10. Financial Statements

NETXAR TECHNOLOGIES, INC.

INDEPENDENT AUDITORS' REPORT
AND
AUDITED FINANCIAL STATEMENTS

December 31, 2010 and 2009

SCHERRER
HERNANDEZ & CO.
Member of Polaris International

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Netxar Technologies, Inc.:

We have audited the accompanying balance sheets of Netxar Technologies, Inc. (the "Company") as of December 31, 2010 and 2009, and the related statements of operations and (accumulated deficit)/retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Company at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Scherrer Hernández & Co.

San Juan, Puerto Rico

March 3, 2011

Certified Public Accountants
(of Puerto Rico)
License No. 53 expires December 1, 2012
Stamp 2511723 of the P.R. Society of
Certified Public Accountants has been
affixed to the file copy of this report

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NETXAR TECHNOLOGIES, INC.
BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash	$ 532,850	$ 300,969
Accounts receivable	5,278,439	4,546,223
Accounts receivable from related parties	209,558	1,002,180
Purchase deposits	182,691	512,006
Prepaid expenses and other current assets	39,772	50,627
Total current assets	6,243,310	6,412,005
INVESTMENT IN AFFILIATE, at cost	542,236	-
PROPERTY AND EQUIPMENT, net	628,927	299,343
DEFERRED TAX ASSET	187,656	-
	$ 7,602,129	$ 6,711,348
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Lines of credit	$ 3,980,217	$ 1,972,992
Accounts payable	2,120,410	1,328,231
Accounts payable to related party	-	960,000
Obligations under capital leases, current portion	48,379	58,384
Accrued expense and other liabilities	677,304	408,499
Income tax payable	9,486	37,986
Total current liabilities	6,835,796	4,766,092
OBLIGATIONS UNDER CAPITAL LEASES, long-term portion	82,233	136,373
GRANT PAYABLE	514,826	539,826
Total liabilities	7,432,855	5,442,291
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY:		
Common stock, $10 par value, 20,000 shares authorized, issued and outstanding	200,000	200,000
(Accumulated deficit)/retained earnings	(30,726)	1,069,057
Total stockholders' equity	169,274	1,269,057
	$ 7,602,129	$ 6,711,348

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

NETXAR TECHNOLOGIES, INC.
STATEMENTS OF OPERATIONS AND
(ACCUMULATED DEFICIT)/RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
REVENUES:		
Consulting services	$ 2,055,873	$ 2,031,630
Software and equipment	11,830,425	9,168,639
Total revenues	13,886,298	11,200,269
LESS: COST OF SALES	(8,740,906)	(5,137,806)
GROSS PROFIT	5,145,392	6,062,463
OPERATING EXPENSES	7,168,265	5,611,193
(LOSS)/INCOME FROM OPERATIONS	(2,022,873)	451,270
OTHER INCOME/(EXPENSES):		
Miscellaneous income	12,578	11,355
Interest expense	(237,144)	(207,851)
Total other expenses	(224,566)	(196,496)
(LOSS)/INCOME BEFORE PROVISION FOR INCOME TAXES	(2,247,439)	254,774
PROVISION FOR INCOME TAXES:		
Income tax expense - Current portion	-	185,083
Income tax benefit - Deferred portion	(187,656)	-
Total provision for income taxes	(187,656)	185,083
(LOSS)/INCOME BEFORE EXTRAORDINARY ITEM	(2,059,783)	69,691
EXTRAORDINARY GAIN	960,000	-
NET (LOSS)/INCOME	$ (1,099,783)	$ 69,691
RETAINED EARNINGS, beginning of year	1,069,057	999,366
(ACCUMULATED DEFICIT)/RETAINED EARNINGS, end of year	$ (30,726)	$ 1,069,057

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

NETXAR TECHNOLOGIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS USED IN OPERATING ACTIVITIES:		
NET (LOSS)/INCOME	$ (1,099,783)	$ 69,691
ADJUSTMENTS TO RECONCILE NET (LOSS)/INCOME TO NET CASH USED IN OPERATING ACTIVITIES:		
Depreciation and amortization	84,606	94,588
Deferred tax provision	(187,656)	-
Gain on disposition of vehicle	-	(2,543)
Gain on nonmonetary exchange	(1,046)	-
Gain on extinguisment of debt	(960,000)	-
(Increase)/decrease in accounts receivable	(754,099)	223,946
(Increase)/decrease in accounts receivable from related parties	(76,516)	309,928
Decrease/(increase) in purchase deposits	329,315	(374,361)
Decrease in prepaid expenses and other current assets	10,855	65,654
Increase/(decrease) in accounts payable	792,179	(1,468,973)
Increase in accrued expenses and other liabilities	268,805	82,421
(Decrease)/increase in income tax payable	(28,500)	37,986
Total adjustments	(522,057)	(1,031,354)
Net cash used in operating activities	(1,621,840)	(961,663)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Capital expenditures	(20,896)	(36,217)
Insurance proceeds on disposition of vehicle	-	1,038
Net cash used in investing activities	(20,896)	(35,179)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:		
Net advances from lines of credit	1,953,875	1,211,859
Repayments of grant payable	(25,000)	-
Repayments of obligations under capital leases	(54,258)	(70,002)
Net cash provided by financing activities	1,874,617	1,141,857
NET INCREASE IN CASH	$ 231,881	$ 145,015
CASH, beginning of year	300,969	155,954
CASH, end of year	$ 532,850	$ 300,969
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid during the year	$ -	$ 30,250
Interest paid during the year	$ 237,144	$ 201,557

Continues

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

NETXAR TECHNOLOGIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

Continued

	2010	2009
SUPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accounts receivable written-off	$ 678,234	$ 869,420
Investment in affiliate through settlement of debt	$ 542,236	$ -
Issuance of accounts receivable from employees through obligations under capital leases	$ -	$ 28,123
Property and equipment acquired through settlement of accounts receivable from employees	$ 21,883	$ -
Property and equipment acquired through settlement of debt	$ 326,902	$ -
Property and equipment acquired through financing	$ 53,350	$ -
Property and equipment acquired through capital leases	$ -	$ 110,901
Capital lease obligation cancelled in exhange of property and equipment	$ 9,887	$ -
Disposal of property and equipment:		
Cost	$ 43,400	$ 15,694
Accumulated depreciation	$ 34,559	$ 5,251
Obligation under capital leases cancelled	$ 9,887	$ 11,321
Realized gain	$ 1,046	$ 2,543

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

1. NATURE OF BUSINESS

Netxar Technologies, Inc (the "Company") was organized under the laws of the Commonwealth of Puerto Rico on February 15, 2002. The Company is primarily engaged in the consulting, design, development, and sale of computer software and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America, and, as such, include amounts based on judgments, estimates, and assumptions made by management that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Following is a description of the more significant accounting policies followed by the Company:

Revenue/Expense Recognition - Consulting revenue is recognized as income when the services are rendered. Revenue from sale of software and equipment is recognized as income when the software or equipment is delivered to customer or when installation is completed. Expenses are recognized when incurred.

