*14.1%*
% of Direct Labor	*39.9%*	*37.5%*	-	*35.2%*	*92.6%*	*37.3%*
Variable Contribution	**30,458**	**27,206**	-	**25,528**	**2,490**	**28,018**
VC%	*15.8%*	*14.6%*	-	*13.8%*	*22.8%*	*14.3%*
Fixed G&A	**17,768**	**17,049**	**(1,678)**	**15,371**	**1,678**	**17,049**
% of Net Revenue	*9.2%*	*9.1%*	-	*8.3%*	*15.3%*	*8.7%*
ESL Income	96	90	-	90	-	90
EBITDA	**$ 12,786**	**$ 10,247**	**$ -**	**$ 10,247**	**$ 812**	**$ 11,059**
EBITDA%	*6.6%*	*5.5%*		*5.5%*	*7.4%*	*5.7%*

Source: 2012-2014 Revised LBE_vFinal 1.9.2013.xlsx

Weaknesses in Methodology of the Forecast Model

- Management represented that the accounting system had not been set up to report on net profit by task order nor by contract. As such, Management had only prepared the forecast contract results for 2013-RF and 2014-RF for revenue and gross profit which did not include all direct costs (e.g., hazard pay). Even though requested by FAI, Management represented that they did not have the data to forecast contracts to net profit level (e.g., after allowable and non-allowable overheads), **even though they represented that reviewing contracts at the gross profit level is "meaningless" as contract profitability should be measured at net profit level.**
- ***As such, Management was not able to provide projections to FAI that highlighted the true historical and projected profitability by contract.*** In addition, the revenue and gross margin by contract provided by Management did not agree back to the summary of the Revised Forecasts because Management had not adjusted revenue by contract for the changes in revised overhead rates (i.e., Management estimated contract

Weaknesses in Methodology of Forecast Model, continued

revenue projections based on the trailing three months overhead run rates rather than updating the overhead recovery rates for revised business levels).

- ***Accordingly Management can not provide data to identify which contracts are making losses at net profit level which is a material weaknesses in the Company's reporting.***

Key Methodology (see table to the left and Section X.B. Forecast Methodology)

- In order to develop the Revised Forecast model, Management assumes the following key assumptions related to the Company's cost structure:
  - **Base (or Existing) Business –** Management assumes that the revenue, gross margin and SG&A overhead rates are based on the latest 2012 trailing three months prior run rates. Management then estimated (1) the analysis of direct costs (i.e., between direct costs, direct labor, travel, subcontractor costs and other direct costs); (2) variable costs; and (3) fixed G&A based on the historical run rate rather than making adjustments by contract.
  - **New Business –** Management calculated that the revenue and gross profit by contract on a probability weighted basis (e.g., recompetes are normally factored at 75% of the estimated contract value). Management assumed the EBITDA margin for all new contracts is 5.0% other than for [redact]. Management then estimated (1) the analysis of direct costs (i.e., between direct costs, direct labor, travel, subcontractor costs and other direct costs) based on the historical run rate rather than making adjustments by contract, and then calculated (2) variable costs; and (3) fixed G&A based on the difference between gross margin and EBITDA, Adjusted.
  - **Fixed SG&A –** Management calculated the overhead for existing business based on the historical overhead run rates rather than the new forecast business levels, Management has made a top level adjustments (see yellow shaded section in schedule) to reduce fixed overheads allocated to New Business (see Fixed SG&A Adjustment in the table).

Methodology and Assumptions (2 of 3)

2012-RF

- The 2012-RF was based on actual results through November 2012, the latest estimate for November 2012, and a forecast for December 2012.
- The Revenue Adjustment was increased to $900k; this reserve was recorded for potential overbillings to the government in 2012-RF.

2013-RF and 2014-RF

- Projected revenue and gross margin was calculated by contract. Management represents that the gross profit margin for existing base contracts was derived from the trailing three month run rate through November 2012.
- The Revenue Adjustment was increased to $400k; this reserve was recorded for potential overbillings to the government in 2013-RF and 2014-RF.

Restriction of Access to Information by Management

- Management refused to supply the complete Revised Forecast projection model on the grounds that the information was commercially sensitive. As a result, FAI is not in a position to fully comment on the Revised Forecast.
- A key issue is that Management appears to be working to a projected EBITDA, Adjusted margin (2012-RF: 6.6%; 2013-RF: 5.7%; 2014-RF: 6.5%). Management represented that the charge in EBITDA, Adjusted margins is due to the change in contract mix. However, Management has not provided sufficient data to support this representation as Management did not forecast contracts to the net profit level.

Analysis of Expenses

- Analysis of SG&A expenses for 2012-RF and 2013-RF is summarized for information purposes at Section X.C SG&A Analysis.
- Management represented that they cannot provide further detailed of the direct expenses beyond direct labor, travel, subcontractor costs, and other direct costs.

Methodology and Assumptions (3 of 3)

Other (Income)/Expense

- A summary of other income/expenses is set out below:

Other (Income) / Expense ($000s)	Period 1 8/25-11/30	Period 2 12/1-4/19	2012-RF	2013-RF	2014-RF
Non-Recurring Charges:					
Haymarket Rent Settlement	$ -	$ -	$ 4,416	$ -	$ -
[Investment Bank] Restructuring Fees	233	-	233	-	-
AttorneyC (Legal Advice re Default)	72	-	72	-	-
2006 ICS Settlement	58	-	58	-	-
CAS 410 Settlement	17	-	17	-	-
CostPoint Implementation	-	13	-	300	-
Other Non-Recurring Charges	32	0	59	-	-
Total Non-Recurring Charges	**412**	**13**	**4,855**	**300**	**-**
[Auditor and Consultant] Government Consulting Fees	273	152	1,172	527	366
Professional Fees - Transaction	5	225	914	150	-
State Tax Expense	58	85	741	203	203
Recruiting & Relocation	2	25	459	-	-
Agency Consent / Arrangement Fees	8	42	151	100	100
Other (Income) / Expense	(0)	-	84	-	-
Severance	7	-	71	-	-
Base Realignment and Closure	16	-	54	-	-
Subtotal	**781**	**542**	**8,501**	**1,281**	**669**
[PE Owner] Fees & Travel	135	248	759	600	600
Total Other (Income) / Expense, As Reported	**915**	**790**	**9,260**	**1,881**	**1,269**
Less: [Investment Bank] Restructuring Fees	(233)	-	(233)	-	-
Total Other (Income) / Expense, Adjusted	**$ 682**	**$ 790**	**$ 9,027**	**$ 1,881**	**$ 1,269**

Source: A.3.ii. 2012-2014 Revised LBE_Other Expense Detail.xlsx

- **[PE Owner] Fees and Travel.** This represents [PE Owner] management fees which are invoiced and normally paid quarterly ($125k) in advance plus out of pocket expenses. Management represented that the Company made an advance quarterly payment of $125k in September 2012 related to the [PE Owner] management fees for the quarter ending December 31, 2012.
- [PE Owner] and Management represented that while the Company will continue to accrue for the [PE Owner] management fee no management fees will be paid until the default situation has been addressed with the Lenders. However, these fees are included within the Cash Flow Statement.
- ***We recommend that you consider asking [PE Owner] to take no further management fees until the debt leverage is significantly reduced and/or the Lending Group's debt has been repaid.***

Other (Income)/Expense, continued

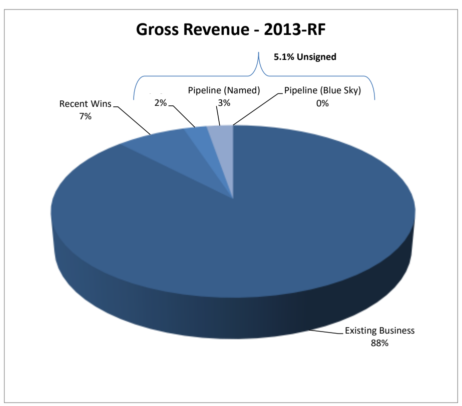
- **Base Realignment and Closure** ("BRAC") includes temporary housing, household goods, search fees for new housing and relocation costs for employees following the closure of certain defense premises.
- **[Auditor and Consultant] Government Consulting Fees** includes government contracting consulting and related fees (i.e., [Auditor and Consultant]) for compliance matters. Management represented that the Company incurred approximately $500k of fees from [Auditor and Consultant], (appointed the Company's compliance advisor in June 2010, in 2010).
- **Professional Fees -** Transaction includes unallowable transaction-related professional fees for the [redact] acquisition.
- **State Tax Expense -** Management represents this tax is sales (not income) related and is excluded from EBITDA, Adjusted per the terms of the Credit Agreement.
- **Recruiting & Relocation** represents expenses associated with the recruitment and hiring of the CFO, CCO and VP of Contracts and other new senior-level employees.
- **2006 ICS** represents the partial settlement of the 2006 Incurred Cost Submission (see Section IV. Compliance Issues, Issue 11).
- **Other (Income) / Expense** includes unallowable labor and travel as well as gifts.

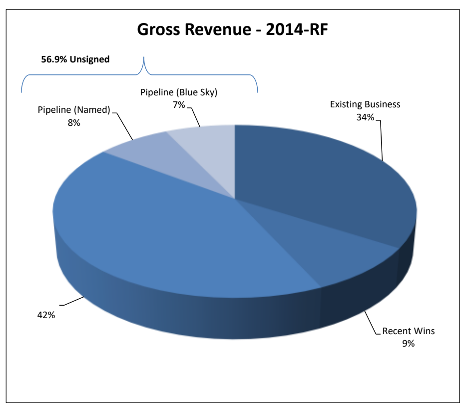
VI. FORECASTS

Revenue – Forecast versus Pipeline

Forecast vs. Pipeline Report ($000s)						
Revenue by Contract [2]	2013-RF	Delta	Discounted Pipeline [1]	2014-RF	Delta	Discounted Pipeline [1]
Signed Contracts:						
Existing Business	$ 172,172	(172,172)	$ -	$ 71,559	(71,559)	$ -
Recent Wins:						
(1)	1,466	136	1,602	1,466	(268)	1,198
(2)	10,807	57	10,864	10,952	(58)	10,894
(3)	700	(700)	-	-	-	-
(4)	-	5,021	5,021	-	4,609	4,609
Total Recent Wins	12,973	4,515	17,488	12,418	4,283	16,701
Total Signed Contracts	185,145	(167,657)	17,488	83,977	(67,276)	16,701
Unsigned Contracts						
[redact] (Factored in Pipeline)	4,655	33,438	38,092	88,716	(23,746)	64,970
Pipeline (Named)						
(1)	1,673	3,925	5,598	6,694	10,056	16,749
(2)	1,387	185	1,571	1,733	(185)	1,549
(3)	917	1,486	2,403	1,000	1,499	2,499
(4)	1,111	774	1,885	1,667	836	2,502
(5)	1,200	2,192	3,392	1,800	2,702	4,502
(6)	-	-	-	9,583	9,699	19,282
Other Contracts	-	66,070	66,070	-	98,227	98,227
Total Pipeline (Named)	6,288	74,632	80,920	22,477	122,833	145,310
Pipeline (Blue Sky)	-	-	-	15,000	(15,000)	-
Total Unsigned Contracts	10,942	108,070	119,012	126,193	84,087	210,281
Total Revenue	$ 196,088	(59,587)	$ 136,500	$ 210,170	16,812	$ 226,982
Total Revenue (Excluding Existing Business)	$ 23,916	112,585	$ 136,500	$ 138,611	88,370	$ 226,982
% Discounted Factor	17.5%			61.1%		
Discounted Factor			240,051			396,231
Non Discounted Pipeline	$ 23,916	352,635	376,551	$ 138,611	484,602	623,213
% Discounted Factor	6.4%		36.3%	22.2%		36.4%

Source: B 1 Pipeline Report as of 02 Jan 2013.xlsx; 2012-2014 Revised LBE_vFinal 1.9.2013.xlsx and FAI Analysis





Source: Revised Forecasts and FAI analysis.

Overview

- Management is forecasting revenue (excluding existing business) at $10.9 million and $126.2 million for 2013-RF and 2014-RF, respectively. This represents 9.2% and 60.0%, respectively of the discounted pipeline as estimated by Business Development.
- For 2013-RF, $10.9 million, equivalent to 5.1% of total 2013-RF revenue of forecast revenue is not being generated by signed contracts.
- For 2014-RF, $126.2 million, equivalent to 56.9% of total 2014-RF revenue of forecast revenue is not being generated by signed contracts.
- Business Development had discounted the total pipeline value of $376.6 million (2014-RF: $623.2 million) by 31.6% (2014-RF: 83.7%) to establish the discounted pipeline value of $136.5 million (2014-RF: $227.0 million) in 2013-RF.

Errors in Pipeline

- We have not discussed the pipeline with the Business Development team and accordingly can not quantity any potential upsides. It appears, however, that the contract pipeline may be misstated as Management reported that the contract value for the opportunities such as the [redact] contract (FY13-RF: 3.1 million) was included for both the prime and subcontract bid proposals made by the Company in January 2013.
- [Redact] is currently in the Prime seat on the contract. Management submitted a re-compete proposal to unseat [redact] in the prime position of the contract in addition to another proposal to act as subcontractor (with [redact] as prime) on the contract. Projected revenue for this contract is forecasted to decrease $5.7 million in 2013-RF given an expected decrease in activity related to the contract. (2012-RF: $14.5 million; and 2013-RF: $8.7 million). Management stated the pipeline includes the impact of both the prime and subcontract bids which overstates potential pipeline revenue. As such, if the Company wins the prime position, results will be better than currently projected by Management.

VI. FORECASTS

Revenue and Gross Margin – Overview

Existing vs Pipeline Business ($ in 000's)	Adjusted Revenue			Effective Margin $			Effective Gross Margin %		
	2012-RF	2013-RF	2014-RF	2012-E	2013-RF	2014-RF	2012-RF	2013-RF	2014-RF
Signed Contracts:									
Existing Business	$ 193,958	$ 172,172	$ 71,559	$ 58,769	$ 48,674	$ 20,145	30.3%	28.3%	28.2%
Recent Wins	-	12,973	12,418	-	3,396	3,298	0.0%	26.2%	26.6%
Subtotal	193,958	185,145	83,977	58,769	52,071	23,443	30.3%	28.1%	27.9%
% SubTotal	*100.0%*	*94.4%*	*40.0%*	*100.0%*	*93.8%*	*38.1%*			
Unsigned Contracts:									
[redact]	-	4,655	88,716	-	1,778	27,924	0.0%	38.2%	31.5%
Pipeline (Named)	-	6,288	22,477	-	1,686	6,121	0.0%	26.8%	27.2%
Pipeline (Blue Sky)	-	-	15,000	-	-	4,085	0.0%	0.0%	27.2%
Subtotal	-	10,942	126,193	-	3,465	38,129	0.0%	31.7%	30.2%
% SubTotal	-	*5.6%*	*60.0%*	*0.0%*	*6.2%*	*61.9%*			
Gross Revenue [1]	**$ 193,958**	**$ 196,087**	**$ 210,170**	**$ 58,769**	**$ 55,536**	**$ 61,572**	**30.3%**	**28.3%**	**29.3%**

[1] Adjusted revenue is Gross Revenue with adjustments for allocation of SG&A

Source: 2012-2014 Revised LBE_vFinal 1.9.2013.xlsx and FAI Analysis

Revenue by Contract

- The forecast revenue by contract incorporates estimates of revenue from the existing base of business (including options), recompete opportunities as well as new business opportunities in the business development pipeline.

2013-RF

- Management is forecasting that the Company will win approximately $10.9 million of new business in order to meet the projected results. There is approximately $92.4 million of evaluated pipeline opportunities for 2013-RF. Management represented that there was minimal upside in the 2013-RF given the lead time required to win and start new contracts.

Other (Income)/Expense, continued

- 60.0%, equivalent to $126.2 million, of the 2014-RF revenue is forecasted to come from sources currently outside the Company's existing book of business. As such, there are considerable risks in the Company's ability to achieve its 2014-RF forecast as summarized as below:
  - The Revised Forecast assumes that the Company is able to win the recompete on [redact] which is forecast to contribute $88.7 million of revenue in 2014-RF.
  - The Revised Forecast assumes that the Company can win $22.5 million of new business related to identified "named" opportunities. Business Development has identified $145.3 million of discounted pipeline revenue which has been discounted by an average factor of 15.5% to $22.5 million.
  - The forecast assumes that the Company can win non-identified work ("Blue Sky") of $15.0 million; Management represented that this is supported by the opportunities within the discounted pipeline as noted above.

VI. FORECASTS
Revenue – Forecast versus Pipeline

Contract Performance ($ in 000's)	Adjusted Revenue 2012-RF	2013-RF	2014-RF	Effective Gross Margin $ 2012-E	2013-RF	2014-RF	Effective Gross Margin % 2012-RF	2013-RF	2014-RF
	$ 76,786	$ 65,990	$ 0	$ 26,281	$ 20,988	$ -	34.2%	31.8%	0.0%
	26,483	27,687	19,700	8,163	7,806	5,680	30.8%	28.2%	28.8%
	12,042	8,037	7,020	3,824	2,524	2,252	31.8%	31.4%	32.1%
	14,460	8,743	-	5,308	2,558	-	36.7%	29.3%	0.0%
	16,513	26,695	17,353	1,645	3,462	2,947	10.0%	13.0%	17.0%
	4,287	1,309	1,006	1,738	354	278	40.5%	27.1%	27.7%
	14,468	2,478	2,109	3,109	707	615	21.5%	28.5%	29.2%
	3,618	2,793	2,452	1,308	921	826	36.2%	33.0%	33.7%
	1,447	829	708	562	289	252	38.9%	34.9%	35.6%
	1,599	1,446	1,201	645	591	501	40.3%	40.9%	41.7%
	3,847	3,830	3,437	1,236	1,101	1,010	32.1%	28.7%	29.4%
	881	2,876	2,558	275	876	796	31.3%	30.5%	31.1%
	199	129	167	60	45	59	30.3%	35.3%	35.6%
	802	11,761	10,063	322	4,170	3,643	40.2%	35.5%	36.2%
	338	251	191	126	90	69	37.2%	35.7%	36.1%
	1,649	-	-	712	-	(1)	43.2%	0.0%	0.0%
	1,878	4,301	819	416	1,132	220	22.1%	26.3%	26.9%
	10	-	-	7	-	(1)	67.6%	0.0%	0.0%
	642	480	407	140	124	106	21.9%	25.7%	26.2%
	2,217	1,846	1,675	711	680	629	32.1%	36.8%	37.6%
	851	691	695	259	255	262	30.4%	36.9%	37.7%
Other/ Ended Task Orders	8,942	-	-	1,921	-	-	21.5%	0.0%	0.0%
Existing Business - Total	193,958	172,172	71,559	58,769	48,674	20,145	30.3%	28.3%	28.2%
	-	10,807	10,952	-	2,815	2,899	0.0%	26.1%	26.5%
	-	1,466	1,466	-	393	399	0.0%	26.8%	27.2%
	-	700	-	-	188	-	0.0%	26.8%	0.0%
	-	-	-	-	-	-	0.0%	0.0%	0.0%
Recent Wins - Total	-	12,973	12,418	-	3,396	3,298	0.0%	26.2%	26.6%
	-	4,655	88,716	-	1,778	27,924	0.0%	38.2%	31.5%
	-	4,655	88,716	-	1,778	27,924	0.0%	38.2%	31.5%
	-	917	1,000	-	246	272	0.0%	26.8%	27.2%
	-	1,387	1,733	-	372	472	0.0%	26.8%	27.2%
	-	1,200	1,800	-	322	490	0.0%	26.8%	27.2%
	-	1,673	6,694	-	449	1,823	0.0%	26.8%	27.2%
	-	1,111	1,667	-	298	454	0.0%	26.8%	27.2%
	-	-	9,583	-	-	2,610	0.0%	0.0%	27.2%
	-	-	15,000	-	-	4,085	0.0%	0.0%	27.2%
Pipeline - Total	-	6,288	37,477	-	1,686	10,205	0.0%	26.8%	27.2%
Gross Revenue [1]	$ 193,958	$ 196,087	$ 210,170	$ 58,769	$ 55,536	$ 61,572	30.3%	28.3%	29.3%

[1] Adjusted revenue is Gross Revenue with adjustments for allocation of SG&A

Source: 2012-2014 Revised LBE_vFinal 1.9.2013.xlsx and FAI Analysis

Overview

- FAI adjusted the contract revenue and gross profit results as reported by Management for 2012-RF, 2013-RF and 2014-RF. Management had based the contract level projections on the existing overhead rates rather than on updated rates based on the new revenue levels inclusive of new business.
- Management suggested FAI reduce revenue (2013-RF: $1.7 million; 2014-RF: $65k) for the incorrect billings of overhead evenly across all contracts.

Contract Reviews

- Contracts shaded in are discussed further on the next two pages.

