Fortress International Group, Inc.
Form 10-Q
August 14, 2007

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, DC 20549**

**FORM 10-Q**

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 000-51426

**FORTRESS INTERNATIONAL GROUP, INC.**
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware**<br>(State or other jurisdiction of incorporation or organization) | **20-2027651**<br>(I.R.S. Employer Identification No.) |
| **9841 Broken Land Parkway**<br>**Columbia, Maryland**<br>(Address of principal executive offices) | **21046**<br>(Zip Code) |

**(410) 312-9988**
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicated by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of August 13, 2007, 11,856,545 shares of the registrant's common stock, par value $0.0001 per share, were outstanding.

**FORTRESS INTERNATIONAL GROUP, INC.**
**Table of Contents**


| | Page |
|---|---|
| **PART I - FINANCIAL INFORMATION** | |
| **Item 1. Financial Statements** | |
| Consolidated Balance Sheets as of June 30, 2007 (unaudited) and as of December 31, 2006 (audited) (successor) and as of January 19, 2007 (unaudited) and December 31, 2006 (predecessor) (audited) | 1 |
| Consolidated Statements of Operations (unaudited) for the three and six months ended June 30, 2007 (successor) and June 30, 2006 (predecessor). Additionally, for the period from January 1, 2007 through January 19, 2007 (predecessor). | 3 |
| Consolidated Statements of Cash Flows (unaudited) for the six months ended June 30, 2007 and June 30, 2006 (successor) and for the period from January 1, 2007 through January 19, 2007 and the six months ended June 30, 2006 (predecessor) | 5 |
| Notes to Consolidated Financial Statements | 6 |
| **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations** | 16 |
| **Item 3. Quantitative and Qualitative Disclosures about Market Risk** | 26 |
| **Item 4. Controls and Procedures** | 26 |
| **PART II - OTHER INFORMATION** | |
| **Item 1. Legal Proceedings** | 26 |
| **Item 1A. Risk Factors** | 27 |
| **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds** | 27 |
| **Item 3. Defaults upon Senior Securities** | 27 |
| **Item 4. Submission of Matters to a Vote of Security Holders** | 27 |
| **Item 5. Other Information** | 28 |

| | |
|---|---|
| **Item 6. Exhibits** | 28 |
| **SIGNATURES** | |

---

**PART I - FINANCIAL INFORMATION**

**Fortress International Group, Inc.**
Consolidated Balance Sheets

| | (Successor) | | (Predecessor) | |
|---|---|---|---|---|
| | **June 30, 2007 (unaudited)** | **December 31, 2006 (audited)** | **January 19, 2007 (unaudited)** | **December 31, 2006 (audited)** |
| ***Assets*** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | $ 21,106,976 | $ 7,347 | $ 1,322,317 | $ 2,361,838 |
| Contract and other receivables, net | 8,977,676 | — | 6,261,988 | 9,960,851 |
| Prepaid expenses and other current assets | 746,264 | 3,750 | 233,894 | 125,276 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 1,400,868 | — | 1,559,045 | 480,540 |
| Income tax recoverable | 840,000 | — | — | — |
| Due from affiliated entities | — | — | — | 201,670 |
| **Total Current Assets** | 33,071,784 | 11,097 | 9,377,244 | 13,130,175 |
| **Investments held in trust** | — | 44,673,994 | — | — |
| **Property and equipment, net** | 924,363 | — | 904,689 | 810,747 |
| **Goodwill** | 14,912,946 | — | — | — |
| **Intangible assets, net** | 19,185,065 | — | — | — |
| **Deferred acquisition costs** | — | 869,853 | — | — |
| **Other assets** | 371,823 | — | 64,158 | 21,190 |
| **Deferred tax assets** | — | 490,675 | — | — |
| **Total Assets** | $ 68,465,981 | $ 46,045,619 | $ $10,346,091 | $ 13,962,112 |