Cash Equivalents – The Company considers highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. There were no cash equivalents at December 31, 2010 and 2009.

Accounts Receivable - Accounts receivable are stated at their net realizable value.

Provision for Doubtful Accounts -- The provision for doubtful accounts is accounted for using the direct write-off method whereby an expense is recognized only when a specific account is determined to be uncollectible. The effect of using this method approximates that of the allowance method.

Purchase Deposits -- The Company recognizes as purchase deposits advanced purchases for the manufacturing of customers' equipment. As of December 31, 2010 and 2009, advance purchases amounted to approximately $183,000 and $512,000, respectively

Investment in Affiliate -- The Company accounts for its investment Netxar Technologies S.A. ("Netxar DR"), an affiliated company, under the cost method. Under such method, an investor recognizes as income dividends received that are distributed from net accumulated earnings of the investee since the date of acquisition by the investor.

Pursuant to the provisions of the Financial Accounting Standard Board ("FASB") authoritative guidance on the investments, the cost method is generally followed for most investments in noncontrolled corporations. As disclosed in Note 5, the Company will not have any voting rights nor will they exercise any significant influence in the management of Netxar DR. In addition, management represented that under no circumstances the percentage of ownership in Netxar DR will be equal to or exceed 20%.

Property and Equipment - Property and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the individual assets. Maintenance and repair costs that do not improve or extend the life of the respective assets are expensed as incurred. Costs of renewals and betterments are capitalized and amortized over their useful lives or the remaining lease term, whichever is shorter. When assets are sold or disposed of, their cost and related accumulated depreciation/amortization are removed from the accounts and any gain or loss is reflected in earnings.

Impairment of Long-Lived Assets – The Company evaluates for impairment long-lived assets held and used whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, an estimate of the future cash flows expected to result from the use of the asset and its eventual disposition must be made. If the sum of the future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized for the difference, if any, between the fair market value and the carrying value of the asset. There was no impairment loss for the years ended December 31, 2010 and 2009.

Income Taxes – The Company accounts for income taxes using an asset-liability approach that requires the recognition of deferred income tax assets or liabilities for the expected tax consequence of events that have been recognized in the Company's financial statements or tax returns. Deferred tax assets and liabilities are attributable primarily to temporary differences resulting from items of revenues and expenses, which are reported for tax purposes in a different year than for financial statements purposes. In assessing the realizability of the deferred tax assets, the Company considers whether it is more likely than not that the deferred tax assets will be realized, and establishes a valuation allowance when deemed necessary.

Beginning with the adoption of the FASB authoritative guidance on the accounting for uncertainty in income taxes as of January 1, 2009, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized.

Fair Value Measurement of Financial Instruments – Effective January 1, 2008, the Company is required to determine the fair values of its financial instruments based on the fair value hierarchy established in FASB's authoritative guidance for Fair Value Measurements. This guidance categorizes the fair value disclosures and distinguishes among quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and versus unobservable inputs (Level 3 measurements).

The Company's financial assets, as defined by this guidance at December 31, 2010 and 2009, includes cash, accounts receivables and accounts receivables from related parties, whereas the financial liabilities include accounts payable, accrued liabilities and accounts payable to a related party. The carrying amount for financial assets as well as for financial liabilities approximates fair value because of their current nature.

Advertising Costs – Advertising costs are expensed as incurred. Advertising costs expensed during the years ended December 31, 2010 and 2009, amounted to approximately $14,000 and $21,000, respectively.

Reclassifications -- Certain reclassifications have been made to the 2009 financial statements to conform with the 2010 financial statements presentation.

Recently Issued Accounting Guidance:

FASB Codification -- In June 2009, the FASB issued authoritative guidance that established the "FASB Accounting Standards Codification" ("Codification") as the single source of authoritative accounting guidance recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles in the United States. All guidance contained in the Codification carries an equal level of authority. On the effective date of this guidance, the Codification will supersede all then-existing non-SEC accounting and reporting guidances. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. This guidance is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Management updated the disclosures of these financial statements to conform to this guidance.

Subsequent Events -- In May 2009, the FASB issued authoritative guidance for the accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This guidance does not apply to subsequent events or transactions that are within the scope of other applicable GAAP that provide different guidance on the accounting treatment for subsequent events or transactions. This guidance is effective for interim and annual periods ending after June 15, 2009, and is required to be applied prospectively. The Company evaluated subsequent events through March 3, 2011, the date on which the financial statements were available to be issued. There are no material subsequent events aside from those disclosed in Note 14 that would require further disclosure in the Company's financial statements.

Fair Value Option for Financial Assets and Financial Liabilities -- In February 2007, the FASB issued authoritative guidance which provides companies with an option to report selected financial assets and liabilities at fair value. This guidance also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. It also requires entities to display the fair value of those assets and liabilities for which the company has chosen to use fair value on the face of the balance sheet. This new guidance does not eliminate disclosure requirements included in other accounting guidance, authoritative guidance on fair value measurements and disclosures about fair value of financial instruments. Early adoption is permitted, provided that the entity also elects to apply the provisions of FASB authoritative guidance on fair vale measurements. The adoption of this guidance did not affect the Company's assets or liabilities.

Fair Value Measurements and Disclosures -- In September 2006, the FASB issued authoritative guidance for fair value measurements which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. This guidance does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting authoritative guidance and is effective for fiscal years beginning after November 15, 2007. Effective January 1, 2009, the Company adopted this guidance which did not have a material impact on the Company's financial position or results of operations during the years ended December 31, 2010 and 2009.

In August 2009, FASB issued the Accounting Standards Update 2009-05, Measuring Liabilities at Fair Value, which includes amendments to original guidance related to fair value measurements and Disclosures, for the fair value measurement of liabilities. Such update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques: a valuation technique that uses (a) the quoted price of the identical liability when traded as an asset, (b) quoted prices for similar liabilities or similar liabilities when traded as assets, or another valuation technique that is consistent with the principles of the Codification. Examples would be an income approach, such as a present value technique, or a market approach, such as a technique that is based on the amount at the measurement date that the reporting entity would pay to transfer the identical liability or would receive to enter into an identical liability. The adoption of this guidance was effective upon its issuance in August 2009 and did not have a material impact on the Company's financial statements.