Revenue and Gross Margin – By Contract – Detail (1 of 2)

[Redact] to [redact] Program

- The key program of the Company is [redact] (or [redact] program after the contract is rebid).
- [Company] has served as the [redact] Field Support Services provider of choice since December 2003 (2003 Prime Contract Award of $134 million; 2008 Prime Contract Award of $390 million, increased to $475 million in May 2012; more than 100 task orders performed).
- [Redact] is the successor to [redact] that provides upgraded situational awareness, command and control and applications. [redact] will introduce a new user interface with intuitive features like touch-to-zoom maps and drag-and-drop icons as well as networked handheld devices. Management represented that it is expecting a request for proposal in Q1-2013 and an award date in Q4-2013. [redact] is expected to be a Cost-Plus Fixed Fee ("CPFF") 5-year contract with an estimated value of between $500 million to $520 million. Management stated that the period of performance for this contract would start in November 2013 (although the pipeline records that the contract would start in June 2013 which results in an overstatement of approximately $26 million in revenue from the pipeline in 2013).
- Management could not provide a list of competitors for the [redact] bid. Management represented that more than 50 companies attended the government's "industry day" presentation about the opportunity; however, Management does not expect that all of those companies to have the capability to bid as a prime contractor on this program due to the scope and complexity of the expected deliverables.
- The CEO represented on December 14, 2012 that he is very confident that [Company] will win the [redact] bid; however, the CEO also represented that he does not yet know the composition of the [redact] bid and that there are much stronger headwinds which reduces the chances of winning the bid.

[Redact]

- The Company will recompete on the [redact] contract which is expected to be awarded in November 2013. Based on the Revised Forecast, the revenue related to this contract will significantly decrease from the current contract run rate of $27.7 million (2013-RF) to $17.4 million. Management has probability weighted this potential opportunity by 60% in the pipeline and has recorded $10.5 million of forecast revenue in 2014-RF.

[Redact]

- Projected revenue (2012-RF: $12.0 million; 2013-RF: $8.0 million) for this contract decreases by $4.0 million in 2013-RF given an anticipated 10% decrease in activity related to customer requirements.

[Redact]

- [Redact] is currently in the Prime seat on the contract. Management submitted a re-compete proposal to unseat [redact] in the prime position of the contract in addition to another proposal to act as subcontractor (with [redact] as prime) on the contract. Projected revenue for this contract is forecasted to decrease $5.7 million in 2013-RF given an expected decrease in activity related to the contract. (2012-RF: $14.5 million; and 2013-RF: $8.7 million). Management stated the pipeline includes the impact of both the prime and subcontract bids which overstates potential pipeline revenue. As such, the Revised Forecast may be understated as it currently assumes the Company wins the subcontract position on this contract.

Revenue and Gross Margin – By Contract – Detail (2 of 2)

[Redact] Contract ([redact] derived work)

- Please refer to Section VII. Historical Financials for additional background information related to the [redact] contract.
- Below is a summary by task order detailing the change in projected $9.3 million from 2013-RF ($26.7 million) to 2014-RF ($17.4 million).

[redact] Contract ([redact] derived opportunities) *($ in 000's)*						
	Gross Revenue		Effective Gross Margin $		Effective Gross Margin %	
Task Order	2013-RF	2014-RF	2013-RF	2014-RF	2013-RF	2014-RF
6021	$ 5,987	$ 4,580	$ 628	$ 778	10.5%	17.0%
6023	820	-	99	-	12.1%	0.0%
6024	3,423	-	1,000	-	29.2%	0.0%
6507	9,810	7,465	1,345	1,268	13.7%	17.0%
6508	342	-	26	-	7.6%	0.0%
6509	6,312	5,308	364	901	5.8%	17.0%
[redact] Contract - Total	$ 26,695	$ 17,353	$ 3,462	$ 2,947	13.0%	17.0%

Source: 2012-2014 Revised LBE_vFinal 1.9.2013.xlsx

[Redact] ([redact] which is part of the [redact] Program)

- Management represented that it decreased its forecast for revenue because the estimated net margins to win this contract were reduced from 6% to 3.5%, the margin at which the Company won the award.

[Redact] & Network Modernization

- Management reported in its pipeline that the contract has been awarded to the Company but it was not included in the Revised Forecast. Per the pipeline report, revenue for this contract is $5.0 million in 2013-RF and $4.6 million in 2014-RF.

VI. FORECASTS
Pipeline – Overview

Current Stage in Pipeline ($000s)	# in Pipeline	Pipeline Contract Value 2013-RF	Discount	Pipeline Discounted 2013-RF	Pipeline Contract Value 2014-RF	Discount	Pipeline Discounted 2014-RF
Evaluated Opportunities:							
WON	3	$ 28,685	$ (11,197)	$ 17,488	$ 50,200	$ (33,499)	$ 16,701
Submitted	8	17,184	(6,110)	11,074	13,591	(5,238)	8,353
Proposal	4	28,310	(18,593)	9,717	36,207	(24,007)	12,200
Capture	18	110,068	(55,921)	54,147	201,191	(92,663)	108,528
Evaluated Opportunities	**33**	**184,247**	**(91,821)**	**92,426**	**301,189**	**(155,406)**	**145,783**
Un-Evaluated Opportunities:							
Pursue	3	-	5,598	5,598	-	16,749	16,749
Identified	30	192,304	(153,828)	38,476	322,024	(257,574)	64,450
Un-Evaluated Opportunities	33	192,304	(148,230)	44,074	322,024	(240,825)	81,199
Total Pipeline	**66**	**$ 376,551**	**$ (240,051)**	**$ 136,500**	**$ 623,213**	**$ (396,231)**	**$ 226,982**
Discount %				*36.3%*			*36.4%*

Source: B 1 Pipeline Report as of 02 Jan 2013.xlsx
Note: "Won" contracts does not include [redact] and Modernization contract (2013-RF: $15.0 million revenue which was reported in the pipeline report as a "Win")

Overview

- As part of Phase I, Management represented that the Company is in the process of refining how they update/use the pipeline, which was not something that Management systematically updated and refined. As part of Phase II, Management provided FAI with a backlog management report ("Pipeline Report") that highlights potential opportunities for future bid submissions and provides evidence for projected revenue in future periods. The table above summarizes the Pipeline Report; further details are set out at Section X.H. Pipeline Report as of January 3, 2013.
- The Pipeline includes the estimated contract value of potential opportunities along with a probability weighted estimate of converting the opportunity into a future source of revenue (the "Discount"). The Discount factor was evaluated by the Business Development team.
- The key focus for evaluating the size of the pipeline is 'Evaluated Opportunities', which represents 67.7% and 64.2% of total discounted pipeline revenue for 2013-RF and 2014-RF. Management has spent some time validating these opportunities classified as "Evolved Opportunities". As Management has only just started to capture pipeline opportunities, FAI cannot comment of the trends in the pipeline.

Categories

- The Pipeline Report categorizes opportunities based on the stage within the business development pipeline. These stages are defined as follows:
  - **Evaluated Opportunities:**
    1. **Won –** Opportunities in the pipeline that have been awarded to the Company by the customer but the work as not started.
    2. **Submitted –** Official bid proposals submitted to the customer.
    3. **Proposal –** Opportunities where official proposals have been developed but have not been submitted to the customer.
    4. **Capture –** Opportunities that Management is developing but have yet to prepare official bid proposals.
  - **Un-evaluated Opportunities:**
    1. **Pursue –** Potential opportunities that are reviewed by the Business Development team for further analysis and discussion.
    2. **Identified –** Preliminary opportunities that are identified by the Business Development team.

Bridge – 2011 to 2012-RF

2011 - 2012-RF Bridge $'000	Gross Revenue	Allowances	Net Revenue	Gross Margin	EBITDA
2011 Actuals	**$ 229,641**	**$ -**	**$ 229,641**	**$ 71,317**	**$ 17,850**
Margins				31.1%	7.8%
Programs					
	(30,704)	-	(30,704)	(4,749)	(4,749)
	(18,449)	-	(18,449)	(7,290)	(7,290)
	(4,408)	-	(4,408)	(1,712)	(1,712)
	881	-	881	275	275
	3,990	-	3,990	1,386	1,386
	16,513	-	16,513	1,645	1,645
Other (balancing item)	(3,505)	-	(3,505)	(1,204)	(1,204)
Sub-Total Program Changes	**(35,682)**	**-**	**(35,682)**	**(11,648)**	**(11,648)**
Pricing Allowances	-	(900)	(900)	-	(900)
SG&A					
SG&A Labor	-	-	-	-	1,108
401k	-	-	-	-	3,135
Medical & Life Insurance	-	-	-	-	1,079
Deployment & Hazard Pay	-	-	-	-	3,628
Professional Fees	-	-	-	-	(1,408)
Sub-Total SG&A Changes	-	-	-	-	**7,542**
ESL Changes					(58)
Total Changes	**(35,682)**	**(900)**	**(36,582)**	**(11,648)**	**(5,064)**
Per Above Analysis	**$ 193,958**	**$ (900)**	**$ 193,058**	**$ 59,669**	**$ 12,786**
Per Latest Forecast 2012-RF	**$ 193,958**	**$ (900)**	**$ 193,058**	**$ 59,669**	**$ 12,786**
Margins				30.9%	6.6%

Source: C 2 2010 to 2013 Annual Bridges Preliminary.xlsx

Bridge from 2011 to 2012-RF

- In 2012, the Company realized a significant contraction in activity on existing contracts as there was a reduction in mobilized support personnel for conflicts in Iraq and Afghanistan. Given this reduction in revenue, Management reacted by reducing fringe benefits and corporate overhead; this is further discussed in this section.
- Management has not quantified the overbillings in 2011 when bridging the results to 2012-RF. In addition, Management has not quantified the EBITDA impact (only gross margin impact) on the performance on the contracts due to the lack of data.
- Net Revenue declined $36.6 million, or equivalent to 15.9%, primarily due to the following key issues:

Bridge from 2011 to 2012-RF, continued

- **[Redact] –** $30.7 million incremental reduction in revenue primarily due to a decrease in deployed support ($11.5 million estimated impact on 2013-RF revenue) from a pull back in U.S. military activity in IRAQ and Afghanistan.
- **[Redact] –** $18.4 million incremental reduction in revenue due to the customer starting to perform a majority of the work in-house. This resulted in the Company having a unutilized property (Haymarket); this is further discussed in Section II Executive Summary.
- **[Redact] Contract –** $16.5 million incremental increase in revenue was due to the acquisition of the [redact] Contract which was completed in June 2012. This 2012-RF revenue included a one-time positive earnings adjustment of approximately $806k in July 2012 related the settlement of net receipts that were made to the 'contractor of record' by the US Army until the transition of the prime position on the [redact] contract was novated by the customer. Additional background information is set out in Section VII Historical Financials.
- **Increase in Pricing Allowance –** Management included a $900k provision against projected revenue in the 2012-RF to cover for potential overbillings to the customer. There was no allowance or provision included in 2011.

- In response to the decline in revenue, Management was able to reduce SG&A by $7.5 million by:
  - **SG&A Labor –** $1.1 million reduction in labor due to a decline in activity of key contracts in 2012;
  - **401K, Medical & Life Insurance –** Realization of Management fringe cost reductions related to decrease in employer match to 401k, reduction in % contribution to employee healthcare plan, elimination of supplemental healthcare plan, etc. Additional background information on these savings can be found in this section.
  - **Deployment & Hazard Pay –** $3.6 million reduction in costs is due to less employees being deployed in Iraq and Afghanistan on the [redact] contract.

Bridge – 2013-RF to 2014-RF

2013-RF - 2014-RF Bridge ($000s)	Gross Revenue	Allowances	Net Revenue	Gross Margin	EBITDA Adjusted	EBITDA Margin %
2013-RF	**$ 196,087**	**$ (400)**	**$ 195,687**	**$ 55,536**	**$ 11,059**	**5.7%**
Margins				28.4%	5.7%	
Programs						
	17,352	-	17,352	4,437	4,437	25.6%
	(392)	-	(392)	(115)	(115)	29.2%
	(3,518)	-	(3,518)	(949)	(949)	27.0%
	(346)	-	(346)	(108)	(108)	31.2%
	(8,240)	-	(8,240)	(2,378)	(2,378)	28.9%
	(9,454)	-	(9,454)	(627)	(627)	6.6%
Pipeline						
	1,466	-	1,466	n/a	n/a	n/a
	10,952	-	10,952	n/a	n/a	n/a
	1,000	-	1,000	n/a	n/a	n/a
	1,733	-	1,733	n/a	n/a	n/a
	1,800	-	1,800	n/a	n/a	n/a
	-	-	-	n/a	n/a	n/a
	1,667	-	1,667	n/a	n/a	n/a
	9,583	-	9,583	n/a	n/a	n/a
	6,694	-	6,694	n/a	n/a	n/a
Unidentified Opportunities	15,000	-	15,000	n/a	n/a	n/a
Total Pipeline	49,895		49,895	13,503	13,503	27.1%
Other	(31,215)		(31,215)	(7,726)	(7,726)	24.8%
Sub-Total Program Changes	**14,083**	**-**	**14,083**	**6,038**	**6,038**	
SG&A						
SG&A Labor	-	-	-	-	(1,693)	-15.3%
401k	-	-	-	-	(139)	-1.3%
Medical & Life Insurance	-	-	-	-	(414)	-3.7%
Deployment & Hazard Pay	-	-	-	-	(158)	-1.4%
Employer Taxes	-	-	-	-	(521)	-4.7%
Vacation/Holiday Expenses	-	-	-	-	(579)	-5.2%
Other Fringe Costs	-	-	-	-	(258)	-2.3%
All other SG&A (balancing item)	-	-	-	-	290	2.6%
Sub-Total SG&A Changes	**-**	**-**	**-**	**-**	**(3,472)**	**-31.4%**
ESL Changes	-	-	-	-	-	-
Total Changes	**14,083**	**-**	**14,083**	**6,038**	**2,567**	23.2%
Per Above Analysis	**$210,170**	**$ (400)**	**$209,770**	**$61,574**	**$13,626**	
Difference	-	-	-	-	-	
Per 2014-RF Forecast	**$210,170**	**$ (400)**	**$209,770**	**$61,574**	**$13,626**	
Margins				29.4%	6.5%	

Source: C.2. 2010 to 2013 Annual Bridges Preliminary.xlsx

Bridge from 2013-RF to 2014-RF

- **2014-RF Net Revenue** is forecast to increase $14.1 million, equivalent to 7.2%, due to the following key reasons:
  - **[Redact] –** $17.4 million incremental increase in revenue to $88.7 million in 2014-RF following the recompete on the [redact] contract in the later half of 2013-RF.
  - **[Redact] –** Management projects a significant decline in revenue on the contract as there is significantly limited work on the recompete opportunity after the initial period of performance ends in September 2013.
  - **[Redact] –** Management projects that they will win the re-compete work on this existing contract. However, the revenue on the contract is anticipated to decline from 2013-RF ($27.7 million) to 2014-RF ($19.7 million).
  - **[Redact] –** The decrease in projected revenue and margin in 2014-RF is due to the ending of certain task orders. Refer to the detailed schedule of revenue by task order within this section for further details.
- **SG&A Expenses**
  - A key issue with regards to the Revised Forecasts is that Management appears to be working to a projected EBITDA margin (2012-RF: 6.6%; 2013-RF: 5.7%; 2014-RF: 6.5%) and FAI does not have sufficient data (e.g., net profitability by contract) in order to validate the reasonableness of these assumptions.

Risks (1 of 2)

Financial Summary ($ in millions)	2010	2011	2012-RF	2013-RF	2014-RF
Net Revenue	**$226.9**	**$229.6**	**$ 193.1**	**$ 195.7**	**$ 209.8**
YOY Growth %	*6.5%*	*1.2%*	*(15.9%)*	*1.4%*	*7.2%*
Gross Profit	**80.2**	**71.3**	**59.7**	**55.9**	**61.6**
Gross Margin %	*35.4%*	*31.1%*	*30.9%*	*28.6%*	*29.4%*
SG&A	**50.2**	**53.6**	**46.1**	**44.6**	**48.0**
% of Net Revenue	*22.1%*	*23.3%*	*23.9%*	*22.8%*	*22.9%*
Net Income	**18.4**	**(28.2)**	**(19.1)**	**(15.3)**	**(8.9)**
Adjusted EBITDA	**$ 30.1**	**$ 17.9**	**$ 12.8**	**$ 11.1**	**$ 13.6**
Adjusted EBITDA Margin %	*13.2%*	*7.8%*	*6.6%*	*5.7%*	*6.5%*
Capital Expenditures		**$ 1.0**	**$ 0.7**	**$ 1.9**	**$ 1.0**

Source: Lending Management presentation dated November 6, 2012 page 15 and Company prepared financial projection (2012-2014 Revised LBE_vFinal 1.9.2013.xlsx)

Significant Risk to 2014-RF Projections

- 60.0%, equivalent to $126.2 million, of the 2014-RF revenue is forecasted to come from sources currently outside the Company's contracted book of business. As such, there are considerable risks in the Company's ability to achieve 2014-RF forecast which is summarized as follows:
  - The forecast assumes that the Company is able to win the recompete on the [redact] contract which is forecast to contribute $88.7 million of revenue in 2014-RF.
  - The forecast assumes that the Company can win $22.5 million of new business related to identified "named" opportunities. Business Development has identified $145.3 million of discounted pipeline revenue which has been discounted by an average factor of 15.5% to $22.5 million.
  - The forecast assumes that the Company can win non-identified work ("Blue Sky") of $15.0 million; Management represented that this is supported by the opportunities within the discounted pipeline as noted above.

Significant Risk to 2014-RF Projections, continued

- Management represented that the Company has employed two additional Business Development employees to assist with the development of the Company's pipeline especially after the decline in activity in 2012 which is partially attributable to the decline in activity in Iraq and Afghanistan.

Liquidity Issues

- The projections assume that the Company maintains adequate liquidity to operate and fund existing and new business opportunities by maintaining the present borrowings of $112.3 million and by obtaining $8.3 million of additional capital.
- The Company's present cost of capital is higher (average debt costs are 8.5%) than the contract EBITDA margin (typically between 3% to 8%). Accordingly, the cost of funding working capital may materiality impact the returns on the contracts due to the small profit before interest returns currently enjoyed on the contracts.

DCAA Compliance Issues and Contractor's Liabilities

- As noted in Section IV. Compliance Issues, there is no certainty that the payments, in dollar value and timing, for Contractor's Liability of $22.1 million is correctly stated.

Contract Profitability

- Management was not able to provide projections that highlighted the true historical and projected profitability (i.e., through to EBITDA) of the Company's contracts. This lack of data may result in the Company continuing to work on loss making contracts or bidding on loss making contracts. In addition, this lack of data means that Management may not be able to identify contracts which require improvement in performance.

Risks (2 of 2)

Federal Funding and Sequestration

- As noted in the financial press, there are considerable issues with regards to approving federal budget for the year ending September 30, 2013. This leads to uncertainty and as a result funding or decisions on contracts can be delayed. Management represented these issues have increased in the last three months which has led to delays in funding contracts which increases the "At Risk" work and the cash requirements. An additional risk is sequestration which is the automatic federal spending cut created in the Budget Control Act of 2011. Accordingly if Congress can not reach agreement on the 2012/13 budget then there is a risk that automatic spending cuts could be made to the Defense budget and/or the government could be shut-down for non-essential services.

