SERVIDYNE, INC.
Form 10-K/A
June 02, 2011

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K/A
ANNUAL REPORT
Amendment No. 1
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934
For the fiscal year ended April 30, 2010
Commission file number 0-10146
SERVIDYNE, INC.
(Exact name of registrant as specified in its charter)

Georgia	58-0522129
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer identification No.)*
1945 The Exchange, Suite 300, Atlanta, GA	30339-2029
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code: (770) 953-0304
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class:	Name of each exchange on which registered:
Common Stock, $1.00 Par Value Per Share	**NASDAQ Global Market**

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
(Title of Class)
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act.
YES o **NO** þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Act.
YES o **NO** þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES þ NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of the Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/A or any amendment to this Form 10-K/A. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer o	Accelerated Filer o	Non-Accelerated Filer o (Do not check if a smaller reporting company)	**Smaller Reporting Company** þ

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o **NO** þ

The aggregate market value of Common Stock held by non-affiliates of the registrant as of October 31, 2009, was $3,664,564. See Part III of the original filing of this report for a definition of non-affiliates. The number of shares of Common Stock of the registrant outstanding as of April 30, 2010, was 3,676,383.

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Explanatory Note

Servidyne, Inc. is filing this Amendment No.1 to the Company s Annual Report on Form 10-K/A for the year ended April 30, 2010, originally filed with the Securities and Exchange Commission (the SEC) on July 28, 2010 (the Original Annual Report), to restate and recast the Consolidated Balance Sheets as of April 30, 2010 and 2009, the Consolidated Statements of Operations, Shareholders Equity and Cash Flows for the years ended April 30, 2010 and 2009, and certain footnote disclosures thereto.

The need to restate the financial statements resulted from an error in the application of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Accounting for Income Taxes*, related to the recoverability of deferred tax assets, which was discovered in March 2011 in connection with the performance of the third quarter 2011 review. During the third quarter of fiscal 2011, the Company moved from a consolidated net deferred tax liability position into a consolidated net deferred tax asset position, which highlighted a potential recoverability issue related to its deferred tax assets. Accordingly, the Company performed an analysis of recoverability by weighing all positive evidence of recovery against all negative evidence of recovery. Because the Company was in a three-year cumulative book loss position, it was determined that the future earnings projections of the Company over the relatively long net operating loss carryforward period did not represent objectively verifiable positive evidence of recovery, and that the recent historical results were objectively verifiable negative evidence.

The Company determined that it had no exposure to non-recoverability at the federal jurisdiction level due to adequate future taxable income offsetting federal net operating losses through the form of deferred tax liabilities. The exposure to non-recoverability was determined to exist at the state jurisdiction level. As a result of this analysis, the Company recorded a full valuation allowance in the amount of $857,000 on its state deferred tax assets during the quarter ended January 31, 2011, as filed in the Company s Form 10-Q for the period.

Upon further analysis during April 2011, the Company determined that it had actually entered into the three-year cumulative book loss position in the fourth quarter of fiscal year 2009. As a result, the Company should not have used future earnings projections to analyze recoverability since the fourth quarter of fiscal 2009. The result of this error is that the Company understated its deferred tax asset valuation allowance by approximately $600,000 and $429,000 as of April 30, 2010 and 2009, respectively. Additionally, the Company understated its net loss by approximately $170,000 and $429,000 for the fiscal years ended April 30, 2010, and 2009, respectively.

In addition, the financial statements have been recast as a result of two items which occurred since the original filing: sales of income-producing properties and a change in segment reporting. To reflect the sales of income-producing properties since the original filing, the assets, liabilities and operating results of the disposed properties have been reclassified in the financial statements as discontinued operations. In addition, the change in segment reporting relates to the discontinuance of the Company s Real Estate Segment as a result of the sale of the last income-producing property other than the corporate headquarters facility during the fiscal quarter ended January 31, 2011. As a result, the book value of the corporate headquarters facility has been reclassified from Income-Producing Properties, net to Property and Equipment, net on the balance sheets.

See Notes 4, 14, and 19 to the consolidated financial statements for more information regarding the recasting and restatement.

Also, Item 6. Selected Financial Data has not been included in this annual report. This item is not required due to the Company s status as a Smaller Reporting Company; however, as the Company still had the Real Estate Segment in its original filing, Item 6 was included to aid the reader in understanding the complexity of the accounting treatment for discontinued operations. With the discontinuance of the segment, the Company has not included the item in this amendment and currently does not intend to include it in future filings. As such, the information in Item 6 as filed in the original filing should not be relied on as it has not been recast for discontinued operations that occurred subsequent to the original filing, nor updated to reflect the restatement.

The following sections have been amended from the Original Annual Report as a result of the recasting and restatement described above:

Part I Item 1 Business

Part I Item 2 Properties

Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations

Part II Item 8 Financial Statements

Part II Item 9A Controls and Procedures

Pursuant to the rules of the SEC, Item 15 of Part IV has also been amended to include the currently dated certification from the Company s Chief Executive Officer and Chief Financial Officer as required by Sections 302 and 906. The certifications of the Company s Chief Executive Officer and Chief Financial Officer are attached as Exhibits 31 and 32.

Except as set forth herein, the original filing of the annual report has not been amended. The original filing should be read in conjunction with this Amendment No. 1. To the extent not addressed herein or in the original filing, events occurring subsequent to the fiscal year ended April 30, 2010, have been or will be addressed in the Company s filings with the SEC for subsequent periods.

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PART I

ITEM 1. *BUSINESS*

Servidyne, Inc. provides comprehensive energy efficiency and demand response solutions, sustainability programs, and other building performance-enhancing products and services to owners and operators of existing buildings, energy services companies, and public and investor-owned utilities.

As used herein, the terms we, our, us and the Company refers to Servidyne, Inc. and its subsidiaries and predecessors, unless the context indicates otherwise.

The Company was organized under Delaware law in 1960 to succeed to the business of A. R. Abrams, Inc., which was founded in 1925 by Alfred R. Abrams as a sole proprietorship. In 1984, the Company changed its state of incorporation from Delaware to Georgia. In 2006, the Company changed its name from Abrams Industries, Inc. to Servidyne, Inc.

The Company operates through one (1) wholly-owned segment, Building Performance Efficiency (BPE). During the third quarter of fiscal 2011, the Company sold its last owned income-producing property, other than its corporate headquarters facility. As a result, the Company s Real Estate Segment is no longer considered a reportable segment. Accordingly, the Company has removed all references to the Real Estate Segment from this annual report, and will not report results of the Real Estate Segment in future periodic reports.

Further information on the Company s operating segment is discussed below. Financial information for the segment is set forth in Note 14 Segment Reporting to the consolidated financial statements.

In June 2008, Atlantic Lighting & Supply Co., LLC (ALS, LLC), a wholly-owned subsidiary of the Company, acquired the business and assets of Atlantic Lighting & Supply Co., Inc. ALS, LLC is a distributor of cutting-edge energy efficient lighting products, and is now part of the BPE Segment.

BPE SEGMENT

The BPE Segment provides comprehensive energy efficiency and demand response solutions, sustainability programs, and other products and services that significantly enhance the operating and financial performance of existing buildings. BPE offers strategic programs and services that enable building owners and operators to optimize the short-term and long-term financial performance of their building portfolios by cutting energy consumption and other operating costs, while reducing greenhouse gas emissions and improving the comfort and satisfaction of their buildings occupants. The Company conducts such operations under the names Servidyne Systems, The Wheatstone Energy Group, and Atlantic Lighting & Supply Co. BPE s offerings include the following:

The BPE Energy Solution is designed to help building owners and operators substantially reduce energy consumption and cut utility and operating costs of their existing facilities. Major elements include: energy modeling; energy audits; building retro-commissioning; LEED® and ENERGY STAR® certifications; comprehensive preventive maintenance of energy-consuming equipment; turn-key design and implementation of energy-saving lighting systems; and retrofits of mechanical and electrical systems.

The BPE Environmental Sustainability Solution is designed to help building owners and operators identify and transform wasteful and inefficient facilities into cost-effective, energy efficient and environmentally sustainable facilities. Major elements include: energy and sustainability audits; building performance benchmarking and utility monitoring; retro-commissioning of existing systems; efficiency improvements of existing energy conversion and water consuming building assets; and other efficiency improvements that extend the lives of building infrastructures and equipment.

The BPE Occupant Satisfaction Solution is designed to help building owners and operators measurably improve the comfort level and satisfaction of their tenants, guests and employees. Major elements include: proprietary Web/wireless systems to manage guest and tenant service requests; identification of low-cost and no-cost operating efficiency improvements; lighting quality upgrades; technical staff training; more consistent control of building temperature and humidity conditions; and improved reliability of building systems and controls.

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The BPE Utility Solution is designed to be a cost effective and reliable way for utilities and their customers to modify peak usage of electricity by implementing demand response programs that utilize *smart grid* technologies, in order to reduce excess demand on the electric grid, lessen the need for utilities to build expensive new energy generating plants, and provide substantial ongoing cost savings for building owners and operators. The Company launched this new product line, marketed under the name Fifth Fuel Management , during the current fiscal year, by expanding the Company s Web-based iTendant® platform to create the real-time, energy optimization and demand response system. Major elements include: comprehensive demand response facility audits; technology-enabled real-time demand response programs (automatic, semi-automatic and manual); reliable two-way, fast and secure communication and tracking; retro-commissioning of existing systems; customized site training; and step-by-step processes for optimized demand response participation.

The BPE Segment serves a broad range of markets in the United States and internationally, including owners and operators of corporate, commercial office, hospitality, gaming, retail, light industrial, distribution, healthcare, government, multi-family, military, education and institutional buildings and facilities; energy service companies (ESCOs); and public and investor-owned utility companies. Contracts are primarily obtained through negotiations with customers, but may also be obtained through competitive bids on larger energy savings and infrastructure upgrade projects and programs.

EMPLOYEES AND EMPLOYEE RELATIONS

At April 30, 2010, the Company employed 94 salaried employees and 8 hourly employees. The Company believes that its relations with its employees are good.

SEASONAL NATURE OF BUSINESS

The Company s business generally is not seasonal. However, certain retail customers may choose to delay the implementation of energy savings projects during the peak winter holiday season.

COMPETITION

The industries in which the Company operates are highly competitive. The BPE Segment s competition is widespread and ranges from multi-national companies to local and regional firms.

BACKLOG

The following table indicates the backlog of contracts:

	April 30,		Increase (Decrease)	
	2010	2009	Amount	Percentage
BPE (1)	$15,369,000	$ 9,885,000	$5,484,000	55
Other (2)	402,000	392,000	10,000	3
Total Backlog	$15,771,000	$ 10,277,000	$5,494,000	53

(1) BPE backlog at April 30, 2010, increased by approximately $5,484,000, or 55%, compared to the year-earlier period, primarily due to:

(a) an increase of approximately $5,078,000 in energy savings (lighting and mechanical) projects;

(b) approximately $790,000 in new backlog from the BPE Segment s new Fifth Fuel Management service offering; and

(c) an increase of approximately $249,000 in lighting products from the Company s lighting distribution business;

partially offset by:

(d) a decrease of approximately $176,000 in productivity software products and services; and

(e)

a decrease of approximately $457,000 in energy management consulting services, primarily due to the successful completion of multi-year consulting services projects.

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BPE backlog includes some contracts that can be cancelled by customers with less than one year s notice, and assumes such cancellation provisions will not be invoked. The value of such contracts included in the prior year s backlog that were subsequently cancelled was approximately $70,000 or 0.7%.

(2) Other backlog represents rental income under lease agreements at the Company s corporate headquarters building and other leasehold interests.

Other than as noted above, the Company estimates that a substantial majority of the backlog at April 30, 2010, will be recognized prior to April 30, 2011. No assurance can be given as to future backlog levels or whether the Company will actually realize earnings from revenues that result from the backlog at April 30, 2010.

REGULATION

The Company is subject to the authority of various federal, state, and local regulatory agencies, including, among others, the Occupational Safety and Health Administration and the Environmental Protection Agency. The Company is also subject to local zoning regulations and building codes. Management believes that the Company is in substantial compliance with all governmental regulations. Management believes that the Company s compliance with federal, state, and local provisions, which have been enacted or adopted for regulating the discharge of materials into the environment, does not adversely affect the capital expenditures, earnings, or competitive position of the Company.

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ITEM 2. *PROPERTIES*

The Company owns its corporate headquarters building, which contains approximately 65,880 square feet of leasable office space. The building is located in the North x Northwest Office Park, 1945 The Exchange, in suburban Atlanta, Georgia. The Company utilizes 25,928 square feet of this building as its main office and the remainder of the leasable space is either currently leased to third parties or vacant. In addition, in conjunction with the Company s acquisition of Atlantic Lighting & Supply Co., Inc. in June 2008, the Company assumed a lease for 25,654 square feet of office and warehouse space, which lease is currently scheduled to expire in May 2015.

In order to gain corporate clarity and to fund its continuing operations and investment in its BPE Segment, the Company disposed of several income-producing properties during fiscal years 2009, 2010 and 2011. See ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS under the DISCONTINUED OPERATIONS section for further details. As a result, the Company s real estate assets now consist of only its corporate headquarters building; a commercially-zoned land parcel in North Ft. Myers, Florida; and commercially-zoned land parcels in Oakwood, Georgia.

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PART II

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The Company has one operating segment, the BPE Segment. The Company through the BPE Segment continues to add new products and service offerings, which may come in part from future business acquisitions.

During the third quarter of fiscal 2011, the Company sold its last owned income-producing property, other than its corporate headquarters facility. As a result, the Company s Real Estate Segment is no longer considered a reportable segment. Accordingly, the Company has removed all references to the Real Estate Segment from this annual report, and will not report results of the Real Estate Segment in future periodic reports (Note 14 Segment Reporting to the consolidated financial statements for more information). In addition, the figures in the following charts for both periods presented do not include former Real Estate Segment revenues, costs of revenues, selling, general and administrative expenses, and loss from continuing operations before income taxes associated with certain formerly owned income-producing properties, which have been sold or otherwise disposed; such amounts have been reclassified as discontinued operations (see Critical Accounting Policies Discontinued Operations later in this discussion and analysis section).

The Company s financial conditions, results of operations and cash flows as of and for the years ended April 30, 2010 and 2009, have been recast and restated. All information and disclosures in this management s discussion and analysis have been updated to reflect the effects of such recasting and restatement. For a more detailed description of the recasting and restatement, see Notes 4, 14, and 19 of the Notes to the accompanying consolidated financial statements in this Amendment No. 1 to the Company s 2010 Annual Report on Form 10-K/A.

In RESULTS OF OPERATIONS below, changes in revenues, costs of revenues, selling, general and administrative expenses, and loss from continuing operations before income taxes from period to period are analyzed on a segment basis. For other information on a consolidated basis, please see the Company s consolidated financial statements.

OVERVIEW

The Company entered fiscal year 2010 with a backlog of approximately $10 million, which substantially contributed to the year-over-year increase in BPE revenues of 38% compared to the prior year, including a 100% year-over-year increase in Energy Savings Projects revenues. Although BPE revenues outpaced new orders during the first six (6) months of the current fiscal year, leading to a decline in backlog during that period, new order activity began to strengthen beginning in September 2009, and new order bookings increased sequentially in both the third and fourth quarters. The BPE Segment was awarded approximately $12.4 million in new orders during the fourth quarter, including order bookings from customers in both the private sector and the government sector. As a result, the BPE Segment produced revenue growth of 52%, earnings before taxes of approximately $98,000, and positive EBITDA[1] of approximately $307,000 (earnings before taxes plus interest of approximately $18,000 plus depreciation and amortization of approximately $191,000) in the fourth quarter. BPE backlog as of April 30, 2010, was approximately $15.4 million, which was 79% higher than the backlog at January 31, 2010, and 55% higher than the backlog at April 30, 2009. The $15.4 million in backlog as of April 30, 2010, represents the highest backlog achieved by the BPE Segment in the Company s history.