Accounting for Uncertainty in Income Taxes -- In 2006, the FASB issued authoritative guidance which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This guidance prescribes a recognition threshold and measurement attribute, as well as criteria for subsequently recognizing, derecognizing and measuring uncertain tax positions for financial statements purposes. It also requires expanded disclosures with respect to the uncertainty in income taxes. In December 2008, the FASB amended the original guidance issued in June 2006, which defers the effective date for nonpublic enterprises for fiscal years beginning after December 15, 2008, and should be applied as of the beginning of the enterprise's fiscal year. Management adopted this guidance during the year ended December 31, 2009.

In September 2009, FASB issued the Accounting Standard Update No. 2009-06, *Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities,* which provides additional implementation guidance on the accounting for uncertainty in income taxes. The update establishes that if income taxes paid by the entity are attributable to the entity, the transaction should be accounted consistent with previously authoritative guidance for uncertainty in income taxes. If income taxes paid by the entity are attributable to the owners, the transaction should be recorded as a transaction with owners. This update also clarifies that management's determination of the taxable status of the entity is a tax position subject to the standards required for uncertainty in income taxes and that a reporting entity must consider the tax positions of all entities within a related group of entities regardless of the tax status of the reporting entity.

This accounting update is effective for financial statements issued for interim and annual periods beginning after September 15, 2009. Management adopted this guidance on the Company's financial statements as of and for the year ended December 31, 2010.

Other Recent Accounting Updates - During the year ended December 31, 2010, the FASB issued other accounting standard updates that were not relevant to the Company's operations.

3. ACCOUNTS RECEIVABLE

At December 31, 2010 and 2009, accounts receivable consist of:

	2010	2009
Accounts receivable trade	$ 5,179,178	$ 4,497,914
Accounts receivable from employees	3,000	48,309
Other accounts receivable	96,261	-
Total accounts receivable	$ 5,278,439	$ 4,546,223

4. INVESTMENT IN AFFILIATE

On December 31, 2010, the Company entered into an agreement with Netxar Technologies, S.A. ("Netxar DR"), pursuant to which the Company made a capital contribution to Netxar DR. The amount of the capital contribution was $542,236, which was equal to the amounts owed by Netxar DR to the Company as of December 31, 2010.

In exchange for the capital contribution, Netxar DR will issue 542,235 units of non-voting membership interests to the Company (the "Membership Units"). The Membership Units will not have any voting rights nor will they exercise any significant influence in the management of Netxar DR. The Membership Units will not have any dividend preferences. Prior to issuing the Membership Units, the Shareholders and Board of Directors of Netxar DR will determine the percentage of Netxar DR's future earnings and profits that will be available for distribution to the owners of the Membership Units.

5. PROPERTY AND EQUIPMENT

At December 31, 2010 and 2009, property and equipment consist of:

	Useful Lives (in years)	2010	2009
Furniture and fixtures	3 - 10	$ 154,735	$ 68,163
Machinery and equipment	5 - 10	278,636	204,389
Leasehold improvements	10	357,203	116,873
Equipment under capital lease	10	15,046	15,046
Vehicles under capital leases	5	244,171	324,514
Net depreciable assets		1,049,791	728,985
Less: Accumulated depreciation and amortization		(420,864)	(429,642)
		$ 628,927	$ 299,343

6. LINES OF CREDIT

At December 31, 2010 and 2009, the Company had available a revolving line of credit with a financial institution of up to $6 million, for which another financial institution holds a participation interest of 33.34%, to finance working capital needs, inventory purchases and financing of the accounts receivable arising in the normal course of business. The line of credit bears interest at 2% over Prime Rate, but shall never be lower than 5.75% per annum (5.25% at December 31, 2010 and 2009). Advances under this facility will be disbursed at borrower's request up to an amount equal to the sum of 70% of eligible accounts receivables up to 120 days past invoice date on private accounts and 180 days past invoice date on government accounts. The line of credit is collateralized by a mortgage note on commercial property owned by a related party and a pledge of the Company's investment property consisting of 50% of the currently issued and outstanding shares of common stock and accounts receivables and guaranteed by the Company's stockholders and related parties. The outstanding balance under this facility as of December 31, 2010 and 2009, amounted to $1,880,273 and $1,776,366, respectively.

The Company is required to establish a marginal account under the exclusive control and dominion of the financial institution where all collections of the eligible account receivables shall be deposited. The bank applies all funds in this account to the payment of the facility and after covering obligations, excess funds are transferred to the Company's existing operating account. At December 31, 2010 and 2009, restricted cash in the marginal account amounted to $99 and $236,894, respectively, and is presented net of the line of credit in the accompanying balance sheets.

On August 20, 2010, the Company entered into an agreement for a revolving line of credit with a financial institution of up to $1.5 million, to finance accounts receivable arising from sales to international markets. The line of credit bears interest at 2% over Primer Rate, but shall never be lower than 5.75% per annum (5.25% at December 31, 2010). Advances under this facility will be disbursed at borrower's request up to an amount equal to the sum of 85% of eligible accounts receivables up to 120 days past invoice date from sales to international markets. The line of credit is collateralized by a mortgage note on commercial property owned by a related party and a pledge of the Company's investment property consisting of 50% of the currently issued and outstanding shares of common stock and accounts receivable and guaranteed by the Company's stockholders and related parties.

In connection with the credit facility of $1.5 million, the Company is required to establish a marginal account under the exclusive control and dominion of the financial institution where all collections of the eligible account receivables shall be deposited. The bank applies all funds in this account to the payment of the facility and after covering such obligations; excess funds will be transferred to the Company's existing operating account. At December 31, 2010, there was no restricted cash in the marginal account.

In addition, at December 31, 2010 and 2009, the Company had a revolving line of credit with another financial institution of up to $1 million, bearing interest at 2% over Prime Rate, but shall never be lower than 6.50% per annum (5.25% at December 31, 2010 and 2009). The line of credit matures on January 15, 2011. Advances under this facility shall not exceed at any time the sum of 60% of the net amount from governmental accounts with an aging between 181 days and up to 365 days. The line of credit is collateralized by a pledge in cash, accounts receivable and personal property and guaranteed by the Company's stockholders and related parties. As of December 31, 2010 and 2009, the Company had no borrowings outstanding under this credit facility.

These credit facilities require the Company to comply with certain restrictive covenants, which, in the event of non-compliance, provide the financial institution the right to declare the outstanding debt as due and payable in cancellation of the Agreement. At December 31, 2010, the Company was not in compliance with certain of the prescribed covenants; however, a waiver was not requested since, as disclosed in Note 14, the lines of credit were cancelled subsequent to December 31, 2010. The financial statements do not include any adjustment that might result from these non-compliance events.