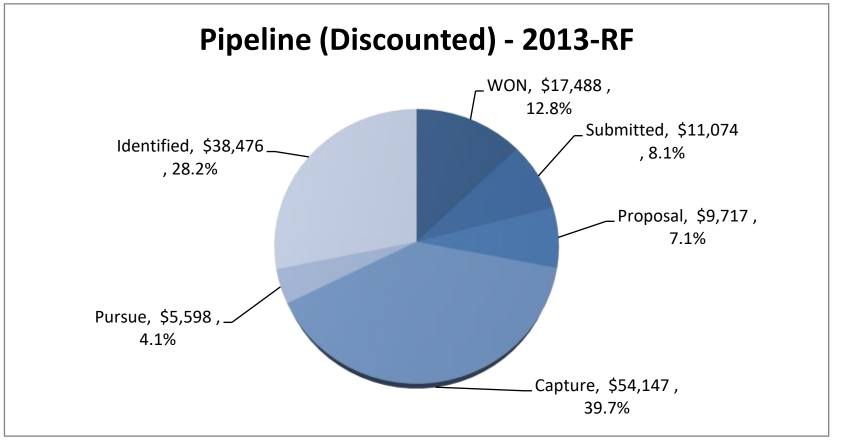
Upsides – Revenue

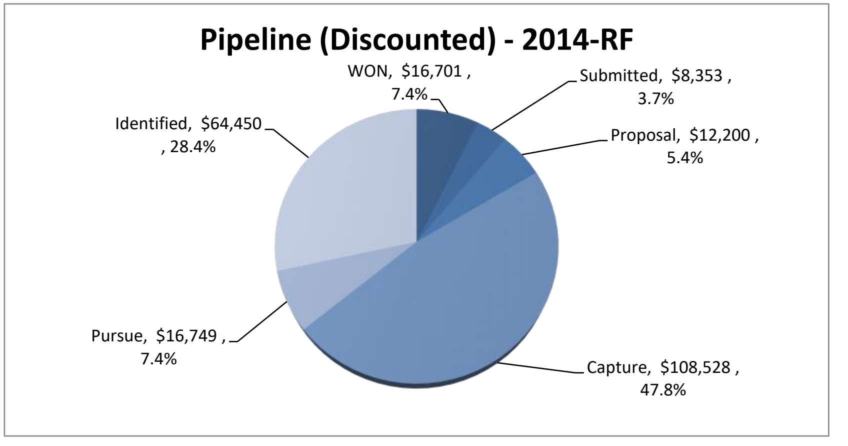
Financial Summary ($ in millions)	2010	2011	2012-RF	2013-RF	2014-RF
Net Revenue	**$226.9**	**$229.6**	**$ 193.1**	**$ 195.7**	**$ 209.8**
YOY Growth %	*6.5%*	*1.2%*	*(15.9%)*	*1.4%*	*7.2%*
Gross Profit	**80.2**	**71.3**	**59.7**	**55.9**	**61.6**
Gross Margin %	*35.4%*	*31.1%*	*30.9%*	*28.6%*	*29.4%*
SG&A	**50.2**	**53.6**	**46.1**	**44.6**	**48.0**
% of Net Revenue	*22.1%*	*23.3%*	*23.9%*	*22.8%*	*22.9%*
Net Income	**18.4**	**(28.2)**	**(19.1)**	**(15.3)**	**(8.9)**
Adjusted EBITDA	**$ 30.1**	**$ 17.9**	**$ 12.8**	**$ 11.1**	**$ 13.6**
Adjusted EBITDA Margin %	*13.2%*	*7.8%*	*6.6%*	*5.7%*	*6.5%*
Capital Expenditures		**$ 1.0**	**$ 0.7**	**$ 1.9**	**$ 1.0**

Source: Lending Management presentation dated November 6, 2012 page 15 and Company prepared financial projection (2012-2014 Revised LBE_vFinal 1.9.2013.xlsx)

Upsides

- Management is forecasting revenue (excluding existing business) at $10.9 million and $126.2 million for 2013-RF and 2014-RF, respectively, which represents 9.2% and 60.0%, respectively of the discounted pipeline (2013-RF:$136.5 million; 2014-RF: $227.0 million) as estimated by the Business Development.
- Business Development had discounted the total pipeline value of $376.6 million (2014-RF: $396.2 million) by 36.3% (2014-RF: 36.4%) to establish the discounted pipeline value of $136.5 million (2014-RF: $226.9 million) in 2013-RF.
- We have not discussed the pipeline with the Business Development team and accordingly can not quantity any potential upsides.





Source: B 1 Pipeline Report as of 02 Jan 2013.xlsx

VI. FORECASTS
Cost Saving Initiatives - Overview

Fringe Cost Reduction Strategies ($000s)	Annual Gross Savings	Savings in Year of Implementation	Net Savings to EBITDA, Adjusted 2012-RF	2013-RF	2014-RF
1. Benefit Savings					
Effective January 1, 2012:					
Employer Contribution to 401k from 6.25% to 3%	$ 2,700	$ 2,700	$ 930	$ 930	$ 930
Subtotal	2,700	2,700	930	930	930
Effective July 1, 2012:					
Increased employee contributions to Health & Dental	300	150	52	52	52
Ended employer cost of supplemental AFLAC Health Insurance	368	184	63	63	63
Offered Plan B health insurance/Increased employee contribution/Increased stop-loss	400	200	69	69	69
Subtotal	1,068	534	184	184	184
Potential change for January 1, 2013:					
401K - 50% match on first 6% deferred by employee	780	780	-	269	269
Subtotal	780	780	-	269	269
Potential change for July 1, 2013:					
Additional increase to employee share of health care	662	331	-	114	114
LTD - $3k cap	160	80	-	28	28
Life Insurance - 1X salary or $75k cap	403	202	-	70	70
Subtotal	1,225	613	-	211	211
Total Benefit Savings	**5,773**	**4,627**	**1,114**	**1,594**	**1,594**
2. G&A Cost Reduction Actions in 2012					
Employee Attrition (5 employees)	375	375	375	375	375
Reduction in Workforce (9 employees)	675	675	675	675	675
Transfers to Direct (8 employees)		-	-	-	-
Salary Reductions (6 employees)	260	260	260	260	260
Miscellaneous Reductions (Refreshments, logo-wear, birthday flowers, intern program)	690	90	90	90	90
Total G&A Cost Reduction Savings	**2,000**	**1,400**	**1,400**	**1,400**	**1,400**
3. G&A Rate Reduction Actions in 2013					
Professional Fee Reduction (No impact on EBITDA, Adjusted)	882	-	-	-	-
Travel Reduction	100	100	-	100	100
Facility Reduction	52	52		52	52
Headcount Reduction (4 employees)	500	500	-	500	500
Curtailment of salary increases (No impact on EBITDA, Adjusted)	-	-	-	-	-
Contract Support Service Center (moving costs from indirect to different overhead pools)	2,116	-	-	-	-
Total G&A Rate Reduction Savings	**3,650**	**652**	**-**	**652**	**652**
TOTAL	**$11,423**	**$ 6,679**	**$ 2,514**	**$ 3,646**	**$ 3,646**
% of T&M Revenue (estimate based on YTD-11/12 Revenue)	**34.5%**				

Source: D.1-2. Cost Reduction Actions 2012-2013.pdf

Overview

- The table to the left summarizes the cost reductions that Management has implemented and is in the process of implementing.
- We have also evaluated the EBITDA impact of these savings ("Net Savings") taking into account the savings related or allocated to Cost-Plus contracts. (i.e., saved expenses which are only allocated to Time and Material contracts leading to an increase in EBITDA).
- ***Management represented that they had not prepared action/reorganization plans for additional cutting costs in the future based on various scenarios (e.g., loss of [redact] bid) and improving working capital requirements (e.g., reduction in unbilled and improving aging of accounts receivable) This would provide Management with the ability to quickly react to events in an informed manner (e.g., costs versus benefits).***
- Management represented the cost savings summarized on the table were all incorporated into the Revised Forecast. However as FAI did not review the projected rates, FAI could not confirm Management's representations.

Fringe Benefit Savings

- Management's cost saving initiatives have been focused on the benefits of the employees by passing on a higher percentage of the benefit costs to the employee.
- While the 401K cost savings are imposed at the beginning of the year, the savings related to (1) health and dental care; and (2) long-term disability and life insurance coverage are effective July 1 to coincide with the benefit insurance year ends.
- Management represented that the CEO has notified the employees of the additional fringe benefit cuts effective July 1, 2013 via the CEO's bi-weekly messages to the employees.

SG&A Rate Reduction Actions in 2013-RF

- Management's represented that they are not giving its employees a general annual pay rise. Previously all employees were provided the same annual pay rise which was determined by the profitability of the Company rather than individual performance of each employee.

SG&A Cost Reduction Actions in 2013

- The reduction in the work force happened from April 2012 through to September 2012.

Cash Requirements – 2013-RF & 2014-RF

Cash Flow to EBITDA Reconciliation (FOR DISCUSSION PURPOSES ONLY-NOT YET DISCUSSED WITH MANAGEMENT) ($000s)	Jan-13-RF	Feb-13-RF	Mar-13-RF	Apr-13-RF	May-13-RF	Jun-13-RF	Jul-13-RF	Aug-13-RF	Sep-13-RF	Oct-13-RF	Nov-13-RF	Dec-13-RF	2013-RF	2014-RF
Cash Balance b/f	**$ 11,531**	**$ 2,696**	**$ 2,291**	**$ 5,052**	**$ (734)**	**$ (4,260)**	**$ (16,784)**	**$ (15,684)**	**$ (17,420)**	**$ (17,370)**	**$ (18,765)**	**$ (19,975)**	**$ 11,531**	**$ (23,574)**
Operating Cash Flows														
EBITDA [1]	54	551	913	928	1,286	959	660	1,052	1,008	1,730	645	1,273	11,059	13,626
Less: ESL Income	(8)	(9)	(8)	(7)	(7)	(6)	(7)	(7)	(9)	(8)	(8)	(8)	(90)	(90)
Receivables	(5,901)	367	2,381	958	(1,243)	(318)	(403)	659	(893)	1,201	(2,214)	(250)	(5,657)	(1,269)
Other Assets	(74)	5	30	12	(16)	(4)	(5)	8	(11)	15	(28)	(3)	(71)	(1,058)
Prepaid Expenses	135	(153)	(35)	0	(463)	453	41	(34)	28	(479)	506	(169)	(169)	2,038
Trade Payables	(905)	742	388	481	(995)	107	1,412	(2,024)	1,175	(2,575)	4,647	(1,862)	590	114
Other Current Liabilities	(178)	203	47	(0)	612	(600)	(55)	45	(37)	634	(671)	224	224	108
Accrued Payroll Liabilities	(841)	851	176	50	2,036	(2,022)	(145)	94	(170)	2,393	(2,337)	832	917	-
Deferred Revenue/Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	1,102
Other Expenses	(224)	(216)	(135)	(142)	(136)	(131)	(127)	(123)	(166)	(163)	(160)	(157)	(1,881)	(1,269)
Total Sources/(Uses) of Cash	**(7,943)**	**2,341**	**3,757**	**2,280**	**1,076**	**(1,562)**	**1,371**	**(330)**	**926**	**2,749**	**381**	**(121)**	**4,923**	**13,300**
Other Cash Flows														
Restructuring Outflows	(225)	(1,975)	-	-	-	-	-	-	-	-	-	-	(2,200)	-
Discontinued Operations - Haymarket Rent	-	(320)	(320)	(420)	-	-	-	-	-	-	-	-	(1,060)	-
New Business Net Working Capital	-	(450)	(675)	(901)	-	-	-	-	-	-	-	-	(2,026)	-
Capital Expenditures	-	-	-	(642)	(158)	(158)	(158)	(158)	(158)	(158)	(158)	(158)	(1,905)	(974)
DCAA Compliance Payments	-	-	-	(2,228)	(4,438)	(6,889)	-	(1,142)	(600)	-	(1,242)	-	(16,539)	(5,067)
Total Other	**(225)**	**(2,745)**	**(995)**	**(4,190)**	**(4,596)**	**(7,047)**	**(158)**	**(1,300)**	**(758)**	**(158)**	**(1,400)**	**(158)**	**(23,730)**	**(6,041)**
Total Cash Flows Excluding Financing	**(8,168)**	**(405)**	**2,761**	**(1,911)**	**(3,520)**	**(8,609)**	**1,214**	**(1,630)**	**168**	**2,591**	**(1,019)**	**(279)**	**(18,806)**	**7,260**
Ending Cash Balance Before Financing	**2,712**	**2,291**	**5,052**	**3,141**	**(4,255)**	**(12,868)**	**(15,571)**	**(17,314)**	**(17,252)**	**(14,780)**	**(19,784)**	**(20,254)**	**(7,276)**	**(16,314)**
Financing:														
Drawdown of Revolver	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest Expense - Principal	-	-	-	(1,959)	-	(1,949)	-	-	-	(1,939)	-	(1,906)	(7,753)	(9,230)
Interest Expense - Revolver	(17)	-	-	(417)	-	(424)	-	-	-	(428)	-	(428)	(1,714)	(2,040)
Interest Expense - New Revolver	-	-	-	-	(5)	(43)	(113)	(106)	(118)	(118)	(191)	(136)	(831)	(2,136)
Repayment of Principal	-	-	-	(1,500)	-	(1,500)	-	-	-	(1,500)	-	(1,500)	(6,000)	(6,000)
Total Financing	**(17)**	**-**	**-**	**(3,876)**	**(5)**	**(3,916)**	**(113)**	**(106)**	**(118)**	**(3,985)**	**(191)**	**(3,971)**	**(16,298)**	**(19,406)**
Ending Cash Balance After Financing	**2,696**	**2,291**	**5,052**	**(734)**	**(4,260)**	**(16,784)**	**(15,684)**	**(17,420)**	**(17,370)**	**(18,765)**	**(19,975)**	**(24,224)**	**(23,574)**	**(35,720)**
Cushion	-	-	-	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
New Revolver and Facility	**-**	**-**	**5,052**	**(6,734)**	**(10,260)**	**(22,784)**	**(21,684)**	**(23,420)**	**(23,370)**	**(24,765)**	**(25,975)**	**(30,224)**	**(29,574)**	**(41,720)**
Existing Revolver and Debt	(112,268)	(112,268)	(112,268)	(110,768)	(110,768)	(109,268)	(109,268)	(109,268)	(109,268)	(107,768)	(107,768)	(107,768)	(107,768)	(101,768)
New and Old Revolver and Facility	**(112,268)**	**(112,268)**	**(107,216)**	**(117,503)**	**(121,028)**	**(132,053)**	**(130,952)**	**(132,688)**	**(132,639)**	**(132,533)**	**(133,743)**	**(137,993)**	**(137,342)**	**(143,489)**
Cash Balance Before Existing Financing Payments and [PE Owner] Management Fees	**2,712**	**2,307**	**5,069**	**3,158**	**(367)**	**(9,019)**	**(7,919)**	**(9,655)**	**(9,605)**	**(7,133)**	**(8,343)**	**(8,757)**	**(8,757)**	**(18,450)**
Revenue	$ 12,752	$ 14,953	$ 15,462	$ 15,462	$ 22,101	$ 15,595	$ 15,003	$ 15,495	$ 15,090	$ 21,963	$ 14,695	$ 17,117	$ 195,687	$ 209,770
DSO-Days	45	42	40	39	41	41	41	41	41	41	41	41	41	41
DPO-Days	75	78	83	84	82	82	82	82	82	82	82	82	81	82
Number of Weeks	4	4	4	4	6	4	4	4	4	6	4	4	52	52
Annualized EBITDA, Adjusted	$ 790	$ 7,176	$ 11,902	$ 12,096	$ 11,179	$ 12,500	$ 8,609	$ 13,713	$ 13,138	$ 15,034	$ 8,403	$ 14,526	$ 11,059	$ 13,626

Source: 2012-2014 Revised LBE_3 Stmt Model_01.10.2013.xlsx

[1] EBITDA per Revised Forecast does not equal income per Income Statement-RF due to the exclusion of non-cash items related to revenue allowances. Refer to Revenue allowance table for reconciliation to reported EBITDA totals

Overview

- The table above summarizes the monthly cash flow for 2013-RF and annual cash flows for 2014-RF, as provided by Management.

Cash Requirements – Sensitivities

DSO/DPO Impact ($000s)	2012-RF	2013-RF	2014-RF
Number of Working Days	263	263	263
Total Revenue	$ 193,058	$ 195,687	$ 209,770
Forecast DSO	37	41	41
DSO Impact per day	**$ 734**	**$ 744**	**$ 798**
Total Expenses	109,483	111,448	119,829
Forecast DPO	76	81	82
DPO Impact per day	**$ 416**	**$ 424**	**$ 456**

Source: 2012-2014 Revised LBE_3 Stmt Model_01 10 2013.xlsx and FAI analysis

Upsides

- We discussed the DSO and DPO assumptions with Management. Management has increased DSO days because it is concerned that funding of contracts will be delayed due to the ongoing dispute with the approval of the fiscal budget. To partially compensate for this, Management has also increased DPO days in the forecast. ***FAI recommends that further Management attention is focused on collections, including the status of unbilled revenue, in order that the Company's cash flows are improved.***
- Based on sensitivity analysis a one day improvement in DSO in 2012-RF would improve cash by $734k; however, a one day reduction in DPO would only reduce cash by $416k (i.e., a net improvement of $318k).

Potential Actions to Improve the Cash Position

- Management represented that the Company may be able to increase the cash position of the Company as follows:
  - **Delay vendor payments by one week:** $1.5 million potential increase in cash. This strategy may be difficult to maintain due to the customer contractual terms which normal stipulate that vendors are paid in accordance with contractual terms.
  - **Pay employee Expenses weekly rather than daily:** $100k potential savings.
  - **Delay the Capex expenditures on new IT system:** $1.4 million delay in expenditure.

VII. HISTORICAL FINANCIALS

Billable Revenue from Non-Operating Expenses

Other (Income) / Expense ($000s)	2012-RF	2013-RF	2014-RF
Non-Recurring Charges:			
Haymarket Rent Settlement	$ 4,416	$ -	$ -
[Investment Bank] Restructuring Fees	233	-	-
AttorneyC (Legal Advice re Default)	72	-	-
2006 ICS Settlement	58	-	-
CAS 410 Settlement	17	-	-
CostPoint Implementation	-	300	-
Other Non-Recurring Charges	59	-	-
Total Non-Recurring Charges	**4,855**	**300**	**-**
[Auditor and Consultant] Government Consulting Fees	1,172	527	366
Professional Fees - Transaction	914	150	-
State Tax Expense	741	203	203
Recruiting & Relocation	459	-	-
Agency Consent / Arrangement Fees	151	100	100
Other (Income) / Expense	86	-	-
Severance	71	-	-
Base Realignment and Closure	54	-	-
Subtotal	**8,503**	**1,281**	**669**
[PE Owner] Fees & Travel	759	600	600
Total Other (Income) / Expense, As Reported	**9,262**	**1,881**	**1,269**
Less: [Investment Bank] Restructuring Fees	(233)	-	-
Total Other (Income) / Expense, Adjusted	**$ 9,029**	**$ 1,881**	**$ 1,269**

Source: A.3.ii. 2012-2014 Revised LBE_Other Expense Detail.xlsx

Overview

- Management represented that the only non-operating expenses (i.e., expenses which are excluded from EBITDA, Adjusted) reimbursable are fees from [Auditor and Consultant] which can be allocated to Cost-Plus contracts.

[Auditor and Consultant]

- We have estimated that the revenue recoverable ([Auditor and Consultant] costs multiplied by the percentage of total revenue earned by Cost-Plus contracts) on the [Auditor and Consultant] fees as follows:

[Auditor and Consultant] Estimated Revenue Impact ($000s)	2011	2012-RF	2013-RF [1]	2014-RF [1]
[Auditor and Consultant] Fees	$ 191	$ 1,172	$ 527	$ 366
Cost-Plus Contract %	25.8%	56.3%	60.0%	64.0%
[Auditor and Consultant] Revenue - Estimate	**$ 49**	**$ 659**	**$ 316**	**$ 234**

[1] Cost-Plus contract percentage represents an FAI estimate of future contract mix and based on 100% recoverability

Source: Source: 2012-2014 Revised LBE_3 Stmt Model_01.10.2013.xlsx

- We have reduced EBITDA, FAI Adjusted for the above revenue related to the [Auditor and Consultant] fees.

Haymarket

- Management did not enter into a back to back agreement with landlord for the property being utilized with this contract and accordingly the Company had to continue paying the rent of approximately $320k when the customer contract ended in March 2012. As a result the Company entered into an early termination agreement with the landlord in 2012 which resulted in the Company being obliged to continue paying rent ($320k per quarter which equates to approximately $1.3 million) through to March 2013 and pay an early termination fee of $600k (By June 30, 2012: $300k: By September 30, 2012: $100k; By December 31, 2012: $100k; By March 31, 2013: $100k).
- Management has attempted to claw back, in full and in part, the monies back from the government but has not yet been successful. Management is still attempting to obtain a contribution for these costs (approximately $2.8 million) from the government. Management represented that they are discussing this claim with the relevant Procurement Contracting Officer ("PCO"). Management further represented that they do not know the amount, if any, or the timing of any potential recoveries from this claim. Accordingly, no recoveries have been included within 2013-RF and 2014-RF.
- Management represented that it does not believe it can offset the Contractor's Liability with a potential claim for Haymarket rent as two different people are dealing with these two issues; namely, the ACO with the Contractor's Liability and the PCO with the Haymarket claim.

Hazard Pay

Background

- The Company pays hazard (i.e., for hardship and danger) pay to employees and subcontractors which work in onerous locations (e.g., Afghanistan, Iraq and Kuwait). Hazard pay can represent about 40% to 60% of normal salary for employees deployed overseas in these locations.
- The Company previously paid hazard pay based on a hourly rate for all hours worked. Management represented that the DCAA stated that the Company has been billing in excess of the "State Department's guidelines" for danger and hazard pay for its own employees and its subcontractors. Management's position is the "State Department's guidelines" are not official and are only used for the employees of the State Department and thus not applicable to vendors of the US Government. DCAA position is that the Company (1) has not limited the chargeable hours for danger and hardship pay to 40 hours per week; and (2) invoiced danger and hardship pay for employees not in austere danger zones (e.g., Kuwait). Management represented that this is an industry related issue and is not specific to the Company. Management represented that the potential liability for this issue is as high as $6 million. The Company has retained AttorneyB as legal Counsel to represent them in this matter. Management has presently estimated the expected Contractor's Liability at $1.8 million for issue.

Lack of Financial Records and Estimation of Hazard Pay for the Company

- Management represented that the accounting system has not been set up to provide data on deployed and hazard pay.
- Management estimated annualized current deployed pay (basic and hazard pay) at $11.3 million for the current 84 (December 2011: 257) deployed staff which earn approximately $135k per annum per employee. Management represented that the estimated current annual run-rate for revenue related to these staff is $12.7 million which generates an approximate margin of 12%.