The Company believes that the recent increase in BPE order activity is a direct result of three (3) distinct factors: the success of the Company s enhanced sales and marketing efforts, which were initiated in fiscal 2009; an overall improvement in the capital spending environment for many of the BPE Segment s customers; and the beginning of the long-anticipated infusion of U.S. government expenditures for energy efficiency upgrades of government facilities. The Company believes that these factors will continue to be favorable for the BPE Segment in fiscal year 2011. Management currently expects that the BPE Segment will generate positive EBITDA for the full fiscal year 2011, as revenues remain strong; however, EBITDA on a quarterly basis is more sensitive to fluctuations in the timing of revenues and may not be positive in an individual quarter. Moreover, management believes that a longer period of time will be required before the BPE Segment is able to generate sufficient sustained cash flow to fully fund the Company s operations.

[1] The Company believes EBITDA is a useful non-GAAP measurement of the BPE Segment s performance, because it provides information that can be used to further evaluate the operational effectiveness of the business. One should not consider EBITDA an alternative to, or a more meaningful indicator of the segment s operating performance than, earnings before taxes as determined in accordance with GAAP.

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The Company has enjoyed initial success in marketing the BPE Segment s new product line, Fifth Fuel Management . As a result, the Company currently anticipates that new order activity will be generated by this new offering over the next several quarters. The BPE Segment has expanded its sales force to offer this new technology-enabled demand response and energy efficiency system to a network of utilities and independent system operators in the U.S., as well as to owners and operators of large commercial office buildings, retail stores, hotels, light industrial facilities and institutional buildings. In February 2010, the Company received its initial multi-year orders for this new offering, and Fifth Fuel Management order bookings totaled approximately $800,000 in the fourth quarter of fiscal 2010. The Company created Fifth Fuel Management by expanding its Web-based iTendant® platform to become a real-time, energy optimization and demand response system. The new system was successfully tested at several large luxury hotels during the second quarter of fiscal 2010 in a pilot program for a major U.S. electric utility, implementing the demand response participation by controlling the hotels peak time energy usage. Demand response is emerging as a critical tactic to help address the growing imbalance in the supply and demand of generated electric power in the United States. The Company designed Fifth Fuel Management to be a cost effective and reliable way for utilities to optimize their customers demand response participation and to enable owners and operators of large, complex buildings to maximize the value of their investments in energy efficiency. In addition, the Company expects Fifth Fuel Management will provide additional opportunities for sales of the BPE Segment s existing services and products, which can enable the BPE Segment to leverage its established customer base of building owners and operators to help utilities gain better utilization of their existing energy generating facilities and infrastructures. The Company believes the BPE Segment is now much better positioned to participate in the growing utility market sector, and as a result, anticipates that it will begin generating additional recurring revenues over the next year through new multi-year contracts with utilities. However, the Company s ability to develop the new Fifth Fuel Management offering to its full potential will require additional capital.

To support revenue growth over a longer time horizon, in addition to the inherent potential of the utility market sector, the Company anticipates continued strong BPE order growth from the government sector and from customers in the private sector. The Company s BPE Segment offers the government sector many of the same offerings provided to private sector customers, including energy savings projects and other energy efficiency-focused products and services, usually by acting as a subcontractor to large energy services company (ESCO) partners to provide services to end-user government facilities. Through this channel, the BPE Segment provides services to a wide range of government facilities, including U.S. military bases, federal and state prisons, and large public educational facilities, school districts, and a variety of other federal, state and municipal buildings and facilities. The Company believes that future growth in BPE s government business should be underpinned by two (2) federal actions: in December 2008, the U.S. Department of Energy (DOE) announced a program to fund $80 billion of energy savings performance contracts through sixteen (16) large ESCOs to improve the energy efficiency of government buildings; and in February 2009, President Obama signed the American Recovery and Reinvestment Act of 2009, which is providing an additional approximately $75 billion for the performance of energy efficiency projects in government buildings. The Company has existing business relationships with half of these sixteen (16) selected ESCOs and a long history of providing these exact types of services to the government sector. As a result, the Company believes that it is well positioned to perform a significant amount of these funded projects.

While the potential market demand for the BPE Segment s offerings appears to be quite promising, there can be no assurance that this will result in sustained revenue growth, particularly if recent macro-economic conditions were to continue, or worsen, for an extended period of time.

LIQUIDITY

Despite the recent successes and achievements described above, the Company s full year loss from operations in fiscal year 2010 resulted in significant usage of the Company s cash, continuing the trend of substantial cash usage to fund operating losses in recent fiscal quarters, with the exception of the second quarter of fiscal 2010, when the Company generated approximately $27,000 in positive cash flow from operations. Although as noted above, the BPE Segment generated positive EBITDA and net earnings from operations in the fourth quarter of fiscal 2010 and is expected to continue improved financial performance in fiscal year 2011, a longer period of time will be required before the BPE Segment is able to generate sufficient sustained cash flow to fully fund the Company s operations. The Company believes that it has, or can obtain, sufficient capital resources to operate its business in the ordinary course until the BPE Segment begins to generate sufficient sustained cash flow to fund the Company s operations, which it may seek to obtain using any of the methods described below in Liquidity and Capital Resources ; however, there can be no assurance that the Company would be successful in the efforts.

Historically, earnings before taxes have been indicative of the BPE Segment s cash flow before taking into account the timing of receivables and payables. Given the continuing substantial revenue growth and earnings that the Company currently expects the BPE Segment to achieve in the next few fiscal quarters, the timing of when the segment will begin to generate consistent positive cash flow from operations will be dependent on the timing of collections on customer receivables and payments to vendors and suppliers. In addition, there can be no guarantee that the expected substantial revenue growth, positive EBITDA and net earnings from operations at the BPE Segment will actually occur, particularly if recent macro-economic conditions continue, or worsen, for an extended period of time. See Liquidity and Capital Resources later in this discussion and analysis section for more information.

RESULTS OF OPERATIONS

REVENUES

Consolidated revenues from continuing operations, prior to intercompany revenues, were $18,561,530 in fiscal 2010 compared to $13,632,938 in fiscal 2009. This represents an increase in revenues of 36%.

CHART A

REVENUES FROM CONTINUING OPERATIONS

(Dollars in Thousands)

	Years Ended April 30, 2010	Years Ended April 30, 2009	Amount Change	Percentage Change
BPE (1)	$18,172	$13,192	$4,980	38
Other	390	441	(51)	(12)
	$18,562	$13,633	$4,929	36

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NOTES TO CHART A

(1) The following table indicates the BPE Segment revenues by service and product type:

BPE SEGMENT REVENUES SUMMARY BY SERVICE & PRODUCT TYPE
(Dollars in Thousands)

	Years Ended April 30 2010	2009	Amount Change	Percentage Change
Energy Savings Projects	$11,051	$ 5,534	$5,517	100
Lighting Products	1,933	1,665	268	16
Energy Management Services	1,801	2,319	(518)	(22)
Fifth Fuel Management Services	28		28	
Productivity Software	3,359	3,674	(315)	(9)
	$18,172	$13,192	$4,980	38

BPE Segment revenues increased by approximately $4,980,000, or 38%, in fiscal 2010 compared to fiscal 2009, primarily due to:

(a) an increase in energy savings (lighting and mechanical) project revenues of approximately $5,517,000, primarily due to the substantial increase in revenues from customers in both the private sector and the government sector, including revenues of approximately $3,160,000 from several new energy savings project customers, representing the initial phases of new energy savings program initiatives for those customers; and

(b) an increase in lighting product revenues of approximately $268,000 due to improved business conditions;

partially offset by:

(c) a decrease in energy management services of approximately $518,000 due to the completion of multi-year consulting services projects; and

(d) a decrease in productivity software revenues of approximately $315,000 due to fewer new implementations with existing large-portfolio customers.

COST OF REVENUES

As a percentage of total revenues from continuing operations (see Chart A), the total applicable costs of revenues (see Chart B), prior to intercompany costs, were 70% and 68% for fiscal years 2010 and 2009, respectively. In reviewing Chart B, the reader should recognize that the volume of revenues generally will affect the amounts and percentages presented.

The figures in Chart B are prior to intercompany costs.

CHART B

COST OF REVENUES FROM CONTINUING OPERATIONS
(Dollars in Thousands)

	Years Ended April 30,		Percentage of Revenues for the Years Ended April 30,	
	2010	2009	2010	2009

BPE (1)	$12,301	$8,562	68	65
Other	747	750	192	170
	$13,048	$9,312	70	68

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NOTES TO CHART B

(1) BPE Segment cost of revenues increased by approximately $3,739,000, or 44%, in fiscal 2010 compared to fiscal 2009, primarily due to the corresponding increase in revenues (see Chart A).

On a percentage-of-revenues basis, BPE Segment cost of revenues increased by approximately 3% in fiscal 2010 compared to fiscal 2009, primarily due to a change in the mix of services and products.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

As a percentage of total revenues from continuing operations (see Chart A), the total applicable selling, general and administrative expenses (SG&A) (see Chart C), prior to intercompany expenses, were 53% and 73% in fiscal years 2010 and 2009, respectively. In reviewing Chart C, the reader should recognize that the volume of revenues generally will affect the amounts and percentages presented. The percentages in Chart C are based upon expenses as they relate to segment revenues from continuing operations (see Chart A), with the exception that Corporate and total expenses relate to total consolidated revenues from continuing operations.

The figures in Chart C are prior to intercompany expenses.

CHART C

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
FROM CONTINUING OPERATIONS
(Dollars in Thousands)

	Years Ended April 30,		Percentage of Revenues for the Years Ended April 30,	
	2010	2009	2010	2009
BPE (1)	$5,830	$5,717	32	43
Corporate (2)	3,953	4,168	21	31
	$9,783	$9,885	53	73

NOTES TO CHART C

(1) BPE Segment SG&A expenses increased by approximately $113,000, or 2%, in fiscal 2010 compared to fiscal 2009, primarily due to approximately $236,000 of one-time, outside consulting costs, partially offset by a decrease in general and administrative costs and product and project development expenses.

On a percentage-of-revenues basis, BPE Segment SG&A expenses decreased by approximately 11% in fiscal 2010 compared to fiscal 2009, primarily due to the increase in revenues (see Chart A) without a corresponding proportional increase in expenses.

(2) Corporate SG&A expenses decreased by approximately $215,000, or 5%, in fiscal 2010 compared to fiscal 2009, primarily due to a decrease in legal fees of approximately $230,000 related to costs incurred in the prior year to settle an insurance claim, decreased SEC compliance costs, and a decrease in personnel-related costs, consulting fees and other legal fees, partially offset by an increase in fair value of deferred executive compensation plan liabilities of approximately $166,000.

On a percentage-of-revenue basis, Corporate SG&A expenses decreased from 31% of revenues to 21% of revenues in fiscal 2010 compared to fiscal 2009, primarily due to the increase in revenues (see Chart A), while expenses decreased.

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EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES

Consolidated loss from continuing operations before income taxes was $4,350,601 in fiscal 2010 compared to $5,548,977 in fiscal 2009, a year-over-year improvement of $1,198,376, or 22%.

The figures in Chart D are prior to intercompany revenues, costs and expenses.

CHART D

EARNINGS (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES

(Dollars in Thousands)

	Years Ended April 30, 2010	2009	(Increase) Decrease Amount
BPE (1)	$ 64	$(1,126)	$1,190
Corporate	(4,415)	(4,424)	9
Total	$(4,351)	$(5,550)	$1,199

NOTES TO CHART D

(1) BPE Segment earnings before income taxes of approximately $64,000 for fiscal 2010 represents earnings growth of approximately $1,190,000 compared to the same period in fiscal 2009, primarily due to the increase in revenues of approximately $4,980,000 (see Chart A), an increase in gross margin of approximately $1,240,000, and an increase in other income of approximately $68,000, partially offset by an increase in SG&A expenses of approximately $113,000 (see Chart C). The financial performance improvement of the BPE Segment is the result of improving business conditions combined with the containment of overhead costs.

INCOME TAX BENEFIT

The Company s effective rate for income taxes, based upon estimated annual income tax rates, approximated 36.4% of loss from continuing operations before income taxes in fiscal 2010 and 27.5% in fiscal 2009. The effective rates in both years reflect the valuation allowances recorded against the Company s state deferred tax assets as described in Note 19 to the consolidated financial statements.

INTEREST COSTS

Interest costs of $402,104 and $412,441 in fiscal years 2010 and 2009, respectively, were primarily related to the mortgage on the corporate headquarters building. There was no capitalized interest in any of the years presented.

ACQUISITIONS

Fiscal 2010

There were no acquisitions in fiscal 2010.

Fiscal 2009

On June 6, 2008, Atlantic Lighting & Supply Co., LLC (AL&S LLC), an indirect wholly-owned subsidiary of the Company, acquired the business and substantially all of the assets and assumed certain operating liabilities of Atlantic Lighting & Supply Co., Inc. (the Seller) for a total consideration, including the assumption of certain operating liabilities, of approximately $1.5 million (excluding acquisition costs). The Seller was engaged in the business of distributing energy efficient lighting products to owners and operators of commercial buildings, and the Company is continuing to conduct this business. The acquisition was made pursuant to an asset purchase agreement dated June 6, 2008, between the Company, AL&S LLC, the Seller, and the shareholders of the Seller. The consideration consisted of 17,381 newly-issued shares of the Company s common stock, with a fair value of $91,250, the payment of approximately $618,000 in cash to the Seller, the payment of approximately $165,000 in cash to satisfy outstanding debt to two (2) lenders of the Seller, and the assumption of certain operating liabilities of the Seller that totaled approximately $584,000. The amounts and types of the consideration were determined through negotiations among the parties.

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DISCONTINUED OPERATIONS

On January 29, 2010, the Company disposed of its interest in its owned office building in Newnan, Georgia. In this transaction, the Company transferred its approximately $2.0 million interest in the property and related assets to the note holder, which satisfied in full the Company s liability for the approximately $3.2 million remaining balance on the property s non-recourse mortgage loan. Correspondingly, the Company recognized a non-cash pre-tax gain of approximately $1.2 million in the third quarter of fiscal 2010 as a result of the elimination of the balance of the indebtedness on the property. The Company s federal and state tax liabilities on the disposition were approximately $0.4 million. These tax liabilities primarily resulted from the pre-tax gain on the disposition, partially offset by operating losses of the property during fiscal 2010. These tax liabilities were offset by the Company s net operating loss carry-forwards for tax purposes.

On June 9, 2010, the Company sold its owned shopping center in Jacksonville, Florida, for a sales price of approximately $9.9 million. The sale generated net cash proceeds of approximately $2 million, after deducting approximately $0.5 million for funding of repair escrows and approximately $0.6 million for closing costs and prorations, and net of the approximately $6.9 million mortgage note, which was assumed by the buyer. The Company recognized a pre-tax gain on the sale of approximately $190,000, including approximately $75,000 in additional pre-tax gain recognized in the second and third quarters of fiscal 2011 as the result of the successful completion of contractual conditions and other cost-basis adjustments (see Note 4 Discontinued Operations to the consolidated financial statements for more information). The Company s federal and state tax liabilities on the disposition were approximately $94,000. These tax liabilities primarily resulted from the pre-tax gain on the disposition and the operating earnings of the property during the current fiscal year. These tax liabilities were offset by the Company s net operating loss carry-forwards for tax purposes.