In addition, at December 31, 2010 and 2009, the Company had two credit facilities in the amount of $2,000,000 and $300,000 for the purchase of products. Advances under these credit facilities are payable within 90 and 30 days, respectively, from the supplier's invoice date. These credit facilities bear interest at variable rates. The outstanding balance under these credit facilities as of December 31, 2010 and 2009, amounted to 2,099,944 and $196,626, respectively.

7. OBLIGATIONS UNDER CAPITAL LEASES

The Company finances the acquisition of vehicles and operating equipment through capital leases from various financial institutions.

Capital leases outstanding as of December 31, 2010, are payable in monthly installments of principal and interest ranging from $369 to $1,006, through the year 2014. The obligations under capital leases are secured by the corresponding vehicle and operating equipment and bear interest at rates ranging from 4.96% to 11.10%.

The future minimum payments under capital leases and the net present value of the future minimum lease payments at December 31, 2010, were as follow:

Year Ending December 31,	Amount
2011	$ 58,200
2012	54,933
2013	33,053
2014	4,199
Total minimum lease payments	150,385
Less: Amount representing interest	(19,773)
Present value of future minimum lease payments	130,612
Less: Current portion	(48,379)
Obligations under capital leases, long-term portion	$ 82,233

8. GRANT PAYABLE

In May 2002, the Puerto Rico Industrial Development Company ("PRIDCO") approved a grant of $750,000 to the Company for the acquisition of machinery and equipment to be used in their laboratories for scientific and technical investigation and certain costs incurred for research and development of new industrial products. The grant is secured with the same machinery and equipment purchased from the grant's proceeds.

In April 2010, the Company entered into an agreement with PRIDCO for the repayment of the outstanding debt under the grant. The agreement consists of an initial payment of $25,000, plus 10 consecutive annual payments of $51,483, beginning on December 1, 2010, and a final payment amounting to $35,587 due on December 31, 2020. The note bears interest at 1.25% per annum. As of December 31, 2010 and 2009, the grant payable amounted to $514,826 and 539,826, respectively.

9. RELATED PARTY TRANSACTIONS

The Company is a member of a group of affiliated companies and has extensive transactions and relationships with members of the group. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

Accounts receivable from related parties represent cash advances and/or payments made by the Company on behalf of related parties.

As of December 31, 2009, the account payable to related party consists on an amount due to a related party for management services rendered during the year ended December 31, 2007. On March 10, 2010, the balance due to the related party was condoned. As a result, the Company recorded an extraordinary gain amounting to $960,000 during the year ended December 31, 2010.

The Company leases office space and parking from a related party under an operating lease agreement expiring in December 2011, with an option to renew. On January 1, 2011, the Company renewed the term of the lease for an additional five-year period expiring in December 2015. Rent expense under this agreement amounted to $144,000 for the years ended December 31, 2010 and 2009.

At December 31, 2010, the future minimum lease payments under the lease agreement are as follows:

Year Ending December 31,	Amount
2011	$ 144,000
2012	144,000
2013	144,000
2014	144,000
2015	144,000
	$ 720,000

10. COMMON STOCK

On March 12, 2010, one of the Company's stockholders sold his 50% participation of all issued and outstanding shares of the Company's common stock to a third party.

11. INCOME TAXES

The Company has been granted an exemption under the provisions of law No. 135 of the 1997 Industrial Incentive Act, subject to certain requirements, from Puerto Rico income, property and municipal taxes related to the research and development of computer software and the designated services for the development of computer software to be export. Under the tax exemption grant, the Company's business is subject to a fixed income tax rate of 7% on its industrial development income in excess of $15,000, 90% exempt from real and personal property taxes and 60% exempt from municipal taxes for a period of 10 years, expiring in 2017.

At December 31, 2010, the deferred tax asset is related to an operating loss carryover.

As of December 31, 2010, the Company has net operating losses amounting to $1,258,593 available to offset future taxable income, expiring on 2020.

The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Management considers projected future taxable income, and tax planning strategies in making this assessment. Based upon the level on projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely that the Company will realize the benefits of deductible differences.

In June 2006, the FASB issued authoritative guidance on accounting for uncertainty in income taxes that prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of income tax uncertainties with respect to positions taken or expected to be taken on income tax returns. However, the Company adopted the accounting for uncertainty in income taxes effective January 1, 2009, since the implementation of this authoritative accounting guidance was deferred for non-public entities with years beginning after December 15, 2008.

The Company adopted the provisions of the FASB authoritative guidance on the accounting for uncertainty in income taxes as of January 1, 2009. Under the authoritative accounting guidance, income tax benefits are recognized and measured based upon a two-step model: 1) a tax position must be more likely than not to be sustained based solely on its technical merits in order to be recognized, and 2) the benefit is measured as the largest dollar amount of that position that is more likely than not to be sustained upon settlement. The difference between the benefit recognized in accordance with this model and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit. No adjustment was required as of December 31, 2010. For the year ended December 31, 2009, the Company recognized $56,382, including interest, as an increase in the liability for unrecognized tax benefits, which was included as part of accrued expenses and other liabilities in the accompanying balance sheet.

12. RISK CONCENTRATIONS

Financial instruments that potentially expose the Company to certain concentration of credit risks include cash in bank accounts. The Company maintains accounts at high quality financial institutions. While the Company attempts to limit any financial exposure, its deposits balances may, at times, exceed federally insured limits. As December 31, 2010 and 2009, the Company exceeded the insured limit by $249,183 and $45,455, respectively. The Company has not experienced any losses on such accounts.

As of December 31, 2010, approximately 21% and 27% of the Company's revenues and accounts receivable, respectively, were derived from one governmental agency. In addition, 17% of the Company's accounts receivable was derived from one customer.

As of December 31, 2009, 21% and 44% of the Company's revenues and accounts receivable, respectively, were derived from a governmental agency. In addition, 13% of the Company's accounts receivable was derived from one customer.

13. CONTINGENCIES

The Company is defendant in various legal proceedings arising in the normal course of business. Based on the advice of legal counsel and on the development of these matters to date, management considers that the ultimate aggregate liability, if any, resulting from these proceedings will not have a material adverse effect on the Company's financial position and results of its operations.

14. SUBSEQUENT EVENTS

As of the date of our report, the Company's percentage of ownership in Netxar DR, as disclosed in Note 5 to the financial statements, has not been determined.

As disclosed in Note 9 to the financial statements, on January 1, 2011, the Company renewed the term of the lease agreement with a related party for an additional five-year period expiring in December 2015.

