

SERVICES & SOLUTIONS, CORP

FINANCIAL STATEMENTS

DECEMBER 31, 2008

SERVICES & SOLUTIONS, CORP
FINANCIAL STATEMENTS
DECEMBER 31, 2008

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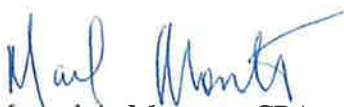
To the Board of Directors of
SERVICES & SOLUTIONS, CORP.
San Juan, Puerto Rico

We have audited the accompanying balance sheets of **SERVICES & SOLUTIONS, CORP.** as of **DECEMBER 31, 2008**, 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 audits.

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

The account due from officers as of **DECEMBER 31, 2008**, amounting \$101,514 was confirmed by the officers, but with differences in their opinions among them regarding their amounts. We were unable to satisfy ourselves as to the propriety of the amounts and future payments of this account by means of other auditing procedures. Therefore, we were unable to form an opinion regarding the propriety of the amount of the mentioned account presented in the accompanying balance sheet.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to confirm the accounts due from officers referred to in the preceding paragraphs, the financial statements referred to above, present fairly, in all material respects, the financial position of **SERVICES & SOLUTIONS, CORP.**, as of **DECEMBER 31, 2008**, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.


Manuel A. Montero, CPA
License number 4615
San Juan, PR
July 7, 2008



SERVICES & SOLUTIONS, CORP
BALANCE SHEET
DECEMBER 31, 2008

ASSETS

CURRENT ASSETS:

Cash	\$ 5,299
Accounts receivable	1,238,456
Other receivable	8,386
Prepaid expenses and other assets	15,013
TOTAL CURRENT ASSETS	1,267,154
DUE FROM RELATED PARTIES	80,289
TOTAL ASSETS	\$ 1,347,443

LIABILITIES & STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Bank overdraft	\$ 106,779
Accounts payable	272,424
Accrued expenses and other liabilities	186,848
Deferred warranties	177,150
Loan payable	500,000
TOTAL CURRENT LIABILITIES	1,243,201

STOCKHOLDERS' EQUITY:

Common stock - Par value of \$1 per share:	
Authorized, 1,000 shares; issued and	
outstanding, 1,000 shares	1,000
Retained earnings	103,242
TOTAL STOCKHOLDERS' EQUITY	104,242
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 1,347,443

See notes to financial statements.

SERVICES & SOLUTIONS, CORP
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

Net sales and services	\$ 1,687,919
Cost of sales	<u>(715,482)</u>
GROSS PROFIT	972,437
Selling, general and administrative expenses:	
Salaries & related	472,798
Professional fees	21,683
Utilities & communication	18,214
Rent and maintenance	56,651
Insurance	10,844
Licenses & other	10,956
Other general & administrative expenses	<u>276,893</u>
	868,039
INCOME FROM OPERATIONS	104,398
Other income (deductions):	
Interest income	1,112
Interest and finance charges	<u>(2,268)</u>
	(1,156)
NET INCOME	103,242
Retained earnings, at beginning	108,210
Less stockholder's distribution	<u>(108,210)</u>
RETAINED EARNINGS, at ending	<u><u>\$ 103,242</u></u>

See notes to financial statements.

SERVICES & SOLUTIONS, CORP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income (loss) for the period	\$ 103,242
Adjustments to reconcile net income (loss) to cash provided (used) by operating activities:	
Decrease (Increase) in assets:	
Accounts receivable (net)	(1,054,715)
Decrease in other receivables	31,545
Prepaid expenses and other assets	(10,322)
Increase Decrease in liabilities:	
Accounts payable	370,290
Accrued expenses and other liabilities	100,648
Deferred warranties	(13,576)
TOTAL ADJUSTMENTS	<u>(576,130)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(472,888)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Net change in due from related parties	24,877
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>24,877</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from short term borrowing	500,000
Dividends declared	(108,210)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>391,790</u>
NET INCREASE (DECREASE) IN CASH	(56,221)
CASH, BEGINNING OF PERIOD	<u>61,520</u>
CASH, ENDING OF PERIOD	<u>\$ 5,299</u>

See notes to financial statements.