On December 15, 2010, the Company sold its owned shopping center in Smyrna, Tennessee, for a sales price of approximately $4.3 million. The sale generated net cash proceeds of approximately $250,000, after deducting approximately $125,000 for closing costs and prorations, and net of the approximately $3.9 million mortgage note, which was assumed by the buyer. The Company recognized a pre-tax loss on the sale of approximately $6,000. Prior to the sale, the Company recorded an impairment loss of approximately $590,000 in the condensed consolidated statement of operations in the second quarter of fiscal 2011 (see Note 4 Discontinued Operations to the consolidated financial statements for more information). The Company recognized federal and state tax benefits of approximately $198,000 on the disposition. These tax benefits primarily resulted from the operating losses of the property during the current fiscal year, which included the impairment loss of approximately $590,000 mentioned above.

In accordance with GAAP, the Company s financial statements have been prepared with the results of operations and cash flows of these disposed properties shown as discontinued operations. All historical statements have been recast in accordance with GAAP.

LIQUIDITY AND CAPITAL RESOURCES

Between April 30, 2009, and April 30, 2010, the Company s cash decreased by a total of $2,897,485, or 60%. The Company s working capital decreased by approximately $3,443,000, or 49%, between April 30, 2009, and April 30, 2010, which was largely the result of current year losses from continuing operations before depreciation, amortization and income taxes, as well as discretionary capital expenditures and scheduled regular debt service payments.

The following describes the changes in the Company s cash from April 30, 2009, to April 30, 2010:

Operating activities used cash of approximately $3,205,000, primarily as a result of:

(a) losses in fiscal 2010 from continuing operations before depreciation, amortization and income taxes of approximately $3,366,000;

(b) an increase in net accounts receivable of approximately $1,396,000, primarily due to growth in BPE Segment activity, as well as the timing of billing and receipt of payments; and

(c) an increase in cost and earnings in excess of billings of approximately $306,000;

partially offset by:

(d) a net increase in trade accounts payable, accrued expenses, and other liabilities of approximately $1,648,000, primarily due to growth in BPE Segment activity, as well as the timing and submission of payments; and

(e) a decrease in other current and long-term assets of approximately $85,000.

Investing activities used cash of approximately $779,000, primarily as a result of:

(a) approximately $463,000 used for additions to intangible assets, primarily related to enhancements to the BPE Segment s proprietary technology solutions, and to purchase accounting software; and

(b) approximately $257,000 used for additions to property and equipment, primarily related to vehicle and computer hardware purchases, and energy efficiency upgrades at the corporate headquarters building.

Financing activities provided cash of approximately $469,000, primarily as a result of:

(a) proceeds from long-term loans against the Company s interest in the cash surrender value of certain life insurance policies of approximately $982,000;

partially offset by:

(b) scheduled principal payments on the mortgage note on the corporate headquarters building of approximately $112,000;

(c) payment of the regular quarterly cash dividends to shareholders of approximately $185,000;

(d) scheduled principal payments on other debt of $185,000; and

(e) repurchases of shares of the Company s common stock of approximately $31,000.

Discontinued operations provided cash of approximately $618,000, primarily as a result of the sales of real estate assets.

While the Company s operations used approximately $1,957,000 of cash during the first quarter of fiscal 2010, the level of cash usage moderated in the second and third quarters, as operations provided approximately $72,000 of cash during those six (6) months. During the fourth quarter of fiscal 2010, operating activities used approximately $1,321,000 of cash, primarily due to a decrease in advance billings on large energy savings projects, as well as expenditures needed to service the revenue growth of the BPE Segment. The increase in BPE Segment orders during fiscal 2010 is expected to result in substantially higher revenues in fiscal 2011, and management believes that the BPE Segment will be able to generate positive cash flow from operations during the year as a result. However, management believes that a longer period of time will be required before the BPE Segment is able to generate sufficient sustained cash flow to fully fund the Company s operations. The Company believes that it has sufficient capital resources on hand to operate its business in the ordinary course for the next twelve (12) months. The Company also currently believes that it has, or can obtain, sufficient capital resources to continue to operate its business in the ordinary course until the BPE Segment begins to generate sufficient cash flow to fund the Company s operations, although there can be no guarantee that this will be the case, particularly if the macro-economic conditions experienced during fiscal 2010 continue for an extended period of time, or worsen.

Achieving sufficient positive cash flow from the operations of the BPE Segment to fund the Company s operations will depend on the occurrence of a number of assumed factors, including the timing and volume of additional revenues generated by new material contracts, which historically have been difficult to predict, and the timing of collections of customer receivables and payments to vendors and suppliers. Consequently, there can be no assurance that the Company will achieve sufficient positive cash flow to fund the Company s operations through BPE Segment operations in the near term, or at all.

The Company historically has generated substantial liquidity from the periodic sales of real estate assets, and the proceeds from such sales often have then been redeployed to fund the establishment and growth of the BPE Segment. Most recently, during the first quarter of fiscal 2011, the Company successfully closed on the sale of its owned shopping center in Jacksonville, Florida, generating net cash proceeds of approximately $2 million. Also, during the third quarter of fiscal 2011, the Company successfully closed on the sale of its owned shopping center in Smyrna, Tennessee, generating net cash proceeds of approximately $250,000. As a cumulative result of real estate asset sales in recent years, the Company s real estate assets now consist of only the corporate headquarters building in metropolitan Atlanta, Georgia; a commercially-zoned land parcel in North Ft. Myers, Florida; and commercially-zoned land parcels in Oakwood, Georgia. Given the declines in commercial real estate markets and asset valuations in the United States in recent years, the Company may be unable to sell any of its remaining real estate assets as described above at acceptable prices, or at all, in the near future.

The Company in recent years has not utilized bank lines of credit for operating purposes and does not currently have in place any such line of credit. As of April 30, 2010, the Company has drawn $982,000 in loans against its interest in the cash surrender value of certain life insurance policies; however, there is currently minimal additional borrowing capacity left under such policies.

In the event that currently available cash, cash generated from operations and cash generated from real estate sales were not sufficient to meet future operating cash requirements, the Company would need to sell additional real estate or other assets at potentially otherwise unacceptable prices, seek external debt financing or refinancing of existing debt, seek to raise funds through the issuance of equity securities, or limit growth or curtail operations to levels consistent with the constraints imposed by the available cash and cash flow, or any combination of these options. In addition, the development of the BPE Segment s new Fifth Fuel Management offering to its full potential will require the investment of additional capital, which the Company may seek to raise through outside sources or the sale of assets.

The Company s ability to secure debt or equity financing or to sell real estate or other assets, whether for normal working capital and capital expenditure purposes or to fully develop the Fifth Fuel Management offering, could be limited by economic and financial conditions at any time, but likely would be severely limited by credit, equity and real estate market conditions similar to those that have existed in recent years. Management cannot provide assurance that any reductions in planned expenditures or in operations would be sufficient to cover potential shortfalls in available cash, or that debt or equity financing or real estate or other asset sales would be available on terms acceptable to the Company, if at all, in which event the Company could deplete its capital resources before achieving sufficient cash flow to fund operations. Moreover, depending on the form of such additional capital, the equity interests of the Company s existing shareholders could be diluted.

The Company has no material commitments for capital expenditures. However, the Company does expect that total capital spending in fiscal year 2011 will approximate $1,230,000, including BPE Segment expenditures of approximately $560,000 for proprietary technology solutions and approximately $240,000 for property and equipment, and Corporate Headquarters expenditures of approximately $430,000. The Company s uses of cash are not expected to change materially in the near future.

Mortgage Note

At April 30, 2010, the Company had one (1) remaining mortgage note, in the principal amount of approximately $4.0 million, associated with the corporate headquarters building, with a maturity date of August 1. 2012. This property is pledged as collateral on the note. Exculpatory provisions of the mortgage note limit the Company s liability for repayment to its interest in the property. Additionally, the mortgage note contains a provision that requires a Company subsidiary to maintain a net worth of at least $2 million. The subsidiary s net worth was approximately $16.4 million as of April 30, 2010. The mortgage note contains no other financial covenants. None of the Company s long-term debt obligations have any financial or non-financial covenants.

Secured Letter of Credit

In conjunction with terms of the mortgage on the corporate headquarters building, the Company is required to provide for potential future tenant improvement costs and lease commissions with additional collateral, in the form of a letter of credit in the amount of $300,000 from July 17, 2005, through July 16, 2008, and $450,000 from July 17, 2008, through August 1, 2012. The letter of credit is secured by a certificate of deposit, which is recorded on the accompanying balance sheet as a non-current other asset as of April 30, 2010, and April 30, 2009.

Repurchases of Common Stock

In March 2008, the Company s Board of Directors authorized the repurchase of up to 50,000 shares of the Company s common stock during the twelve-month period ending on March 5, 2009. In December 2008, the Board of Directors increased the authorization to repurchase the Company s common stock to 100,000 shares during the twelve-month period ending on March 5, 2009. In February 2009, the Board of Directors authorized the repurchase of up to 100,000 shares of the Company s common stock during the twelve-month period ending on March 5, 2010. In March 2010, the Board of Directors authorized the repurchase of up to 100,000 shares of the Company s common stock during the twelve-month period ending on March 15, 2011. The Company repurchased 48,890 shares of its common stock in fiscal 2009 for a total cost of approximately $136,000, and the Company repurchased 16,981 shares of its common stock in fiscal 2010 for a total cost of approximately $31,000.

EFFECTS OF INFLATION ON REVENUES AND OPERATING PROFITS

The effects of inflation upon the Company s operating results are varied. Inflation in recent years has been modest and has had minimal effect on the Company.

The BPE Segment generally engages in contracts of short duration with fixed prices, which typically would minimize any erosion of its profit margin due to inflation. The BPE Segment also has some contracts that are renewed on an annual basis. At the time of renewal, contract fees may be increased by either the year-over-year increase in the consumer price index, as stated in the contract, or upon customer approval. As inflation affects the Company s costs, primarily personnel, the Company could seek a price increase for its contracts in order to protect its profit margin.

CRITICAL ACCOUNTING POLICIES

A critical accounting policy is one that is both important to the portrayal of the Company s financial position and results of operations, and requires the Company to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements and related notes. In preparing these financial statements, the Company has made its best estimates and used its best judgments regarding certain amounts included in the financial statements, giving due consideration to materiality. The application of these accounting policies involves the exercise of judgment and the use of assumptions regarding future uncertainties, and as a result, actual results could differ from those estimates. Management believes that the Company s critical accounting policies include:

Revenue Recognition

Revenues derived from implementation, training, support, and base service license fees from customers accessing the Company s proprietary technology solutions on an application service provider (ASP) basis are recognized when all of the following conditions are met: there is persuasive evidence of an arrangement; service has been provided to the customer; the collection of fees is probable; and the amount of fees to be paid by the customer is fixed and determinable. The Company s license arrangements do not include general rights of return. Revenues are recognized ratably over the contract period, which is typically no longer than twelve (12) months, beginning on the commencement date of each contract. Amounts that have been invoiced are recorded in accounts receivable and in revenue or deferred revenue, depending on the timing of when the revenue recognition criteria have been met. Additionally, the Company defers such direct costs and amortizes them over the same time period as the revenue is recognized.

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Energy management services are accounted for separately and are recognized as the services are rendered. Revenues derived from sales of proprietary technology solutions (other than ASP solutions) and sales of hardware products are recognized when the respective technology solutions and hardware products are sold.

Energy savings project revenues are reported on the percentage-of-completion method, using costs incurred to date in relation to estimated total costs of the contracts to measure the stage of completion. Original contract prices are adjusted for change orders in the amounts that are reasonably estimated. The nature of the change orders usually involves a change in the scope of the project, for example, a change in the number or type of units being installed. The price of change orders is based on the specific materials, labor, and other project costs affected. Contract revenue and costs are adjusted to reflect change orders when they are approved by both the Company and its customer for both scope and price. For a change order that is unpriced; that is, the scope of the work to be performed is defined, but the adjustment to the contract price is to be negotiated later, the Company evaluates the particular circumstances of that specific instance in determining whether to adjust the contract revenue and/or costs related to the change order. For unpriced change orders, the Company will record revenue in excess of costs related to a change order on a contract only when the Company deems that the adjustment to the contract price is probable based on its historical experience with that customer. The cumulative effects of changes in estimated total contract costs and revenues (change orders) are recorded in the period in which the facts requiring such revisions become known, and are accounted for using the percentage-of-completion method. At the time it is determined that a contract is expected to result in a loss, the entire estimated loss is recorded. Energy efficient lighting product revenues are recognized when the products are shipped.

Long-Lived Assets: Property & Equipment and Capitalized Software

The Company s corporate headquarters building and related assets are stated at historical cost or, if the Company determines that impairment has occurred, at fair market value, and are depreciated for financial reporting purposes using the straight-line method over the respective estimated useful lives. Significant additions that extend asset lives are capitalized and are depreciated over their respective estimated useful lives. Normal maintenance and repair costs are expensed as incurred.

Other property and equipment are recorded at historical cost and are depreciated for financial reporting purposes using the straight-line method over the estimated useful lives of the respective assets.

The Company s most significant tangible long-lived assets are the corporate headquarters building and related assets. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company examines long-lived assets for such indications of impairment on a quarterly basis. The types of events and circumstances that might indicate impairment include, but are not limited to, the following:

- A significant decrease in the market price of a long-lived asset;

- A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset;

- The Company has received purchase offers at prices below carrying value;

- A real estate asset that has a significant vacancy rate or significant rollover exposure from one or more tenants;

A major tenant experiencing financial difficulties that may jeopardize the tenant s ability to meet its lease obligations; and

Depressed market conditions;

When there are indicators of impairment, the recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset against the future net undiscounted cash flows expected to be generated by the asset. The Company estimates future undiscounted cash flows using assumptions regarding occupancy, counter-party creditworthiness, costs of leasing including tenant improvements and leasing commissions, rental rates and expenses of the property, as well as the expected holding period and cash to be received from disposition. The Company has considered all of these factors in its undiscounted cash flows.

The BPE Segment has long-lived assets that consist primarily of capitalized software costs, classified as intangible assets, net on the balance sheet, as well as a portion of the property and equipment on the balance sheet. Software development costs are accounted for as required for software in a Web hosting arrangement. Software development costs that are incurred in a preliminary project stage are expensed as incurred. Costs that are incurred during the application development stage are capitalized and reported at the lower of unamortized cost or net realizable value. Capitalization ceases when the computer software development project, including testing of the computer software, is substantially complete and the software product is ready for its intended use. Capitalized costs are amortized on a straight-line basis over the estimated economic life of the product.

Events or circumstances which would trigger an impairment analysis of these long-lived assets include:

A change in the estimated remaining useful life of the asset;

A change in the manner in which the asset is used in the income-generating business of the Company; or

A current-period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset.

Long-lived assets in the BPE Segment are grouped together for purposes of impairment analysis, as assets and liabilities of the BPE Segment are not independent of one another. Annually at the end of the fiscal third quarter, unless events or circumstances occur in the interim as discussed above, the Company reviews its BPE Segment s long-lived assets for impairment. Future undiscounted cash flows of the segment, as measured in its goodwill impairment analysis, are used to determine whether impairment of long-lived assets exists in the BPE Segment.