On January 13, 2011, the Company's stockholders entered into an Exchange and Distribution Agreement, whereas the stockholders' transferred their participation of all issued and outstanding shares of the Company's common stock to Netxar Group Limited ("Netxar Group"), an international business company organized under the laws of Saint Lucia, in exchanged for the issuance of shares of Netxar Group. As a result of this transaction, Netxar Group became the sole stockholder of the Company.

On January 13, 2011, the Company cancelled the revolving lines of credit held with a financial institution of up to $6 million and $1.5 million, respectively, as disclosed in Note 6.

On January 15, 2011, the Company decided not to renew the line of credit held with another financial institution of up to $1 million, as disclosed in Note 6.

NETXAR TECHNOLOGIES, INC.

INDEPENDENT AUDITORS' REPORT
AND
AUDITED FINANCIAL STATEMENTS

December 31, 2009

SCHERRER
HERNANDEZ & CO.
Member of Polaris International

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Netxar Technologies, Inc.:

We have audited the accompanying balance sheet of Netxar Technologies, Inc. (the "Company") as of December 31, 2009, and the related statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Company at December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Scherrer Hernández & Co.

San Juan, Puerto Rico

June 30, 2010

Certified Public Accountants
(of Puerto Rico)
License No. 53 expires December 1, 2012
Stamp 2511120 of the P.R. Society of
Certified Public Accountants has been
affixed to the file copy of this report

PO Box 363436, San Juan, PR 00936-3436 Tel. (787) 754-3999 Fax (787) 754-3105

NETXAR TECHNOLOGIES, INC.
BALANCE SHEET
DECEMBER 31, 2009

	2009
ASSETS	
CURRENT ASSETS:	
Cash	$ 300,969
Accounts receivable	4,546,223
Accounts receivable from related parties	1,002,180
Purchase deposits	512,006
Prepaid expenses and other current assets	50,627
Total current assets	6,412,005
PROPERTY AND EQUIPMENT, net	299,343
	$ 6,711,348
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Lines of credit	$ 1,972,992
Accounts payable	1,328,231
Accounts payable to related party	960,000
Obligations under capital leases, current portion	58,384
Accrued expense and other liabilities	408,499
Income tax payable	37,986
Total current liabilities	4,766,092
OBLIGATIONS UNDER CAPITAL LEASES, long-term portion	136,373
GRANT PAYABLE	539,826
Total liabilities	5,442,291
COMMITMENTS AND CONTINGENCIES	-
STOCKHOLDERS' EQUITY:	
Common stock, $10 par value, 20,000 shares authorized, issued and outstanding	200,000
Retained earnings	1,069,057
Total stockholders' equity	1,269,057
	$ 6,711,348

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

NETXAR TECHNOLOGIES, INC.
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009
REVENUES:	
Consulting services	$ 2,031,630
Software and equipment	9,168,639
Total revenues	11,200,269
LESS: COST OF SALES	5,137,806
GROSS PROFIT	6,062,463
OPERATING EXPENSES	5,611,193
INCOME FROM OPERATIONS	451,270
OTHER INCOME/(EXPENSES):	
Miscellaneous income	11,355
Interest expense	(207,851)
Total other expenses	(196,496)
INCOME BEFORE PROVISION FOR INCOME TAXES	254,774
PROVISION FOR INCOME TAXES	185,083
NET INCOME	$ 69,691
RETAINED EARNINGS, beginning of year	999,366
RETAINED EARNINGS, end of year	$ 1,069,057

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

NETXAR TECHNOLOGIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009
CASH FLOWS USED IN OPERATING ACTIVITIES:	
NET INCOME	$ 69,691
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH USED IN OPERATING ACTIVITIES:	
Depreciation and amortization	94,588
Provision for doubtful accounts	869,420
Gain on disposition of vehicle	(2,543)
Increase in accounts receivable	(645,474)
Decrease in accounts receivable from related parties	309,928
Decrease in prepaid expenses and other current assets	65,654
Increase in purchase deposits	(374,361)
Decrease in accounts payable	(1,468,973)
Increase in accrued expenses and other liabilities	82,421
Increase in income tax payable	37,986
Total adjustments	(1,031,354)
Net cash used in operating activities	(961,663)
CASH FLOWS USED IN INVESTING ACTIVITIES:	
Capital expenditures	(36,217)
Insurance proceeds on disposition of vehicle	1,038
Net cash used in investing activities	(35,179)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:	
Advances from lines of credit	11,479,959
Repayments of lines of credit	(10,268,100)
Repayments of obligations under capital leases	(70,002)
Net cash provided by financing activities	1,141,857
NET INCREASE IN CASH	$ 145,015
CASH, beginning of year	155,954
CASH, end of year	$ 300,969
SUPPLEMENTAL CASH FLOW INFORMATION:	
Income taxes paid during the year	$ 30,250
Interest paid during the year	$ 201,557

Continues

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

NETXAR TECHNOLOGIES, INC.

INDEPENDENT AUDITORS' REPORT
AND
AUDITED FINANCIAL STATEMENTS

December 31, 2009

SCHERRER
HERNANDEZ & CO.
Member of Polaris International

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Netxar Technologies, Inc.:

We have audited the accompanying balance sheet of Netxar Technologies, Inc. (the "Company") as of December 31, 2009, and the related statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Company at December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Scherrer Hernández & Co.

San Juan, Puerto Rico

June 30, 2010

Certified Public Accountants
(of Puerto Rico)
License No. 53 expires December 1, 2012
Stamp 2511120 of the P.R. Society of
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NETXAR TECHNOLOGIES, INC.
BALANCE SHEET
DECEMBER 31, 2009

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STOCKHOLDERS' EQUITY:	
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	$ 6,711,348

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

NETXAR TECHNOLOGIES, INC.
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2009

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NETXAR TECHNOLOGIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

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SUPPLEMENTAL CASH FLOW INFORMATION:	
Income taxes paid during the year	$ 30,250
Interest paid during the year	$ 201,557

Continues

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

NETXAR TECHNOLOGIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

Continued

		2009
SUPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of accounts receivable from employees through obligations under capital leases	$	28,123
Disposal of property and equipment:		
Cost	$	15,694
Accumulated depreciation	$	5,251
Obligation under capital leases cancelled	$	11,321
Realized gain	$	1,068
Property and equipment acquired through capital leases	$	110,901
Accounts receivable written-off	$	869,420

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

1. NATURE OF BUSINESS

Netxar Technologies, Inc. (the "Company") was organized under the laws of the Commonwealth of Puerto Rico on February 15, 2002. The Company is primarily engaged in the consulting, design, development, and sale of computer software and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America, and, as such, include amounts based on judgments, estimates, and assumptions made by management that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Following is a description of the more significant accounting policies followed by the Company:

Revenue/Expense Recognition – Consulting revenue is recognized as income when the services are rendered. Revenue from sale of software and equipment is recognized as income when the software or equipment is delivered to customer or when installation is completed. Expenses are recognized when incurred.