SERVICES & SOLUTIONS, CORP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1- ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

Organization:

Service and Solutions Corp. (The Company) was organized under the laws of the Commonwealth of Puerto Rico on July 16, 1997. The Company is mainly engaged in sales of computer equipment and solutions. The most significant accounting policies relate to the followings:

Revenue and expense recognition:

The books and accounting records of the Company are kept under the accrual basis. Under this method income is recognized when earned, irrespective of collection, and expenses are recognized when incurred, irrespective of payment.

Allowance for doubtful receivables:

The Company anticipates losses from uncollectible accounts in the year when the account receivable becomes doubtful. The provision is based on certain percentage of the aggregate amount of doubtful accounts at the end of each accounting period. When accounts become uncollectible, they are written off books.

Concentration of credit risk:

Financial instruments which potentially subject the Company to concentration of credit risk include cash in bank, accounts receivable and revenues.

The Company maintains its cash with two commercial banks. Deposits in banks are insured by the Federal Deposit Insurance Corporation up to \$100,000 per bank. As of December 31, 2008, the Company's cash did not exceed the insured amount. Also, concentration of credit risk with respect to accounts receivable and revenues consist mostly with extending credit to it's customers in the normal course of business.

Reclassifications:

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

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SERVICES & SOLUTIONS, CORP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 1- ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued):

Management estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of asset and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the year ended. Accordingly, actual results could differ from those estimated.

"N" Corporation status under section 1054(e) of the Puerto Rico Tax Code:

The company elected and has been approved to operate as an "N" Corporation for tax purposes. The Law provides no taxation on corporate profits for the year and transfers the tax responsibility to the shareholders.

Warranties:

The Company, standard policy is to provide warranty covering product and service defects. Accrual for products warranties are estimated base on a percentage of sales and are recorded as a liability at the time of the sales. When warranty time expires, then revenue is recognized.

NOTE 2-RELATED PARTIES ACCOUNT:

Consists of the following:

Due from officers, including interest	\$101,514
Due to related entities - net	<u>(21,225)</u>
	<u>\$ 80,289</u>

Due from officers consists of transactions made on behalf of the Company by their officers or vice versa, its bears an annual interest rate of 12%, computed monthly over the outstanding balances.

SERVICES & SOLUTIONS, CORP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008

NOTE 3-OPERATING LEASE AGREEMENT:

The company leases its facilities and warehouse from a related party. The rent expense for the year ending December 31, 2008 was \$51,000.

NOTE 4-LINE OF CREDIT:

The company has an approved line of credit with the "Banco de Desarrollo Economico" de Puerto Rico for working capital in the amount of \$500,000. This line of credit is secured by company assets, with personal guarantees from officers of the corporations and with corporate guarantees from Dallana Properties Corp; its bears interest at prime rate, with a floor limit of 5.90% (3.25% as of December 31, 2008), over the balance due. As of December 31, 2008 the outstanding balance was \$500,000.

NOTE 5-SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

During the year the Company paid interest in the amount of \$2,268.

NOTE 6-CONTINGENCY:

The company acts as a secured creditor in a commercial loan in favor of Dallana Properties, Corp. (DPC), a related company. DPC is the owner of the facilities use by **Service and Solutions Corp.** as main offices and warehouse, also its rent other facilities for a restaurant purposes. The balance due as of December 31, 2008 was \$749,418.

NOTE 7-SUBSEQUENT EVENTS:

As of the statement date, 84% of the accounts receivable were collected and the line of credit was paid in full.

SERVICES & SOLUTIONS, CORP
FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
SERVICES & SOLUTIONS, CORP.
San Juan, Puerto Rico

We have audited the accompanying balance sheets of **SERVICES & SOLUTIONS, CORP.** 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 audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 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 audit provides reasonable basis for our opinion.