Valuation of Goodwill and Other Indefinite-Lived Intangible Assets

Goodwill and other intangible assets with indefinite lives are reviewed for impairment annually at the end of the fiscal third quarter, or whenever events or changes in circumstances indicate that the carrying basis of an asset may not be recoverable. All of the Company s goodwill and other indefinite-lived intangible assets are assigned to the BPE Segment, which has also been determined to be the reporting unit.

The Company performed the annual impairment analysis of goodwill and other indefinite-lived intangible assets for the BPE Segment in the quarter ended January 31, 2010. The annual analysis resulted in a determination of no impairment in fiscal 2010. As of April 30, 2010, the Company does not believe that any of its goodwill or other indefinite-lived intangible assets are impaired.

The valuation methodologies used to calculate the fair value of the BPE Segment were the discounted cash flow method of the income approach and the guideline company method of the market approach. The Company believes that these two (2) methodologies are commonly used valuation methodologies. GAAP states that both methodologies are acceptable in determining the fair value of a reporting unit. In assessing the fair value of the BPE Segment, the Company believes a market participant would likely consider both the cash flow generating ability of the reporting unit, as well as current market multiples of companies facing similar risks in the marketplace.

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With the income approach, the cash flows anticipated over several periods, plus a terminal value at the end of that time horizon, are discounted to their present value using an appropriate rate of return. Projected cash flows are discounted to present value using an estimated weighted average cost of capital, reflecting returns to both equity and debt investors. The Company believes that this is a relevant and beneficial method to use in determining fair value, because it explicitly considers the future cash flow generating potential of the reporting unit.

In the guideline company method of the market approach, the value of a reporting unit is estimated by comparing the subject to similar businesses or guideline companies whose securities are actively traded in public markets. The comparison is generally based on data regarding each of the companies stock price and earnings, which is expressed as a fraction known as a multiple. The premise of this method is that if the guideline public companies are sufficiently similar to each other, then their multiples should be similar. The multiples for the guideline companies are analyzed, adjusted for differences as compared to the subject company, and then applied to the applicable business characteristics of the subject company to arrive at an indication of the fair value. The Company believes that the inclusion of a market approach analysis in the fair value calculation is beneficial, because it provides an indication of value based on external, market-based measures.

In the application of the income approach, financial projections were developed for use in the discounted cash flow calculations. Significant assumptions included revenue growth rates; margin rates; SG&A costs; and working capital and capital expenditure requirements over a period of ten (10) years. Revenue growth rate and margin rate assumptions were developed using historical Company data, current backlog, specific customer commitments, status of outstanding customer proposals, and future economic and market conditions expected. Consideration was then given to the estimated SG&A costs, working capital, and capital expenditures required to deliver the revenue and margin determined. The other significant assumption used with the income approach was the assumed rate at which to discount the cash flows. The rate was determined by utilizing the weighted average cost of capital method.

In the income approach model, three (3) separate financial projection scenarios were prepared using the above assumptions: the first used the expected revenue growth rates, the second used higher revenue growth rates, and the third used lower revenue growth rates. The discount rates used in the scenarios ranged from 19% for the lower growth scenario to 21% in the higher growth scenario. In each of the three (3) discounted cash flow models, there was no indication of goodwill impairment. For the assessment of fair value of the BPE Segment based on the income approach, the results of the three (3) scenarios were weighted equally (33% for the expected case and 33% each for the other scenarios) to produce the applicable fair value indication using the income approach. The weightings reflect the Company s view of the relative likelihood of each scenario.

In the application of the market approach, the Company considered valuation multiples derived from five (5) public comparable companies that were identified as belonging to a group of industry peers. The applicable financial multiples of the comparable companies were adjusted for profitability and size and then applied to the BPE Segment. This result also indicated that no impairment existed.

The comparable companies selected for the market approach were similar to the BPE Segment in terms of business description and markets served. As such, the Company believes a market participant is likely to consider the market approach in determining the fair value of the BPE Segment. In addition, the Company believes a market participant will consider the cash flow generating capacity of the BPE Segment using an income approach. Both the market and income approaches provide meaningful indications of the fair value of the BPE Segment. The outcomes of the income approach and the market approach were weighted 70% and 30%, respectively, with the resulting fair value compared to the carrying value of the BPE Segment.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and to tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company periodically reviews its deferred tax assets (DTA) to assess whether it is more likely than not that a tax asset will not be realized. The realization of a DTA ultimately depends on the existence of sufficient taxable income.

A valuation allowance is established against a DTA if there is not sufficient evidence that it will be realized. The Company weighs all available evidence in order to determine whether it is more likely than not that a DTA will be realized in a future period. The Company considers general economic conditions, market and industry conditions, as well as internal Company specific conditions, trends, management plans, and other data in making this determination. Evidence considered is weighted according to the degree that it can be objectively verified. Reversals of temporary differences are weighted with more significance than projections of future earnings of the Company.

Positive evidence considered includes, among others, the following: deferred tax liabilities in excess of DTA, future reversals of temporary differences, Company historical evidence of not having DTAs expire prior to utilization, and long carryforward period remaining for net operating loss (NOL) carryforwards.

Negative evidence considered includes, among others, lack of cumulative taxable income in recent years, and the fact that the current real estate market conditions and lack of readily available credit could make it difficult for the Company to trigger gains on sales of real estate.

The valuation allowance currently recorded against the DTA for state NOL carryforwards was recorded because of a lack of sufficient positive evidence to support its realization due to the recent dispositions of real estate assets and recurring losses.

The Company will have to generate $8.1 million of taxable income in future years to realize the federal NOL carryforwards and an additional $25.4 million of taxable income in future years to realize the state NOL carryforwards. These amounts of taxable income would allow for the reversal of the $3.8 million DTA related to NOL carryforwards. There is a long carryforward period remaining for the NOL carryforwards. The oldest federal NOL carryforwards will expire in the April 30, 2024, tax-year, and the most recent federal NOL carryforwards will expire in the April 30, 2028, tax-year. The significant state NOL carryforwards will also expire between the April 30, 2024, and April 30, 2028, tax years. The Company has no material permanent book/tax differences.

The Company has no material uncertain tax position obligations. The Company s policy is to record interest and penalties as a component of income tax expense (benefit) in the consolidated statement of operations.

Discontinued Operations

The gains and losses from the disposition of certain income-producing real estate assets, and associated liabilities, operating results, and cash flows are reflected as discontinued operations in the consolidated financial statements for all periods presented. Although net earnings are not affected, the Company has reclassified results that were previously included in continuing operations as discontinued operations for qualifying dispositions.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued guidance now codified as FASB Accounting Standards Codification (ASC) topic 105-10, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (ASC 105-10 or the Codification), which became effective for interim and annual periods ending after September 15, 2009. Other than resolving certain minor inconsistencies in current U.S. GAAP, the Codification does not change GAAP, but rather is intended to make it easier to find and research GAAP applicable to particular transactions or specific accounting issues. The Codification organizes previous accounting pronouncements into approximately 90 accounting topics and is now considered to be the single source of authoritative U.S. GAAP. The Company adopted ASC 105-10 in the second quarter of fiscal 2010. Adoption had no impact on the determination or reporting of the Company s financial results. All references to specific authoritative guidance have been updated within this report to reflect the new Accounting Standards Codification structure.

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In May 2009, the FASB issued guidance now codified as FASB ASC topic 855, *Subsequent Events* (ASC 855). ASC 855 modifies the names of the two types of subsequent events and, for public entities, modifies the definition of subsequent events to refer to events or transactions that occur after the balance sheet date but before the financial statements are issued. Also, ASC 855 requires that entities disclose the date through which subsequent events have been evaluated and the basis for that date. ASC 855 was effective for all interim and annual periods ending after June 15, 2009. The Company adopted ASC 855 in the first quarter of fiscal 2010.

In February 2010, the FASB issued new guidance codified as FASB Accounting Standards Update (ASU) 2010-09, *Subsequent Events* (ASU 2010-09). ASU 2010-09 updates FASB ASC 855. ASU 2010-09 removes the requirement to disclose the date through which an entity has evaluated subsequent events. The Company adopted the previously issued guidance included in ASC 855 in the first quarter of fiscal 2010. The Company adopted ASU 2010-09 in the third quarter of fiscal 2010. The Company has determined that adoption did not have a significant impact on the determination or reporting of the Company s financial results.

In April 2009, the FASB issued new guidance now codified within FASB ASC topic 825, *Financial Instruments* (ASC 825). Following this new guidance, ASC 825 requires disclosure about the fair value of financial instruments for publicly traded companies in interim reporting periods, as well as in annual reporting periods. The Company adopted the new provisions of ASC 825 in the first quarter of fiscal 2010. See Note 10 Fair Value of Financial Instruments to the consolidated financial statements for fair value disclosure of the Company s financial instruments.

In April 2008, the FASB issued guidance now codified as FASB ASC Subtopic 350-30, *Intangibles Goodwill and Other; General Intangibles Other than Goodwill* (ASC 350-30) and ASC topic 275, *Risks and Uncertainties* (ASC 275). This new guidance was designed to improve the consistency between the useful life of a recognized intangible asset under ASC 350, *Intangibles Goodwill and Other*, and the period of expected cash flows used to measure the fair value of the asset under ASC 805, *Business Combinations*, and other guidance under GAAP. The Company adopted ASC 350-30 and ASC 275 in the first quarter of fiscal 2010. The Company has determined that adoption did not have a significant impact on the determination or reporting of the Company s financial results.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained or incorporated by reference in this Annual Report on Form 10-K/A, including without limitation, statements containing the words believes, anticipates, estimates, expects, plans, projects, forecas words of similar import, are forward-looking statements within the meaning of the federal securities laws.

Forward-looking statements in this report include, without limitation: the Company s expected continuing strengthening of orders and achievement of positive EBITDA for its BPE Segment; trends in the BPE Segment s government business and private sector business; the Company s expectations of generating additional recurring revenues as a result of the BPE Segment s new Fifth Fuel Management offering; and the expected timing of the recognition as revenue of current backlog. Such forward-looking statements involve known and unknown risks, uncertainties, and other matters which may cause the actual past results, performance, or achievements of the Company to be materially different from any future results, performance, or uncertainties expressed or implied by such forward-looking statements.

The factors set forth in ITEM 1A. RISK FACTORS could cause actual results to differ materially from those predicted in the Company s forward-looking statements. In addition, factors relating to general global, national, regional, and local economic conditions, including international political instability, national defense, homeland security, natural disasters, terrorism, employment levels, wage and salary levels, consumer confidence, availability of credit and financial market conditions, taxation policies, the Sarbanes-Oxley Act, SEC reporting requirements, fees paid to vendors in order to remain in compliance with the Sarbanes-Oxley Act and SEC requirements, interest rates, capital spending, energy and other utility costs, and inflation could positively or adversely impact the Company and its customers, suppliers, and sources of capital. Any significant adverse impact from these factors could result in material adverse effects on the Company s results of operations and financial condition.

The Company is also at risk for many other matters beyond its control, including, but not limited to: the potential loss of significant customers; the Company s future ability to sell or refinance its real estate; the possibility of not achieving projected revenues from existing backlog or not realizing earnings from such revenues; the cost and availability of insurance; the ability of the Company to attract and retain key personnel; weather conditions; changes in laws and regulations, including changes in GAAP and regulatory requirements of the SEC and the NASDAQ stock market; overall vacancy rates in the markets where the Company leases retail and office space; overall capital spending trends in the economy; the timing and amount of earnings recognition related to the possible sale of real estate properties held for sale; delays in or cancellations of customers orders; inflation; the level and volatility of energy and gasoline prices; the level and volatility of interest rates; the failure of a subcontractor to perform; the deterioration in the financial stability of an anchor tenant, significant customer, or subcontractor; and the possible impact, if any, on earnings due to the ultimate disposition of legal proceedings in which the Company may be involved.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Servidyne, Inc.
Atlanta, Georgia

We have audited the accompanying consolidated balance sheets of Servidyne, Inc. and subsidiaries (the Company) as of April 30, 2010 and 2009, and the related consolidated statements of operations, shareholders equity, and cash flows for each of the two years in the period ended April 30, 2010. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included 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 statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Servidyne, Inc. and subsidiaries as of April 30, 2010 and 2009, and the results of their operations and their cash flows for each of the two years in the period ended April 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 19 to the consolidated financial statements, the accompanying consolidated financial statements have been restated. As discussed in Notes 4 and 14, the Company has also recast its consolidated financial statements to reflect the effects of discontinued operations and a change in reportable segments.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
July 28, 2010 (June 2, 2011 as to the effects of the restatement discussed in Note 19 and to the effects of the recast for discontinued operations and segments in Notes 4 and 14)

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SERVIDYNE, INC.
CONSOLIDATED BALANCE SHEETS

	April 30, 2010 (Restated)	April 30, 2009 (Restated)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	**$ 1,923,641**	$ 4,821,126
Receivables:		
Trade accounts and notes, net of allowance for doubtful accounts of $58,989 and $115,422, respectively	**953,075**	1,130,360
Contracts, net of allowance for doubtful accounts of $22,530 and $4,294, respectively, including retained amounts of $675,281 and $219,385, respectively (Note 17)	**3,337,177**	1,764,327
Costs and earnings in excess of billings (Notes 5 and 17)	**715,129**	408,950
Assets of discontinued operations (Note 4)	**188,827**	487,492
Deferred income taxes (Notes 10 and 19)	**360,097**	468,047
Other current assets (Note 2)	**1,247,844**	1,464,761
Total current assets	**8,725,790**	10,545,063
PROPERTY AND EQUIPMENT, net (Note 6)	**4,805,542**	4,942,129
ASSETS OF DISCONTINUED OPERATIONS (Note 4)	**13,767,227**	15,926,552
DEFERRED INCOME TAXES (Notes 10 and 19)	**1,160,371**	329,001
OTHER ASSETS:		
Real estate held for future development or sale	**853,109**	853,109
Intangible assets, net (Note 16)	**2,395,874**	2,395,163
Goodwill (Note 16)	**6,354,002**	6,354,002
Other assets (Note 2)	**2,890,357**	2,571,577
Total assets	**$ 40,952,272**	$ 43,916,596
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Trade and subcontractors payables	**$ 2,465,112**	$ 841,383
Accrued expenses	**1,378,538**	1,257,137
Deferred revenue	**507,383**	601,347
Billings in excess of costs and earnings (Note 5)	**53,100**	28,215
Liabilities of discontinued operations (Note 4)	**520,308**	547,485
Short-term debt and current maturities of long-term debt	**270,592**	295,685
Total current liabilities	**5,195,033**	3,571,252
LIABILITIES OF DISCONTINUED OPERATIONS (Note 4)	**13,587,832**	17,181,813
OTHER LIABILITIES	**1,039,633**	824,877
MORTGAGE NOTES PAYABLE, less current maturities (Note 7)	**4,107,996**	4,229,587

OTHER LONG-TERM DEBT, less current maturities (Note 8)	**1,832,000**	1,000,000
Total liabilities	**25,762,494**	26,807,529
COMMITMENTS AND CONTINGENCIES (Note 18)		
SHAREHOLDERS EQUITY:		
Common stock, $1 par value; 10,000,000 shares authorized; 3,919,773 issued and 3,676,383 outstanding at April 30, 2010; 3,917,778 issued and 3,691,369 outstanding at April 30, 2009	**3,919,773**	3,917,778
Additional paid-in capital	**6,206,521**	6,026,101
Retained earnings	**6,069,629**	8,139,988
Treasury stock (common shares) of 243,390 and 226,409, respectively	**(1,006,145)**	(974,800)
Total shareholders equity	**15,189,778**	17,109,067
Total liabilities and shareholders equity	**$ 40,952,272**	$ 43,916,596

See accompanying notes to consolidated financial statements.