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

**Fortress International Group, Inc.**
Consolidated Balance Sheets-Continued

| | (Successor) June 30, 2007 (unaudited) | (Successor) December 31, 2006 (audited) | (Predecessor) January 19, 2007 (unaudited) | (Predecessor) December 31, 2006 (audited) |
|---|---|---|---|---|
| ***Liabilities and Stockholders' Equity*** | | | | |
| **Current Liabilities** | | | | |
| Notes payable–current portion | $ 64,359 | $ — | $ 72,808 | $ 76,934 |
| Accounts payable and accrued expenses | 7,909,827 | 913,222 | 6,641,718 | 8,503,024 |
| Advances from stockholder | | 20,000 | — | — |
| Income taxes payable | — | 586,283 | — | — |
| Billings in excess of costs and estitmated earnings on uncompleted contracts | 1,072,911 | — | 1,662,718 | 1,243,042 |
| Deferred compensation payable | — | — | — | 643,571 |
| **Total Current Liabilities** | 9,047,097 | 1,519,505 | 8,377,244 | 10,466,571 |
| **Notes payable** | 10,055,523 | — | 79,524 | 81,679 |
| **Total Liabilities** | 19,102,620 | 1,519,505 | 8,456,768 | 10,548,250 |
| Common stock, subject to possible redemption 1,559,220 shares | — | 8,388,604 | — | — |
| Interest income on common stock subject to possible redemption | — | 541,735 | — | — |
| **Total common stock subject to redemption** | — | 8,930,339 | — | — |
| **Commitments and Contingencies** | — | — | — | — |
| **Stockholders' Equity** | | | | |
| Preferred stock- $.0001 par value; 1,000,000 shares authorized; no shares issued or outstanding | — | — | — | — |
| Common stock-- $.0001 par value, 100,000,000 shares authorized; 11,856,545 and 9,550,000 issued; 11,856,545 and 9,550,000 outstanding, respectively (which includes 0 and 1,559,220 shares subject to possible redemption, respectively | 1,185 | 955 | — | — |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Additional paid-in capital | | 52,864,132 | | 34,819,062 | | — | | — |
| Treasury stock, at cost 133,775 and 0 shares (successor); | | (686,743) | | — | | — | | — |
| Retained earnings | | (2,815,213) | | 775,758 | | — | | — |
| Members' equity | | — | | — | | 1,889,323 | | 3,732,115 |
| Note receivable from affiliate | | — | | — | | — | | (318,253) |
| **Total Stockholders' Equity** | | 49,363,361 | | 35,595,775 | | 1,889,323 | | 3,413,862 |
| **Total Liabilities and Stockholders' Equity** | $ | 68,465,981 | $ | 46,045,619 | $ | 10,346,091 | $ | 13,962,112 |

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

2

**Fortress International Group, Inc.**
Consolidated Statements of Operations

| | (Successor) | | (Predecessor) |
|---|---|---|---|
| | For the Three Months Ended June 30, 2007 | For the Three Months Ended June 30, 2006 | For the Three Months Ended June 30, 2006 |
| **Revenue** | $ 10,862,307 | $ — | $ 18,445,839 |
| **Cost of Revenue** | 9,424,029 | — | 15,507,437 |
| | | | |
| **Gross Profit** | 1,438,278 | — | 2,938,402 |
| | | | |
| **Operating costs and expenses** | | | |
| Selling, general and administrative | 3,424,040 | 121,753 | 1,681,169 |
| Depreciation and amortization | 97,245 | — | |
| Amortization of intangible assets | 567,108 | — | — |
| **Total operating costs and expenses** | 4,088,393 | 121,753 | 1,681,169 |
| **Operating (loss) income** | (2,650,115) | (121,753) | 1,257,233 |
| **Other Income (Expense)** | | | |
| Interest income | 423,898 | 410,904 | — |
| Interest (expense) | (150,431) | — | (4,733) |
| **Income (Loss) Before Income Taxes** | (2,376,648) | 289,151 | 1,252,500 |
| **Income Tax (Benefit) Expense** | 182,316 | 98,312 | — |
| **Net (Loss) Income** | $ (2,558,964) | $ 190,839 | $ 1,252,500 |
| **Weighted average number of shares outstanding** | | | |
| **-basic** | 12,013,491 | 9,550,000 | — |
| **-diluted** | 12,013,491 | 9,550,000 | — |
| **Weighted average shares outstanding exclusive of shares subject to possible redemption** | | | |
| **-basic** | 12,013,491 | 7,990,800 | — |
| **-diluted** | 12,013,491 | 7,990,800 | — |
| | | | |
| **Basic net income (loss) per share** | | | |
| **-Net income** | $ (0.21) | $ 0.02 | $ — |
| **Diluted net income (loss) per share** | | | |
| **-Net income** | $ (0.21) | $ 0.02 | $ — |