The account due from officers as of **DECEMBER 31, 2009**, amounting \$42,487 was confirmed by the officers, but with differences in their opinions among them regarding their amounts. We were unable to satisfy ourselves as to the propriety of the amounts and future payments of this account by means of other auditing procedures. Therefore, we were unable to form an opinion regarding the propriety of the amount of the mentioned account presented in the accompanying balance sheet.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to confirm the accounts due from officers referred to in the preceding paragraphs, the financial statements referred to above, present fairly, in all material respects, the financial position of **SERVICES & SOLUTIONS, CORP.**, as of **DECEMBER 31, 2009**, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Manuel A. Montero, CPA
License number 4615
San Juan, PR June 9, 2010

Stamp number 2542848 from the Puerto Rico Society of Certified Public Accountants was affixed to the original copy of this report.



SERVICES & SOLUTIONS, CORP
BALANCE SHEET
DECEMBER 31, 2009

ASSETS

CURRENT ASSETS:

Cash	\$	91,165
Accounts receivable		387,958
Prepaid expenses and other assets		10,906
TOTAL CURRENT ASSETS		<u>490,029</u>
DUE FROM RELATED PARTIES		<u>54,682</u>
TOTAL ASSETS	\$	<u>544,711</u>

LIABILITIES & STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$	61,230
Accrued expenses and other liabilities		46,250
Deferred warranties		134,155
Loan payable		100,000
TOTAL CURRENT LIABILITIES		<u>341,635</u>

STOCKHOLDERS' EQUITY:

Common stock - Par value of \$1 per share:		
Authorized, 1,000 shares; issued and outstanding, 1,000 shares		1,000
Retained earnings		202,076
TOTAL STOCKHOLDERS' EQUITY		<u>203,076</u>

TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$	<u>544,711</u>
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See notes to financial statements.

SERVICES & SOLUTIONS, CORP
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2009

Net sales and services	\$ 2,412,066
Cost of sales	<u>(1,590,771)</u>
GROSS PROFIT	821,295
Selling, general and administrative expenses:	
Salaries & related	218,715
Professional fees	78,677
Utilities & communication	27,499
Rent and maintenance	66,854
Insurance	12,643
Licenses & other	11,192
Other general & administrative expenses	<u>251,395</u>
	666,975
INCOME FROM OPERATIONS	154,320
Other income (deductions):	
Interest income and other	67,756
Interest and finance charges	<u>(20,000)</u>
	47,756
NET INCOME	202,076
Retained earnings, at beginning	103,242
Less stockholder's distribution	<u>(103,242)</u>
RETAINED EARNINGS, at ending	<u><u>\$ 202,076</u></u>

See notes to financial statements.

SERVICES & SOLUTIONS, CORP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income (loss) for the period	\$ 202,076
Adjustments to reconcile net income (loss) to cash provided (used) by operating activities:	
Decrease(Increase) in assets:	
Accounts receivable (net)	850,498
Decrease in other receivables	8,386
Prepaid expenses and other assets	4,107
Increase Decrease in liabilities:	
Accounts payable	(317,973)
Accrued expenses and other liabilities	(140,598)
Deferred warranties	(42,995)
TOTAL ADJUSTMENTS	<u>361,425</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>563,501</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Net change in due from related parties	<u>25,607</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>25,607</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of short term borrowings	(400,000)
Dividends declared	<u>(103,242)</u>
NET CASH USED FOR FINANCING ACTIVITIES	<u>(503,242)</u>
NET INCREASE (DECREASE) IN CASH	85,866
CASH, BEGINNING OF PERIOD	<u>5,299</u>
CASH, ENDING OF PERIOD	<u><u>\$ 91,165</u></u>

See notes to financial statements.

SERVICES & SOLUTIONS, CORP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1- ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

Organization:

Service and Solutions Corp. (The Company) was organized under the laws of the Commonwealth of Puerto Rico on July 16, 1997. The Company is mainly engaged in sales of computer equipment and solutions. The most significant accounting policies relate to the followings:

Revenue and expense recognition:

The books and accounting records of the Company are kept under the accrual basis. Under this method income is recognized when earned, irrespective of collection, and expenses are recognized when incurred, irrespective of payment.