Reduction in Deployed (basic and Hazard) Pay for [redact]

- **Management represented that the estimation for pay for the [redact] contract was $15.8 million (Deployed: $10.4 million; Hazard: $5.4 million) and $5.6 million (Deployed: $3.6 million; Hazard: $2.0 million) in 2011 and 2012-RF, respectively.**
- The $10.2 million reduction in the annual cost of the deployed pay for the [redact] contract reduced revenue by approximately $11.5 million, 37.5% of the total reduction in revenue in 2012-RF (2011: $107.4 million; 2012-RF: $76.7 million).

[redact] Program - Overview

History

- [Redact], a "small business" government contractor based out of [redact], was one of a group of contractors that successfully bid on the [redact] contract in 2006; this contract was worth approximately $19.3 billion over a 5-year base and a 5-year option. In 2006, there were seven contractors approved under the [redact] contract. The option was subsequently exercised in November 2011. Management represented that [redact] performed approximately 25% of the work as a sub-contractor.

Transaction to Acquire [redact] Contract

- On December 2, 2011, the Company purchased certain assets and liabilities, including rights and economic interest, on the [redact] contract from [redact] under a purchase agreement. As part of this transaction, four administrative support staff were transferred to the Company. Operational staff and subcontractors were employed by the Company as a separate exercise.
- In accordance with the terms of the purchase agreement, the consideration payable includes a base purchase price of $22.5 million, plus a maximum earn-out amount of $2.5 million. Management represented that the earn-out target through to November 2012 was not achieved and accordingly no further monies are owed.
- While the transaction was agreed between the two parties in December 2011, the transaction was subject to novation (change-of-name approval) of the U.S. Government which was ultimately provided in June 2012. Accordingly, [redact] remained the statutory prime contractor of record and received the payments on the contract through June 2012; these net receipts totaling $806k were subsequently paid to and recorded as income in July 2012.

Potential Risks with [redact] Transaction, continued

- Management represented that the Company, as the Prime Contractor, maintains ultimate responsibility for damages, even before the transaction was completed in July 2012. Accordingly, [redact] provided the Company with an indemnification of up to $7.5 million. However, there is no cash escrow to fund this indemnification.
- After assuming the contract, Management represented that it had identified potential compliance and control issues related to the tracking and maintenance of Government Financed Equipment ("GFE"). Management represented that there may be potential issues related to record keeping of missing government equipment that was provided to the Company in execution of the contract. Management represented that it did not quantified the potential financial or cash impact of this potential issue.
- The recent [redact] award activity has been slower than the historical experience and expectations (i.e., ManTech [redact] revenue in 3Q-2012 was down 37% year over year; and [redact] revenue expected to decrease by 21% from 2012 to 2013). Source: Management.

Summary of Results

- A summary of the results is set out on the next page.

[redact] Program - Financials

[redact] Program Revenue by Task Order ($000s) Task Order		June 2012	July 2012	August 2012	September 2012	October 2012	November 2012	YTD-Nov-12
	Revenue	$ 243	$ 466	$ 388	$ 495	$ (12)	$ 128	$ 1,707
	Gross Margin ($)	23	45	32	49	(6)	13	156
	Gross Margin (%)	9.3%	9.7%	8.3%	9.9%	47.6%	9.8%	9.1%
	Revenue	197	346	761	524	(1)	30	1,858
	Gross Margin ($)	19	33	71	50	(1)	3	175
	Gross Margin (%)	9.4%	9.5%	9.4%	9.6%	103.5%	9.5%	9.4%
	Revenue	-	-	-	-	438	527	966
	Gross Margin ($)	-	-	-	-	42	50	93
	Gross Margin (%)	-	-	-	-	9.6%	9.6%	9.6%
	Revenue	35	55	84	84	82	73	412
	Gross Margin ($)	4	7	10	10	10	9	51
	Gross Margin (%)	12.0%	12.4%	12.3%	12.2%	12.4%	12.4%	12.3%
	Revenue	148	39	375	102	(1)	0	664
	Gross Margin ($)	17	(108)	152	14	(1)	0	74
	Gross Margin (%)	11.5%	-274.5%	40.6%	13.7%	139.6%	11.6%	11.2%
	Revenue	467	754	1,107	746	319	(104)	3,288
	Gross Margin ($)	48	34	69	66	24	(11)	231
	Gross Margin (%)	10.3%	4.5%	6.3%	8.9%	7.5%	10.3%	7.0%
	Revenue	20	39	101	10	35	37	242
	Gross Margin ($)	1	4	7	2	(4)	1	11
	Gross Margin (%)	5.9%	9.4%	6.7%	19.0%	-11.4%	3.7%	4.5%
	Revenue	126	268	928	66	1,344	617	3,349
	Gross Margin ($)	14	30	105	8	151	69	377
	Gross Margin (%)	11.2%	11.3%	11.3%	11.9%	11.2%	11.2%	11.3%
	Revenue	-	-	-	-	959	891	1,850
	Gross Margin ($)	-	-	-	-	126	159	286
	Gross Margin (%)	-	-	-	-	13.2%	17.9%	15.4%
	Revenue	884	4	10	1	-	-	899
	Gross Margin ($)	810	0	(0)	1	-	-	811
	Gross Margin (%)	91.6%	9.4%	-0.2%	100.0%	-	-	90.3%
[redact] Total	**Revenue**	**$ 2,119**	**$ 1,971**	**$ 3,753**	**$ 2,029**	**$ 3,163**	**$ 2,198**	**$ 15,234**
	Gross Margin ($)	**936**	**46**	**447**	**201**	**342**	**294**	**2,265**
	Gross Margin (%)	**44.2%**	**2.3%**	**11.9%**	**9.9%**	**10.8%**	**13.4%**	**14.9%**

Source: C.7. [redact] Task Orders_YTD P11 2012.xlsx

Trends

- Management represented that the unusual trends in the monthly financial statements is due to the lack of full internal controls (e.g., accrual for subcontractor expenses and resulting revenue accrual); these internal control weaknesses are in the process of being corrected per Management.
- Management represented that the [redact] contract and operations are now fully incorporated within the Company.

VII. HISTORICAL FINANCIALS

Balance Sheet – Overview – 2012-RF by Month

Balance Sheet-RF ($000s)	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12-RF
Assets												
Current Assets												
Cash	$ 5,524	$ 2,217	$ 2,333	$ (232)	$ (481)	$ (457)	$ 1,601	$ (303)	$ 11,954	$ 10,559	$ 9,339	$ 11,531
Billed Receivables	26,443	29,489	28,700	30,689	26,612	22,974	21,056	23,404	27,687	30,491	29,832	27,252
UnBilled Receivables	12,780	14,173	9,432	7,995	5,350	8,341	8,994	11,583	9,644	9,514	9,256	8,811
Employee Receivables	521	524	497	565	307	321	366	325	502	474	481	452
New Business NWC Receivables	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid Expenses	1,673	1,129	1,123	892	1,693	1,053	961	838	985	1,441	940	1,023
Total Current Assets	**46,942**	**47,533**	**42,085**	**39,908**	**33,483**	**32,232**	**32,979**	**35,846**	**50,773**	**52,480**	**49,850**	**49,068**
Fixed Assets												
Computers & Equipment	1,605	1,669	1,669	1,682	1,726	1,726	1,736	1,736	1,743	1,743	1,743	1,743
Furniture & Fixtures	1,439	1,442	1,450	1,454	1,458	1,458	1,463	1,463	1,466	1,466	1,466	1,466
Software	1,016	1,046	1,083	1,126	1,172	1,198	1,243	1,275	1,308	1,308	1,308	1,308
Leasehold Improvements	766	766	766	767	767	767	769	769	769	769	769	769
Accumulated Depreciation	(2,825)	(2,866)	(2,905)	(2,943)	(2,993)	(3,044)	(3,095)	(3,146)	(3,207)	(3,258)	(3,303)	(3,356)
Total Fixed Assets	**2,001**	**2,057**	**2,064**	**2,085**	**2,130**	**2,106**	**2,116**	**2,097**	**2,079**	**2,028**	**1,983**	**1,930**
Other Assets												
Other Assets	229	248	266	280	292	293	294	284	301	312	320	320
Goodwill & Intangibles	152,302	150,785	150,046	149,293	148,164	169,814	168,865	167,916	166,968	165,537	164,582	163,667
Total Other Assets	**152,531**	**151,032**	**150,312**	**149,573**	**148,456**	**170,107**	**169,159**	**168,200**	**167,269**	**165,849**	**164,902**	**163,987**
Total Assets	**201,474**	**200,623**	**194,461**	**191,566**	**184,069**	**204,445**	**204,255**	**206,143**	**220,121**	**220,356**	**216,734**	**214,986**
Liabilities and Equity												
Current Liabilities												
Accounts Payable	32,855	33,321	33,667	31,472	26,726	27,287	29,874	32,640	31,088	33,074	32,037	34,480
Payroll Payable	4,093	3,804	3,800	3,643	3,572	3,334	3,425	3,433	3,415	3,320	3,213	3,568
Accrued Payroll Liability	5,133	5,355	5,348	5,282	5,294	5,005	4,758	4,785	4,633	4,796	4,570	4,675
Short Term Debt	5,300	5,300	5,300	7,300	5,950	5,150	3,500	3,675	20,000	20,000	20,000	20,000
Other Current Liabilities	1,220	1,215	1,737	1,594	1,593	1,788	1,790	1,432	1,420	1,431	1,435	1,355
Accrued Interest											-	(315)
Total Current Liabilities	**48,601**	**48,996**	**49,853**	**49,292**	**43,135**	**42,564**	**43,347**	**45,964**	**60,556**	**62,621**	**61,255**	**63,763**
Long-Term Liabilities												
Loan Payable	98,268	98,268	98,268	96,768	96,768	95,268	95,268	95,268	95,268	93,768	93,768	92,268
Mandatorily Redeemable Units	13,888	13,888	13,888	13,888	13,888	13,888	13,888	15,087	15,224	15,396	15,513	15,513
Deferred Revenue	700	700	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Total Long-Term Liabilities	**112,857**	**112,857**	**112,157**	**110,657**	**110,657**	**109,157**	**109,157**	**110,355**	**110,492**	**109,164**	**109,282**	**107,782**
Member's Equity												
Member's Equity	73,341	73,341	73,341	73,341	73,341	95,843	95,843	95,843	95,843	95,843	95,843	95,843
Dividends	-	-	-	-	-	-	-	-	-	-	-	-
Retained Earnings	(33,325)	(34,571)	(40,889)	(41,723)	(43,063)	(43,118)	(44,092)	(46,019)	(46,770)	(47,272)	(49,645)	(52,402)
Total Member's Equity	**40,016**	**38,770**	**32,452**	**31,618**	**30,278**	**52,724**	**51,751**	**49,823**	**49,073**	**48,571**	**46,198**	**43,441**
Total Liabilities and Equity	**$201,474**	**$200,623**	**$194,461**	**$191,566**	**$184,069**	**$204,445**	**$204,255**	**$206,143**	**$220,121**	**$220,356**	**$216,734**	**$214,986**

Source: 2012-2014 Revised LBE_3 Stmt Model_01 10 2013.xlsx

Overview

- The table summarizes the monthly balance sheet from January 2012 through to December 2012-RF.

Cash Locations

Month End Cash Balance ($ in 000s)					
Month End	[Bank or Agent]	Wells Fargo	Total	Cash in Transit	Balance Sheet
8/31/2012	$ 35	$ -	$ 35	$ (340)	$ (305)
9/30/2012	7,175	8,821	15,995	(4,043)	11,953
10/31/2012	2,928	8,913	11,841	(1,283)	10,558
11/30/2012	$ 1,819	$ 8,181	$ 10,001	n/a	n/a

Source: G Monthly Cash Balances by Bank.xlsx

Overview

- The table represents a summary of cash balances held at [Bank or Agent] and Bank X as of August, September and October 2012.
- FAI reviewed the reconciliations from the bank balances to the General Ledger and noted the variances mainly related to deposits in transit and unpresented checks.

Accounts Receivable

Accounts Receivable Aging ($000s)

Month	Total	0-30	31-60	61-90	Over 90	0-30	31-60	61-90	Over 90
May	$ 26,612	$ 18,831	$ 6,543	$ 471	$ 767	70.8%	24.6%	1.8%	2.9%
June	22,974	19,927	1,826	633	589	86.7%	7.9%	2.8%	2.6%
July	21,056	19,387	1,397	148	124	92.1%	6.6%	0.7%	0.6%
August	23,404	21,217	1,902	347	(62)	90.7%	8.1%	1.5%	-0.3%
September	27,687	25,510	2,113	94	(30)	92.1%	7.6%	0.3%	-0.1%
October	30,491	22,090	6,656	896	849	72.4%	21.8%	2.9%	2.8%
November	19,811	15,010	2,980	1,203	619	75.8%	15.0%	6.1%	3.1%

Source: E.2 AR Aging Monthly May-Nov 2012.xlsx

Customer A/R Aging as of December 3, 2012

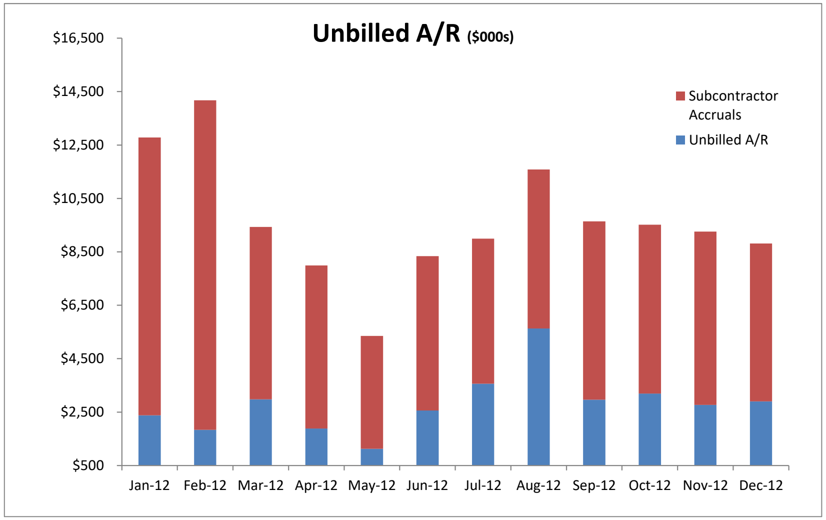
	Aging Based on Invoice Date				
($000s)	0-30	31-60	61-90	Over 90	Total
	$2,141	$ 3,381	$ 82	$ 69	$ 5,673
	911	3,181	-	66	4,158
	-	3,052	51	14	3,117
	286	1,067	483	64	1,900
	-	1,235	344	-	1,579
	-	391	386	-	777
	-	472	-	0	472
	-	55	39	259	352
	109	71	-	148	327
	-	153	130	-	282
	-	241	-	(0)	241
	-	212	-	-	212
	-	137	74	-	211
	-	113	-	(1)	112
	-	103	-	(0)	103
	-	20	-	-	20
	-	18	-	-	18
	-	9	-	-	9
	-	8	-	-	8
	-	-	-	1	1
	-	0	-	(0)	0
	-	0	-	-	0
	-	-	-	(0)	(0)
	-	-	-	(0)	(0)
	-	-	-	(2)	(2)
Total	**$3,447**	**$13,917**	**$1,589**	**$ 619**	**$19,572**

Source: E2 Latest AR Aging Mgmt Report.xlsx

Overview

- Management represented that the Company has not historically had any material bad debt issues.
- Management represented that payment terms are typically 30 days with the government which normally means the Company is paid between 30 to 48 days on submission of the invoices. Management represented that cash receipts are fairly predictable once the government customer has signed off on the invoice and there is funding in place.
- Management represented that the Company can not direct bill; if it could, this may decrease DSO days by about 5 days.
- Timing of payments from prime contractors (i.e., when [Company] acts as subcontractor) are slightly less predicable but should be typically paid within 30 to 40 days. Accordingly, the largest outstanding receivable balances relate to customers where the Company serves as a subcontractor on a prime contracts.
- The aging of accounts receivable appears to be getting slightly worse, primarily due to the Fiscal Cliff discussions. Management represented that no customers are withholding payments and that it expects to recover all accounts receivable balances; accordingly they have not made any reserves for potential uncollectable debts. From the bottom left table, Management did not identify any potential collection issues.

Unbilled Revenue – By Reason



Source: Company records

Unbilled A/R Components ($000s)	Dec-12
Funding	$ 2,430
Rate Change	121
Fee Withholding	347
Total per summary	**2,899**
Subcontract Revenue	5,912
Total per B/S	**$ 8,811**

Source: B.5. Unbilled AR_Updated through 12.28.2012_with detail.xlsx

Overview

- Unbilled revenues represent accrued revenue within the financial statements but which has not yet been invoiced to the customer. Unbilled revenues have decreased during the period under review from a peak of $14.2 million as of February 2012 to $9.5 million as of October 2012. The majority of unbilled revenue relates to amounts which [Company] can not invoice the customer until it has received the actual invoices from its subcontractors.
- Unbilled typically increases around September 2012, the financial year end of the Government, when funding decisions can get delayed; accordingly the Company performs "At Risk" work (i.e., work without funding) on the basis it would not be politically sensible to stop work and cause problems with the customers.
- Management represented that historically, the Company collects all unbilled revenue.

Unbilled Revenue as of December 2012 ($8,811)

- **Subcontractor Revenue** of $5,912 represents the revenue which [Company] can not invoice because it has not received the actual invoices from its subcontractors. ***FAI recommends further analysis is performed on this area as Management did not provide any analysis on this balance.***
- As of October 2012, the Company had $2,899k of Unbilled Revenue composed of the following:
  - **Funding -** $2,430k of revenue unbilled due to a lag in funding from the Government.
  - **Rate Change -** $121k of revenue unbilled due to a rate change that has not been updated in the Company's accounting system, Deltek.
  - **Fee -** $347k of revenue unbilled due to a 15% fee withheld based on the contracted fee schedule.

Unbilled Revenue – By Customer

Unbilled A/R by Customer ($000s)					
Customer	**Aug-12**	**Sep-12**	**Oct-12**	**Nov-12**	**Dec-12**
	$ 3,254	$ 2,045	$ 2,048	$ 1,392	$ 897
	300	337	47	400	804
	1,689	38	110	380	463
	29	249	251	283	313
	355	293	735	272	422
Total Per Listing	**$ 5,628**	**$ 2,962**	**$ 3,190**	**$ 2,727**	**$ 2,899**
Subcontracting Billing [1]	5,955	6,682	6,324	6,529	5,912
Total per B/S	**$ 11,583**	**$ 9,644**	**$ 9,514**	**$ 9,256**	**$ 8,811**

[1] Management represented this balance related to the Company not being able to invoice the customer until subcontractors had provided actual copies of

Source: B.5. Unbilled AR_Updated through 12.28.2012.xlsx

Unbilled by Customer

- **[Redact] –** Management represented that the program ended on August 15, 2012 and they are awaiting funding from the government.
- **[Redact] –** Management represented that this program began on August 16, 2012 and has not been funded by the government.
- **[Redact]** – Management represented that these revenues represent G&A on Other Direct Costs and are included in October billing.
- **[Redact]** – Management represented that these revenues represent a fee withholding of 15%.

Accounts Payable

Accounts Payable Aging ($ in 000s)											
Month	Total	Current	1-30	31-60	61-90	Over 90	Current	1-30	31-60	61-90	Over 90
May	$ 1,659	$ 1,330	$ 327	$ 2	$ 0	$ (0)	80.2%	19.7%	0.1%	0.0%	0.0%
June	2,202	1,882	318	2	0	(0)	85.4%	14.5%	0.1%	0.0%	0.0%
July	3,489	3,104	362	24	0	(2)	89.0%	10.4%	0.7%	0.0%	0.0%
August	4,631	3,702	918	2	6	3	79.9%	19.8%	0.0%	0.1%	0.1%
September	3,566	3,444	108	14	0	0	96.6%	3.0%	0.4%	0.0%	0.0%
October	6,382	4,957	1,401	22	0	1	77.7%	22.0%	0.3%	0.0%	0.0%
November	5,939	4,381	1,442	58	2	56	73.8%	24.3%	1.0%	0.0%	0.9%

Source: F. AP Aging Monthly May-Nov 2012.xlsx

Overview

- Management represented that it typically pays its vendors earlier than the vendors' normal payment terms which are typically 30 to 45 days.
- Management represented that it had not withheld any payments from vendors.