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

**Fortress International Group, Inc.**
Consolidated Statements of Operations-Continued

| | (Successor) | | (Predecessor) | |
|---|---|---|---|---|
| | For the Six Months Ended June 30, 2007 | For the Six Months Ended June 30, 2006 | For the period from January 1, 2007 through January 19, 2007 | For the Six Months Ended June 30, 2006 |
| **Revenue** | $ 19,539,244 | $ — | $ 1,412,137 | $ 34,726,161 |
| **Cost of Revenue** | 16,629,595 | — | 1,108,276 | 28,719,264 |
| | | | | |
| **Gross Profit** | 2,909,649 | — | 303,861 | 6,006,897 |
| | | | | |
| **Operating costs and expenses** | | | | |
| Selling, general and administrative | 6,061,980 | 297,955 | 555,103 | 3,333,944 |
| Depreciation and amortization | 152,676 | — | 33,660 | |
| Amortization of intangible assets | 1,007,562 | — | — | — |
| **Total operating costs and expenses** | 7,222,218 | 297,955 | 588,763 | 3,333,944 |
| **Operating (loss) income** | (4,312,569) | (297,955) | (284,902) | 2,672,953 |
| **Other Income (Expense)** | | | | |
| Interest income | 640,069 | 772,465 | 4,117 | — |
| Interest (expense) | (267,797) | — | (368) | (9,698) |
| **Income (Loss) Before Income Taxes** | (3,940,297) | 474,510 | (281,153) | 2,663,255 |
| **Income Tax (Benefit) Expense** | (349,325) | 161,334 | — | — |
| **Net (Loss) Income** | $ (3,590,972) | $ 313,176 | $ (281,153) | $ 2,663,255 |
| **Weighted average number of shares outstanding** | | | | |
| **-basic** | 11,592,599 | 9,550,000 | — | — |
| **-diluted** | 11,592,599 | 9,550,000 | — | — |
| **Weighted average shares outstanding exclusive of shares subject to possible redemption** | | | | |
| **-basic** | 11,592,599 | 7,990,800 | — | — |
| **-diluted** | 11,592,599 | 7,990,800 | — | — |
| | | | | |
| **Basic net income (loss) per share** | | | | |
| **-Net income** | $ (0.31) | $ 0.03 | $ — | $ — |

| | | | | |
|---|---|---|---|---|
| **Diluted net income (loss) per share** | | | | |
| **-Net income** | $ (0.31) | $ 0.03 | $ — | $ — |

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

4

**Fortress International Group, Inc.**
Consolidated Statements of Cash Flow

| | (Successor) | | (Predecessor) | |
|---|---|---|---|---|
| | For the Six Months Ended June 30, 2007 | For the Six Months Ended June 30, 2006 | For the period from January 1, 2007 through January 19, 2007 | For the Six Months Ended June 30, 2006 |
| **Cash Flows from Operating Activities** | | | | |
| Net income (loss) | $ (3,590,972) | $ 313,176 | $ (281,153) | $ 2,663,255 |
| Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities: | | | | |
| Depreciation and amortization | 152,676 | — | 33,660 | 126,000 |
| Amortization of intangibles | 1,210,235 | — | — | — |
| Deferred income taxes | 490,675 | (156,078) | — | — |
| Income tax recoverable | (840,000) | — | — | — |
| Stock-based compensation | 465,433 | — | — | — |
| Interest income on treasury bills | — | (953,442) | — | — |
| Changes in assets and liabilities, net of effects of acquisitions: | | | | |
| Contracts and other receivables | (2,715,688) | — | 3,698,863 | (1,162,200) |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 158,177 | — | (1,078,505) | (128,075) |
| Prepaid expenses | (508,619) | 38,915 | (108,618) | (269,893) |
| Due from affiliates | — | — | 519,923 | (22,909) |
| Other assets | (307,665) | — | (42,968) | — |
| Accounts payable and accrued expenses | 354,887 | (62,224) | (1,861,306) | 2,842,596 |
| Billings in excess of costs and estitmated earnings on uncompleted contracts | (589,807) | — | 419,676 | (889,545) |
| Income taxes payable | (586,283) | 6,412 | — | — |
| Deferred compensation payable | — | — | (643,571) | 25,500 |
| Interest income attributable to common stock subject to possible redemption | — | 190,593 | — | — |
| **Net Cash (Used in) Provided by Operating Activities** | (6,306,951) | (622,648) | 656,001 | 3,184,729 |
| **Cash Flows from Investing Activities** | | | | |
| Purchase of property and equipment | (172,350) | — | (127,602) | (38,427) |
| Decrease in Investments held in Trust fund | 44,673,994 | — | — | — |