Allowance for doubtful receivables:

The Company anticipates losses from uncollectible accounts in the year when the account receivable becomes doubtful. The provision is based on certain percentage of the aggregate amount of doubtful accounts at the end of each accounting period. When accounts become uncollectible, they are written off books.

Concentration of credit risk:

Financial instruments which potentially subject the Company to concentration of credit risk include cash in bank, accounts receivable and revenues.

The Company maintains its cash with two commercial banks. Deposits in banks are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. As of December 31, 2009, the Company's cash did not exceed the insured amount. Also, concentration of credit risk with respect to accounts receivable and revenues consist mostly with extending credit to it's customers in the normal course of business.

Reclassifications:

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

SERVICES & SOLUTIONS, CORP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 1- ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued):

Management estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of asset and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the year ended. Accordingly, actual results could differ from those estimated.

"N" Corporation status under section 1054(e) of the Puerto Rico Tax Code:

The company elected and has been approved to operate as an "N" Corporation for tax purposes. The Law provides no taxation on corporate profits for the year and transfers the tax responsibility to the shareholders.

Warranties:

The Company, standard policy is to provide warranty covering product and service defects. Accrual for products warranties are estimated base on a percentage of sales and are recorded as a liability at the time of the sales. When warranty time expires, then revenue is recognized.

NOTE 2-RELATED PARTIES ACCOUNT:

Consists of the following:

Due from officers, including interest	\$ 42,487
Due from related entities - net	<u>12,195</u>
	<u>\$ 54,682</u>

Due from officers consists of transactions made on behalf of the Company by their officers or vice versa, its bears an annual interest rate of 12%, computed monthly over the outstanding balances.

SERVICES & SOLUTIONS, CORP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 3-OPERATING LEASE AGREEMENT:

The company leases its facilities and warehouse from a related party. The rent expense for the year ending December 31, 2009 was \$60,000.

NOTE 4-LINE OF CREDIT:

The company has an approved line of credit with the "Banco de Desarrollo Economico" de Puerto Rico for working capital in the amount of \$1,000,000. This line of credit is secured by company assets, with personal guarantees from officers of the corporations and with corporate guarantees from Dallana Properties Corp; its bears interest at prime rate, with a floor limit (5.90% as of December 31, 2009), over the balance due. As of December 31, 2009 the outstanding balance was \$100,000.

NOTE 5-SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

During the year the Company paid interest in the amount of \$20,000.

NOTE 6-CONTINGENCY:

The company acts as a secured creditor in a commercial loan in favor of Dallana Properties, Corp. (DPC), a related company. DPC is the owner of the facilities use by **Service and Solutions Corp.** as main offices and warehouse, also its rent other facilities for a restaurant purposes. The balance due as of December 31, 2009 was \$719,250.

SERVICES & SOLUTIONS, CORP
FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT


To the Board of Directors of
SERVICES & SOLUTIONS, CORP.
San Juan, Puerto Rico

We have audited the accompanying balance sheets of **SERVICES & SOLUTIONS, CORP.** as of **DECEMBER 31, 2010**, 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 audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 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 audit provides reasonable basis for our opinion.

The account due from officers as of **DECEMBER 31, 2010**, amounting \$119,169 was confirmed by the officers, but with differences in their opinions among them regarding their amounts. We were unable to satisfy ourselves as to the propriety of the amounts of this account by means of other auditing procedures. Therefore, we were unable to form an opinion regarding the propriety of the amount of the mentioned account presented in the accompanying balance sheet.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to confirm the accounts due from officers referred to in the preceding paragraphs, the financial statements referred to above, present fairly, in all material respects, the financial position of **SERVICES & SOLUTIONS, CORP.**, as of **DECEMBER 31, 2010**, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.