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SERVIDYNE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended April 30,	
	2010	2009
	(Restated)	(Restated)
REVENUES:		
Building Performance Efficiency (BPE) (Note 17)	**$ 18,171,536**	$ 13,192,310
Other	**389,994**	440,628
	18,561,530	13,632,938
COST OF REVENUES:		
BPE	**12,300,803**	8,562,024
Other	**746,919**	750,116
	13,047,722	9,312,140
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**9,783,066**	9,885,189
OTHER (INCOME) AND EXPENSES:		
Other income (Note 2)	**(308,279)**	(332,291)
Interest income	**(12,482)**	(95,564)
Interest expense	**402,104**	412,441
	81,343	(15,414)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**(4,350,601)**	(5,548,977)
INCOME TAX EXPENSE (BENEFIT) (Notes 10 and 19):		
Current	**13,309**	
Deferred	**(1,595,357)**	(1,528,625)
	(1,582,048)	(1,528,625)
LOSS FROM CONTINUING OPERATIONS	**(2,768,553)**	(4,020,352)
DISCONTINUED OPERATIONS (Note 4):		
Earnings (loss) from discontinued operations, adjusted for applicable income tax expense (benefit) of $235,423 and ($609,446), respectively	**142,443**	(996,561)
Gain on disposition of income-producing properties, adjusted for applicable income tax expense of $447,808 and $0, respectively	**740,831**	

EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS	**883,274**	(996,561)
NET LOSS	**$ (1,885,279)**	$ (5,016,913)
NET (LOSS) EARNINGS PER SHARE (Note 13):		
From continuing operations basic and diluted	**$ (0.75)**	$ (1.08)
From discontinued operations basic and diluted	**.24**	(.27)
NET LOSS PER SHARE BASIC AND DILUTED	**$ (0.51)**	$ (1.35)

See accompanying notes to consolidated financial statements.

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SERVIDYNE, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
BALANCES at April 30, 2008	3,708,836	$ 3,708,836	$ 5,045,100	$ 14,511,159	$ (798,717)	$ 22,466,378
Net loss (as restated)				(5,016,913)		(5,016,913)
Stock compensation expense			205,118			205,118
Common stock acquired					(135,507)	(135,507)
Common stock issued	22,781	22,781	68,469			91,250
Cash dividends declared $0.134 per share (adjusted for stock dividend)				(501,259)		(501,259)
Stock dividend declared 5% at market value on date declared	186,161	186,161	707,414	(852,999)	(40,576)	
BALANCES at April 30, 2009 (as restated)	**3,917,778**	**$ 3,917,778**	**$ 6,026,101**	**$ 8,139,988**	**$ (974,800)**	**$ 17,109,067**
Net loss (as restated)				(1,885,279)		(1,885,279)
Stock compensation expense			182,415			182,415
Common stock acquired					(31,345)	(31,345)
Common stock issued	1,995	1,995	(1,995)			
Cash dividends declared $0.047 per share				(185,080)		(185,080)
BALANCES at April 30, 2010 (as restated)	**3,919,773**	**$ 3,919,773**	**$ 6,206,521**	**$ 6,069,629**	**$ (1,006,145)**	**$ 15,189,778**

See accompanying notes to consolidated financial statements.

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SERVIDYNE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended	
	2010 (Restated)	2009 (Restated)
Cash flows from operating activities:		
Net loss	**$ (1,885,279)**	$ (5,016,913)
Adjustments to reconcile net loss to net cash used in operating activities:		
(Earnings) loss from discontinued operations, net of tax	**(883,274)**	996,561
Loss on disposal of assets	**1,378**	9,683
Depreciation and amortization	**985,174**	1,068,801
Amortization of mortgage discount		(20,000)
Deferred tax benefit (Note 19)	**(1,621,430)**	(1,572,109)
Stock compensation expense	**182,415**	205,118
Adjustment to cash surrender value of life insurance	**(62,442)**	(66,633)
Straight-line rent	**22,357**	(14,422)
Provision for doubtful accounts, net	**(38,197)**	(1,163)
Changes in assets and liabilities:		
Receivables	**(1,357,368)**	659,553
Costs and earnings in excess of billings	**(306,179)**	(133,196)
Other current and long-term assets	**84,611**	(342,407)
Trade and subcontractors payable	**1,623,729**	(138,267)
Accrued expenses and deferred revenue	**27,437**	8,217
Accrued incentive compensation		(494,000)
Billings in excess of costs and earnings	**24,885**	(34,344)
Other liabilities	**(2,900)**	(14,672)
Net cash used in operating activities	**(3,205,083)**	(4,900,193)
Cash flows from investing activities:		
Acquisition, net of cash acquired		(902,657)
Premiums paid on officers life insurance policies	**(61,464)**	(56,000)
Release of restricted cash held in escrow		3,470,700
Purchase of held to maturity investments		(150,000)
Additions to property and equipment	**(257,195)**	(306,539)
Additions to intangible assets	**(462,750)**	(328,249)
Proceeds from sale of property and equipment	**2,000**	
Net cash (used in) provided by investing activities	**(779,409)**	1,727,255
Cash flows from financing activities:		
Long-term loan proceeds	**982,000**	
Mortgage repayments	**(111,684)**	(103,383)
Debt repayments	**(185,000)**	(280,875)
Repurchase of common stock	**(31,345)**	(135,507)
Cash dividends paid to shareholders	**(185,080)**	(501,259)

Net cash provided by (used in) financing activities	**468,891**	(1,021,024)
DISCONTINUED OPERATIONS:		
Operating activities	**1,051,139**	1,069,799
Investing activities	**(141,881)**	(188,909)
Financing activities	**(291,142)**	(248,749)
Net cash provided by discontinued operations	**618,116**	632,141
Net decrease in cash and cash equivalents	**(2,897,485)**	(3,561,821)
Cash at beginning of period	**4,821,126**	8,382,947
Cash at end of period	**$ 1,923,641**	$ 4,821,126
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of Common Stock under 2000 Stock Award Plan	**$ 4,434**	$ 24,792
Supplemental schedule of cash flow information:		
Cash paid during the year for interest	**$ 1,094,304**	$ 1,303,887
Cash paid during the year for income taxes, net	**$**	$

See accompanying notes to consolidated financial statements.

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Supplementary Disclosures of Noncash Investing and Financing Activities:
On June 6, 2008, the Company purchased substantially all of the assets and certain liabilities of Atlantic Lighting & Supply Co., Inc. for $902,657 in cash (net of cash received and including acquisition costs) and 17,381 shares of Servidyne common stock. The related assets and liabilities at the date of acquisition were as follows:

Total assets acquired, net of cash	**$ 1,577,844**
Total liabilities assumed	**(583,937)**
Net assets acquired, net of cash	**993,907**
Less value of shares issued for acquisition	**(91,250)**
Total cash paid (including acquisition costs)	**$ 902,657**

On January 29, 2010, the Company transferred its interest in an income-producing property and related assets to the note holder, which satisfied in full the Company s liability for the related mortgage note payable.

Elimination of mortgage note payable	**$ (3,159,348)**
Disposition of income-producing property, net	**1,727,165**
Disposition of other related assets and liabilities, net	**193,545**

See accompanying notes to consolidated financial statements.

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SERVIDYNE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended April 30, 2010, and April 30, 2009

1. ORGANIZATION AND BUSINESS

Servidyne, Inc. (together with its subsidiaries, the Company) was organized under Delaware law in 1960. In 1984, the Company changed its state of incorporation from Delaware to Georgia. The Company provides comprehensive energy efficiency and demand response solutions, sustainability programs, and other building performance-enhancing products and services to owners and operators of existing buildings, energy services companies, and public and investor-owned utilities.

During the third quarter of fiscal 2011, the Company sold its last owned income-producing property, other than its corporate headquarters facility. As a result, the Company s Real Estate Segment is no longer considered a reportable segment. Accordingly, the Company has removed all references to the Real Estate Segment from this annual report, and will not report results of the Real Estate Segment in future periodic reports. The only operating segment of the Company is the Building Performance Efficiency (BPE) Segment which performs the services as described above. See Note 14 Segment Reporting for more information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Principles of consolidation and basis of presentation

The consolidated financial statements include the accounts of Servidyne, Inc., and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company has made reclassifications related to certain income-producing properties that have been sold in accordance with the guidance now codified as Financial Accounting Standards Board Accounting Standards Codification (ASC) 360-35, *Property, Plant and Equipment* (ASC 360-35). As a result of these sales, the Company s financial statements have been prepared with the results of operations and cash flows of these disposed properties shown as discontinued operations. Further, the assets and liabilities of these disposed properties are reflected in discontinued operations on the balance sheets. In addition, the book value of the corporate headquarters facility which was previously presented in Income-Producing Properties, net is now presented in Property and Equipment, net in the balance sheets.

(B) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of 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.

(C) Revenue recognition

Revenues derived from implementation, training, support, and base service license fees from customers accessing the Company s proprietary technology solutions on an application service provider (ASP) basis are recognized when all of the following conditions are met: there is persuasive evidence of an arrangement; service has been provided to the customer; the collection of fees is probable; and the amount of fees to be paid by the customer is fixed and determinable. The Company s license arrangements do not include general rights of return. Revenues are recognized ratably over the contract period, which is typically no longer than twelve (12) months, beginning on the commencement date of each contract. Amounts that have been invoiced are recorded in accounts receivable and in revenue or deferred revenue, depending on the timing of when the revenue recognition criteria have been met. Additionally, the Company defers such direct costs and amortizes them over the same time period as the revenue is recognized.

Energy management services are accounted for separately and are recognized as the services are rendered. Revenues derived from sales of proprietary technology solutions (other than ASP solutions) and sales of hardware products are recognized when the respective software solutions and hardware products are sold.

Energy savings project revenues are reported on the percentage-of-completion method, using costs incurred to date in relation to estimated total costs of the contracts to measure the stage of completion. Original contract prices are adjusted for change orders in the amounts that are reasonably estimated. The nature of the change orders usually involves a change in the scope of the project, for example, a change in the number or type of units being installed. The price of change orders is based on the specific materials, labor, and other project costs affected. Contract revenue and costs are adjusted to reflect change orders when they are approved by both the Company and its customer for both scope and price. For a change order that is unpriced; that is, the scope of the work to be performed is defined, but the adjustment to the contract price is to be negotiated later, the Company evaluates the particular circumstances of that specific instance in determining whether to adjust the contract revenue and/or costs related to the change order. For unpriced change orders, the Company will record revenue in excess of costs related to a change order on a contract only when the Company deems that the adjustment to the contract price is probable based on its historical experience with that customer. The cumulative effects of changes in estimated total contract costs and revenues (change orders) are recorded in the period in which the facts requiring such revisions become known, and are accounted for using the percentage-of-completion method. At the time it is determined that a contract is expected to result in a loss, the entire estimated loss is recorded. Energy efficient lighting product revenues are recognized when the products are shipped.

(D) Cash and cash equivalents and short-term investments

Cash and cash equivalents include money market funds and other highly liquid financial instruments. The Company considers all highly liquid financial instruments with original maturities of three (3) months or less to be cash equivalents. The Company considers financial instruments with maturities of three (3) months to one (1) year to be short-term investments. The Company has classified all short-term investments as held to maturity. As of April 30, 2010, and April 30, 2009, the Company had an investment in a certificate of deposit, which is included in long-term other assets, that secures a letter of credit on a mortgage note payable that matures in August 2012.

(E) Long-lived assets: property & equipment and capitalized software

The Company s corporate headquarters building and related assets are stated at historical cost or, if the Company determines that impairment has occurred, at fair market value, and are depreciated for financial reporting purposes using the straight-line method over the respective estimated useful lives. Significant additions that extend asset lives are capitalized and are depreciated over their respective estimated useful lives. Normal maintenance and repair costs are expensed as incurred.

Other property and equipment are recorded at historical cost and are depreciated for financial reporting purposes using the straight-line method over the estimated useful lives of the respective assets.

The Company s most significant tangible long-lived assets are the corporate headquarters building and related assets. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company examines long-lived assets for such indications of impairment on a quarterly basis. The types of events and circumstances that might indicate impairment include, but are not limited to, the following:

- A significant decrease in the market price of a long-lived asset;
- A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset;
- The Company has received purchase offers at prices below carrying value;
- A real estate asset that has a significant vacancy rate or significant rollover exposure from one or more tenants;

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A major tenant experiencing financial difficulties that may jeopardize the tenant s ability to meet its lease obligations; and

Depressed market conditions.

When there are indicators of impairment, the recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset against the future net undiscounted cash flows expected to be generated by the asset. The Company estimates future undiscounted cash flows using assumptions regarding occupancy, counter-party creditworthiness, costs of leasing including tenant improvements and leasing commissions, rental rates and expenses of the property, as well as the expected holding period and cash to be received from disposition. The Company has considered all of these factors in its undiscounted cash flows.

During the fourth quarter of fiscal 2009, the anchor tenant of the Company s owned office building in Newnan, Georgia, operated by the Company s former Real Estate Segment, defaulted on its lease obligations and subsequently vacated its leased space. Given this event, the Company revised the estimated future undiscounted cash flows expected to be generated by the property and determined that the carrying amount of the related long-lived assets was not recoverable. Accordingly, the Company performed a fair value analysis of the property, determined that its fair market value was less than its current book value, and therefore recorded an impairment loss of approximately $2,007,000 in the fourth quarter of fiscal 2009. The estimated fair value of the Newnan office building at April 30, 2009, was approximately $1,761,000. This determination was based on a number of factors, including a discounted cash flow analysis, quoted prices for similar assets, and management s judgment. On January 29, 2010, the Company transferred its approximately $2.0 million interest in the property and related assets to the note holder, which satisfied in full the Company s liability for the approximately $3.2 million remaining balance on the property s non-recourse mortgage loan. Correspondingly, the Company recognized a pre-tax gain of approximately $1.2 million in the third quarter of fiscal 2010 as a result of the elimination of the balance of the indebtedness on the property. See Note 4 Discontinued Operations for further information.

The Company has long-lived assets that primarily consist of capitalized software costs, classified as intangible assets, net on the balance sheet, as well as property and equipment on the balance sheet in addition to the corporate headquarters building as discussed above. Software development costs are accounted for as required for software in a Web hosting arrangement. Software development costs that are incurred in a preliminary project stage are expensed as incurred. Costs that are incurred during the application development stage are capitalized and reported at the lower of unamortized cost or net realizable value. Capitalization ceases when the computer software development project, including testing of the computer software, is substantially complete and the software product is ready for its intended use. Capitalized costs are amortized on a straight-line basis over the estimated economic life of the product.

Events or circumstances which would trigger an impairment analysis of these long-lived assets include:

A change in the estimated remaining useful life of the asset;

A change in the manner in which the asset is used in the income generating business of the Company; or

A current-period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset.

Long-lived assets of the BPE Segment are grouped together for purposes of impairment analysis, as assets and liabilities of the BPE Segment are not independent of one another. Annually at the end of the fiscal third quarter, unless events or circumstances occur in the interim, as discussed above, the Company reviews its BPE Segment s long-lived assets for impairment. Future undiscounted cash flows of the segment, as measured in its goodwill impairment analysis, are used to determine whether impairment of long-lived assets exists in the BPE Segment.