| | | | | |
|---|---|---|---|---|
| Purchase of TSS/Vortech, net of cash received | (9,677,683) | — | — | — |
| Purchase of Comm Site of South Florida, Inc. net of cash received | (135,000) | — | — | — |
| Deferred acquisition costs | (981,357) | (152,167) | — | — |
| **Net Cash Provided by (Used in) Investing Activities** | 33,707,604 | (152,167) | (127,602) | (38,427) |
| **Cash Flows from Financing Activities** | | | | |
| Payments on notes payable | (32,450) | — | (6,281) | (37,156) |
| Advances from shareholder | (20,000) | — | — | — |
| Member distributions | — | — | (1,561,639) | (1,918,500) |
| Repurchase of common stock | (6,248,574) | — | — | — |
| **Net Cash (Used in) Provided by Financing Activities** | (6,301,024) | — | (1,567,920) | (1,955,656) |
| **Net Increase (Decrease) in Cash** | 21,099,629 | (774,815) | (1,039,521) | 1,190,646 |
| **Cash,** beginning of period | 7,347 | 992,547 | 2,361,838 | 1,737,075 |
| **Cash,** end of period | $ 21,106,976 | $ 217,732 | $ 1,322,317 | $ 2,927,721 |

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

**Fortress International Group, Inc.**
**Notes to the Consolidated Financial Statements**

**NOTE A - BASIS OF PRESENTATION**

The consolidated financial statements are for the three and six months ended June 30, 2007 and 2006 for Fortress International Group, Inc. (the "Successor Company", "Fortress" or the "Company") and are for the period January 1, 2007 to January 19, 2007 (the acquisition date) and the three and six months ended June 30, 2006 for VTC, L.L.C. t/a Total Site Solutions and Vortech, LLC ( collectively the "Predecessor Company" or "TSS/Vortech"). The Company has included the results of operations for the acquisition of TSS/Vortech from the acquisition date through June 30, 2007 in its financial statements.

Except for the balance sheets of the Company and TSS/Vortech as of December 31, 2006, which are derived from audited financial statements, the accompanying consolidated financial statements are unaudited. In the opinion of management, all adjustments necessary for a fair statement of such financial position and results of operations have been included. All such adjustments are of a normal recurring nature. Interim results are not necessarily indicative of results for a full year.

The consolidated financial statements and notes are presented as required by Form 10-Q and do not contain certain information included in the Company's annual financial statements and notes. These financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto filed with the Securities and Exchange Commission ("SEC") in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. The interim financial statements of TSS/Vortech have also been presented in accordance with the requirements of Form 10-Q. Such information should be read in conjunction with the TSS/Vortech financial statements for the year ended December 31, 2006 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

**NOTE B - RECENT ACCOUNTING PRONOUNCEMENTS**

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. Specifically, this Statement sets forth a definition of fair value, and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The provisions of SFAS No. 157 are generally required to be applied on a prospective basis, except to certain financial instruments accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, for which the provisions of SFAS No. 157 should be applied retrospectively. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is evaluating the effect of this statement, if any, on its financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115* (SFAS No. 159). SFAS No. 159 permits an entity, at specified election dates, to choose to measure certain financial instruments and other items at fair value. The objective of SFAS No. 159 is to provide entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently, without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for accounting periods beginning after November 15, 2007. The Company is currently assessing the impact of adopting SFAS No. 159 on the consolidated financial statements.

