ACL Computers and Software, Inc.

Financial Statements as of and for the Six Months Ended April 30, 2014 and April 30, 2013

ACL COMPUTERS AND SOFTWARE, INC.

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ACL Computers and Software, Inc.
BALANCE SHEETS
(Unaudited)

	April 30, 2014	October 31, 2013
ASSETS		
Current assets		
Cash	$ 344,345	$ 440,528
Accounts receivable	4,295,361	3,802,539
Receivable from related party	-	-
Inventory	22,678	10,929
Prepaid expenses	41,839	10,460
Total current assets	4,704,222	4,264,456
Property and equipment, net	15,756	16,586
Goodwill	1,254,359	-
Total assets	5,974,338	4,281,041
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	5,610,337	2,704,766
Advances from related parties	222,500	689,029
Total current liabilities	5,832,837	3,393,794
Stockholder's equity:		
Common stock, $0 par value; 1,000 shares authorized; 100 shares issued and outstanding	150,000	150,000
Additional paid in capital	-	760,000
Retained earnings	(8,499)	(22,753)
Total stockholder's equity	141,501	887,247
Total liabilities and stockholder's equity	$ 5,974,338	$ 4,281,041

See accompanying notes to financial statements

ACL Computers and Software, Inc.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
(Unaudited)

	Common Stock Shares	Common Stock Amount	Paid In Capital	Accumulated Deficit	Total Stockholders' Equity
Balances, October 31, 2013	100	$150,000	$ 760,000	$ (22,753)	$ 887,247
Impact of push down accounting	-	-	(760,000)	-	(760,000)
Net loss for the period	-	-		(111,771)	(111,771)
Balances, July 31, 2014	100	$150,000	$ -	$ (134,524)	$ 15,476

See accompanying notes to the unaudited financial statements

ACL Computers and Software, Inc.
STATEMENTS OF OPERATIONS
(Unaudited)

	Six months ended April 30, 2014	Six months ended April 30, 2013
Revenues	$ 16,989,079	$ 15,385,235
Cost of goods sold	15,934,422	14,562,344
Gross profit	1,054,658	822,891
Operating expenses		
Salaries and related benefits	604,246	474,287
Selling, general and administrative expesnes	393,734	77,128
Rent	31,379	62,758
Total operating expenses	1,029,360	614,173
Net income from operations	25,298	208,718
Interest income (expense), net	(5,694)	11
Net income before income tax	19,604	208,729
Provision for income tax	(5,350)	-
Net income	$ 14,254	$ 208,729

See accompanying notes to financial statements

ACL Computers and Software, Inc.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
(Unaudited)

	Common Stock		Paid In	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Deficit
Balances, October 31, 2013	100	150,000	760,000	(22,753)	887,247
Impact of push down accounting	-	-	(760,000)	-	(760,000)
Net income for the period	-	-	-	14,254	14,254
Balances, April 31, 2014	100	150,000	-	(8,499)	141,501

See accompanying notes to financial statements

ACL Computers and Software, Inc.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended April 30, 2014		Six months ended April 30, 2013	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$	14,254	$	208,729
Adjustments to reconcile net income to net cash used in operating activties:				
Depreciation		830		-
Changes in operating assets and liabilities:				
Accounts receivable		(524,201)		518,742
Inventory		(11,749)		(32,924)
Accounts payable and accrued liabilities		497,275		(250,369)
Net cash provided by (used in) operating activities		(23,591)		444,178
CASH FLOWS FROM INVESTING ACTIVITIES				
Goodwill		(1,254,359)		-
Net cash used by investing activities		(1,254,359)		-
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contibutions		(760,000)		
Advances from (payments to) related parties, net		(466,529)		755,406
Loan Payable		2,408,296		(765,000)
Net cash used in financing activities		1,181,767		(9,594)
NET INCREASE (DECREASE) IN CASH		(96,183)		434,584
CASH AT BEGINNING OF YEAR		440,528		649,657
CASH AT END OF YEAR	$	344,345	$	1,084,241
SUPPLIMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Interest paid		5,893		-
Income taxes paid		5,350		-
SUPPLIMENTAL DISCLOSURE OF NON CASH FINANCING ACTIVITIES				
Goodwill and intangibles resulting from push down accounting		1,254,359		-
Debt assumed from push down accounting		2,408,296		-

See accompanying notes to financial statements

NOTE 1 – BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations
The Company was incorporated on February 15, 1994 and is engaged in the business of selling computer systems and related components, principally to government contractors.

On February 2, 2014, the Company entered into a stock purchase agreement with ACLH, LLC ("ACLH") wherein the latter acquired a 100% interest in the Company for a total purchase price of $2,500,000. Of the total purchase price, $2,250,000 was paid in cash while and the balance of $250,000 through the issuance of a note by ACLH to the sole shareholder of the Company. The note is subject to annual interest of 6% and payable in equal quarterly installments over a period of 2 years. The stock purchase agreement included a purchase price adjustment provision based on the net worth of the Company at closing.

Basis of Presentation
The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Cash and cash equivalents
For purposes of reporting the statement of cash flows, the Company considers all cash accounts and certificates of deposit with original maturities of three months or less to be cash equivalents.

Trade accounts receivable
Trade accounts receivable is recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are not expected to be collected by the time the financial statements are issued. No allowance is required as of April 30, 2014 and October 31, 2013.

Inventory
Inventory for resale are stated at the lower of cost or market, cost being determined on a first-in, first-out basis.