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(F) Goodwill and other intangible assets

Intangible assets primarily consist of trademarks, acquired computer software, proprietary technology solutions, and customer relationships. The trademarks are not amortized as they have indefinite lives. However, the acquired computer software, proprietary technology solutions, and customer relationships are amortized using the straight-line method over the following estimated useful lives:

Acquired computer software	3 years
Proprietary technology solutions	5 years
Customer relationships	5 years

Goodwill and other intangible assets with indefinite lives are reviewed for impairment annually at the end of the fiscal third quarter, or whenever events or changes in circumstances indicate that the carrying basis of an asset may not be recoverable. All of the Company s goodwill and other indefinite-lived intangible assets are assigned to the BPE Segment, which has also been determined to be the reporting unit.

The Company performed the annual impairment analysis of goodwill and other indefinite-lived intangible assets for the BPE Segment in the quarter ended January 31, 2010. The annual analysis resulted in a determination of no impairment in fiscal 2010. As of April 30, 2010, the Company does not believe that any of its goodwill or other indefinite-lived intangible assets are impaired.

The valuation methodologies used to calculate the fair value of the BPE Segment were the discounted cash flow method of the income approach and the guideline company method of the market approach. The Company believes that these two (2) methodologies are commonly used valuation methodologies. U.S. Generally Accepted Accounting Principles (GAAP) states that both methodologies are acceptable in determining the fair value of a reporting unit. In assessing the fair value of the BPE Segment, the Company believes a market participant would likely consider both the cash flow generating ability of the reporting unit, as well as current market multiples of companies facing similar risks in the marketplace.

With the income approach, the cash flows anticipated over several periods, plus a terminal value at the end of that time horizon, are discounted to their present value using an appropriate rate of return. Projected cash flows are discounted to present value using an estimated weighted average cost of capital, reflecting returns to both equity and debt investors. The Company believes that this is a relevant and beneficial method to use in determining fair value, because it explicitly considers the future cash flow generating potential of the reporting unit.

In the guideline company method of the market approach, the value of a reporting unit is estimated by comparing the subject to similar businesses or guideline companies whose securities are actively traded in public markets. The comparison is generally based on data regarding each of the companies stock prices and earnings, which is expressed as a fraction known as a multiple. The premise of this method is that if the guideline public companies are sufficiently similar to each other, then their multiples should be similar. The multiples for the guideline companies are analyzed, adjusted for differences as compared to the subject company, and then applied to the applicable business characteristics of the subject company to arrive at an indication of the fair value. The Company believes that the inclusion of a market approach analysis in the fair value calculation is beneficial, because it provides an indication of value based on external, market-based measures.

In the application of the income approach, financial projections were developed for use in the discounted cash flow calculations. Significant assumptions included revenue growth rates, margin rates, SG&A costs, and working capital and capital expenditure requirements over a period of ten (10) years. Revenue growth rate and margin rate assumptions were developed using historical Company data, current backlog, specific customer commitments, status of outstanding customer proposals, and future economic and market conditions expected. Consideration was then given to the estimated SG&A costs, working capital, and capital expenditures required to deliver the revenue and margin determined. The other significant assumption used with the income approach was the assumed rate at which to discount the cash flows. The rate was determined by utilizing the weighted average cost of capital method.

In the income approach model, three (3) separate financial projection scenarios were prepared using the above assumptions: the first used the expected revenue growth rates, the second used higher revenue growth rates, and the third used lower revenue growth rates. The discount rates used in the scenarios ranged from 19% for the lower growth scenario to 21% in the higher growth scenario. In each of the three (3) discounted cash flow models, there was no indication of goodwill impairment. For the assessment of fair value of the BPE Segment based on the income approach, the results of the three (3) scenarios were weighted equally (33% for the expected case and 33% each for the other scenarios) to produce the applicable fair value indication using the income approach. The weightings reflect the Company s view of the relative likelihood of each scenario.

In the application of the market approach, the Company considered valuation multiples derived from five (5) public comparable companies that were identified as belonging to a group of industry peers. The applicable financial multiples of the comparable companies were adjusted for profitability and size and then applied to the BPE Segment. This result also indicated that no impairment existed.

The comparable companies selected for the market approach were similar to the BPE Segment in terms of business description and markets served. As such, the Company believes a market participant is likely to consider the market approach in determining the fair value of the BPE Segment. In addition, the Company believes a market participant will consider the cash flow generating capacity of the BPE Segment using an income approach. Both the market and income approaches provide meaningful indications of the fair value to the BPE Segment. The outcomes of the income approach and the market approach were weighted 70% and 30%, respectively, with the resulting fair value compared to the carrying value of the BPE Segment.

(G) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and to tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company periodically reviews its deferred tax assets (DTA) to assess whether it is more likely than not that a tax asset will not be realized. The realization of a DTA ultimately depends on the existence of sufficient taxable income. A valuation allowance is established against a DTA if there is not sufficient evidence that it will be realized. The Company weighs all available evidence in order to determine whether it is more-likely-than-not that a DTA will be realized in a future period. The Company considers general economic conditions, market and industry conditions, as well as internal Company specific conditions, trends, management plans, and other data in making this determination. Evidence considered is weighted according to the degree that it can be objectively verified. Reversals of temporary differences are weighted with more significance than projections of future earnings of the Company.

(H) Derivative instruments and hedging activities

Derivative instruments are recognized in the balance sheet at fair value, and changes in the fair value of such instruments are recognized currently in earnings, unless specific hedge accounting criteria are met. In the years ended April 30, 2010, and April 30, 2009, the Company had no derivative instruments or hedging activities.

(I) Discontinued operations

The gains and losses from the disposition of certain income-producing real estate assets, and associated liabilities, operating results, and cash flows are reflected as discontinued operations in the consolidated financial statements for all periods presented. Although net earnings are not affected, the Company has reclassified results that were previously included in continuing operations as discontinued operations for qualifying dispositions.

(J) Other current assets

Other current assets consisted of the following as of April 30, 2010, and April 30, 2009:

	2010	2009
Inventory	$ 537,624	$ 654,443
Prepaid software consulting		132,731
Prepaid real estate taxes	48,928	65,685
Deferred costs	31,248	92,210
Prepaid insurance	47,468	117,004
Prepaid rent	35,783	48,905
Deposits	44,400	44,400
Prepaid consulting fees	25,000	25,000
Unbilled engineering revenue	170,520	112,690
Other receivables	117,660	8,798
Other	189,213	162,895
	$1,247,844	$1,464,761

(K) Other assets

Other assets consisted of the following as of April 30, 2010, and April 30, 2009:

	2010	2009
Cash surrender value of life insurance	$1,447,224	$1,323,318
Deferred executive compensation	947,023	733,378
Certificate of deposit	450,000	450,000
Straight-line rent receivable	24,228	46,584
Notes receivable	9,000	9,250
Other	12,882	9,047
	$2,890,357	$2,571,577

(L) Other income

Other income for the year ended April 30, 2010, included changes in the fair value of deferred executive compensation plan assets of approximately $174,000. Other income for the year ended April 30, 2009, included $285,000 related to a January 30, 2009, settlement of an insurance claim.

(M) Recent accounting pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued guidance now codified as FASB ASC topic 105-10, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (ASC 105-10 or the Codification), which became effective for interim and annual periods ending after September 15, 2009. Other than resolving certain minor inconsistencies in current GAAP, the Codification does not change GAAP, but rather is intended to make it easier to find and research GAAP applicable to particular transactions or specific accounting issues. The Codification organizes previous accounting pronouncements into approximately 90 accounting topics and is now considered to be the single source of authoritative U.S. GAAP. The Company adopted ASC 105-10 in the second quarter of fiscal 2010. Adoption had no impact on the determination or reporting of the Company s financial results. All references to specific authoritative guidance have been updated within this report to reflect the new Accounting Standards Codification structure.

In May 2009, the FASB issued guidance now codified as FASB ASC topic 855, *Subsequent Events* (ASC 855). ASC 855 modifies the names of the two types of subsequent events and, for public entities, modifies the definition of subsequent events to refer to events or transactions that occur after the balance sheet date but before the financial statements are issued. Also, ASC 855 requires that entities disclose the date through which subsequent events have been evaluated and the basis for that date. ASC 855 was effective for all interim and annual periods ending after June 15, 2009. The Company adopted ASC 855 in the first quarter of fiscal 2010.

In February 2010, the FASB issued new guidance codified as FASB Accounting Standards Update (ASU) 2010-09, *Subsequent Events* (ASU 2010-09). ASU 2010-09 updates FASB ASC 855. ASU 2010-09 removes the requirement to disclose the date through which an entity has evaluated subsequent events. The Company adopted the previously issued guidance included in ASC 855 in the first quarter of fiscal 2010. The Company adopted ASU 2010-09 in the third quarter of fiscal 2010. The Company has determined that adoption did not have a significant impact on the determination or reporting of the Company s financial results.

In April 2009, the FASB issued new guidance now codified within FASB ASC topic 825, *Financial Instruments* (ASC 825). Following this new guidance, ASC 825 requires disclosure about the fair value of financial instruments for publicly traded companies in interim reporting periods, as well as in annual reporting periods. The Company adopted the new provisions of ASC 825 in the first quarter of fiscal 2010. See Note 10 Fair Value of Financial Instruments for fair value disclosure of the Company s financial instruments.

In April 2008, the FASB issued guidance now codified as FASB ASC Subtopic 350-30, *Intangibles Goodwill and Other; General Intangibles Other than Goodwill* (ASC 350-30) and ASC topic 275, *Risks and Uncertainties* (ASC 275). This new guidance was designed to improve the consistency between the useful life of a recognized intangible asset under ASC 350, *Intangibles Goodwill and Other*, and the period of expected cash flows used to measure the fair value of the asset under ASC 805, *Business Combinations*, and other guidance under GAAP. The Company adopted ASC 350-30 and ASC 275 in the first quarter of fiscal 2010. The Company has determined that adoption did not have a significant impact on the determination or reporting of the Company s financial results.

3. STOCK COMPENSATION

On June 5, 2008, the Company declared a stock dividend of five percent (5%) to all shareholders of record on June 18, 2008. Accordingly, on July 1, 2008, the Company issued 177,708 shares of stock pursuant to the stock dividend. All stock options and stock appreciation rights (SARs) have been adjusted retroactively to increase the number of stock options and SARs outstanding to account for the stock dividend for all periods presented.

The Company has three (3) outstanding types of equity-based incentive compensation instruments in effect with employees, non-employee directors and certain outside service providers: stock options, SARs, and restricted stock. Most of these equity-based instruments have been granted under the terms of the Company s 2000 Stock Award Plan (the 2000 Award Plan). The total number of shares that can be granted under the 2000 Award Plan is 1,155,000 shares. The Company typically uses authorized, unissued shares to provide shares for these equity-based instruments.

For the years ended April 30, 2010, and April 30, 2009, the Company s net loss included $182,415 and $205,118, respectively, of total equity-based compensation expenses, and $69,319 and $78,265, respectively, of related income tax benefits. All of these expenses are included in selling, general and administrative expenses in the consolidated statements of operations. At April 30, 2010, there were total unrecognized equity-based compensation expenses of $341,201 that are expected to be recognized over a weighted average period of approximately 1.9 years.

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Stock options
A summary of stock options activity for the fiscal years ended April 30 is as follows:

	2010		2009	
	Options to Purchase Shares	**Weighted Average Exercise Price**	Options to Purchase Shares	Weighted Average Exercise Price
Outstanding at beginning of year	**482,486**	**$ 4.46**	483,536	$ 4.45
Granted			10,500	5.24
Forfeited			(11,550)	4.59
Expired				
Exercised				
Outstanding at end of year	**482,486**	**$ 4.46**	482,486	$ 4.46
Vested at end of year	**471,986**	**$ 4.44**	471,986	$ 4.44
Non-vested at end of year, that are expected to vest	**10,500**	**$ 5.24**	10,500	$ 5.24

Stock options typically vest over a period of two (2) years. The maximum contractual term of the stock options is ten (10) years. As of April 30, 2010, and April 30, 2009, 98% of the outstanding stock options were exercisable, but none were in the money.
A summary of information about all stock options outstanding as of April 30, 2010, is as follows:

Exercise Price	Number of Outstanding Options	Weighted Average Remaining Contractual Term (Years)
$4.42	415,629	2.53
$4.59	55,440	4.90
$5.19	917	4.13
$5.24	10,500	3.12

The Company estimates the fair value of each stock option award on the date of grant using the Black-Scholes option-pricing model. The risk free interest rate utilized in the Black-Scholes calculation is the interest rate of the U.S. Treasury Bill having the same maturity period as the expected life of the stock option awards. The expected life of the stock options granted is based on the estimated holding period of the respective awarded stock options. The expected volatility of the stock options granted is based on the historical volatility of the Company s stock over the preceding five-year period using the month-end closing stock price. The fair value for the stock options granted in fiscal 2009 was estimated on the respective grant date using the following weighted average assumptions in the Black-Scholes option-pricing model:

Expected life (years)	5
Dividend yield	2.55%
Expected stock price volatility	37.11%
Risk-free interest rate	3.73%

Fair value of options granted	$ 1.16

There were no stock options granted in fiscal 2010.

Compensation expenses related to the vesting of options for fiscal years 2010 and 2009 were $3,867 and $22,900, respectively, and the related income tax benefits were $1,470 and $9,023, respectively.

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Stock appreciation rights

A summary of SARs activity for the fiscal years ended April 30 is as follows:

	2010		2009	
	SARs	**Weighted Average Exercise Price**	SARs	Weighted Average Exercise Price
Outstanding at beginning of year	**565,350**	**$ 4.37**	411,600	$ 4.26
Granted	**381,500**	**3.11**	184,000	4.57
Exercised				
Forfeited	**(19,425)**	**4.62**	(30,250)	3.98
Outstanding at end of year	**927,425**	**$ 3.85**	565,350	$ 4.37
Vested at end of year	**88,200**	**$ 3.88**		$
Non-vested at end of year, that are expected to vest	**589,305**	**$ 3.91**	405,299	$ 4.26

All SARs have a five-year vesting period. Typically, thirty percent (30%) of the SARs will vest on the third (3rd) year anniversary of the date of grant, thirty percent (30%) will vest on the fourth (4th) year anniversary of the date of grant, and forty percent (40%) will vest on the fifth (5th) year anniversary of the date of grant. All SARs have early vesting provisions by which one hundred percent (100%) of the SARs would vest immediately (1) on the date of a change in control of the Company; or (2) if the Company s stock price were to close at or above a certain price for ten (10) consecutive trading days. For SARs granted prior to the stock dividend that occurred in the first quarter of fiscal 2009, the triggering price for early vesting is $19.05 per share. For SARs granted subsequent to the stock dividend that occurred in the first quarter of fiscal 2009, the triggering price for early vesting for SARs issued under the 2000 Award Plan is $20.00 per share, and the triggering price for early vesting for SARs not issued under the 2000 Award Plan is $19.05 per share. The maximum contractual term of all SARs is ten (10) years. As of April 30, 2010, none of the outstanding SARs, vested or non-vested, were in the money.