Cash Equivalents – The Company considers highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. There were no cash equivalents at December 31, 2009.

Accounts Receivable – Accounts receivable are stated at their net realizable value.

Provision for Doubtful Accounts – The provision for doubtful accounts is accounted for using the direct write-off method whereby an expense is recognized only when a specific account is determined to be uncollectible. The effect of using this method approximates that of the allowance method.

Purchase Deposits – The Company recognizes as purchase deposits advanced purchases for the manufacturing of customers' equipment. As of December 31, 2009, advance purchases amounted to approximately $512,000.

Property and Equipment - Property and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the individual assets. Maintenance and repair costs that do not improve or extend the life of the respective assets are expensed as incurred. Costs of renewals and betterments are capitalized. When assets are sold or disposed of, their cost and related accumulated depreciation/amortization are removed from the accounts and any gain or loss is reflected in earnings.

Impairment of Long-Lived Assets – The Company evaluates for impairment long-lived assets held and used whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, an estimate of the future cash flows expected to result from the use of the asset and its eventual disposition must be made. If the sum of the future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized for the difference, if any, between the fair market value and the carrying value of the asset. There was no impairment loss for the year ended December 31, 2009.

Income Taxes – The Company accounts for income taxes using an asset-liability approach that requires the recognition of deferred income tax assets or liabilities for the expected tax consequence of events that have been recognized in the Company's financial statements or tax returns. Deferred tax assets and liabilities are attributable primarily to temporary differences resulting from items of revenues and expenses, which are reported for tax purposes in a different year than for financial statements purposes. In assessing the realizability of the deferred tax assets, the Company considers whether it is more likely than not that the deferred tax assets will be realized, and establishes a valuation allowance when deemed necessary.

Beginning with the adoption of the FASB authoritative guidance on the accounting for uncertainty in income taxes as of January 1, 2009, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized.

Fair Value Measurement of Financial Instruments – Effective January 1, 2008, the Company is required to determine the fair values of its financial instruments based on the fair value hierarchy established in FASB's authoritative guidance for Fair Value Measurements. This guidance categorizes the fair value disclosures and distinguishes among quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and versus unobservable inputs (Level 3 measurements).

The Company's financial assets, as defined by this guidance at December 31, 2009, includes cash, accounts receivables and accounts receivables from related parties, whereas the financial liabilities include accounts payable, accrued liabilities and accounts payable to a related party. The carrying amount for financial assets as well as for financial liabilities approximates fair value because of their current nature.

Advertising Costs – Advertising costs are expensed as incurred. Advertising costs expensed during the year ended December 31, 2009, amounted to approximately $22,000.

Recently Issued Accounting Guidance:

FASB Codification – In June 2009, the FASB issued authoritative guidance that established the "FASB Accounting Standards Codification" ("Codification") as the single source of authoritative accounting guidance recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles in the United States. All guidance contained in the Codification carries an equal level of authority. On the effective date of this guidance, the Codification will supersede all then-existing non-SEC accounting and reporting guidances. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. This guidance is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Management updated the disclosures of these financial statements to conform to this guidance.

Subsequent Events – In May 2009, the FASB issued authoritative guidance for the accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This guidance does not apply to subsequent events or transactions that are within the scope of other applicable GAAP that provide different guidance on the accounting treatment for subsequent events or transactions. This guidance is effective for interim and annual periods ending after June 15, 2009, and is required to be applied prospectively. The Company evaluated subsequent events through June 30, 2010, the date on which the financial statements were available to be issued.

Fair Value Option for Financial Assets and Financial Liabilities – In February 2007, the FASB issued authoritative guidance which provides companies with an option to report selected financial assets and liabilities at fair value. This guidance also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. It also requires entities to display the fair value of those assets and liabilities for which the company has chosen to use fair value on the face of the balance sheet. This new guidance does not eliminate disclosure requirements included in other accounting guidance, authoritative guidance on fair value measurements and disclosures about fair value of financial instruments. Early adoption is permitted, provided that the entity also elects to apply the provisions of FASB authoritative guidance on fair vale measurements. The adoption of this guidance did not affect the Company's assets or liabilities.

Fair Value Measurements and Disclosures – In September 2006, the FASB issued authoritative guidance for fair value measurements which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. This guidance does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting authoritative guidance and is effective for fiscal years beginning after November 15, 2007. Effective January 1, 2009, the Company adopted this guidance which did not have a material impact on the Company's financial position or results of operations during the year ended December 31, 2009.

In August 2009, FASB issued the Accounting Standards Update 2009-05, Measuring Liabilities at Fair Value, which includes amendments to original guidance related to fair value measurements and Disclosures, for the fair value measurement of liabilities. Such update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques: a valuation technique that uses (a) the quoted price of the identical liability when traded as an asset, (b) quoted prices for similar liabilities or similar liabilities when traded as assets, or another valuation technique that is consistent with the principles of the Codification. Examples would be an income approach, such as a present value technique, or a market approach, such as a technique that is based on the amount at the measurement date that the reporting entity would pay to transfer the identical liability or would receive to enter into an identical liability. The adoption of this guidance was effective upon its issuance in August 2009 and did not have a material impact on the Company's financial statements.

Accounting for Uncertainty in Income Taxes – In 2006, the FASB issued authoritative guidance which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This guidance prescribes a recognition threshold and measurement attribute, as well as criteria for subsequently recognizing, derecognizing and measuring uncertain tax positions for financial statements purposes. It also requires expanded disclosures with respect to the uncertainty in income taxes. In December 2008, the FASB amended the original guidance issued in June 2006, which defers the effective date for nonpublic enterprises for fiscal years beginning after December 15, 2008, and should be applied as of the beginning of the enterprise's fiscal year. Management adopted this guidance during the year ended December 31, 2009.

In September 2009, FASB issued the Accounting Standard Update No. 2009-06, *Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities,* which provides additional implementation guidance on the accounting for uncertainty in income taxes. The update establishes that if income taxes paid by the entity are attributable to the entity, the transaction should be accounted consistent with previously authoritative guidance for uncertainty in income taxes. If income taxes paid by the entity are attributable to the owners, the transaction should be recorded as a transaction with owners. This update also clarifies that management's determination of the taxable status of the entity is a tax position subject to the standards required for uncertainty in income taxes and that a reporting entity must consider the tax positions of all entities within a related group of entities regardless of the tax status of the reporting entity.