**NOTE C - ACQUISITIONS**

**TSS/VORTECH**

On January 19, 2007, the Company acquired all of the outstanding membership interests of TSS/Vortech pursuant to the Second Amended and Restated Membership Interest Purchase Agreement dated July 31, 2006, as amended by the Amendment to the Second Amended and Restated Membership Interest Purchase Agreement dated January 16, 2007 (the “Purchase Agreement”). The closing consideration consisted of (i) $11,000,000 in cash, (ii) the assumption of $154,599 of debt of TSS/Vortech, (iii) 2,602,813 shares of Fortress common stock, of which 2,534,988 shares were issued to the selling members and 67,825 shares were issued to Evergreen Capital LLC as partial payment of certain outstanding consulting fees, and (iv) $10,000,000 in two convertible promissory notes of $5,000,000 each, bearing interest at 6%.

All of the shares issued to the selling members (2,534,988 shares) were placed into escrow accounts as follows: 2,461,728 into the General Indemnity escrow to secure the rights of Fortress under the acquisition and 73,260 shares into the Balance Sheet escrow subject to TSS/Vortech delivering $1,000,000 in working capital. These shares will be released subject to certain conditions under the respective agreements. Based on a determination of net working capital at the acquisition date, the Company has recorded a payable for approximately $200,000, included in accounts payable and accrued expenses in the June 30, 2007 consolidated balance sheet, expected to be paid to the sellers as a purchase price adjustment. The share price was based upon the average closing price for twenty days prior to the public announcement of the purchase.

Shareholders owning 756,100 shares of Fortress common stock voted against the acquisition and requested to receive the pro rata share of cash in the Trust Fund. The Company remitted approximately $4,342,000 in exchange for these shares.

Upon consummation of the merger approximately $28.9 million was released from the trust account to be used by the Company.

Under the purchase method of accounting, the preliminary purchase price has been allocated to the net tangible and intangible assets acquired and liabilities assumed, based upon preliminary estimates, which assume that historical cost approximates fair value of the assets and liabilities of TSS/Vortech. As such, management estimates that a substantial portion of the excess purchase price will be allocated to non-amortizable intangible assets. These estimates are subject to change upon the finalization of the valuation of certain assets and liabilities and may be adjusted in accordance with the provisions of SFAS No. 141, *Business Combinations*. Management has preliminarily estimated that the transaction will result in $14.7 million of goodwill that is expected to be deductible for income tax purposes. Additionally, management estimated that approximately $20.4 million of the purchase price is allocable to customer-related intangible assets, which include non-contractual customer relationships, order backlog, and trade name. Such intangible assets will be amortized over periods ranging from one to fifteen years based upon factors such as customer relationships and contract periods.

We paid a premium (i.e., goodwill) over the fair value of the net tangible and preliminarily identified intangible assets acquired for a number of reasons, including the following:

- TSS/Vortech has a broad range of experience, contacts and service offerings in the mission critical facility industry. TSS/Vortech has a very experienced and committed management team with strong core competencies. TSS has a significant number of personnel with security clearances which is important in the homeland security industry.

- Our belief in TSS/Vortech’s business model and potential for growth, increasing demand in its industry and its complete service offering when compared to other similar companies. In addition TSS/Vortech can provide a platform to assist us in managing acquisitions in the future.

- TSS/Vortech has been building a national business development organization to expand beyond its current regional presence.

7

The total purchase price paid, including transaction costs of approximately $1.8 million, has been preliminarily allocated as follows:

| | | |
|---|---|---|
| Cash | $ | 11,000,000 |
| Common stock (2,602,813 shares valued per the purchase agreement) | | 14,211,359 |
| Convertible notes payable to sellers | | 10,000,000 |
| Transaction costs | | 1,773,068 |
| Total purchase price | | 36,984,427 |
| **Purchase price allocation:** | | |
| Current assets | | 9,377,244 |
| Property and equipment | | 904,689 |
| Intangible assets | | 20,395,300 |
| Goodwill | | 14,713,572 |
| Other assets | | 64,158 |
| Total assets acquired | | 45,454,963 |
| Current liabilities | | 8,391,012 |
| Long-term liabilities | | 79,524 |
| Total liabilities assumed | | 8,470,536 |
| Net assets acquired | $ | 36,984,427 |