A summary of information about SARs outstanding as of April 30, 2010, is as follows:

Exercise Price	Outstanding SARs	Vested SARs	Weighted Average Remaining Contractual Term (Years)
$3.94	180,495	54,810	6.16
$3.79	109,830	33,390	6.61
$4.19	10,500	0	7.12
$6.19	33,600	0	7.42
$5.00	52,500	0	7.99
$4.76	136,500	0	8.13
$4.00	22,500	0	8.39
$2.30	30,000	0	9.11
$4.00	200,000	0	9.55
$2.12	20,000	0	9.61
$2.09	131,500	0	9.90

The Company estimates the fair value of each award of SARs on the date of grant using the Black-Scholes option-pricing model. The risk-free interest rate utilized in the Black-Scholes calculation is the interest rate of the U.S. Treasury Bill having the same maturity period as the expected life of the Company s SARs awards. The expected life of the SARs granted is based on the estimated holding period of the respective SARs awards. The expected volatility is based on the historical volatility of the Company s stock over the preceding five-year period using the month-end closing stock price.

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The fair value of the SARs granted during the fiscal years ended April 30 was estimated on the respective grant dates using the following weighted average assumptions in the Black-Scholes option-pricing model:

	2010	2009
Expected life (years)	**5**	5
Dividend yield	**3.82%**	2.59%
Expected stock price volatility	**55.88%**	37.25%
Risk-free interest rate	**2.38%**	3.45%
Fair value of SARs granted	**$ 0.40**	$ 0.91

Compensation expenses related to the vesting of SARs for fiscal years 2010 and 2009 were $169,721 and $164,315, respectively, and related income tax benefits were $64,495 and $62,439, respectively.

Shares of restricted stock

Periodically, the Company has awarded shares of restricted stock to employees, non-employee directors and certain outside service providers. The awards are recorded at fair market value on the date of grant and typically vest over a period of one (1) year. As of April 30, 2010, there were unrecognized compensation expenses totaling $3,838 related to grants of shares of restricted stock, which the Company expects to be recognized over the ensuing year.

Compensation expenses related to the vesting of shares of restricted stock for fiscal years 2010 and 2009 were $8,827 and $17,903, respectively, and related income tax benefits were $3,354 and $6,803, respectively.

A summary of restricted stock activity for the fiscal years ended April 30 is as follows:

	2010		2009	
	Number of Shares of Restricted Stock	**Weighted Average Fair Value per Share on Grant Date**	Number of Shares of Restricted Stock	Weighted Average Fair Value per Share on Grant Date
Non-vested restricted stock at beginning of year	**5,295**	**$ 4.77**	1,785	$ 4.27
Granted	**2,600**	**2.11**	5,800	4.72
Forfeited	**(500)**	**2.12**	(505)	4.21
Vested	**(4,245)**	**4.55**	(1,785)	4.23
Non-vested restricted stock at end of year	**3,150**	**$ 2.99**	5,295	$ 4.77

4. DISCONTINUED OPERATIONS

The gains and losses from the disposition of certain income-producing real estate assets, and associated liabilities, operating results, and cash flows are reflected as discontinued operations in the consolidated financial statements for all periods presented. Although net earnings are not affected, the Company has reclassified results that were previously included in continuing operations as discontinued operations for qualifying dispositions.

The Company classifies an asset as held for sale when the asset is under a binding sales contract with minimal contingencies, and the buyer is materially at risk if the buyer fails to complete the transaction. However, each potential transaction is evaluated based on its separate facts and circumstances. Pursuant to this standard, as of April 30, 2010, and April 30, 2009, the Company had no income-producing real estate assets that were classified as held for sale.

Interest expense specifically related to mortgage debt on real estate assets that have been sold or otherwise disposed is allocated to the results of discontinued operations. The Company has elected not to allocate to discontinued operations other consolidated interest that is not directly attributable to the sold properties or related to other operations of the

Company.

During the fourth quarter of fiscal 2009, the anchor tenant of the former Real Estate Segment s owned office building in Newnan, Georgia, defaulted on its lease obligations, and subsequently vacated its leased space during the first quarter of fiscal 2010. Accordingly, management did not anticipate that this tenant would make any additional lease payments. Given this event, management determined that the building s fair market value was less than its book value at that time, and therefore the Company recorded an impairment loss of approximately $2,007,000 in the fourth quarter of fiscal 2009. Additionally, given this event, the Company also recorded an impairment loss of approximately $151,000 in the fourth quarter of fiscal 2009 to write off the remaining net book value of the anchor tenant s capitalized lease cost, which was initially recorded as an intangible asset when the owned office building was acquired in fiscal 2007.

On January 29, 2010, the Company transferred its approximately $2.0 million interest in the property and related assets to the note holder, which satisfied in full the Company s liability for the approximately $3.2 million remaining balance on the property s non-recourse mortgage loan. Correspondingly, the Company recognized a pre-tax gain of approximately $1.2 million in the third quarter of fiscal 2010 as a result of the elimination of the balance of the indebtedness on the property.

On June 9, 2010, the former Real Estate Segment sold its owned shopping center in Jacksonville, Florida, for a sales price of approximately $9.9 million. The sale generated net cash proceeds of approximately $2 million, after deducting approximately $0.5 million for funding of repair escrows and approximately $0.6 million for closing costs and prorations, and net of the approximately $6.9 million mortgage note, which was assumed by the buyer. The Company recognized a pre-tax gain on the sale of approximately $190,000, including approximately $75,000 in additional pre-tax gain recognized in the second and third quarters of fiscal 2011 as the result of the successful completion of contractual conditions and other cost-basis adjustments. See Note 20 Subsequent Events.

On December 15, 2010, the former Real Estate Segment sold its owned shopping center in Smyrna, Tennessee, for a sales price of approximately $4.3 million. The sale generated net cash proceeds of approximately $250,000, after deducting approximately $125,000 for closing costs and prorations, and net of the approximately $3.9 million mortgage note, which was assumed by the buyer. The Company recognized a pre-tax loss on the sale of approximately $6,000 in the third quarter of fiscal 2011. Prior to the sale, the Company recorded an impairment loss of approximately $590,000 in the second quarter of fiscal 2011.

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As a result of these real estate transactions, the Company s financial statements have been prepared with the results of operations and cash flows of these three (3) disposed properties shown as discontinued operations. All historical statements have been recast in accordance with GAAP. Summarized financial information for discontinued operations for the fiscal years ended April 30 is as follows:

	2010	2009
Rental revenues	**$2,388,143**	$ 2,598,515
Rental property operating expenses, including depreciation	**2,010,277**	2,045,849
Loss on impairment of income-producing property		2,158,673
Operating earnings (loss) from discontinued operations	**377,866**	(1,606,007)
Income tax (expense) benefit	**(235,423)**	609,446
Operating earnings (loss) from discontinued operations, net of tax	**142,443**	(996,561)
Gain on disposition of income-producing properties	**1,188,639**	
Income tax expense	**(447,808)**	
Gain on disposition of income-producing properties, net of tax	**740,831**	
Earnings (loss) from discontinued operations, net of tax	**$ 883,274**	$ (996,561)

	Balances at	
	April 30, 2010	April 30, 2009
Assets of discontinued operations		
Accounts receivable	**$ 92,402**	$ 238,217
Deferred income taxes	**50,660**	54,315
Other current assets	**45,765**	194,960
Total current	**188,827**	487,492
Property and equipment	**13,259,155**	15,246,802
Intangible assets	**414,543**	515,433
Other assets	**93,529**	164,317
Total non-current	**13,767,227**	15,926,552
Total assets of discontinued operations	**$13,956,054**	$16,414,044
Liabilities of discontinued operations		
Accounts payable and accrued expenses	**$ 274,077**	$ 169,258
Deferred revenue		107,054
Current maturities of mortgage notes and long-term debt payable	**246,231**	271,173
Total current	**520,308**	547,485
Deferred income taxes	**2,972,327**	3,190,760

Mortgage notes payable	**10,615,505**	13,991,053
Total non-current	**13,587,832**	17,181,813
Total liabilities of discontinued operations	**$14,108,140**	$17,729,298

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The following tables reflect the effects of the adjustments on the Company s consolidated financial statements when compared to the Company s Original Annual Report as a result of recasting the discontinued operations and the discontinuance of the former Real Estate Segment. The effects of the disposition of the Company s owned office building in Newnan, Georgia, are included in the As Originally Reported amounts as of and for the years ended April 30, 2010 and 2009. The recasted amounts in the following tables are carried forward to Note 19 Restatement of Consolidated Financial Statements, which presents the effects of the correction of the error associated with the valuation allowance on deferred income taxes.

	As of April 30, 2010			
	As Originally Reported	Adjustments for Discontinued Operations	Reclassification Related to Discontinuance of Real Estate Segment Reporting	As Recast for Discontinued Operations and Segment Change (Note 19)
Consolidated balance sheet				
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 1,923,641	$	$	$ 1,923,641
Receivables:				
Trade accounts and notes, net of allowance for doubtful accounts	1,045,477	(92,402)		953,075
Contracts, net of allowance for doubtful accounts	3,337,177			3,337,177
Costs and earnings in excess of billings	715,129			715,129
Assets of discontinued operations		188,827		188,827
Deferred income taxes	451,875	(50,660)		401,215
Other current assets	1,293,609	(45,765)		1,247,844
Total current assets	8,766,908			8,766,908
INCOME-PRODUCING PROPERTIES, net	17,382,252	(13,259,155)	(4,123,097)	
PROPERTY AND EQUIPMENT, net	682,445		4,123,097	4,805,542
ASSETS OF DISCONTINUED OPERATIONS		13,767,227		13,767,227
DEFERRED INCOME TAXES		1,718,954		1,718,954
OTHER ASSETS:				
Real estate held for future development or sale	853,109			853,109
Intangible assets, net	2,810,417	(414,543)		2,395,874
Goodwill	6,354,002			6,354,002
Other assets	2,983,886	(93,529)		2,890,357
Total assets	$39,833,019	$ 1,718,954	$	$ 41,551,973
LIABILITIES AND SHAREHOLDERS EQUITY				

CURRENT LIABILITIES:				
Trade and subcontractors payables	$ 2,483,996	$ (18,884)	$	$ 2,465,112
Accrued expenses	1,633,731	(255,193)		1,378,538
Deferred revenue	507,383			507,383
Billings in excess of costs and earnings	53,100			53,100
Liabilities of discontinued operations		520,308		520,308
Short-term debt and current maturities of long-term debt	516,823	(246,231)		270,592
Total current liabilities	5,195,033			5,195,033
DEFERRED INCOME TAXES	1,253,373	(1,253,373)		
LIABILITIES OF DISCONTINUED OPERATIONS		13,587,832		13,587,832
OTHER LIABILITIES	1,039,633			1,039,633
MORTGAGE NOTES PAYABLE, less current maturities	14,723,501	(10,615,505)		4,107,996
OTHER LONG-TERM DEBT, less current maturities	1,832,000			1,832,000
Total liabilities	24,043,540	1,718,954		25,762,494
COMMITMENTS AND CONTINGENCIES				
SHAREHOLDERS EQUITY:				
Common stock	3,919,773			3,919,773
Additional paid-in capital	6,206,521			6,206,521
Retained earnings	6,669,330			6,669,330
Treasury stock (common shares)	(1,006,145)			(1,006,145)
Total shareholders equity	15,789,479			15,789,479
Total liabilities and shareholders equity	$39,833,019	$ 1,718,954	$	$ 41,551,973

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	As of April 30, 2009			
	As Originally Reported	Adjustments for Discontinued Operations	Reclassification Related to Discontinuance of Real Estate Segment Reporting	As Recast for Discontinued Operations and Segment Change (Note 19)
Consolidated balance sheet				
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 4,821,126	$	$	$ 4,821,126
Receivables:				
Trade accounts and notes, net of allowance for doubtful accounts	1,277,508	(147,148)		1,130,360
Contracts, net of allowance for doubtful accounts	1,764,327			1,764,327
Costs and earnings in excess of billings	408,950			408,950
Assets of discontinued operations	314,906	172,586		487,492
Deferred income taxes	529,708	(4,600)		525,108
Other current assets	1,485,599	(20,838)		1,464,761
Total current assets	10,602,124			10,602,124
INCOME-PRODUCING PROPERTIES, net	17,630,790	(13,486,217)	(4,144,573)	
PROPERTY AND EQUIPMENT, net	797,556		4,144,573	4,942,129
ASSETS OF DISCONTINUED OPERATIONS	1,909,434	14,017,118		15,926,552
DEFERRED INCOME TAXES		701,403		701,403
OTHER ASSETS:				
Real estate held for future development or sale	853,109			853,109
Intangible assets, net	2,832,286	(437,123)		2,395,163
Goodwill	6,354,002			6,354,002
Other assets	2,665,355	(93,778)		2,571,577
Total assets	$43,644,656	$ 701,403	$	$ 44,346,059
LIABILITIES AND SHAREHOLDERS EQUITY				
CURRENT LIABILITIES:				
Trade and subcontractors payables	$ 851,633	$ (10,250)	$	$ 841,383
Accrued expenses	1,388,229	(131,092)		1,257,137
Deferred revenue	601,347			601,347
Billings in excess of costs and earnings	28,215			28,215
Liabilities of discontinued operations	175,541	371,944		547,485
	526,287	(230,602)		295,685

Short-term debt and current maturities of long-term debt				
Total current liabilities	3,571,252			3,571,252
DEFERRED INCOME TAXES	2,246,919	(2,246,919)		
LIABILITIES OF DISCONTINUED OPERATIONS	3,370,826	13,810,987		17,181,813
OTHER LIABILITIES	824,877			824,877
MORTGAGE NOTES PAYABLE, less current maturities	15,092,252	(10,862,665)		4,229,587
OTHER LONG-TERM DEBT, less current maturities	1,000,000			1,000,000
Total liabilities	26,106,126	701,403		26,807,529
COMMITMENTS AND CONTINGENCIES				
SHAREHOLDERS EQUITY:				
Common stock	3,917,778			3,917,778
Additional paid-in capital	6,026,101			6,026,101
Retained earnings	8,569,451			8,569,451
Treasury stock (common shares)	(974,800)			(974,800)
Total shareholders equity	17,538,530			17,538,530
Total liabilities and shareholders equity	$43,644,656	$ 701,403	$	$ 44,346,059

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	For the Year Ended April 30, 2010		
	As Originally Reported	Adjustments for Discontinued Operations	As Recast for Discontinued Operations (Note 19)
Consolidated statement of operations			
REVENUES:			
Building Performance Efficiency (BPE)	$18,171,536	$	$18,171,536
Other (formerly Real Estate)	2,727,565	(2,337,571)	389,994
	20,899,101	(2,337,571)	18,561,530
COST OF REVENUES:			
BPE	12,300,803		12,300,803
Other (formerly Real Estate)	1,862,609	(1,115,690)	746,919
	14,163,412	(1,115,690)	13,047,722
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	9,797,862	(14,796)	9,783,066
OTHER (INCOME) AND EXPENSES:			
Other income	(294,029)	(14,250)	(308,279)
Interest income	(12,507)	25	(12,482)
Interest expense	1,083,810	(681,706)	402,104
	777,274	(695,931)	81,343
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(3,839,447)	(511,154)	(4,350,601)
INCOME TAX EXPENSE (BENEFIT):			
Current	13,309		13,309
Deferred	(1,479,522)	(286,073)	(1,765,595)
	(1,466,213)	(286,073)	(1,752,286)
LOSS FROM CONTINUING OPERATIONS	(2,373,234)	(225,081)	(2,598,315)
DISCONTINUED OPERATIONS:			
(Loss) gain from discontinued operations, adjusted for applicable income tax benefit (expense)	(82,638)	225,081	142,443
Gain on disposition of income-producing properties, adjusted for applicable income tax expense	740,831		740,831
EARNINGS FROM DISCONTINUED OPERATIONS	658,193	225,081	883,274