This accounting update is effective for financial statements issued for interim and annual periods beginning after September 15, 2009. Management adopted this guidance on the Company's financial statements as of and for the year ended December 31, 2009.

Other Recent Accounting Updates – During the year ended December 31, 2009, the FASB issued other accounting standard updates that were not relevant to the Company's operations.

3. ACCOUNTS RECEIVABLE

At December 31, 2009, accounts receivable consist of:

	2009
Accounts receivable trade	$ 4,497,914
Accounts receivable from employees	48,309
Total accounts receivable	$ 4,546,223

4. PROPERTY AND EQUIPMENT

At December 31, 2009, property and equipment consist of:

	Useful Lives (in years)	2009
Furniture and fixtures	3 - 10	$ 68,163
Machinery and equipment	5 - 10	219,435
Leasehold improvements	10	116,873
Vehicles under capital leases	5	324,514
Net depreciable assets		728,985
Less: Accumulated depreciation and amortization		(429,642)
		$ 299,343

5. LINES OF CREDIT

At December 31, 2009, the Company had available a revolving line of credit with a financial institution of up to $6 million, for which another financial institution holds a participation interest of 33.34%, to finance working capital needs, inventory purchases and financing of the accounts receivable arising in the normal course of business. The line of credit bears interest at 2% over Prime Rate, but shall never be lower than 5.75% per annum (4.47% at December 31, 2009). Advances under this facility will be disbursed at borrower's request up to an amount equal to the sum of 70% of eligible accounts receivables up to 120 days past invoice date on private accounts and 180 days past invoice date on government accounts. The line of credit is collateralized by a mortgage note on commercial property owned by a related party and a pledge of the Company's investment property consisting of 50% of the currently issued and outstanding shares of common stock and accounts receivables and guaranteed by the Company's stockholders and related parties. The outstanding balance under this facility as of December 31, 2009, amounted to $1,776,366.

The Company is required to establish a marginal account under the exclusive control and dominion of the financial institution where all collections of the eligible account receivables shall be deposited. The bank applies all funds in this account to the payment of the facility and after covering obligations, excess funds are transferred to the Company's existing operating account. At December 31, 2009, restricted cash in the marginal account amounted to $236,894 and is presented net of the line of credit in the accompanying balance sheet.

In addition, at December 31, 2009, the Company had a revolving line of credit with another financial institution of up to $1 million, bearing interest at 2% over Prime Rate, but shall never be lower than 6.50% per annum (4.47% at December 31, 2009). Advances under this facility shall not exceed at any time the sum of 60% of the net amount from governmental accounts with an aging between 181 days and up to 365 days. The line of credit is collateralized by a pledge in cash, accounts receivable and personal property and guaranteed by the Company's stockholders and related parties. As of December 31, 2009, the Company paid in full the outstanding balance under this credit facility.

NETXAR TECHNOLOGIES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

MARQUES-GUILLERMETY AND CO.
Certified Public Accountants
San Juan, Puerto Rico

MARQUES - GUILLERMETY AND CO.
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

PO Box 366067
San Juan, PR 00936-6067

73 Chile Street
San Juan, PR 00917
Tel.: (787) 753-8340
Fax: (787) 756-8800

Independent Auditor's Report
To the Board of Directors and Stockholders of
NETXAR TECHNOLOGIES, INC.

We have audited the accompanying balance sheets of **NETXAR TECHNOLOGIES, INC.** as of December 31, 2008 and 2007, and the related statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

MARQUES-GUILLERMETY & CO.

2394365

MARQUES - GUILLERMETY & CO
PUERTO RICO
Certified Public Accountants

License #117
Expires December 1st., 2010
April 9, 2009

NETXAR TECHNOLOGIES, INC.

BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

ASSETS

	2008	2007
CURRENT ASSETS		
Cash	$ 155,954	$ 201,180
Accounts receivable - Trade	4,727,330	5,894,133
Accounts receivable - Other	14,716	52,218
Accounts receivable - Related party	352,108	-0-
Prepaid expenses	116,281	40,000
Purchase deposits	137,645	-0-
Total Current Assets	5,504,034	6,187,531
PROPERTY AND EQUIPMENT - AT COST		
Leasehold improvements	116,873	116,873
Machinery and equipment	147,003	116,680
Furniture and fixtures	68,163	58,112
Motor vehicles	265,522	245,834
	597,561	537,499
Less: Accumulated depreciation and amortization	340,305	250,125
	257,256	287,374
	$5,761,290	$6,474,905

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

NETXAR TECHNOLOGIES, INC.

BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

LIABILITIES AND STOCKHOLDERS' EQUITY

	2008	2007
CURRENT LIABILITIES		
Demand notes payable	$ 761,133	$ 906,768
Current portion of long term debt	169,722	48,227
Accounts payable - Trade	2,797,204	3,517,287
Accounts payable - Related party	-0-	63,799
Accrued expense payable	326,078	163,661
Income tax payable	-0-	224,696
Total Current Liabilities	4,054,137	4,924,438
LONG TERM-DEBT	507,787	643,809
COMMITMENTS		
STOCKHOLDERS' EQUITY		
Common stock, $10 par value, 20,000 shares authorized, and outstanding	200,000	200,000
Retained earnings	999,366	706,658
	1,199,366	906,658
	$5,761,290	$6,474,905

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

NETXAR TECHNOLOGIES, INC.

STATEMENTS OF INCOME AND RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
NET SALES	$10,877,839	$14,474,447
COST OF SALES	5,396,604	8,583,693
GROSS PROFIT	5,481,235	5,890,754
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	4,932,401	4,849,047
Income from operations	548,834	1,041,707
OTHER INCOME (EXPENSE)		
Miscellaneous income	136,400	107,732
Interest expense	(206,316)	(366,697)
	(69,916)	(258,965)
INCOME BEFORE INCOME TAX	478,918	782,742
Income tax	186,210	314,376
NET INCOME	292,708	468,366
RETAINED EARNINGS, AT BEGINNING OF YEAR	706,658	238,292
RETAINED EARNINGS AT END OF YEAR	$ 999,366	$ 706,658