Manuel A. Montero, CPA
License number 4615
San Juan, PR
June 3, 2011



SERVICES & SOLUTIONS, CORP
BALANCE SHEET
DECEMBER 31, 2010

ASSETS

CURRENT ASSETS:

Cash	\$ 4,290
Accounts receivable	475,095
Prepaid expenses and other assets	879
TOTAL CURRENT ASSETS	<u>480,264</u>
PROPERTY AND EQUIPMENT, net	68,059
DUE FROM AFFILIATES AND RELATED PARTIES	121,158
DUE FROM OFFICERS	119,169
TOTAL ASSETS	<u><u>\$788,650</u></u>

LIABILITIES & STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$103,846
Accrued expenses and other liabilities	46,549
Deferred warranties	57,955
Loan payable	223,372
TOTAL CURRENT LIABILITIES	<u>431,722</u>

STOCKHOLDERS' EQUITY:

Common stock - Par value of \$1 per share: Authorized, 1,000 shares; issued and outstanding, 1,000 shares	1,000
Retained earnings	355,928
TOTAL STOCKHOLDERS' EQUITY	<u>356,928</u>

TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u><u>\$788,650</u></u>
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See notes to financial statements and auditor's report.

SERVICES & SOLUTIONS, CORP
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

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Net sales and services	\$2,591,389
Cost of sales	<u>(1,749,809)</u>
GROSS PROFIT	841,580
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:	
Salaries & related	264,402
Professional fees	116,891
Utilities & communication	26,873
Rent and maintenance	80,587
Insurance	8,307
Licenses & other	28,004
Other	<u>166,429</u>
	691,493
INCOME FROM OPERATIONS	150,087
Other income (deductions):	
Interest income and other	30,605
Interest and finance charges	<u>(26,840)</u>
	<u>3,765</u>
NET INCOME	153,852
Retained earnings, at beginning	<u>202,076</u>
RETAINED EARNINGS, at ending	<u><u>\$ 355,928</u></u>

See notes to financial statements and auditor's report.

SERVICES & SOLUTIONS, CORP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income for the period	\$ 153,852
Adjustments to reconcile net income to net cash provided by operating activities:	
Decrease (Increase) in assets:	
Accounts receivable (net)	(87,137)
Prepaid expenses and other assets	10,027
Increase (Decrease) in liabilities:	
Accounts payable	42,616
Due from affiliates & related parties	50,936
Accrued expenses and other liabilities	299
Deferred warranties	(76,200)
TOTAL ADJUSTMENTS	<u>(59,459)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>94,393</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Building improvements	(68,059)
Due from officers	(236,581)
NET CASH USED BY INVESTING ACTIVITIES	<u>(304,640)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from short term borrowing	1,078,809
Repayment of short term borrowings	(955,437)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>123,372</u>
NET INCREASE (DECREASE) IN CASH	(86,875)
CASH, BEGINNING OF PERIOD	91,165
CASH, ENDING OF PERIOD	<u><u>\$ 4,290</u></u>

See notes to financial statements and auditor's report.

SERVICES & SOLUTIONS, CORP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

Organization:

Service and Solutions Corp. (The Company) was organized under the laws of the Commonwealth of Puerto Rico on July 16, 1997. The Company is mainly engaged in sales of computer equipment and solutions. The most significant accounting policies relate to the followings:

Revenue and expense recognition:

The books and accounting records of the Company are kept under the accrual basis. Under this method income is recognized when earned, irrespective of collection, and expenses are recognized when incurred, irrespective of payment.

Allowance for doubtful receivables:

The Company anticipates losses from uncollectible accounts in the year when the account receivable becomes doubtful. The provision is based on certain percentage of the aggregate amount of doubtful accounts at the end of each accounting period. When accounts become uncollectible, they are written off books.

Property, plant and equipment:

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful life of individual assets. Leasehold improvements are amortized over the term of the lease or its useful life, whichever is shorter.