VIII. APPENDICES

X.A. Monthly Profit and Loss Accounts (For Information Purposes Only)

2010 (by month), 2011, 2012-RF, 2013-RF & 2014-RF

Income Statement in ($000s)	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	2010	2011	2012-RF	2013-RF	2014-RF
Revenue	**$ 25,864**	**$ 17,067**	**$ 17,306**	**$ 5,585**	**$ 34,807**	**$ 12,477**	**$ 5,879**	**$ 22,761**	**$ 14,165**	**$ 32,178**	**$ 19,420**	**$ 19,362**	**$ 226,872**	**$ 229,641**	**$ 193,958**	**$ 196,087**	**$ 210,170**
Allowance, As Reported	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(900)	(400)	(400)
Net Revenue	**25,864**	**17,067**	**17,306**	**5,585**	**34,807**	**12,477**	**5,879**	**22,761**	**14,165**	**32,178**	**19,420**	**19,362**	**226,872**	**229,641**	**193,058**	**195,687**	**209,770**
Direct Costs																	
Direct Labor	8,702	6,379	6,653	4,508	11,837	4,282	6,246	6,543	6,309	9,749	5,912	5,643	82,764	83,359	70,884	73,270	76,405
Travel	1,111	1,906	1,993	1,537	3,552	686	1,661	1,802	1,619	2,830	1,815	1,915	22,425	22,154	18,521	19,329	20,439
Subcontractor Costs	4,836	2,594	2,201	2,467	(6,215)	(785)	3,731	2,353	1,158	7,865	2,801	3,782	26,788	40,533	34,124	36,322	39,477
Other Direct Costs	1,021	1,105	1,175	(10,671)	13,740	1,558	1,437	1,213	1,018	2,005	1,479	(417)	14,664	12,277	10,760	11,230	11,874
Total Direct Costs	15,670	11,984	12,023	(2,160)	22,915	5,741	13,075	11,911	10,104	22,449	12,008	10,923	146,641	158,323	134,289	140,152	148,196
Gross Profit	**10,194**	**5,083**	**5,283**	**7,745**	**11,893**	**6,736**	**(7,196)**	**10,851**	**4,061**	**9,729**	**7,413**	**8,438**	**80,231**	**71,317**	**59,669**	**55,936**	**61,974**
SG&A																	
Fringe	3,268	2,609	2,327	678	4,178	1,407	2,610	2,272	2,210	4,653	2,155	3,230	31,596	36,596	N/A	N/A	N/A
Overhead	389	497	328	(50)	388	330	243	249	317	655	(53)	635	3,929	2,771	N/A	N/A	N/A
[Company] Overhead	102	210	168	164	247	168	169	151	132	218	142	12	1,881	2,192	N/A	N/A	N/A
G&A	1,377	871	980	575	2,225	726	838	976	897	1,342	964	1,001	12,772	12,062	N/A	N/A	N/A
Total SG&A	5,136	4,186	3,802	1,366	7,038	2,631	3,860	3,648	3,556	6,867	3,208	4,879	50,178	53,621	46,079	44,566	48,038
[Company] Travel EBITDA (1)	-	-	-	-	-	-	-	-	-	-	-	-	-	154	96	90	90
EBITDA, Adjusted	**5,058**	**897**	**1,482**	**6,378**	**4,854**	**4,105**	**(11,056)**	**7,203**	**505**	**2,862**	**4,204**	**3,560**	**30,053**	**17,850**	**12,786**	**11,059**	**13,626**
Other Income and Expense:																	
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	6,327	9,964	9,497	8,992
Depreciation and Amort	-	-	-	-	-	-	-	-	-	-	-	-	-	38,697	11,802	11,744	12,264
Other (Income) & Expense	459	281	212	39	41	334	73	545	362	4,314	3,408	1,611	11,680	1,384	9,260	1,881	1,269
Discontinued Operations - Haymarket	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320	960	-
Restructuring Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	235	2,200	-
Other One-Time Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	307	100	-
Total Other (Income)/Expense	459	281	212	39	41	334	73	545	362	4,314	3,408	1,611	11,680	46,408	31,887	26,382	22,525
Pretax income	4,599	616	1,270	6,339	4,814	3,770	(11,129)	6,658	143	(1,452)	796	1,949	18,373	(28,558)	(19,101)	(15,323)	(8,899)
Income Tax Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	375	-	-	-
Net Income (ESL)	4,599	616	1,270	6,339	4,814	3,770	(11,129)	6,658	143	(1,452)	796	1,949	18,373	(28,183)	(19,101)	(15,323)	(8,899)
Net Income	4,599	616	1,270	6,339	4,814	3,770	(11,129)	6,658	143	(1,452)	796	1,949	18,373	(28,183)	(19,101)	(15,323)	(8,899)
Non-recurring items (2)	-	-	-	-	(40)	-	-	-	-	-	-	-	-	-	-	-	-
Consolidated Net Income	**$ 4,599**	**$ 616**	**$ 1,270**	**$ 6,339**	**$ 4,774**	**$ 3,770**	**$ (11,129)**	**$ 6,658**	**$ 143**	**$ (1,452)**	**$ 796**	**$ 1,949**	**$ 18,373**	**$ (28,183)**	**$ (19,101)**	**$ (15,323)**	**$ (8,899)**
Gross Margin	10,194	5,083	5,283	7,745	11,893	6,736	(7,196)	10,851	4,061	9,729	7,413	8,438	80,231	71,317	59,669	55,936	61,974
Gross Margin %	39.4%	29.8%	30.5%	138.7%	34.2%	54.0%	-122.4%	47.7%	28.7%	30.2%	38.2%	43.6%	35.4%	31.1%	30.8%	28.5%	29.5%
EBITDA	5,058	897	1,482	6,378	4,854	4,105	(11,056)	7,203	505	2,862	4,204	3,560	30,053	17,850	12,786	11,059	13,626
EBITDA, Annualized	65,935	11,690	19,313	83,148	42,188	53,511	(144,117)	93,893	6,586	24,871	54,807	46,405	30,053	17,850	12,786	11,059	13,626
EBITDA Margin %	19.6%	5.3%	8.6%	114.2%	13.9%	32.9%	-188.1%	31.6%	3.6%	8.9%	21.6%	18.4%	13.2%	7.8%	6.6%	5.6%	6.5%
Revenue per day	924	610	618	199	829	446	210	813	506	766	694	691	622	629	531	537	576

(1) ESL Travel Services is maintained separately in the Deltek accounting system. As such, we have separately added monthly financial impact to our analysis.

Source: 2012-2014 Revised LBE_vFinal 1.9.2013.xlsx and C.1 2010 Monthly P&L.pdf

Overview

- The table above summarizes the monthly income statements for 2010 together with the annual results for 2011, 2012-RF, 2013-RF and 2014-F.
- ***Management represented that the monthly 2010 financial statements are not reliable for analysis due to the lack of rigor around month end closes and the use of "all other" groupings (vs. appropriate allocation to programs). Accordingly to Management, this makes the 2010 monthly results unreliable for comparison purposes.***

X.A. Monthly Profit and Loss Accounts (For Information Purposes Only)

2010, 2011 (by month), 2012-RF, 2013-RF & 2014-RF

Income Statement in ($000s)	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	2010	2011	2012-RF	2013-RF	2014-RF
Revenue	**$ 23,583**	**$ 11,519**	**$ 18,276**	**$ 17,101**	**$ 25,650**	**$ 19,132**	**$ 17,242**	**$ 17,857**	**$ 20,568**	**$ 27,058**	**$ 17,279**	**$ 14,375**	**$ 226,872**	**$ 229,641**	**$ 193,958**	**$ 196,087**	**$ 210,170**
Allowance, As Reported	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(900)	(400)	(400)
Net Revenue	**23,583**	**11,519**	**18,276**	**17,101**	**25,650**	**19,132**	**17,242**	**17,857**	**20,568**	**27,058**	**17,279**	**14,375**	**226,872**	**229,641**	**193,058**	**195,687**	**209,770**
Direct Costs																	
Direct Labor	6,582	6,649	6,792	6,865	9,771	6,437	6,066	6,629	6,375	9,804	5,877	5,512	82,764	83,359	70,884	73,270	76,405
Travel	1,046	1,459	2,396	1,724	2,517	1,808	1,388	1,708	1,799	3,000	1,875	1,433	22,425	22,154	18,521	19,329	20,439
Subcontractor Costs	1,904	3,221	2,950	3,351	3,282	3,952	3,003	3,208	5,301	4,599	3,194	2,567	26,788	40,533	34,124	36,322	39,477
Other Direct Costs	1,199	853	1,252	1,073	1,301	681	1,149	776	861	983	1,154	996	14,664	12,277	10,760	11,230	11,874
Total Direct Costs	10,731	12,182	13,391	13,012	16,871	12,878	11,606	12,321	14,336	18,387	12,100	10,509	146,641	158,323	134,289	140,152	148,196
Gross Profit	**12,852**	**(663)**	**4,885**	**4,088**	**8,778**	**6,254**	**5,636**	**5,537**	**6,232**	**8,671**	**5,179**	**3,867**	**80,231**	**71,317**	**59,669**	**55,936**	**61,974**
SG&A																	
Fringe	2,820	2,351	2,753	2,251	6,018	2,518	2,394	2,673	2,940	4,357	3,299	2,221	31,596	36,596	N/A	N/A	N/A
Overhead	489	(329)	516	172	127	139	229	120	251	233	197	626	3,929	2,771	N/A	N/A	N/A
[Company] Overhead	142	184	162	154	222	175	153	185	165	233	150	266	1,881	2,192	N/A	N/A	N/A
G&A	1,106	925	1,400	1,102	434	1,063	780	875	690	1,792	958	938	12,772	12,062	N/A	N/A	N/A
Total SG&A	4,557	3,132	4,831	3,678	6,802	3,896	3,556	3,852	4,045	6,615	4,604	4,052	50,178	53,621	46,079	44,566	48,038
[Company] Travel EBITDA (1)	15	(6)	15	10	21	13	4	17	7	21	31	5	-	154	96	90	90
EBITDA, Adjusted	**8,310**	**(3,801)**	**69**	**420**	**1,998**	**2,372**	**2,084**	**1,701**	**2,194**	**2,078**	**606**	**(181)**	**30,053**	**17,850**	**12,786**	**11,059**	**13,626**
Other Income and Expense:																	
Interest Expense	-	4	26	11	-	1,871	767	711	678	1,069	701	489	-	6,327	9,964	9,497	8,992
Depreciation and Amort	42	42	42	38	39	39	38	39	40	41	41	38,255	-	38,697	11,802	11,744	12,264
Other (Income) & Expense	672	526	534	215	11	1,051	194	25,020	2	368	508	(27,717)	11,680	1,384	9,260	1,881	1,269
Discontinued Operations - Haymarket	-	-	-	-	-	-	-	-	-	-	-	-	-	-	320	960	-
Restructuring Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	235	2,200	-
Other One-Time Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	307	100	-
Total Other (Income)/Expense	714	572	602	264	50	2,961	1,000	25,770	720	1,478	1,251	11,027	11,680	46,408	31,887	26,382	22,525
Pretax income	7,596	(4,372)	(533)	156	1,947	(590)	1,084	(24,068)	1,474	599	(644)	(11,208)	18,373	(28,558)	(19,101)	(15,323)	(8,899)
Income Tax Expense	-	-	-	-	-	-	-	-	-	-	-	375	-	375	-	-	-
Net Income (ESL)	7,596	(4,372)	(533)	156	1,947	(590)	1,084	(24,068)	1,474	599	(644)	(10,833)	18,373	(28,183)	(19,101)	(15,323)	(8,899)
Net Income	7,596	(4,372)	(533)	156	1,947	(590)	1,084	(24,068)	1,474	599	(644)	(10,833)	18,373	(28,183)	(19,101)	(15,323)	(8,899)
Non-recurring items (2)	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-
Consolidated Net Income	**$ 7,596**	**$ (4,372)**	**$ (533)**	**$ 156**	**$ 1,947**	**$ (590)**	**$ 1,084**	**$ (24,068)**	**$ 1,474**	**$ 599**	**$ (644)**	**$ (10,833)**	**$ 18,373**	**$ (28,183)**	**$ (19,101)**	**$ (15,323)**	**$ (8,899)**
Gross Margin	12,852	(663)	4,885	4,088	8,778	6,254	5,636	5,537	6,232	8,671	5,179	3,867	80,231	71,317	59,669	55,936	61,974
Gross Margin %	54.5%	-5.8%	26.7%	23.9%	34.2%	32.7%	32.7%	31.0%	30.3%	32.0%	30.0%	26.9%	35.4%	31.1%	30.8%	28.5%	29.5%
EBITDA	8,310	(3,801)	69	420	1,998	2,372	2,084	1,701	2,194	2,078	606	(181)	30,053	17,850	12,786	11,059	13,626
EBITDA, Annualized	108,330	(49,543)	901	5,475	17,360	30,917	27,164	22,179	28,594	18,055	7,905	(2,354)	30,053	17,850	12,786	11,059	13,626
EBITDA Margin %	35.2%	-33.0%	0.4%	2.5%	7.8%	12.4%	12.1%	9.5%	10.7%	7.7%	3.5%	-1.3%	13.2%	7.8%	6.6%	5.6%	6.5%
Revenue per day	842	411	653	611	611	683	616	638	735	644	617	513	622	629	531	537	576

(1) ESL Travel Services is maintained separately in the Deltek accounting system. As such, we have separately added monthly financial impact to our analysis.

Source: 2012-2014 Revised LBE_vFinal 1.9.2013.xlsx and C.1 2010 Monthly P&L.pdf

Overview

- The table above summarizes the monthly income statements for 2011 together with the annual results for 2010, 2011, 2012-RF, 2013-RF and 2013-RF.

X.A. Monthly Profit and Loss Accounts (For Information Purposes Only)

2010, 2011, 2012-RF (by month), 2013-RF and 2014-RF

Income Statement in ($000s)	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12-RF	2010	2011	2012-RF	2013-RF	2014-RF
Revenue	**$ 17,398**	**$ 17,587**	**$ 16,491**	**$ 13,994**	**$ 19,182**	**$ 14,688**	**$ 14,057**	**$ 16,461**	**$ 14,644**	**$ 21,228**	**$ 13,009**	**$ 15,220**	**$ 226,872**	**$ 229,641**	**$ 193,958**	**$ 196,087**	**$ 210,170**
Allowance, As Reported	-	-	-	-	-	-	-	-	(225)	(108)	(33)	(534)	-	-	(900)	(400)	(400)
Net Revenue	**17,398**	**17,587**	**16,491**	**13,994**	**19,182**	**14,688**	**14,057**	**16,461**	**14,419**	**21,120**	**12,976**	**14,686**	**226,872**	**229,641**	**193,058**	**195,687**	**209,770**
Direct Costs																	
Direct Labor	5,933	6,178	6,281	5,624	8,043	5,398	4,958	5,437	5,139	7,668	4,641	5,584	82,764	83,359	70,884	73,270	76,405
Travel	1,368	1,638	1,564	1,588	2,422	1,396	1,057	1,495	1,286	2,110	1,157	1,440	22,425	22,154	18,521	19,329	20,439
Subcontractor Costs	4,261	3,909	(1,756)	1,629	1,813	2,421	3,352	4,528	3,212	4,569	2,938	3,249	26,788	40,533	34,124	36,322	39,477
Other Direct Costs	962	753	5,314	516	492	376	227	254	415	479	451	521	14,664	12,277	10,760	11,230	11,874
Total Direct Costs	12,524	12,477	11,403	9,357	12,769	9,591	9,594	11,714	10,053	14,826	9,187	10,794	146,641	158,323	134,289	140,152	148,196
Gross Profit	**4,874**	**5,110**	**5,088**	**4,637**	**6,413**	**5,097**	**4,463**	**4,747**	**4,366**	**6,294**	**3,790**	**3,892**	**80,231**	**71,317**	**59,669**	**55,936**	**61,974**
SG&A																	
Fringe	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	31,596	36,596	N/A	N/A	N/A
Overhead	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3,929	2,771	N/A	N/A	N/A
[Company] Overhead	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,881	2,192	N/A	N/A	N/A
G&A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	12,772	12,062	N/A	N/A	N/A
Total SG&A	4,311	3,797	3,889	3,526	5,519	3,138	3,597	3,358	3,194	4,098	3,652	3,999	50,178	53,621	46,079	44,566	48,038
[Company] Travel EBITDA (1)	1	16	17	13	12	1	2	(10)	17	11	7	9	-	154	96	90	90
EBITDA, Adjusted	**564**	**1,330**	**1,216**	**1,124**	**905**	**1,960**	**867**	**1,379**	**1,189**	**2,206**	**145**	**(98)**	**30,053**	**17,850**	**12,786**	**11,059**	**13,626**
Other Income and Expense:																	
Interest Expense	306	626	937	648	919	623	599	1,788	737	767	1,256	756	-	6,327	9,964	9,497	8,992
Depreciation and Amort	42	1,649	780	791	1,179	902	1,000	1,000	1,008	1,483	999	967	-	38,697	11,802	11,744	12,264
Other (Income) & Expense	239	301	5,817	518	148	490	242	517	194	458	263	73	11,680	1,384	9,260	1,881	1,269
Discontinued Operations - Haymarket	-	-	-	-	-	-	-	-	-	-	-	320	-	-	320	960	-
Restructuring Expenses	-	-	-	-	-	-	-	-	-	-	-	235	-	-	235	2,200	-
Other One-Time Expenses	-	-	-	-	-	-	-	-	-	-	-	307	-	-	307	100	-
Total Other (Income)/Expense	587	2,576	7,535	1,958	2,246	2,016	1,841	3,306	1,939	2,708	2,519	2,659	11,680	46,408	31,887	26,382	22,525
Pretax income	(23)	(1,246)	(6,319)	(834)	(1,340)	(55)	(974)	(1,927)	(750)	(502)	(2,374)	(2,757)	18,373	(28,558)	(19,101)	(15,323)	(8,899)
Income Tax Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	375	-	-	-
Net Income (ESL)	(23)	(1,246)	(6,319)	(834)	(1,340)	(55)	(974)	(1,927)	(750)	(502)	(2,374)	(2,757)	18,373	(28,183)	(19,101)	(15,323)	(8,899)
Net Income	(23)	(1,246)	(6,319)	(834)	(1,340)	(55)	(974)	(1,927)	(750)	(502)	(2,374)	(2,757)	18,373	(28,183)	(19,101)	(15,323)	(8,899)
Non-recurring items (2)	-	-	-	-	-	-	-	-	-	-	-	-			-	-	-
Consolidated Net Income	**$ (23)**	**$ (1,246)**	**$ (6,319)**	**$ (834)**	**$ (1,340)**	**$ (55)**	**$ (974)**	**$ (1,927)**	**$ (750)**	**$ (502)**	**$ (2,374)**	**$ (2,757)**	**$ 18,373**	**$ (28,183)**	**$ (19,101)**	**$ (15,323)**	**$ (8,899)**
Gross Margin	4,874	5,110	5,088	4,637	6,413	5,097	4,463	4,747	4,366	6,294	3,790	3,892	80,231	71,317	59,669	55,936	61,974
Gross Margin %	28.0%	29.1%	30.9%	33.1%	33.4%	35%	31.7%	28.8%	29.8%	29.6%	29.1%	25.6%	35.4%	31.1%	30.8%	28.5%	29.5%
EBITDA	564	1,330	1,216	1,124	905	1,960	867	1,379	1,189	2,206	145	(98)	30,053	17,850	12,786	11,059	13,626
EBITDA, Annualized	7,347	17,336	15,850	14,648	7,868	25,555	11,308	17,970	15,498	19,173	1,885	(1,279)	30,053	17,850	12,786	11,059	13,626
EBITDA Margin %	3.2%	7.6%	7.4%	8.0%	4.7%	13%	6.2%	8.4%	8.1%	10.4%	1.1%	-0.6%	13.2%	7.8%	6.6%	5.6%	6.5%
Revenue per day	621	628	589	500	457	525	502	588	523	505	465	544	622	629	531	537	576

(1) ESL Travel Services is maintained separately in the Deltek accounting system. As such, we have separately added monthly financial impact to our analysis.

Source: 2012-2014 Revised LBE_vFinal 1.9.2013.xlsx and C.1 2010 Monthly P&L.pdf

Overview

- The table above summarizes the monthly income statements for 2012-RF together with the annual results for 2010, 2011, 2012-RF and 2013-RF and 2014-RF.