The preliminary estimated value and the weighted-average amortization period of each of the components of intangible assets are as follows:

| | | **Estimated Value** | **Weighted-Average Amortization Period** | |
|---|---|---|---|---|
| Non-contractual customer relationships | $ | 16,100,000 | 8 | years |
| Order Backlog | | 456,300 | 1 | years |
| Trade Name | | 3,839,000 | 15 | years |
| | | | | |
| Total | $ | 20,395,300 | | |

Amortization expense totaling $681,183 and $1,210,235 has been included in the accompanying consolidated statement of operations related to the above intangibles, of which $114,075 and $202,673 is included in cost of revenue, for the three and six months ending June 30, 2007, respectively.

The results of operations for TSS/Vortech have been included in the Consolidated Statements of Operations from the acquisition date through June 30, 2007.

Unaudited pro forma results of operations are as follows. The amounts are shown as if the TSS acquisition had occurred on January 1, 2007:

| | Three months ended June 30, 2007 | 2006 |
|---|---|---|
| Proforma revenue | $ 10,862,307 | $ 18,445,839 |
| Proforma operating (loss) income | (2,650,114) | 454,297 |
| Proforma pretax (loss) income | (2,376,647) | 710,037 |
| Proforma net (loss) income | (2,558,964) | 468,624 |
| Net (loss) income per share (basic ) | (0.21) | 0.05 |
| Net (loss) income per share (diluted) | - | 0.05 |

| | Six months ended June 30, 2007 | 2006 |
|---|---|---|
| Proforma revenue | $ 20,951,381 | $ 34,726,161 |
| Proforma operating (loss) income | (4,597,471) | 1,164,763 |
| Proforma pretax (loss) income | (4,221,450) | 1,661,228 |
| Proforma net (loss) income | (3,872,125) | 1,096,410 |
| Net (loss) income per share (basic ) | (0.33) | 0.11 |
| Net (loss) income per share (diluted) | - | 0.11 |

This information is not necessarily indicative of the operational results that would have occurred if the acquisition had been consummated on the dates indicated nor is it necessarily indicative of future operating results of the combined enterprise.

**Comm Site of South Florida, Inc.**

On May 7, 2007 the Company purchased all of the assets of Comm Site of South Florida, Inc. for $150,000 paid in cash. In connection with this purchase, $135,000 has been allocated to Goodwill with the balance to other current assets and property and equipment, based on their historic cost which management believes approximates fair value.

**NOTE D - INVESTMENTS HELD IN TRUST**

The Company held certain investments in a trust account through January 19, 2007 consisting primarily of short term investments. All such investments have been disposed of as of June 30, 2007.

**NOTE E - INCOME (LOSS) PER SHARE**

Successor — Basic and diluted net loss per share information is presented in accordance with SFAS No. 128, *Earnings Per Share*. Basic loss per share is calculated by dividing the net loss attributable to common stockholders by the weighted-average common shares outstanding during the period. Diluted loss per share is calculated by dividing net loss attributable to common stockholders by the weighted average common shares outstanding which includes common stock equivalents. The Company's common stock equivalents consist of outstanding warrants. For the three and six months ended June 30, 2007, a total of 15,600,000 common stock equivalents, were excluded from the calculation of diluted income per share as their impact would have been anti-dilutive. In addition, any impact from the conversion of our convertible notes payable discussed in Note I are excluded from the computation of earnings per share since their conversion would also be anti-dilutive.

Weighted average common shares are calculated as follows:

| | **(Successor) Three Months Ended June 30,** | | **(Predecessor) Three Months Ended June 30,** | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| Net (loss) income allocable to common stockholders not subject to possible redemption | $ (2,558,964) | $ 190,839 | $ - | $ 1,252,500 |
| Weighted average number of shares outstanding - basic | 12,013,491 | 9,550,000 | - | - |
| Weighted average number of shares outstanding - diluted | | | | |