Repairs and maintenance, including replacement of minor items, are expensed as incurred, and mayor additions are capitalized. When asset are sold or retired, the related cost and accumulated depreciation are removed from the property accounts, and the resulting gain or loss in reflected in operations.

Inventories:

Inventories, if any are stated at the lower of cost or market. Cost of inventories is determined generally on a first in, first out basis.

SERVICES & SOLUTIONS, CORP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES
(continued):

Concentration of credit risk:

Financial instruments which potentially subject the Company to concentration of credit risk include cash in bank, accounts receivable and revenues.

The Company maintains its cash with two commercial banks. Deposits in banks are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. As of December 31, 2010, the Company's cash did not exceed the insured amount. Also, concentration of credit risk with respect to accounts receivable and revenues consist mostly with extending credit to it's customers in the normal course of business.

Reclassifications:

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

Management estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of asset and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the year ended. Accordingly, actual results could differ from those estimated.

Impairment of long-lived assets:

The Corporation periodically reviews its long-lived assets for impairment whenever events or changes in the circumstances indicate that the carrying amount of an asset may not be recoverable. No indications of impairment were evident as a result of such review.

SERVICES & SOLUTIONS, CORP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 1- ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued):

"N" Corporation status under section 1054(e) of the Puerto Rico Tax Code:

The company elected and has been approved to operate as an "N" Corporation for tax purposes. The Law provides no taxation on corporate profits for the year and transfers the tax responsibility to the shareholders.

Warranties:

The Company, standard policy is to provide warranty covering product and service defects. Accrual for products warranties are estimated base on a percentage of sales and are recorded as a liability at the time of the sales. When warranty time expires, then revenue is recognized.

Accounting for uncertain tax provisions:

The FASB issued Interpretation No.48 (FIN 48) Accounting for Uncertainty in Income Taxes which provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in the Corporation's financial statements in accordance with ASC 740-10-50-2 and 55-103, Accounting for Income Taxes. FIN 48 requires an entity to recognize the financial statements when it's more likely than not that the position will not be sustained upon examination.

The determination of uncertain tax positions for financial statements prior to the implementation of FIN 48 uses the tax judgment reported on the Corporations tax returns which are based on requirements for tax filings under taxing authorities for the applicable year. These filings requirements may be subject to amendment or changes during an examination by the various taxing authorities, which has not been considered in the determination of the Corporation tax assets or liabilities, if any, included in the financial statements. The Corporations does not expect that the impact of adopting FIN 48, if any, on its financial statement to be material.

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SERVICES & SOLUTIONS, CORP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 2-PROPERTY AND EQUIPMENTS:

Property and equipments consists of the following:

Leasehold improvements	\$ 68,058
Less accumulated depreciation	<u>(0)</u>
	<u>\$ 68,058</u>

NOTE 3-DUE FROM RELATED PARTIES:

Due from officers consists of transactions made on behalf of the Company by their officers or vice versa, its bears an annual interest rate of 12%, computed monthly over the outstanding balances. The total due from officer as of December 31, 2010 was \$119,169.

NOTE 4-DUE FROM AFFILIATES AND RELATED PARTIES:

Due from affiliates and related parties consists of transactions made on behalf of affiliates or related entities by the Corporation or vice-versa. These balances are unsecured, non-interest bearing and have no specific repayment dates. The total due to the related party as of December 31, 2010 was \$121,158.

NOTE 5-OPERATING LEASE AGREEMENT:

The company leases its main facilities and warehouse from a related party and secondary offices to a third party. The rent expense for the year ending December 31, 2010 was \$76,100.

NOTE 6-LINE OF CREDIT:

The company has an approved line of credit with the "Banco de Desarrollo Economico" de Puerto Rico for working capital in the amount of \$1,000,000. This line of credit is secured by company assets, with personal guarantees from officers of the corporations and with corporate guarantees from Dallana Properties Corp; its bears interest at prime rate, with a floor limit (7.00% as of December 31, 2010), over the balance due. As of December 31, 2010 the outstanding balance was \$223,372.