X.A. Monthly Profit and Loss Accounts (For Information Purposes Only)

2010, 2011, August 2012 to December 2013-RF (by month) and 2014-RF

Income Statement in ($000s)	Jan-13-RF	Feb-13-RF	Mar-13-RF	Apr-13-RF	May-13-RF	Jun-13-RF	Jul-13-RF	Aug-13-RF	Sep-13-RF	Oct-13-RF	Nov-13-RF	Dec-13-RF	2010	2011	2012-RF	2013-RF	2014-RF
Revenue	**$ 12,778**	**$ 14,984**	**$ 15,494**	**$ 15,494**	**$ 22,146**	**$ 15,627**	**$ 15,034**	**$ 15,527**	**$ 15,121**	**$ 22,008**	**$ 14,725**	**$ 17,152**	**$ 226,872**	**$ 229,641**	**$ 193,958**	**$ 196,087**	**$ 210,170**
Allowance, As Reported	(26)	(31)	(32)	(32)	(45)	(32)	(31)	(32)	(31)	(45)	(30)	(35)	-	-	(900)	(400)	(400)
Net Revenue	**12,752**	**14,953**	**15,462**	**15,462**	**22,101**	**15,595**	**15,003**	**15,495**	**15,090**	**21,963**	**14,695**	**17,117**	**226,872**	**229,641**	**193,058**	**195,687**	**209,770**
Direct Costs																	
Direct Labor	4,691	5,617	5,779	5,779	8,281	5,837	5,618	5,802	5,567	8,400	5,479	6,419	82,764	83,359	70,884	73,270	76,405
Travel	1,244	1,462	1,523	1,523	2,173	1,537	1,487	1,536	1,475	2,200	1,461	1,708	22,425	22,154	18,521	19,329	20,439
Subcontractor Costs	2,419	2,843	2,961	2,961	4,211	2,969	2,873	2,969	2,722	3,838	2,565	2,990	26,788	40,533	34,124	36,322	39,477
Other Direct Costs	776	896	939	938	1,327	956	872	900	836	1,126	773	891	14,664	12,277	10,760	11,230	11,874
Total Direct Costs	9,130	10,818	11,202	11,202	15,992	11,300	10,850	11,207	10,600	15,565	10,279	12,008	146,641	158,323	134,289	140,152	148,196
Gross Profit	**3,622**	**4,135**	**4,260**	**4,260**	**6,109**	**4,295**	**4,153**	**4,288**	**4,491**	**6,398**	**4,416**	**5,110**	**80,231**	**71,317**	**59,669**	**55,936**	**61,974**
SG&A																	
Fringe	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	31,596	36,596	N/A	N/A	N/A
Overhead	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3,929	2,771	N/A	N/A	N/A
[Company] Overhead	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,881	2,192	N/A	N/A	N/A
G&A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	12,772	12,062	N/A	N/A	N/A
Total SG&A	3,575	3,593	3,355	3,340	4,829	3,342	3,499	3,243	3,491	4,676	3,779	3,844	50,178	53,621	46,079	44,566	48,038
[Company] Travel EBITDA (1)	8	9	8	7	7	6	7	7	9	8	8	8	-	154	96	90	90
EBITDA, Adjusted	**54**	**551**	**913**	**928**	**1,286**	**959**	**660**	**1,052**	**1,008**	**1,730**	**645**	**1,273**	**30,053**	**17,850**	**12,786**	**11,059**	**13,626**
Other Income and Expense:																	
Interest Expense	789	740	809	778	865	777	788	788	767	843	757	796	-	6,327	9,964	9,497	8,992
Depreciation and Amort	751	873	904	922	1,322	931	904	939	913	1,345	891	1,048	-	38,697	11,802	11,744	12,264
Other (Income) & Expense	224	216	135	142	136	131	127	123	166	163	160	157	11,680	1,384	9,260	1,881	1,269
Discontinued Operations - Haymarket	-	320	320	320	-	-	-	-	-	-	-	-	-	-	320	960	-
Restructuring Expenses	225	1,975	-	-	-	-	-	-	-	-	-	-	-	-	235	2,200	-
Other One-Time Expenses	-	-	-	100	-	-	-	-	-	-	-	-	-	-	307	100	-
Total Other (Income)/Expense	1,989	4,124	2,168	2,261	2,323	1,839	1,820	1,851	1,846	2,350	1,808	2,001	11,680	46,408	31,887	26,382	22,525
Pretax income	(1,935)	(3,574)	(1,255)	(1,333)	(1,037)	(880)	(1,159)	(799)	(838)	(620)	(1,163)	(728)	18,373	(28,558)	(19,101)	(15,323)	(8,899)
Income Tax Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	375	-	-	-
Net Income (ESL)	(1,935)	(3,574)	(1,255)	(1,333)	(1,037)	(880)	(1,159)	(799)	(838)	(620)	(1,163)	(728)	18,373	(28,183)	(19,101)	(15,323)	(8,899)
Net Income	(1,935)	(3,574)	(1,255)	(1,333)	(1,037)	(880)	(1,159)	(799)	(838)	(620)	(1,163)	(728)	18,373	(28,183)	(19,101)	(15,323)	(8,899)
Non-recurring items (2)	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-
Consolidated Net Income	**$ (1,935)**	**$ (3,574)**	**$ (1,255)**	**$ (1,333)**	**$ (1,037)**	**$ (880)**	**$ (1,159)**	**$ (799)**	**$ (838)**	**$ (620)**	**$ (1,163)**	**$ (728)**	**$ 18,373**	**$ (28,183)**	**$ (19,101)**	**$ (15,323)**	**$ (8,899)**
Gross Margin	3,622	4,135	4,260	4,260	6,109	4,295	4,153	4,288	4,491	6,398	4,416	5,110	80,231	71,317	59,669	55,936	61,974
Gross Margin %	28.3%	27.6%	27.5%	27.5%	27.6%	27.5%	27.6%	27.6%	29.7%	29.1%	30.0%	29.8%	35.4%	31.1%	30.8%	28.5%	29.5%
EBITDA	54	551	913	928	1,286	959	660	1,052	1,008	1,730	645	1,273	30,053	17,850	12,786	11,059	13,626
EBITDA, Annualized	706	7,176	11,902	12,096	11,179	12,500	8,609	13,713	13,138	15,034	8,403	16,601	30,053	17,850	12,786	11,059	13,626
EBITDA Margin %	0.4%	3.7%	5.9%	6.0%	5.8%	6.1%	4.4%	6.8%	6.7%	7.9%	4.4%	7.4%	13.2%	7.8%	6.6%	5.6%	6.5%
Revenue per day	456	535	553	553	527	558	537	555	540	524	526	613	622	629	531	537	576

(1) ESL Travel Services is maintained separately in the Deltek accounting system. As such, we have separately added monthly financial impact to our analysis.

Source: 2012-2014 Revised LBE_vFinal 1.9.2013.xlsx and C.1 2010 Monthly P&L.pdf

Overview

- The above table summarizes the monthly income statements for 2013-RF together with the annual results for 2010, 2011, 2012-RF, 2013-RF and 2014-RF.

X.A. Monthly Profit and Loss Accounts (For Information Purposes Only)
2010, 2011, 2012-RF, 2013-RF and 2014-RF (by month)

Income Statement in ($000s)	Jan-14-RF	Feb-14-RF	Mar-14-RF	Apr-14-RF	May-14-RF	Jun-14-RF	Jul-14-RF	Aug-14-RF	Sep-14-RF	Oct-14-RF	Nov-14-RF	Dec-14-RF	2010	2011	2012-RF	2013-RF	2014-RF
Revenue	**$ 13,669**	**$ 16,029**	**$ 16,575**	**$ 16,575**	**$ 23,691**	**$ 16,717**	**$ 16,083**	**$ 16,610**	**$ 16,176**	**$ 23,544**	**$ 15,752**	**$ 18,349**	**$ 226,872**	**$ 229,641**	**$ 193,958**	**$ 196,087**	**$ 210,170**
Allowance, As Reported	(26)	(31)	(32)	(32)	(45)	(32)	(31)	(32)	(31)	(45)	(30)	(35)	-	-	(900)	(400)	(400)
Net Revenue	**13,643**	**15,999**	**16,543**	**16,543**	**23,646**	**16,686**	**16,052**	**16,578**	**16,145**	**23,499**	**15,722**	**18,314**	**226,872**	**229,641**	**193,058**	**195,687**	**209,770**
Direct Costs																	
Direct Labor	5,034	5,892	6,080	6,066	8,681	6,092	5,844	6,025	5,852	8,559	5,668	6,614	82,764	83,359	70,884	73,270	76,405
Travel	1,347	1,576	1,626	1,623	2,322	1,630	1,563	1,612	1,565	2,289	1,516	1,769	22,425	22,154	18,521	19,329	20,439
Subcontractor Costs	2,601	3,044	3,141	3,134	4,485	3,148	3,020	3,113	3,023	4,422	2,929	3,417	26,788	40,533	34,124	36,322	39,477
Other Direct Costs	782	916	945	943	1,349	947	908	936	909	1,330	881	1,028	14,664	12,277	10,760	11,230	11,874
Total Direct Costs	9,764	11,428	11,792	11,766	16,837	11,816	11,335	11,687	11,350	16,600	10,994	12,828	146,641	158,323	134,289	140,152	148,196
Gross Profit	**3,879**	**4,571**	**4,751**	**4,777**	**6,809**	**4,870**	**4,717**	**4,892**	**4,795**	**6,899**	**4,728**	**5,487**	**80,231**	**71,317**	**59,669**	**55,936**	**61,974**
SG&A																	
Fringe	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	31,596	36,596	N/A	N/A	N/A
Overhead	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3,929	2,771	N/A	N/A	N/A
[Company] Overhead	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,881	2,192	N/A	N/A	N/A
G&A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	12,772	12,062	N/A	N/A	N/A
Total SG&A	3,118	3,659	3,786	3,788	5,409	3,827	3,686	3,810	3,716	5,394	3,626	4,220	50,178	53,621	46,079	44,566	48,038
[Company] Travel EBITDA (1)	8	9	8	7	7	6	7	7	9	8	8	8	-	154	96	90	90
EBITDA, Adjusted	**769**	**921**	**973**	**996**	**1,407**	**1,049**	**1,037**	**1,089**	**1,088**	**1,513**	**1,110**	**1,274**	**30,053**	**17,850**	**12,786**	**11,059**	**13,626**
Other Income and Expense:																	
Interest Expense	748	705	765	736	821	734	745	745	725	799	714	757	-	6,327	9,964	9,497	8,992
Depreciation and Amort	1,009	1,013	1,016	1,018	1,020	1,022	1,023	1,025	1,027	1,029	1,030	1,032	-	38,697	11,802	11,744	12,264
Other (Income) & Expense	106	106	106	106	106	106	106	106	106	106	106	106	11,680	1,384	9,260	1,881	1,269
Discontinued Operations - Haymarket													-	-	320	960	-
Restructuring Expenses													-	-	235	2,200	-
Other One-Time Expenses													-	-	307	100	-
Total Other (Income)/Expense	1,862	1,824	1,887	1,859	1,946	1,862	1,874	1,875	1,857	1,933	1,850	1,894	11,680	46,408	31,887	26,382	22,525
Pretax income	(1,093)	(903)	(914)	(864)	(539)	(812)	(837)	(787)	(770)	(420)	(740)	(620)	18,373	(28,558)	(19,101)	(15,323)	(8,899)
Income Tax Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	375	-	-	-
Net Income (ESL)	(1,093)	(903)	(914)	(864)	(539)	(812)	(837)	(787)	(770)	(420)	(740)	(620)	18,373	(28,183)	(19,101)	(15,323)	(8,899)
Net Income	(1,093)	(903)	(914)	(864)	(539)	(812)	(837)	(787)	(770)	(420)	(740)	(620)	18,373	(28,183)	(19,101)	(15,323)	(8,899)
Non-recurring items (2)	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-
Consolidated Net Income	**$ (324)**	**$ 18**	**$ 59**	**$ 132**	**$ 868**	**$ 237**	**$ 201**	**$ 302**	**$ 318**	**$ 1,092**	**$ 369**	**$ 655**	**$ 18,373**	**$ (28,183)**	**$ (19,101)**	**$ (15,323)**	**$ (8,899)**
Gross Margin	3,879	4,571	4,751	4,777	6,809	4,870	4,717	4,892	4,795	6,899	4,728	5,487	80,231	71,317	59,669	55,936	61,974
Gross Margin %	28.4%	28.5%	28.7%	28.8%	28.7%	29.1%	29.3%	29.4%	29.6%	29.3%	30.0%	29.9%	35.4%	31.1%	30.8%	28.5%	29.5%
EBITDA	769	921	973	996	1,407	1,049	1,037	1,089	1,088	1,513	1,110	1,274	30,053	17,850	12,786	11,059	13,626
EBITDA, Annualized	10,026	12,002	12,687	12,982	12,230	13,676	13,520	14,192	14,179	13,146	14,469	16,613	30,053	17,850	12,786	11,059	13,626
EBITDA Margin %	5.6%	5.7%	5.9%	6.0%	5.9%	6.3%	6.4%	6.6%	6.7%	6.4%	7.0%	6.9%	13.2%	7.8%	6.6%	5.6%	6.5%
Revenue per day	488	572	592	592	564	597	574	593	578	561	563	655	622	629	531	537	576

(1) ESL Travel Services is maintained separately in the Deltek accounting system. As such, we have separately added monthly financial impact to our analysis.

Source: 2012-2014 Revised LBE_vFinal 1.9.2013.xlsx and C.1 2010 Monthly P&L.pdf

Overview

- The above table summarizes the monthly income statements for 2014-RF together with the annual results for 2011, 2012-RF, 2013-RF and 2014-RF.

X.B. Forecast Methodology
Summary P&L – Revised Forecast

Revised Forecast Rollforward ($000s)	2012-RF	2013-RF Base	2013-RF SG&A Adjustments	2013-RF Adjusted Base	2013-RF New Business	2013-RF Total	2014-RF Base	2014-RF SG&A Adjustments	2014-RF New Work	2014-RF Adjusted Base	2014-RF New Business	2014-RF Total
Existing Contract Revenue	$ 193,833	$ 185,145	$ -	$ -	$ 10,942	$ 196,087	$ -	$ -	$ -	$ -	$ -	$ -
Option Revenue	125	-	-	-	-	-	30,833	-	-	-	-	-
Recompete Revenue	-	-	-	-	-	-	129,506	-	-	-	-	-
Total Gross Revenue	**193,958**	**186,823**	**(1,678)**	**185,145**	**10,942**	**196,087**	**160,339**	**4,264**	**(4,329)**	**160,275**	**49,895**	**210,170**
Allowance	(900)	(400)		(400)		(400)	(400)	-	-	(400)		(400)
Net Revenue	**193,058**	**186,423**	**(1,678)**	**184,745**	**10,942**	**195,687**	**159,939**	**-**	**-**	**159,875**	**49,895**	**209,770**
% of Total Net Revenue in Year		95.3%			5.6%		76.2%			76.2%	23.8%	100.0%
Direct Costs												
Direct Labor	70,884	70,886	-	70,886	2,800	73,686	59,016	-	-	59,016	17,390	76,405
Travel	18,521	18,521	-	18,521	808	19,329	15,420	-	-	15,420	5,019	20,439
Subcontractor Costs	34,124	34,125	-	34,125	1,782	35,906	28,410	-	-	28,410	11,067	39,477
Other Direct Costs	10,760	10,760	-	10,760	469	11,230	8,958	-	-	8,958	2,916	11,874
Total Direct Costs	**134,289**	**134,292**	**-**	**134,292**	**5,859**	**140,151**	**111,804**	**-**	**-**	**111,804**	**36,392**	**148,196**
Gross Margin	**58,769**	**52,131**	**-**	**50,453**	**5,083**	**55,536**	**48,135**	**-**	**-**	**48,071**	**13,503**	**61,574**
GM%	*30.4%*	*28.0%*	-	*27.3%*	*46.5%*	*28.4%*	*30.1%*	-	-	*30.0%*	*27.1%*	*29.4%*
Total Variable Costs	**28,311**	**26,571**	**-**	**26,571**	**2,593**	**29,164**	**23,006**	**-**	**-**	**23,006**	**6,833**	**29,839**
% of Net Revenue	*14.7%*	14.3%	-	*14.4%*	*23.7%*	*14.9%*	14.4%	-	-	*14.4%*	*13.7%*	*14.2%*
% of Direct Labor	*39.9%*	*37.5%*	-	*37.5%*	*92.6%*	*39.6%*	*39.0%*	-	-	*39.0%*	*39.3%*	*39.1%*
Variable Contribution	**30,458**	**25,560**	**-**	**23,882**	**2,490**	**26,372**	**25,129**	**-**	**-**	**25,065**	**6,670**	**31,735**
VC%	*15.8%*	*13.7%*	-	*12.9%*	*22.8%*	*13.5%*	*15.7%*	-	-	*15.6%*	*13.4%*	*15.1%*
Fixed G&A	**17,768**	**17,049**	**(1,678)**	**15,371**	**1,678**	**17,049**	**18,199**	**-**	**(4,329)**	**13,870**	**4,329**	**18,199**
% of Net Revenue	*9.2%*	*9.1%*	-	*8.3%*	*15.3%*	*8.7%*	*11.4%*	-	-	*8.7%*	*8.7%*	*8.7%*
ESL Income	96	90	-	90	-	90	90	-	-	90		90
EBITDA	**$ 12,786**	**$ 8,601**	**$ -**	**$ 8,601**	**$ 812**	**$ 9,413**	**$ 7,020**	**$ 4,264**	**$ -**	**$ 11,284**	**$ 2,341**	**$ 13,626**
EBITDA%	*6.6%*	*4.6%*		*4.7%*	*7.4%*	*4.8%*	*4.4%*			*7.0%*	*4.7%*	*6.5%*

Source: 2012-2014 Revised LBE_vFinal 1.9.2013.xlsx

Overview

- The above table summarizes the top level adjustments for 2013-RF and 2014-RF which Management makes to forecast revenue which is related to incorrect overhead rates applied to contracts. This adjustment is further discussed at Section VI. Forecasts.

X.C. SG&A Analysis (For Information Purposes Only)
Summary P&L – Revised Forecast

SG&A Fixed/Variable Analysis ($000s)	2012-RF	2013-RF	Variance Value	Variance Percentage
G&A Labor	6,189	4,492	$ (1,698)	(27.4%)
O/H Labor	2,166	2,291	125	5.8%
ESPU Labor	546	1,473	927	169.6%
Other G&A Labor	601	1,028	427	71.0%
Facilities Labor	766	875	109	14.2%
B&P Labor	748	582	(166)	(22.2%)
Unallowable Labor & Bonus	229	42	(187)	(81.6%)
Bonus	124	-	(124)	(100.0%)
Total SG&A Labor	**11,370**	**10,782**	**(588)**	**(5.2%)**
Employer Taxes	6,615	6,867	252	3.8%
Vacation	4,286	4,222	(64)	(1.5%)
Medical Insurance	5,021	3,825	(1,196)	(23.8%)
Holiday	3,260	3,405	145	4.5%
Other Personal Time / Leave	1,816	1,841	25	1.4%
401K Contribution	2,561	1,831	(730)	(28.5%)
Life Insurance	575	1,632	1,057	183.6%
Deployment Pay	1,112	1,045	(67)	(6.0%)
Hazard Pay	873	825	(48)	(5.5%)
ST/LT Disability	688	582	(106)	(15.4%)
Workers Comp	535	536	1	0.3%
DBA Insurance	394	347	(48)	(12.1%)
Other Fringe	59	53	(6)	(10.9%)
Total Fringe Benefits	**27,796**	**27,010**	**(786)**	**(2.8%)**
Facilities Expense	1,817	2,202	385	21.2%
Office/Computer Supplies	711	761	50	7.0%
Professional Fees	768	698	(71)	(9.2%)
Other SG&A	602	624	21	3.5%
Bank & Payroll Fees	493	555	62	12.6%
Global Expenses	517	520	3	0.6%
Accounting / Audit Fees	395	480	85	21.5%
Legal Fees	313	314	1	0.3%
T & E	422	297	(125)	(29.7%)
GSA IFF	189	186	(3)	(1.5%)
Phone/Network Expense	168	138	(30)	(17.9%)
SG&A (Excluding Labor/Fringe)	**6,396**	**6,774**	**378**	**5.9%**
Haymarket Adjustment	526	-	(526)	(100.0%)
Total SG&A	**46,079**	**44,566**	**(1,513)**	**(3.3%)**

Source: A.3.iv. 2012-2014 Revised LBE_vFinal 1.9.2013_SG&A Detail.xlsx

Overview

- The table summarized the SG&A expenses for 2012-RF and 2013-RF. Management has not prepared similar analysis for 2014-RF.
- A summary of expenses analyzed between fixed and variable is set out below:

SG&A Fixed/Variable Analysis ($000s)	2012-RF	2013-RF	Variance Value	Variance Percentage
Fixed Fringe	$ 2,393	$ 2,479	$ 86	3.6%
Other Fixed	15,420	14,559	(861)	(5.58%)
Total Fixed	**17,814**	**17,039**	**(775)**	**(4.35%)**
Variable Fringe	23,023	22,314	(709)	(3.08%)
Other Variable	5,242	5,213	(29)	(0.55%)
Total Variable	**28,266**	**27,528**	**(738)**	**(2.61%)**
Total SG&A	**$ 46,079**	**$ 44,566**	**$ (1,513)**	**(3.28%)**

Source: A.3.iv. 2012-2014 Revised LBE_vFinal 1.9.2013_SG&A Detail.xlsx

X.D. Revenue Analysis
Overview

Revenue Analysis	2012-RF			2013-RF			2014-RF		
		Gross Margin			Gross Margin			Gross Margin	
($000s)	Revenue	($)	(%)	Revenue	($)	(%)	Revenue	($)	(%)
Existing contract revenue	$ 193,833	$ 58,728	30.3%	$ 120,032	$ 35,260	29.4%	$ -	$ -	0.0%
Option revenue	125	41	33.0%	42,827	12,200	28.5%	30,833	10,324	33.5%
Recompete revenue	-	-	0.0%	15,645	4,671	29.9%	129,506	37,811	29.2%
New business revenue	-	-	0.0%	19,261	5,083	26.4%	49,895	13,503	27.1%
Per Contract Waterfall	**$ 193,958**	**$ 58,769**	**29.8%**	**$ 197,765**	**$ 57,214**	**29.6%**	**$ 210,234**	**$ 61,638**	**29.5%**
Difference	0	900	0.9%	(1,678)	(1,278)	-1.1%	(464)	(64)	(0)
Per Financial Statement/Forecast	**193,958**	**59,669**	**30.8%**	**196,087**	**55,936**	**28.5%**	**209,770**	**61,574**	**29.4%**
Allowance	(900)	-		(400)	-		-		
Revenue, Adjusted	**$ 193,058**	**$ 59,669**	**30.9%**	**$ 195,687**	**$ 55,936**	**28.6%**	**$ 209,770**	**$ 61,574**	**29.4%**