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

NETXAR TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS USED BY OPERATING ACTIVITIES		
Net income	$ 292,708	$ 468,366
Non-cash items included in net income:		
Depreciation and amortization	90,180	74,534
Bad Debts	50,555	22,329
Decrease (increase) in:		
Accounts receivable - Trade	1,116,248	(823,949)
Accounts receivable - Other	37,502	(3,789)
Prepaid expenses	(76,281)	(25,644)
Purchase deposits	(137,645)	-0-
(Decrease) increase in:		
Accounts payable - Trade	(720,083)	(376,432)
Accounts payable - Related party	(63,799)	9,799
Accounts payable - Other	-0-	(12,508)
Accrued expense payable	162,417	143,435
Income tax payable	(224,696)	165,740
Net cash provided (used) by operating activities	527,106	(358,119)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Increase in accounts receivable - Related party	(352,108)	-0-
Purchases of property and equipment	(60,062)	(53,189)
Net cash used by investing activities	(412,170)	(53,189)
CASH FLOWS USED BY FINANCING ACTIVITIES		
Increase (decrease) in demand notes payable	(145,635)	(1,472,492)
Increase (decrease) in short-term debt	121,495	(256)
Decrease in long-term debt (net)	(136,022)	(4,714)
Net cash used by financing activities	(160,162)	(1,477,462)
DECREASE IN CASH	(45,226)	(1,888,770)
CASH AT BEGINNING OF YEAR	201,180	2,089,950
CASH AT END OF YEAR	$ 155,954	$ 201,180

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

NETXAR TECHNOLOGIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Company was incorporated on February 15, 2002 under the laws of the Commonwealth of Puerto Rico and is engaged in the consulting, design, development and sale of computer software and equipment.

SIGNIFICANT ACCOUNTING POLICIES

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization are provided by the straight-line method over the estimated useful lives of the respective assets.

At the time assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the books and the resulting gain or loss, if any, is credited or charged to operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

The Company occasionally maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105, "Disclosure of information about financial instruments with off-balance sheet risk and financial instruments with concentration of credit risk", identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

Advertising Costs

The company expenses advertising costs as they are incurred. Advertising expense was $44,923 and $52,796 for the years ended December 31, 2008 and 2007, respectively.

NETXAR TECHNOLOGIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTE 2. ACCOUNTS RECEIVABLE (PAYABLE) RELATED PARTY

The Company is affiliated to Santtoa Properties, Inc., because of common stockholders. The Company leases certain facilities owned by the affiliated. Under the terms of the contract, rent shall be a minimum of $12,000 per month. The contract was signed on a month to month basis until a final contract is established. The rental expense for all operating leases for the years ended December 31, 2008 and 2007 was approximately $147,332 and $194,965, respectively.

During 2008 the Company made cash advances, non interest bearing and with no definite due date.

NOTE 3. PURCHASE DEPOSITS

The Company has advanced purchase deposits to various suppliers for the manufacturing of equipment as per contract terms.

NOTE 4. DEMAND NOTES PAYABLE

	2008	2007
A. Authorized revolving line of credit with Banco Popular de Puerto Rico and Banco de Desarrollo Económico de Puerto Rico (BDE) in the aggregate amount of $6,000,000 whereas BDE holds a participation interest to the extent of 33.34% of the revolving facility. The revolving facility will be disbursed by the bank to the corporation in advances of such amount not to exceed at any time 70% of eligible trade account receivables up to 120 days past invoice date on private accounts and 180 days past invoice date on government accounts. The Company has established a marginal account under the exclusive control and dominion of the bank where all collections of the eligible account receivables shall be deposited. The bank will apply all funds in this account to the payment of the revolving loan and after covering such obligations, excess funds will be transferred to the corporation existing operating account. The Company shall pay interests on a monthly basis in arrears on the last day of each month and on the date the advance is paid in full at 1.5% over prime interest rate (approximately 4.75% at December 31, 2008) up to June 30, 2009.	$761,133	$ -0-

NETXAR TECHNOLOGIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTE 4. DEMAND NOTES PAYABLE (Continued)

		2008	2007
B.	Authorized revolving line of credit with Banco de Desarrollo Económico de Puerto Rico in the aggregate amount of $1,000,000. The revolving facility will be disbursed by the bank to the corporation in advances of such amount not to exceed at any time the sum of 60% of the net amount from governmental accounts with an aging of between 181 days and up to 365 days. The Company shall pay interests to the bank on the outstanding and unpaid principle amount at the base interest rate plus 1.5% on or before the fifth day of each month up to June 30, 2009.	-0-	-0-
C.	Due to Banco Popular de Puerto Rico at 1% over prime interest rate (approximately 8.25% at December 31, 2007) as part of a line of credit of $1,000,000. Guaranteed by assignment of accounts receivables and by stockholders of the Company.	-0-	300,000
D.	Loan payable to Banco de Desarrollo Económico para Puerto Rico for the acquisition of machinery and equipment to be used in a project for the Puerto Rico's Department of Education. This loan is secured with the same machinery and equipment purchased from the proceeds and with assignment, transfer and delivery of all rights, title and interest to Banco de Desarrollo de Puerto Rico to collect and receive any amount collected under the above mentioned project. The principal is payable at maturity with monthly interest payments at 2% over prime interest rate until March 2008.	-0-	606,768
		$761,133	$906,768

NETXAR TECHNOLOGIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTE 5. LONG TERM DEBT

	2008	2007
A. In May 2002, Compañía de Fomento Industrial approved a grant of $750,000 to the Company for the acquisition of machinery and equipment to be used in their laboratories for scientific and technical investigation and for research and development of new industrial products. This grant is secured with the same machinery and equipment purchased from the proceeds. No payment is due until the total amount of the grant is received of which $539,826 were received during 2004. The grant will be amortized in annual payments of $107,143 for five years, non-interest bearing.	$ 539,826	$ 539,826
B. Lease obligations for the acquisition of certain assets. These leases, based on the provisions of Statement No. 13 issued by The Financial Accounting Standards Board meet the criteria of capital leases and, accordingly, have been recorded as such. The capitalized cost of such assets and accumulated depreciation as of December 31, 2008 amounts to $337,741 and $216,964, respectively.	137,683	152,210
	677,509	692,036
Less: Current portion	169,722	48,227
	$ 507,787	$ 643,809

Maturities of long-term debt are as follows:

2009	$ 179,052
2010	151,318
2011	132,046
2012	116,421
2013 and thereafter	114,208
	693,045
Less: Amount representing interest	15,536
Present value of minimum payments	677,509
Less: Current portion	169,722
	$ 507,787

NETXAR TECHNOLOGIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTE 6. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the years ended December 31, 2008 and 2007, other cash flow transactions include interest payments in the amount of $206,316 and $366,697, respectively and income tax payments of $476,918 and $152,072, respectively.

NOTE 7. RECLASSIFICATIONS

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation used in the current year financial statements.