NOTE 7-SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

During the year the Company paid and accrued interest in the amount of \$26,840.

SERVICES & SOLUTIONS, CORP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 8-CONTINGENCY:

The company acts as a secured creditor in a commercial loan in favor of Dallana Properties, Corp. (DPC), a related company. DPC is the owner of the facilities use by **Service and Solutions Corp.** as main offices and warehouse, also its rent other facilities for a restaurant purposes. The balance due as of December 31, 2010 was \$935,278.

NOTE 9-SUBSEQUENTS EVENTS:

The management of the entity has evaluated subsequent events as of May 31, 2011, date in which management approved these financial statements, and has determined that no additional accruals or disclosures are needed in the accompanying financial statements.

SERVICES & SOLUTIONS, CORP
FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANT'S
COMPILATION REPORT
AS OF DECEMBER 31, 2011

SERVICES & SOLUTIONS, CORP
FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANT'S
COMPILATION REPORT
AS OF DECEMBER 31, 2011

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SERVICES & SOLUTIONS, CORP
BALANCE SHEET
DECEMBER 31, 2011

ASSETS

CURRENT ASSETS:

Cash	\$ 25,571
Accounts receivable	356,702
Prepaid and other assets	228,566
TOTAL CURRENT ASSETS	<u>610,839</u>
PROPERTY AND EQUIPMENT, net	81,424
DUE FROM AFFILIATES AND RELATED PARTIES	288,797
DUE FROM OFFICERS	170,072
TOTAL ASSETS	<u><u>\$1,151,132</u></u>

LIABILITIES & STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 160,298
Accrued expenses and other liabilities	42,405
Line of credit	560,193
TOTAL CURRENT LIABILITIES	<u>762,896</u>

STOCKHOLDERS' EQUITY:

Common stock - Par value of \$1 per share:	
Authorized, 1,000 shares; issued and	
outstanding, 1,000 shares	1,000
Retained earnings	387,236
TOTAL STOCKHOLDERS' EQUITY	<u>388,236</u>
 TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	 <u><u>\$1,151,132</u></u>

See notes to financial statements and accountant's compilation report.

SERVICES & SOLUTIONS, CORP
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

Net sales, services and other	\$1,587,579
Cost of sales	<u>(935,279)</u>
GROSS PROFIT	652,300
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:	
Salaries & related	166,003
Professional fees	72,160
Utilities & communication	23,127
Rent and maintenance	101,024
Insurance	11,701
Licenses & other	22,933
Other	<u>177,725</u>
	574,673
INCOME FROM OPERATIONS	77,627
Other income (deductions):	
Interest income	38,506
Bad debts	(46,570)
Depreciation expense	(21,690)
Interest and finance charges	<u>(16,565)</u>
	<u>(46,319)</u>
NET INCOME	31,308
Retained earnings, at beginning	<u>355,928</u>
RETAINED EARNINGS, at ending	<u><u>\$ 387,236</u></u>

See notes to financial statements and accountant's compilation report.

SERVICES & SOLUTIONS, CORP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income for the period	\$ 31,308
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	21,690
Decrease(Increase) in assets:	
Accounts receivable (net)	118,393
Prepaid expenses and other assets	(2,605)
Increase (Decrease) in liabilities:	
Accounts payable	56,452
Accrued expenses and other liabilities	(4,144)
Deferred warranties	(57,955)
TOTAL ADJUSTMENTS	<u>131,831</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>163,139</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisitions of property and equipments	(35,055)
Prepaid merchandise inventory	(225,082)
Due from affiliates and related parties	(167,639)
Due from officers	(50,903)
NET CASH USED BY INVESTING ACTIVITIES	<u>(478,679)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Short term borrowings	336,821
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>336,821</u>
NET INCREASE IN CASH	21,281
CASH, BEGINNING OF PERIOD	4,290
CASH, ENDING OF PERIOD	<u>\$ 25,571</u>

See notes to financial statements and accountant's compilation report.