Source: 2012-2014 Revised LBE_vFinal 1.9.2013.xlsx

Revenue by Contract Type ($ in 000s)		January 2012	February 2012	March 2012	April 2012	May 2012	June 2012	July 2012	August 2012	September 2012	October 2012	November 2012	YTD-11/12	2011 Total	YOY Change
T&M	Revenue	$ 6,638	$ 4,940	$ 5,715	$ 5,420	$ 8,030	$ 4,926	$ 4,508	$ 4,995	$ 4,808	$ 7,036	$ 4,163	**$ 57,018**	**$ 158,776**	
	% Total	38.2%	28.1%	34.7%	38.7%	41.9%	33.5%	32.1%	30.3%	33.3%	33.1%	32.1%	34.5%	69.1%	-34.7%
CPFF	Revenue	9,295	11,648	9,022	6,725	9,089	8,158	9,611	9,205	8,022	12,349	7,822	**93,125**	**59,141**	
	% Total	53.4%	66.2%	54.7%	48.1%	47.4%	55.5%	68.4%	55.9%	55.6%	58.2%	60.3%	56.3%	25.8%	30.5%
FFP	Revenue	332	331	339	358	349	328	663	390	508	513	356	**4,113**	**6,225**	
	% Total	1.9%	1.9%	2.1%	2.6%	1.8%	2.2%	4.7%	2.4%	3.5%	2.4%	2.7%	2.5%	2.7%	-0.2%
Cost	Revenue	1,132	667	916	1,100	1,578	891	686	1,886	1,304	1,329	656	**11,488**	**7,054**	
	% Total	6.5%	3.8%	5.6%	7.9%	8.2%	6.1%	4.9%	11.5%	9.0%	6.3%	5.1%	6.9%	3.1%	3.9%
Other	Revenue	(1)	(1)	499	389	136	384	(1,412)	(15)	(226)	(1)	(19)	**(249)**	**(1,557)**	
	% Total	0.0%	0.0%	3.0%	2.8%	0.7%	2.6%	-10.0%	-0.1%	-1.6%	0.0%	-0.1%	-0.2%	-0.7%	0.5%
Total		**17,397**	**17,586**	**16,491**	**13,993**	**19,181**	**14,687**	**14,056**	**16,460**	**14,418**	**21,227**	**12,977**	**165,495**	**229,640**	
Per F/S		**$ 17,398**	**$ 17,587**	**$ 16,491**	**$ 13,994**	**$ 19,182**	**$ 14,688**	**$ 14,057**	**$ 16,461**	**$ 14,419**	**$ 21,228**	**$ 12,976**	**$ 165,495**	**$ 229,641**	

Source: B.8. Contract Type Revenue and GM Trend.xlsx

Gross Margin by Contract Type ($ in 000s)		January 2012	February 2012	March 2012	April 2012	May 2012	June 2012	July 2012	August 2012	September 2012	October 2012	November 2012	YTD-11/12	2011 Total	Change % Points
T&M	GM	$ 1,755	$ 817	$ 2,114	$ 1,814	$ 2,853	$ 1,460	$ 1,648	$ 1,740	$ 1,700	$ 2,219	$ 1,343	**$ 19,463**	**$ 49,197**	
	Margin	26.4%	16.5%	37.0%	33.5%	35.5%	29.6%	36.6%	34.8%	35.4%	31.5%	32.3%	34.1%	31.0%	3.1
CPFF	GM	2,394	4,629	2,304	2,255	3,212	3,115	3,832	2,701	2,582	3,722	2,272	**$ 33,016**	**20,893**	
	Margin	25.8%	39.7%	25.5%	33.5%	35.3%	38.2%	39.9%	29.3%	32.2%	30.1%	29.0%	35.5%	35.3%	0.1
FFP	GM	128	157	111	156	74	122	285	129	112	45	107	**$ 1,425**	**2,384**	
	Margin	38.7%	47.5%	32.7%	43.4%	21.1%	37.0%	42.9%	33.0%	22.0%	8.8%	30.1%	34.6%	38.3%	(3.7)
Cost	GM	597	(494)	60	23	138	19	107	192	197	174	88	**$ 1,099**	**399**	
	Margin	52.7%	-74.0%	6.6%	2.1%	8.7%	2.1%	15.5%	10.2%	15.1%	13.1%	13.4%	9.6%	5.7%	3.9
Other	GM	0	-	500	390	137	381	(1,408)	(14)	(225)	133	(19)	**$ (126)**	**(1,557)**	
	Margin	n/a	n/a	100.2%	100.2%	100.7%	99.5%	n/a	n/a	n/a	n/a	n/a	50.5%	100.0%	(49.5)
Total	GM	**4,874**	**5,110**	**5,088**	**4,637**	**6,413**	**5,097**	**4,463**	**4,747**	**4,366**	**6,293**	**3,790**	**$ 54,878**	**71,317**	
	Margin	28.0%	29.1%	30.9%	33.1%	33.4%	34.7%	31.7%	28.8%	30.3%	29.6%	29.2%	33.2%	31.1%	2.1
Per F/S	GM	**$ 4,874**	**$ 5,110**	**$ 5,088**	**$ 4,637**	**$ 6,413**	**$ 5,097**	**$ 4,463**	**$ 4,747**	**$ 4,366**	**$ 6,294**	**$ 3,790**	**$ 54,877**	**$ 71,317**	
	Margin	28.0%	29.1%	30.9%	33.1%	33.4%	34.7%	31.7%	28.8%	30.3%	29.6%	29.2%	33.2%	31.1%	2.1

Source: B.8. Contract Type Revenue and GM Trend.xlsx

Overview

- The table to the left summarizes the revenue and gross margin by existing contracted revenue and new revenue in 2012-RF, 2013-RF and 2014-RF.
- Management represented that that contract base of the Company is moving from Time and Material ("T&M") to Cost-Plus (CPFF") which will lead to a compression of margins. Management's representation is not being supported by the review of gross margin (see bottom left table) by type of contract because Management does not allocate all costs to contracts. For example in YTD-12, gross profit margin for CPFF contracts is 33.5% (2011: 35.3%) which is 1.4% (2011: 4.3%) higher than the gross profit margin of the T&M contracts of 34.1% (2011: 31.0%)
- ***We recommend that Management be asked to review and analyze profitability (i.e., including all costs and SG&A expenses) by contract to better understand trends (e.g., pricing trends, Time and Materials to Cost-Plus contracts or inefficiencies).***

X.E. Program Overview (For Information Purposes Only)

Top 6 Programs

Program Overview Program	Description	Prime Contractor	Contract Type	Period of Performance End Date
	Provides situational awareness and command & control		CPFF / T&M	11/20/2013
	Provides acquisition management, field support and operational analysis		T&M	12/17/2012
	Legacy work acquired from [redact]; provides technical, analytic and logistics support and other services to multiple customers on six task orders		CPFF / T&M	3/4/2013
	Provides field support services, engineering and logistics support, ADPE support, warehouse support, acquisition/data management support and information assurance analysis	[redact]	T&M	2/28/2013
	Provides storage, staging, distribution, logistics support, field services, program management and software development	NCI / Fibertek	CPFF / T&M	9/25/2012
	Provides lifecycle logistics and engineering support	[redact]	CPFF	8/15/2013

Source: Lending Management presentation dated November 6, 2012 page 10

Overview

- The table to the left summarizes the top six programs.

X.F. Program Performance (For Information Purposes Only)
2011 and YTD November 2012

Revenue Type by Program ($ in 000s)		January 2012	February 2012	March 2012	April 2012	May 2012	June 2012	July 2012	August 2012	September 2012	October 2012	November 2012	YTD-11/12	2011 Total	YOY Change [1]
	Revenue	$ 8,584	$ 9,057	$ 2,810	$ 6,615	$ 9,597	$ 6,087	$ 7,063	$ 6,084	$ 6,388	$ 9,420	$ 5,757	$ 77,462	$ 107,489	
	% Total	49.3%	51.5%	17.0%	47.3%	50.0%	41.4%	50.2%	37.0%	44.3%	44.6%	44.4%	43.4%	46.8%	-3.4%
	Gross Margin	2,279	2,303	1,576	1,933	3,107	1,766	3,247	1,933	2,284	3,208	2,021	25,657	31,030	
	% Revenue	26.5%	25.4%	56.1%	29.2%	32.4%	29.0%	46.0%	31.8%	35.7%	34.1%	35.1%	33.1%	28.9%	4.3%
	Revenue	957	945	955	989	1,510	995	1,002	1,291	917	1,183	399	11,143	3,284	
	% Total	5.5%	5.4%	5.8%	7.1%	7.9%	6.8%	7.1%	7.8%	6.4%	5.6%	3.1%	6.2%	1.4%	4.8%
	Gross Margin	323	288	287	288	457	272	387	572	304	404	(96)	3,489	1,020	
	% Revenue	33.8%	30.5%	30.1%	29.1%	30.3%	27.4%	38.6%	44.3%	33.2%	34.2%	-24.0%	31.3%	31.0%	0.3%
	Revenue	2,171	2,400	6,665	520	298	292	548	254	311	404	263	14,126	32,917	
	% Total	12.5%	13.6%	40.4%	3.7%	1.6%	2.0%	3.9%	1.5%	2.2%	1.9%	2.0%	7.9%	14.3%	-6.4%
	Gross Margin	579	680	702	97	69	97	340	76	108	138	73	2,959	10,399	
	% Revenue	26.7%	28.3%	10.5%	18.6%	23.1%	33.4%	62.0%	29.8%	34.6%	34.2%	27.8%	20.9%	31.6%	-10.6%
	Revenue	2,351	1,896	2,307	2,141	3,162	2,004	1,684	2,014	1,981	2,889	1,917	24,344	22,493	
	% Total	13.5%	10.8%	14.0%	15.3%	16.5%	13.6%	12.0%	12.2%	13.7%	13.7%	14.8%	13.6%	9.8%	3.9%
	Gross Margin	522	517	951	669	964	746	537	615	661	739	604	7,525	6,777	
	% Revenue	22.2%	27.3%	41.2%	31.2%	30.5%	37.2%	31.9%	30.5%	33.4%	25.6%	31.5%	30.9%	30.1%	0.8%
	Revenue	1,074	1,139	1,125	1,134	1,694	1,178	1,037	1,145	1,110	1,735	1,031	13,402	16,705	
	% Total	6.2%	6.5%	6.8%	8.1%	8.8%	8.0%	7.4%	7.0%	7.7%	8.2%	7.9%	7.5%	7.3%	0.2%
	Gross Margin	408	449	439	427	663	429	424	424	405	651	309	5,028	6,232	
	% Revenue	38.0%	39.4%	39.0%	37.6%	39.1%	36.4%	40.9%	37.0%	36.5%	37.5%	29.9%	37.5%	37.3%	0.2%
	Revenue	476	413	455	496	372	225	213	196	208	179	128	3,361	9,358	
	% Total	2.7%	2.4%	2.8%	3.5%	1.9%	1.5%	1.5%	1.2%	1.4%	0.8%	1.0%	1.9%	4.1%	-2.2%
	Gross Margin	178	131	167	231	127	70	78	68	71	62	18	1,201	3,403	
	% Revenue	37.3%	31.8%	36.7%	46.5%	34.1%	30.9%	36.4%	34.9%	34.3%	34.8%	14.0%	35.7%	36.4%	-0.6%
	Revenue	338	356	381	381	584	387	358	401	367	244	44	3,841	7,339	
	% Total	1.9%	2.0%	2.3%	2.7%	3.0%	2.6%	2.5%	2.4%	2.5%	1.2%	0.3%	2.2%	3.2%	-1.0%
	Gross Margin	133	142	161	158	237	152	153	173	151	93	(80)	1,472	2,757	
	% Revenue	39.3%	40.0%	42.1%	41.4%	40.5%	39.2%	42.9%	43.1%	41.2%	38.1%	-183.1%	38.3%	37.6%	0.8%
	Revenue	376	252	268	203	180	(28)	80	70	56	206	97	1,760	6,287	
	% Total	2.2%	1.4%	1.6%	1.4%	0.9%	-0.2%	0.6%	0.4%	0.4%	1.0%	0.7%	1.0%	2.7%	-1.8%
	Gross Margin	65	144	52	46	46	(75)	35	13	(6)	62	(31)	351	2,127	
	% Revenue	17.3%	57.2%	19.5%	22.7%	25.7%	263.0%	43.5%	19.0%	-11.4%	30.1%	-32.3%	20.0%	33.8%	-13.9%
[Company] All Other	Revenue	1,071	1,128	1,527	1,515	1,784	1,428	101	1,253	1,052	1,696	1,145	13,700	23,769	
	% Total	6.2%	6.4%	9.3%	10.8%	9.3%	9.7%	0.7%	7.6%	7.3%	8.0%	8.8%	7.7%	10.4%	-2.7%
	Gross Margin	387	453	754	789	741	704	(784)	427	187	593	679	4,932	7,572	
	% Revenue	36.2%	40.2%	49.4%	52.1%	41.6%	49.3%	-776.4%	34.1%	17.8%	35.0%	59.3%	36.0%	31.9%	4.1%
	Revenue	17,398	17,587	16,491	13,994	19,182	12,569	12,086	12,708	12,389	17,956	10,779	163,139	229,641	
	% Total	100.0%	100.0%	100.0%	100.0%	100.0%	85.6%	86.0%	77.2%	85.9%	85.0%	83.1%	91.5%	100.0%	-8.5%
	Gross Margin	4,874	5,110	5,088	4,637	6,413	4,161	4,417	4,300	4,165	5,952	3,496	52,613	71,317	
	% Revenue	28.0%	29.1%	30.9%	33.1%	33.4%	33.1%	36.5%	33.8%	33.6%	33.1%	32.4%	32.3%	31.1%	1.2%
	Revenue	-	-	-	-	-	2,119	1,971	3,753	2,029	3,163	2,198	15,234	-	
	% Total	0.0%	0.0%	0.0%	0.0%	0.0%	14.4%	14.0%	22.8%	14.1%	15.0%	16.9%	8.5%	0.0%	8.5%
	Gross Margin	-	-	-	-	-	936	46	447	201	342	294	2,265	-	
	% Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	44.2%	2.3%	11.9%	9.9%	10.8%	13.4%	14.9%	0.0%	14.9%
[Company] Consolidated	Revenue	$ 17,398	$ 17,587	$ 16,491	$ 13,994	$ 19,182	$ 14,688	$ 14,057	$ 16,461	$ 14,419	$ 21,120	$ 12,977	$ 178,373	$ 229,641	
	Gross Margin	$ 4,874	$ 5,110	$ 5,088	$ 4,637	$ 6,413	$ 5,097	$ 4,463	$ 4,747	$ 4,366	$ 6,293	$ 3,790	$ 54,878	$ 71,317	
	% Revenue	28.0%	29.1%	30.9%	33.1%	33.4%	34.7%	31.7%	28.8%	30.3%	29.8%	29.2%	30.8%	31.1%	-0.3%

[1] Percentage point change

Source: C 3 viii Updated Revenue and GM Trend by Top Program and Contract Type.xlsx

Overview

- The table to the left summarizes the monthly performance of the top 10 programs.
- The margin performance of the top 10 programs can only be used for trending purposes as not all costs (i.e., hazard pay and certain SG&A expenses) are allocated to the contract or program.

Notes from January 8, 2013 Meeting (1 of 3)

Overview

- Management represented that they have weekly project management meetings with [Auditor and Consultant] to ascertain progress being made on compliance issues. A summary extract of the notes (together with some added FAI comments for further clarification (in bold) from the latest meeting as of January 8, 2013 is set out below:

1. Accounting System Remediation [redact]

- Current efforts:
  - System Description Narrative.
  - [Redact] section complete, awaiting other [Company] departments draft.
    - [Auditor and Consultant] will need this to conduct walkthroughs.
  - Labor Qualifications, including subcontractors.
  - [Auditor and Consultant] has requested documentation on 10 employees to begin beta testing – 12/19/12.
  - [Auditor and Consultant] currently reviewing (still awaiting "original resumes").
  - Adjustment Vouchers – [redact]
  - FY07 and FY11
    - Consolidated Sched I provided to [Company] 12/21/12.
  - Booked to Billed – [redact]
    - [Auditor and Consultant] constructing desk top procedure.
      - [Redact] and [redact] have completed/verified report of unbilled analysis – [Auditor and Consultant] to verify.
  - Employee Walk-Throughs – upon completion of outstanding efforts (Clarification: so employees will be prepared by [Auditor and Consultant] for the follow up DCAA audit regarding disapproved accounting system).
- Policies and Procedures [[redact] and [redact]]
  - Outstanding:
    - Work Authorization Form desired update.
- Policies and Procedures, continued
    - Completed (Per [redact]).
    - Monitoring and Surveillance of Subk Business Systems and other Conformance completed by [redact] – [Auditor and Consultant] to provide comments if any and sign for implementation.
    - ICP prep – [Company] to sign for implementation.
  - Additional Outstanding (not required for DCAA follow up).
    - Purchasing P&P's with [redact] comments distributed to Contracts/Operations for signature – 9/5/12.
      - Awaiting comments/signature from Operations.
    - Work at Home; Accounts Receivable; Project Costs.

2. Deployed Divisions/Monitoring Rates – DCAA inquiry [redact] (Clarification: Management to be more focused on reviewing fringe pools during the year rather than after the year end).

- Cause for instances where negative bases exist within deployed divisions.
- Analysis has been prepared, [redact] to prepare memo for the file.
- [Auditor and Consultant] to assist in documenting desktop procedure.
  - Provided 12/20/12, awaiting comments.

3. Revenue Recognition/Booked to Billed Reconciliations [redact] (Clarification: CFO wants to make sure revenue recognition is performed correctly for accounting purposes).

- [Auditor and Consultant] to provide analysis on current revenue recognition/booked to billed to identify variances.
  - [Auditor and Consultant] working with [Company] to identify cause of variances.
  - [Redact] to complete additional 10 contracts.

Notes from January 8, 2013 Meeting (2 of 3)

Timekeeping (Clarification: Management is looking to change accounting from "Best 8" to "Total Time" reporting)

- [Company] finalizing execution/process.
- Update/create compliant timekeeping policy to reflect new process (e.g., weekly timesheets, flex time, etc.).
- Update employee guidelines, as necessary.
- Work at Home; Accounts Receivable; Project Costs.

2013 Rate Restructuring

- Resubmission date: 12/21/12 – SUBMITTED **(Clarification: ICS resubmitted on 12/14).**
- Part-time Fringe and SCA Fringe (not to be submitted on November 30, XXXX, but move forward with analysis/creation.
- Separate segment for [redact]
- TTA – change in accounting practice.
- New Deferred Compensation plan **(Clarification: To replace the 401k plan for senior executives).**

2012 ICS Preparation and Unallowable Scrub

- On radar to think about process; separate off–line meeting to be held TBD.

Open Audit Results

- CAS 401 DCAA Report #XXXXXXXXX – Deployed Fringe:
  - DCAA currently auditing and will send requests with tentative due date of 1/15; extension can be granted to 2/4.

Open Audit Results, continued

- CAS 405 DCAA Report #XXXXXXXXX – CAS 405 noncompliance:
  - Current Status: Resubmitted on 11/15/12; awaiting DCAA request for DCI walkthrough.
  - 2012 T&M rates – [Auditor and Consultant] to draft narrative to DCAA/ACO and re-package 2012 T&M rate impact for only this CAS 405 non-compliance:
    - [Company] to provide YE 12/31/12 Labor Distribution for cost impact rerun – target resubmission 1/31/13.
    - Comments/concerns on notice of change letter to ACO ([Auditor and Consultant] provided on 1/4/12).
- CAS 401 DCAA Report #XXXXXXXXX – Erroneously Applied Indirect Rates:
  - Current States: Submitted on 12/14/12; awaiting DCAA request for walkthrough.
  - Current States: Submitted on 12/14/12; awaiting DCAA 2012 T&M rates – [Auditor and Consultant] to draft narrative to DCAA/ACO and re-package 2012 T&M rate impact for only this CAS 401 non-compliance:
    - [Company] to provide YE 12/31/12 Labor Distribution for cost impact rerun – target resubmission 1/31/13.
    - Comments/concerns on notice of change letter to ACO ([Auditor and Consultant] provided on 1/4/12).
  - Regarding incorrect T&M rate build-up – on Task Orders, contracts letters sent to prime and USG to modify task order(s) prospectively for downward-adjusted T&M rates; this should prevent billing rejections. Several in-process.