Property and equipment, net
Depreciation of property and equipment is provided using the straight-line and accelerated methods over the estimated useful lives ranging from 5 to 15 years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Long-lived assets
The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is measured by the amount by which the carrying amount of the assets exceeds their related fair values. The Company has not recognized any impairment on its long lived assets as of April 30, 2014 and October 31, 2013.

Revenue recognition
The Company recognizes revenues on sale of goods when (1) there is persuasive evidence of an arrangement with the customer, (2) product risk and title has passed which generally coincides with the shipment of the products to the customer, (3) amount due from the customer is fixed or determinable, and (4) collectability is reasonably assured. Customer discounts and allowances are netted against revenues.

Income Taxes
The Company complies with Accounting Standards Codification 740 *"Income Taxes"*, which requires an asset and liability approach to financial reporting of income taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse. Valuation allowances are established, when necessary, to reduce the net deferred income tax assets to the amount expected to be realized. The Company has not identified any temporary differences between carrying amounts of existing assets and liabilities.

The Company also follows the guidance related to accounting for income tax uncertainties. In accounting for uncertainty in income taxes, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. Management has performed its evaluation of all other income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax provisions in the accompanying financial statements.

The Company is required to file federal and state income tax returns. With limited exceptions, ACL is no longer subject to U.S. federal income tax and state income tax examinations for years before 2011.

From time to time, ACL may be subject to interest and penalties assessed by various taxing authorities. These amounts have historically been insignificant and are classified as income taxes when they occur.

Fair Value of Financial Instruments
The carrying amounts of cash, accounts receivable and accounts payable approximate their fair values due to the short-term maturities of these instruments.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The Company utilizes a three-level valuation hierarchy for disclosures of fair value measurements, defined as follows:

Level 1: inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.

Level 3: inputs to the valuation methodology are unobservable and significant to the fair value

The Company does not have any assets or liabilities that are required to be measured and recorded at fair value on a recurring basis.

Concentration of Credit Risk

The Company maintains its cash in financial institutions which exceeded the Federally insured deposit limit of $250,000. The Company has not experienced any losses from in such accounts and does not believe it is exposed to any significant credit risk on cash.

Recently adopted accounting pronouncements

Reclassification

Certain prior period amounts have been reclassified to conform to current period presentation.

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new pronouncements that have been issued that might have a material impact on its financial position or results of operations.

NOTE 2 – ACQUISITION

On February 2, 2014, the Company entered into a stock purchase agreement with ACLH, LLC. ("ACLH") wherein the latter acquired a 100% interest in the Company for a total purchase price of $2,256,181. Of the total purchase price, $2,006,181 was paid in cash while and the balance of $250,000 through the issuance of a note by ACLH to the sole shareholder of the Company. The note is subject to annual interest of 6% and payable in equal quarterly installments over a period of 2 years. The stock purchase agreement included a purchase price adjustment provision based on the net worth of the Company at closing.

Under the acquisition method of accounting, the total estimated purchase price is allocated to ACL's tangible and intangible assets and liabilities based on their estimated fair values at the date of the completion of the acquisition.

The estimated fair values of the assets acquired and the liabilities assumed at February 2, 2014 are as follows:

The Company allocated $563,045 to acquired intangibles. These intangibles consisted of technology, an e-commerce website, and existing customer relationships.

The acquisition was accounted for as a purchase as prescribed by Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," or "SFAS No. 141," and the purchase price was pushed down to the Company's financial statements in accordance with SEC Staff Accounting Bulletin No. 54, "Application of Push Down' Basis of Accounting in Financial Statements of Subsidiaries Acquired by Purchase." Accordingly, the purchase price paid plus related purchase accounting adjustments, have been reflected in the Company's financial statements as of and for the periods ending July 31, 2014. This resulted in a new basis of accounting that reflects the estimated fair value of the Company's assets and liabilities.

NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of:

	April 30, 2014		October 31, 2013	
Furniture and equipment	$	67,871	$	67,871
Vehicle		-		-
Leasehold improvements		23,562		23,562
		91,433		91,433
Less - accumulated depreciation		(75,677)		(74,847)
	$	15,756	$	16,586

Depreciation expense for the six months ended April 30, 2014 and 2013 was $830 and $0, respectively.

NOTE 4 - RELATED PARTY TRANSACTIONS

ACL Distributors, a company owned by the former CEO, advanced to the Company $670,000 in 2011. The advances are subject to annual interest of 2.36%. The balance of these advances, including unpaid interest, as of April 30, 2014 and October 31, 2013 amounted to $0 and $685,850, respectively.

NOTE 5 - SECURED BORROWINGS

On January 21, 2014, the Company entered into a financing agreement with a third party for a period of 1 year, wherein the latter shall advance 85% of the net face amount of the Company's trade receivables and retain the remaining 15% to cover for various fees related to the line. These fees include the interest fee and maintenance fee of 1% and 1.28%, respectively, of the net funds advanced. As of April 30, 2014, amount outstanding from this financing agreement was $2,408,296.

NOTE 6 – OPERATING LEASE

The Company leases its operating facilities under an operating lease expiring December 31, 2016 with options to renew. Monthly rental for that lease during the six months ended April 30, 2014 and 2013 averaged $5,230 and $10,460, respectively, respectively. Minimum lease payments for the fiscal years ending October 31, 2014, 2015 and 2016 amount to $60,000, 460,000 and $10,000, respectively.

NOTE 7 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date the financial statements were issued and has not identified any reportable events.