SERVICES & SOLUTIONS, CORP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

Organization:

Service and Solutions Corp. (The Company) was organized under the laws of the Commonwealth of Puerto Rico on July 16, 1997. The Company is mainly engaged in sales of computer equipment and solutions. The most significant accounting policies relate to the followings:

Revenue and expense recognition:

The books and accounting records of the Company are kept under the accrual basis. Under this method income is recognized when earned, irrespective of collection, and expenses are recognized when incurred, irrespective of payment.

Allowance for doubtful receivables:

The Company anticipates losses from uncollectible accounts in the year when the account receivable becomes doubtful. The provision is based on certain percentage of the aggregate amount of doubtful accounts at the end of each accounting period. When accounts become uncollectible, they are written off books.

Property, plant and equipment:

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful life of individual assets. Leasehold improvements are amortized over the term of the lease or its useful life, whichever is shorter.

Repairs and maintenance, including replacement of minor items, are expensed as incurred, and mayor additions are capitalized. When asset are sold or retired, the related cost and accumulated depreciation are removed from the property accounts, and the resulting gain or loss in reflected in operations.

Inventories:

Inventories, if any are stated at the lower of cost or market. Cost of inventories is determined generally on a first in, first out basis.

SERVICES & SOLUTIONS, CORP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 1- ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued):

"N" Corporation status under section 1054(e) of the Puerto Rico Tax Code:

The company elected and has been approved to operate as an "N" Corporation for tax purposes. The Law provides no taxation on corporate profits for the year and transfers the tax responsibility to the shareholders.

Warranties:

The Company, standard policy is to provide warranty covering product and service defects. Accrual for products warranties are estimated base on a percentage of sales and are recorded as a liability at the time of the sales. When warranty time expires, then revenue is recognized.

NOTE 2-PROPERTY AND EQUIPMENTS:

Property and equipments consists of the following:

Leasehold improvements	\$ 103,114
Less accumulated depreciation	<u>(21,690)</u>
	<u>\$ 81,424</u>

NOTE 3-DUE FROM OFFICERS:

Due from officers consists of transactions made on behalf of the Company by their officers or vice versa, its bears an annual interest rate of 12%, computed monthly over the outstanding balances. The total due from officer as of December 31, 2011 was \$170,072.

NOTE 4-DUE FROM AFFILIATES AND RELATED PARTIES:

Due from affiliates and related parties consists of transactions made on behalf of affiliates or related entities by the Corporation or vice-versa. These balances are unsecured, non-interest bearing and have no specific repayment dates. The total due to the related party as of December 31, 2011 was \$288,787.

SERVICES & SOLUTIONS, CORP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 5-OPERATING LEASE AGREEMENT:

The company leases its main facilities and warehouse from a related party and secondary offices to a third party. The rent expense for the year ending **December 31, 2011** was \$71,230.

NOTE 6-LINE OF CREDIT:

The company has an approved line of credit with the "Banco de Desarrollo Economico" de Puerto Rico for working capital in the amount of \$1,000,000. This line of credit is secured by company assets, with personal guarantees from officers of the corporations and with corporate guarantees from Dallana Properties Corp; its bears interest at prime rate, with a floor limit (7.00% as of **December 31, 2011**), over the balance due. As of **December 31, 2011** the outstanding balance was \$560,193.

NOTE 7-SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

During the year the Company paid and accrued interest in the amount of \$16,565.

NOTE 8-CONTINGENCY:

The company acts as a secured creditor in a commercial loan in favor of Dallana Properties, Corp. (DPC), a related company. DPC is the owner of the facilities use by **Service and Solutions Corp.** as main offices and warehouse, also its rent other facilities for a restaurant purposes. The balance due as of **December 31, 2011** was \$1,140,501.

NOTE 9-SUBSEQUENTS EVENTS:

The management of the entity has evaluated subsequent events as of March 7, 2012, date in which management approved these financial statements, and has determined that no additional accruals or disclosures are needed in the accompanying financial statements.