X.G. [Auditor and Consultant] Status (For Information Purposes Only)
Notes from January 8, 2013 Meeting (3 of 3)

Open Audit Results, continued

- 2006 ICS **(Clarification: Labor category issues):**
  - LCAT – Venable – Thompson reached out to KO of record. No response. Will keep trying.
- 2007 ICS – deemed inadequate by DCAA – request resubmission due 12/10/12:
  - DCAA determined resubmission adequate to begin audit.

CAS 402 Request (Clarification: Follow up from DCAA timecard audit)

- Provide request to DCAA by 1/5/13 ([redact] has compiled, [redact] to review).

CAS 409 – Estimated Useful Lives of Assets (i.e., Potential risk that total historical revenue is overstated is estimated at about $100k per CFO; this liability was not recorded as a Contractor's Liability by Management).

- DCAA inquiry into basis for estimated useful lives of fixed assets; CAS 409 requires the company to track historical useful lives of assets to be used as the basis for future estimates (vs. reliance on IRS useful lives):
  - [Redact] preparing a report showing major classifications of assets, counts, capitalized value, NBV, and other information captured in the system.
  - [Company] and [Auditor and Consultant] to devise a sampling methodology to support an analysis (vs. 100% review).
  - Prospectively:
    - [Company] should record the asset tag # currently captured in property management into Deltek.
    - [Company] should begin tracking both retirement and disposition dates for assets:
      - Re-group on progress – week of 1/7/13.

GDM for State Tax Change (OH to G&A)

- ACO requested GDM/DCI proposal as described in the subject audit report for Disclosure Statement Revision 1, Items 4.1.0.1(a) and 4.2.0(a); where [Company] removed state tax expense from the government site overhead pool and added state tax expenses to the G&A pool. Due Friday, March 8, 2013.

Awaiting DCAA/ACO Review

- 2013 Revised D/S (Rev 4) and Rate Restructuring.
- DCAA draft Audit Report - Disclosure Statement Rev 3-3B.
- CAS 401 DCAA Report #XXXXXXXX – Deployed Fringe.
- CAS 401 DCAA Report #XXXXXXXX– Erroneously Applied Indirect Rates.
- CAS 405 DCAA Report #XXXXXXXX – CAS 405 Noncompliance:
- Floor check audit report **(Clarification: DCAA performed from May 2011 through to November 2011)**
  - 2011 ICS Adequacy for 2004 and 2007 through 2011.
- CPSR Audit **(Clarification: No feedback on Procurement audit which had an exit meeting on April 4, 2012 but still not feedback. No liability for Contractor's Liability has been estimated by Management).**

X.H. Pipeline Report as of January 3, 2013 (For Information Purposes Only)

Pipeline - Wins

[Company] Pipeline (As of 2 Jan 2013) **-- HIGHLY CONFIDENTIAL -**

Notes:

Column N Award Dates represent the current best estimate award date or the best estimate when the proposal was submitted (i.e. submitted proposals with past award dates have been delayed)
Column I Continuation status reflects recompete opportunities as opposed to new business
Multiple Award IDIQ contracts are listed with negligible [Company] values since they only provide an opportunity to compete for individual task orders
P-WINs shown for WON opportunities were Management's most recent P-WIN estimate prior to award
Pipeline opportunities highlighted in green reflect those included as new business opportunities on the contract waterfall forecast

ID	Opportunity	Contract #	Client	Parent	Phase	New /Continuation	P/S	P-WIN	RFP Date	Due Date	Award Date	Start Date	End Date	Total Value $	Company Value $	Factored Value
					WON	New	Prime	20.0%	6/20/2012	7/10/2012	10/2/2012	12/2/2012	10/1/2014	2,932,380	2,932,380	2,932,380
					WON	Continuation/New	PRIME	90.0%	11/6/2012	11/20/2012	12/31/2012	1/2/2013	1/1/2015	21,758,733	21,758,733	21,758,733
					WON	New	Prime	10.0%	9/1/2012	9/25/2012	11/30/2012	12/3/2012	12/2/2014	16,000,000	10,028,817	10,028,817

Source: Company prepared Pipeline Report

Overview

- The above table summarizes the contracts which the Company has won but has not yet started the work. Based on Management's guidance, FAI estimated that the above three contracts provide a pipeline of $28.7 million in 2013 (2014: $50.2 million) Gross Contract Value, equivalent to $17.5 million (2014: $16.4 million) Discounted Contract Value for 2013.
- Please note that Management did not include the VIASAT for [redact] contract as an awarded contract to the pipeline report above although it is included in the Revised Forecast (2013-RF: $700k; 2014-RF: $0)

X.H. Pipeline Report as of January 3, 2013 (For Information Purposes Only)

Pipeline - Submitted

[Company] Pipeline (As of 2 Jan 2013) — **-- HIGHLY CONFIDENTIAL --**

Notes:

Column N Award Dates represent the current best estimate award date or the best estimate when the proposal was submitted (i.e. submitted proposals with past award dates have been delayed)

Column I Continuation status reflects recompete opportunities as opposed to new business

Multiple Award IDIQ contracts are listed with negligible [Company] values since they only provide an opportunity to compete for individual task orders

P-WINs shown for WON opportunities were Management's most recent P-WIN estimate prior to award

Pipeline opportunities highlighted in green reflect those included as new business opportunities on the contract waterfall forecast

ID	Opportunity	Contract #	Client	Parent	Phase	New /Continuation	P/S	P-WIN	RFP Date	Due Date	Award Date	Start Date	End Date	Total Value $	Company Value $	Factored Value
				Various	Submitted	New	Sub to LGS Bell Labs Innovations (LG) TELOS (SM)	20.0%	3/19/2012	5/9/2012	9/30/2012	10/1/2012	9/30/2017	4,100,000,000	1	0
					Submitted in PROTEST	Continuation	Sub to MPRI	75.0%	4/20/2012	5/23/2012 2:00PM (Extended)	9/30/2012	10/1/2012	9/30/2015		2,900,000	2,175,000
					Submitted	Continuation	Sub to Mantech	75.0%	7/24/2012	8/3/2012	10/1/2012	10/1/2012	9/30/2013	Rates only to Mantech	4,500,000	3,375,000
					Submitted	Continuation	Sub LMCO	75.0%	7/24/2012	8/20/2012	12/20/2012	1/2/2013	1/1/2015	3,300,000	2,500,000	2,500,000
					Submitted	New	PRIME	70.0%	9/12/2012	9/25/2012	11/15/2012	12/1/2012	12/1/2014	10,028,817	10,028,817	7,020,172
					Submitted	New	Sub to BAH	20.0%	10/9/2012	10/23/2012	12/30/2012	1/2/2013	12/31/2014		1,518,917	303,783
					Submitted	Continuation 1084	SAIC Prime	50.0%	10/12/2012	11/15/2012	12/12/2012	12/12/2012	12/12/2015		3,078,650	1,539,325
					Submitted did not ask for rates	New	Sub to DRS	50.0%	8/15/2012EST	9/15/2012	1/15/2013	1/15/2013	1/15/2018	419,000,000	25,000,000	12,500,000

Source: Company prepared Pipeline Report

Overview

- The above table summarizes the contracts that have been submitted by the Company but are awaiting response from the customer. Based on Management's guidance, FAI estimated that the above eight contracts provide a pipeline of $17.4 million in 2013 (2014: $13.6 million) Gross Contract Value, equivalent to $11.1 million (2014: $8.3 million) Discounted Contract Value for 2013.

X.H. Pipeline Report as of January 3, 2013 (For Information Purposes Only)

Pipeline - Proposal

[Company] Pipeline (As of 2 Jan 2013) **-- HIGHLY CONFIDENTIAL --**

Notes:

Column N Award Dates represent the current best estimate award date or the best estimate when the proposal was submitted (i.e. submitted proposals with past award dates have been delayed)

Column I Continuation status reflects recompete opportunities as opposed to new business

Multiple Award IDIQ contracts are listed with negligible [Company] values since they only provide an opportunity to compete for individual task orders

P-WINs shown for WON opportunities were Management's most recent P-WIN estimate prior to award

Pipeline opportunities highlighted in green reflect those included as new business opportunities on the contract waterfall forecast

ID	Opportunity	Contract #	Client	Parent	Phase	New /Continuation	P/S	P-WIN	RFP Date	Due Date	Award Date	Start Date	End Date	Total Value $	Company Value $	Factored Value
					Proposal	Continuation	PRIME	50.0%	11/16/2012	1/11/2013	1/30/2013	2/1/2013	1/30/2016		29,533,038	14,766,519
					Proposal		Sub - URS	20.0%	11/9/2012	1/24/2013	5/1/2013	5/1/2013	4/30/2012		1	0
					Proposal	New	Sub - Rockhill Group	30.0%	12/21/2012	3/6/2013	4/30/2013	4/30/2013	4/29/2016	200,000,000	60,000,000	18,000,000
					Proposal	Continuation	Sub- [redact]	20.0%	11/16/2012	1/11/2013	1/30/2013	2/1/2013	1/30/2016		19,000,000	3,800,000

Source: Company prepared Pipeline Report

Overview

- The above table summarizes potential contracts which the Company is working proposals but which have not yet been submitted to the customer. FAI estimated, based on Management's guidance, that the above four contracts provide a pipeline of $28.3 million in 2013 (2014: $36.2 million) Gross Contract Value, equivalent to $9.7 million (2014: $12.2 million) Discounted Contract Value for 2013.

X.H. Pipeline Report as of January 3, 2013 (For Information Purposes Only)

Pipeline - Capture (1 of 2)

[Company] Pipeline (As of 2 Jan 2013) -- HIGHLY CONFIDENTIAL --

Notes:

Column N Award Dates represent the current best estimate award date or the best estimate when the proposal was submitted (i.e. submitted proposals with past award dates have been delayed)

Column I Continuation status reflects recompete opportunities as opposed to new business

Multiple Award IDIQ contracts are listed with negligible [Company] values since they only provide an opportunity to compete for individual task orders

P-WINs shown for WON opportunities were Management's most recent P-WIN estimate prior to award

Pipeline opportunities highlighted in green reflect those included as new business opportunities on the contract waterfall forecast

ID	Opportunity	Contract #	Client	Parent	Phase	New /Continuation	P/S	P-WIN	RFP Date	Due Date	Award Date	Start Date	End Date	Total Value $	Company Value $	Factored Value
					Capture	New	Sub TBD	10.0%	3/8/2013	5/8/2013	9/30/2013	9/30/2013	9/29/2018	200,000,000	10,000,000	1,000,000
					Capture	New	Sub - URS	50.0%	2/28/2013	3/28/2013	6/30/2013	6/30/2013	6/29/2016			-
					Capture	New	Sub to SRC(LG) and Linquest and Nexagen (SM), LMCO (LG)	20.0%	1/16/2013	2/16/2013	7/16/2013	7/16/2013	7/15/2018	497,000,000	1	0
					Capture	Continuation	Prime	75.0%	2/1/2013	3/1/2013	6/1/2013	6/1/2013	6/1/2019	520,000,000	520,000,000	390,000,000
					Capture	Continuation	Sub	40.0%	3/15/2013	4/15/2013	5/13/2013	5/13/2013	5/14/2015		9,900,000	3,960,000
					Capture	New	Prime	40.0%	8/31/2013	9/30/2013	2/28/2014	3/1/2014	2/28/2018	230,000,000	230,000,000	92,000,000
					Capture	New	Prime	20.0%	1/8/2013	2/7/2013	3/31/2013	3/31/2013	9/30/2014		15,600,000	3,120,000
					Capture	New	Sub	20.0%	1/12/2013	3/12/2013	5/1/2013	5/28/2013	4/30/2018	37,000,000	2,200,000	440,000
					Capture	New	Sub BAH	50.0%	2/26/2013	3/31/2013	4/1/2013	4/1/2013	3/30/2018		45,000,000	22,500,000
					Capture	New	Prime	20.0%	1/10/2013	2/10/2013	2/26/2013	3/12/2013	3/13/2014	30,000,000	30,000,000	6,000,000

X.H. Pipeline Report as of January 3, 2013 (For Information Purposes Only)

Pipeline - Capture (2 of 2)

[Company] Pipeline (As of 2 Jan 2013) -- HIGHLY CONFIDENTIAL --

Notes:

Column N Award Dates represent the current best estimate award date or the best estimate when the proposal was submitted (i.e. submitted proposals with past award dates have been delayed)

Column I Continuation status reflects recompete opportunities as opposed to new business

Multiple Award IDIQ contracts are listed with negligible [Company] values since they only provide an opportunity to compete for individual task orders

P-WINs shown for WON opportunities were Management's most recent P-WIN estimate prior to award

Pipeline opportunities highlighted in green reflect those included as new business opportunities on the contract waterfall forecast

ID	Opportunity	Contract #	Client	Parent	Phase	New /Continuation	P/S	P-WIN	RFP Date	Due Date	Award Date	Start Date	End Date	Total Value $	Company Value $	Factored Value
					Capture	Continuation	Prime	20.0%	1/10/2013	2/10/2013	3/1/2013	3/14/2013	3/14/2015	8,907,948	8,907,948	1,781,590
					Capture	Continuation	Prime if timing is correct, current 2nd tier Sub to NG	20.0%	2/28/2013	3/28/2013	5/30/2013	5/30/2013	5/29/2015		9,000,000	1,800,000
					Capture	New/Continuation [redact]	Sub to [redact]	30.0%	2/1/2013	3/1/2013	4/1/2013	4/1/2013	3/30/2016	150,000,000	25,000,000	7,500,000
					Capture	New	Sub to DHPC (SM) also BAH (LG) Battelle (LG)	20.0%	1/30/2013	2/28/2013	8/5/2013	8/5/2013	8/4/2016	500,000,000	1	0
					Capture	Continuation	Sub to GDIT		2/1/2013	3/1/2013	5/1/2013	5/1/2013	4/30/2016		4,800,000	-
					Capture	New	Sub to BAH; Millennium; NDA in place		1/22/2013	2/21/2013	6/5/2013	6/5/2013	6/4/2018	5,000,000,000	1	-
					Capture	Continuation	Prime	60.0%	7/31/2013	8/30/2013	11/1/2013	11/1/2013	10/31/2017	70,000,000	70,000,000	42,000,000
					Capture	New	Prime (Possible) and Sub	20.0%	1/17/2013	3/1/2013	9/1/2013	9/1/2013	8/30/2018	300,000,000	1	0

Source: Company prepared Pipeline Report

Overview

- The above table summarizes contracts which Management has evaluated but for which no formal proposals have yet been prepared nor started on; these proposals have yet been started. FAI estimated, based on Management guidance, that the above 18 contracts provide a pipeline of $110.1 million in 2013 (2014: $201.2 million) Gross Contract Value, equivalent to $54.1 million (2014: $108.5 million) Discounted Contract Value for 2013.

X.I. Potential Withholdings (DFARS Clause 252-242.7005)

As of January 15, 2013

10% ACO Withholding Exposure			2012-RF		2013-RF		2014-RF	
Contract #	Charge #	Name	Revenue	Withholding	Revenue	Withholding	Revenue	Withholding
			$ 70,559	$ 7,056	$ 64,050	$ 6,405	$ -	$ -
			3,005	300	2,301	230	-	-
			1,447	145	839	84	709	71
			1,269	127	405	40	396	40
			802	80	11,900	1,190	10,064	1,006
			642	64	382	38	-	-
			199	20	130	13	168	17
		Total	**$ 77,923**	**$ 7,792**	**$ 80,006**	**$ 8,001**	**$ 11,337**	**$ 1,134**

Source: E.3. Business Clauses by Task Order_TO_reconcil.xlsx and Management

Overview

- The ACO may withhold payments of up to 10% if there are significant deficiencies in the business systems in accordance with DFARS Clause 252.242.7005 and if the clause is included in the contract. Based on Company data, FAI estimated that seven task orders with 2012-RF revenue of $77.9 million (2013-RF: $80.0 million; 2014-RF: $11.3 million) have this clause; this equates to a potential withhold of up to $8.0 million (2013-RF: $8.0 million; 2014-RF: $1.1 million) if the ACO imposed this clause. Refer to Section X.I. Potential Withholdings - DFARS Clause 252-242.7005. Management represented that no notification has been received for withholding payments.
- Management represented no notification has been received from the government that it is looking to with hold any payments in accordance with DFARS Clause 252.242.7005.

X.J. Historical Monthly Cash Flow Statements (For Information Purposes Only)
2011 and YTD-11/12 by Month

Cash Flow Statement ($000s)	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	YTD-11/12
Net Income / (Loss)	$ (23)	$ (1,246)	$ (6,319)	$ (834)	$ (1,340)	$ (55)	$ (974)	$ (1,927)	$ (750)	$ (502)	$ (2,374)	$ (16,344)
Add Back Non-Cash/Operating Expenses:												
Interest Expense	306	626	937	648	919	623	599	1,788	737	767	1,256	9,207
Depreciation & Amortization	42	1,649	780	791	1,179	902	1,000	1,000	1,008	1,483	999	10,834
Net Cash Flow from Operations	**325**	**1,029**	**(4,601)**	**606**	**757**	**1,471**	**625**	**862**	**995**	**1,748**	**(118)**	**3,698**
Sources / (Uses) of Cash												
Receivables	7,915	(4,439)	5,531	(552)	6,721	648	1,266	(4,937)	(2,345)	(2,674)	917	8,050
Other Assets	313	(22)	8	(81)	246	(16)	(47)	52	(195)	17	(15)	261
Prepaid Expenses	216	454	4	231	(802)	641	91	123	(146)	(457)	501	856
Trade Payables	1,276	466	346	(2,195)	(4,746)	561	2,587	2,766	(1,552)	1,986	(1,037)	459
Other Current Liabilities	42	(5)	522	(143)	(1)	195	2	(359)	(12)	11	4	256
Accrued Payroll Liabilities	65	(66)	(12)	(223)	(60)	(526)	(156)	35	(170)	68	(333)	(1,378)
Deferred Revenue/Rent	76	-	(700)	-	-	-	-	-	-	-	-	(624)
Total Sources / Uses of Cash	**9,903**	**(3,612)**	**5,699**	**(2,963)**	**1,358**	**1,502**	**3,744**	**(2,319)**	**(4,420)**	**(1,048)**	**37**	**7,880**
Net Cash Flow from Operating Activities	**10,227**	**(2,583)**	**1,098**	**(2,357)**	**2,115**	**2,973**	**4,369**	**(1,458)**	**(3,425)**	**700**	**(82)**	**11,578**
Cash Flows from Investing Activities												
Capital Expenditures	(92)	(98)	(45)	(60)	(95)	(26)	(62)	(32)	(43)	-	-	(552)
Net Cash Flow from Investing Activities	**(92)**	**(98)**	**(45)**	**(60)**	**(95)**	**(26)**	**(62)**	**(32)**	**(43)**	**-**	**-**	**(552)**
Cash Flows from Non-Recurring Activities												
Discontinued Operations - Haymarket Rent	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other One-time Payments	-	-	-	-	-	-	-	-	-	-	-	-
New Business NWC Receivables	-	-	-	-	-	-	-	-	-	-	-	-
DCAA Compliance Payments	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow from Non-Recurring Activities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cash Flows from Financing Activities												
Long Term Debt - Notes Payable	(734)	-	-	(1,500)	-	(1,500)	-	-	-	(1,500)	-	(5,234)
Mandatorily Redeemable Units	-	-	-	-	-	-	-	1,199	137	172	118	1,625
Short Term Debt	(5,500)	-	-	2,000	(1,350)	(800)	(1,650)	175	16,325	-	-	9,200
Interest Expense / Paid	(306)	(626)	(937)	(648)	(919)	(623)	(599)	(1,788)	(737)	(767)	(1,256)	(9,207)
Members Equity	-	-	-	-	-	22,502	-	-	-	-	-	22,502
Goodwill	-	-	-	-	-	(22,502)	-	-	-	-	-	(22,502)
Acquisition Actg Adj to Ret Earnings	-	-	-	-	-	-	-	-	-	-	-	-
Dividends Payable	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow from Financing Activities	**(6,541)**	**(626)**	**(937)**	**(148)**	**(2,269)**	**(2,923)**	**(2,249)**	**(415)**	**15,725**	**(2,095)**	**(1,139)**	**(3,617)**
Net Increase / (Decrease) in Cash	3,595	(3,307)	116	(2,565)	(249)	23	2,058	(1,904)	12,258	(1,395)	(1,220)	7,409
Cash at Beginning of Period	1,930	5,524	2,217	2,333	(232)	(481)	(457)	1,601	(303)	11,954	10,559	1,930
Cash at End of Period	**$ 5,524**	**$ 2,217**	**$ 2,333**	**$ (232)**	**$ (481)**	**$ (457)**	**$ 1,601**	**$ (303)**	**$ 11,954**	**$ 10,559**	**$ 9,339**	**$ 9,339**

Source: 2012-2014 Revised LBE_3 Stmt Model_01.10.2013.xlsx

Overview

- The above table summarizes the monthly cash flow statements from January 2012 through to November 2012.

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