NET LOSS	$ (1,715,041)	$	$ (1,715,041)
NET (LOSS) EARNINGS PER SHARE:			
From continuing operations basic and diluted	$ (0.64)	$ (0.06)	$ (0.70)
From discontinuing operations basic and diluted	0.18	0.06	0.24
NET LOSS PER SHARE BASIC AND DILUTED	$ (0.46)	$	$ (0.46)

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	For the Year Ended April 30, 2009		
	As Originally Reported	Adjustments for Discontinued Operations	As Recast for Discontinued Operations (Note 19)
Consolidated statement of operations			
REVENUES:			
Building Performance Efficiency (BPE)	$ 13,192,310	$	$ 13,192,310
Other (formerly Real Estate)	2,791,571	(2,350,943)	440,628
	15,983,881	(2,350,943)	13,632,938
COST OF REVENUES:			
BPE	8,562,024		8,562,024
Other (formerly Real Estate)	1,787,236	(1,037,120)	750,116
	10,349,260	(1,037,120)	9,312,140
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	9,898,010	(12,821)	9,885,189
OTHER (INCOME) AND EXPENSES:			
Other income	(317,322)	(14,969)	(332,291)
Interest income	(107,180)	11,616	(95,564)
Interest expense	1,107,986	(695,545)	412,441
Loss on impairment of income-producing property			
	683,484	(698,898)	(15,414)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(4,946,873)	(602,104)	(5,548,977)
INCOME TAX BENEFIT:			
Current			
Deferred	(1,671,004)	(287,084)	(1,958,088)
	(1,671,004)	(287,084)	(1,958,088)
LOSS FROM CONTINUING OPERATIONS	(3,275,869)	(315,020)	(3,590,889)
DISCONTINUED OPERATIONS:			
Loss from discontinued operations, adjusted for applicable income tax benefit	(1,311,581)	315,020	(996,561)
LOSS FROM DISCONTINUED OPERATIONS	(1,311,581)	315,020	(996,561)
NET LOSS	$ (4,587,450)	$	$ (4,587,450)

NET LOSS PER SHARE:						
From continuing operations basic and diluted	$	(0.88)	$	(0.08)	$	(0.96)
From discontinuing operations basic and diluted		(0.35)		0.08		(0.27)
NET LOSS PER SHARE BASIC AND DILUTED	$	(1.23)	$		$	(1.23)

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	As of April 30, 2010			
	As Originally Reported	Adjustments for Discontinued Operations	Reclassification Related to Discontinuance of Real Estate Segment Reporting	As Recast for Discontinued Operations and Segment Change (Note 19)
Consolidated statement of cash flows				
Cash flows from operating activities:				
Net loss	$(1,715,041)	$	$	$ (1,715,041)
Adjustments to reconcile net loss to net cash used in operating activities:				
Earnings from discontinued operations, net of tax	(658,193)	(225,081)		(883,274)
Loss on disposal of assets	1,378			1,378
Depreciation and amortization	1,377,176	(392,002)		985,174
Deferred tax benefit	(1,505,595)	(286,073)		(1,791,668)
Stock compensation expense	182,415			182,415
Adjustment to cash surrender value of life insurance	(62,442)			(62,442)
Straight-line rent	22,606	(249)		22,357
Provision for doubtful accounts, net	(9,188)	(29,009)		(38,197)
Changes in assets and liabilities:				
Receivables	(1,331,631)	(25,737)		(1,357,368)
Costs and earnings in excess of billings	(306,179)			(306,179)
Other current and long-term assets	59,684	24,927		84,611
Trade and subcontractors payable	1,632,363	(8,634)		1,623,729
Accrued expenses and deferred revenue	151,538	(124,101)		27,437
Billings in excess of costs and earnings	24,885			24,885
Other liabilities	(2,900)			(2,900)
Net cash used in operating activities	(2,139,124)	(1,065,959)		(3,205,083)
Cash flows from investing activities:				
Premiums paid on officers life insurance policies	(61,464)			(61,464)
Additions to income-producing properties	(228,006)	93,119	134,887	
Additions to property and equipment	(122,308)		(134,887)	(257,195)
Additions to intangible assets	(511,992)	49,242		(462,750)
Proceeds from sale of property and equipment	2,000			2,000
Net cash used in investing activities	(921,770)	142,361		(779,409)

Cash flows from financing activities:				
Long-term loan proceeds	982,000			982,000
Mortgage repayments	(343,215)	231,531		(111,684)
Debt repayments	(185,000)			(185,000)
Repurchase of common stock	(31,345)			(31,345)
Cash dividends paid to shareholders	(185,080)			(185,080)
Net cash provided by financing activities	237,360	231,531		468,891
DISCONTINUED OPERATIONS:				
Operating activities	(13,319)	1,064,458		1,051,139
Investing activities	(1,021)	(140,860)		(141,881)
Financing activities	(59,611)	(231,531)		(291,142)
Net cash (used in) provided by discontinued operations	(73,951)	692,067		618,116
Net decrease in cash and cash equivalents	(2,897,485)			(2,897,485)
Cash at beginning of period	4,821,126			4,821,126
Cash at end of period	$ 1,923,641	$	$	$ 1,923,641

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	As of April 30, 2009			
	As Originally Reported	Adjustments for Discontinued Operations	Reclassification Related to Discontinuance of Real Estate Segment Reporting	As Recast for Discontinued Operations and Segment Change (Note 19)
Consolidated statement of cash flows				
Cash flows from operating activities:				
Net loss	$(4,587,450)	$	$	$ (4,587,450)
Adjustments to reconcile net loss to net cash used in operating activities:				
Loss from discontinued operations, net of tax	1,311,581	(315,020)		996,561
Loss on disposal of assets	9,683			9,683
Depreciation and amortization	1,453,882	(385,081)		1,068,801
Amortization of mortgage discount	(20,000)			(20,000)
Deferred tax benefit	(1,714,488)	(287,084)		(2,001,572)
Stock compensation expense	205,118			205,118
Adjustment to cash surrender value of life insurance	(66,633)			(66,633)
Straight-line rent	(28,778)	14,356		(14,422)
Provision for doubtful accounts, net	4,878	(6,041)		(1,163)
Changes in assets and liabilities:				
Receivables	667,583	(8,030)		659,553
Costs and earnings in excess of billings	(133,196)			(133,196)
Other current and long-term assets	(327,463)	(14,944)		(342,407)
Trade and subcontractors payable	(137,777)	(490)		(138,267)
Accrued expenses and deferred revenue	(24,873)	33,090		8,217
Accrued incentive compensation	(494,000)			(494,000)
Billings in excess of costs and earnings	(34,344)			(34,344)
Other liabilities	(14,674)	2		(14,672)
Net cash used in operating activities	(3,930,951)	(969,242)		(4,900,193)
Cash flows from investing activities:				
Acquisition, net of cash acquired	(902,657)			(902,657)
Premiums paid on officers life insurance policies	(56,000)			(56,000)
Release of restricted cash held in escrow	3,470,700			3,470,700
Purchase of held to maturity investments	(150,000)			(150,000)
Additions to income-producing properties	(189,831)	49,458	140,373	
Additions to property and equipment	(166,166)		(140,373)	(306,539)
Additions to intangible assets	(358,160)	29,911		(328,249)

Net cash provided by investing activities	1,647,886	79,369		1,727,255
Cash flows from financing activities:				
Mortgage repayments	(321,091)	217,708		(103,383)
Debt repayments	(280,875)			(280,875)
Repurchase of common stock	(135,507)			(135,507)
Cash dividends paid to shareholders	(501,259)			(501,259)
Net cash used in financing activities	(1,238,732)	217,708		(1,021,024)
DISCONTINUED OPERATIONS:				
Operating activities	100,555	969,244		1,069,799
Investing activities	(109,538)	(79,371)		(188,909)
Financing activities	(31,041)	(217,708)		(248,749)
Net cash (used in) provided by discontinued operations	(40,024)	672,165		632,141
Net decrease in cash and cash equivalents	(3,561,821)			(3,561,821)
Cash at beginning of period	8,382,947			8,382,947
Cash at end of period	$ 4,821,126	$	$	$ 4,821,126

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5. CONTRACTS IN PROGRESS

Assets and liabilities that are related to contracts in progress, including contracts receivable, are included in current assets and current liabilities, respectively, as they will be liquidated in the normal course of contract completion, which is expected to occur within one year. Amounts billed and costs and earnings recognized on contracts in progress at April 30 were:

	2010	2009
Costs and earnings in excess of billings:		
Accumulated costs and earnings	**$4,030,255**	$2,129,684
Amounts billed	**3,315,126**	1,720,734
	$ 715,129	$ 408,950
Billings in excess of costs and earnings:		
Amounts billed	**$5,149,164**	$2,574,827
Accumulated costs and earnings	**5,096,064**	2,546,612
	$ 53,100	$ 28,215

6. PROPERTY AND EQUIPMENT

The major components of property and equipment and their estimated useful lives at April 30 were as follows:

	Estimated useful lives	**2010**	2009
Land	N/A	**$ 660,000**	$ 660,000
Buildings and improvements	3-39 years	**5,991,900**	5,845,791
Equipment	3-10 years	**1,296,278**	1,661,297
Vehicles	3-5 years	**344,562**	296,783
		$8,292,740	$8,463,871
Less accumulated depreciation		**3,487,198**	3,521,742
		$4,805,542	$4,942,129

Depreciation expense from continuing operations for the years ended April 30, 2010, and April 30, 2009, was $390,404 and $376,464, respectively. These amounts are included in selling, general, and administrative expenses on the accompanying consolidated statements of operations.

7. MORTGAGE NOTE PAYABLE AND LEASES

At April 30, 2010, the Company had one(1) remaining mortgage note associated with the corporate headquarters building. This property is pledged as collateral on the note. Exculpatory provisions of the mortgage note limit the Company s liability for repayment to its interest in the property. Additionally, the mortgage note contains a provision that requires a Company subsidiary to maintain a net worth of at least $2 million. The subsidiary s net worth was approximately $16.4 million as of April 30, 2010. The mortgage note contains no other financial covenants.

The Company leases a shopping center under a leaseback arrangement expiring in fiscal year 2013. The Company s lease on that property contains exculpatory provisions that limit the Company s liability for payment to its interest in the lease. The leaseback shopping center is subleased to the Kmart Corporation. The term of the Company s lease

either is the same as, or may be extended to correspond to, the term of the sublease.
All leases are operating leases. The leases with tenants in the Company s corporate headquarters building require tenants to make fixed rental payments over a period of approximately five (5) years.

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Base rental revenues recognized from tenants in the corporate headquarters building in fiscal years 2010 and 2009 were approximately $169,000 and $151,000, respectively. Base rental revenues recognized from the leaseback shopping center were approximately $255,000 in both fiscal years 2010 and 2009.

The approximate future minimum annual rental revenues from the corporate headquarters building and the leaseback center at April 30, 2010, were projected as follows:

Year ending April 30,	Owned	Leaseback
2011	$148,000	$255,000
2012	148,000	255,000
2013	148,000	149,000
2014	21,000	
2015		
Thereafter		
Total	$465,000	$659,000

The expected future minimum principal and interest payments on the mortgage note payable for the corporate headquarters building at April 30, 2010, and the approximate future minimum rentals expected to be paid on the leaseback center, were as follows:

	Owned Income-Producing Properties Mortgage Payments		Leaseback Center Rental
Year ending April 30,	Principal	Interest	Payments
2011	$ 120,591	$323,490	$105,203
2012	130,345	313,799	105,203
2013	3,977,651	76,846	61,368
2014			
2015			
Thereafter			
Total	$4,228,587	$714,135	$271,774

As of April 30, 2010, the mortgage note payable was due on August 1, 2012, and bore interest at a rate of 7.75%. At April 30, 2010, the weighted average interest rate for all outstanding debt was 6.90%, including other long-term debt and credit facilities (see Note 9 Other Long-Term Debt).

Secured letter of credit

In conjunction with terms of the mortgage on the corporate headquarters building, the Company is required to provide for potential future tenant improvement costs and lease commissions with additional collateral in the form of a letter of credit in the amount of $300,000 from July 17, 2005, through July 16, 2008, and $450,000 from July 17, 2008, through August 1, 2012. The letter of credit is secured by a certificate of deposit, which is recorded on the accompanying consolidated balance sheets as a non-current other asset as of April 30, 2010, and 2009.

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8. OTHER LONG-TERM DEBT

Other long-term debt at April 30 was as follows:

	2010	2009
Note payable bearing interest at 4.5%; principal and interest payments due in full at maturity; no maturity date; secured by related life insurance policy	**$ 370,000**	$
Note payable bearing interest at 4.5%; principal and interest payments due in full at maturity; no maturity date; secured by related life insurance policy	**200,000**	
Note payable bearing interest at 6.0%; principal and interest payments due in full at maturity in December 2011	**412,000**	
Note payable, net of discount ($150,000 at April 30, 2010), bearing interest at the prime rate plus 1.5% (4.75% at April 30, 2010); interest only payments due monthly; matures December 18, 2011; secured by all general assets of a Company subsidiary	**850,000**	850,000
Note payable bearing interest at 6.8%; interest due annually on December 31, beginning December 31, 2004, and principal payments due annually in installments as defined in the agreement commencing on December 19, 2008; matures on December 19, 2010	**150,000**	235,000
Note payable bearing interest at 8.0%; interest due quarterly on a calendar year commencing on September 30, 2008, and principal payments due in full at maturity on June 6, 2009		100,000
Total other long-term debt	**1,982,000**	1,185,000
Less current maturities	**150,000**	185,000
Total other long-term debt, less current maturities	**$1,832,000**	$1,000,000

The future minimum principal payments due on other long-term debt are as follows:

Fiscal Year Ending April 30,	
2011	$ 150,000
2012	1,262,000
2013	
2014	
2015	
Thereafter	570,000
Total	$1,982,000

The other long-term debt obligations have no financial or non-financial covenants.

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9. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments is estimated based on a hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs. The fair value hierarchy prioritizes the inputs to valuation techniques into three broad levels whereby the highest priority is given to Level 1 inputs, and the lowest priority is given to Level 3 inputs. The three broad categories are:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices which are observable for an asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Unobservable inputs for an asset or liability when little or no market data is available.

In determining fair values, the Company utilizes valuation techniques which maximize the use of observable inputs and minimize the use of unobservable inputs. Considerable judgment is necessary to interpret Level 2 and Level 3 inputs in determining fair value. Accordingly, there can be no assurance that the fair values of financial instruments presented in this footnote are indicative of amounts that may ultimately be realized upon sale or disposition of these financial instruments.

Financial instruments in the Company s consolidated financial statements that are measured and recorded at fair value on a recurring basis are (1) deferred executive compensation plan assets, which are included in Other Assets in the consolidated balance sheet; and (2) the corresponding liability owed to the plan participants that is equal in value to the plan assets, which is included in Other Liabilities in the consolidated balance sheet. Given that the plan assets are invested in mutual funds and money market funds for which quoted market prices are readily available, the quoted prices are considered Level 1 inputs. Based on the quoted prices of the related investments, the fair value of the deferred executive compensation plan assets, and the corresponding liability, was $947,023 and $733,378 as of April 30, 2010, and April 30, 2009, respectively.

In addition to the financial instruments listed above which are required to be carried at fair value, the Company has determined that the carrying amounts of its cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate fair value due to their short-term maturities.

The Company has a certificate of deposit (CD) in the amount of $450,000 as of April 30, 2010, which is included within Other assets in the Company s consolidated balance sheet. This CD secures a letter of credit, which is required by the terms of the mortgage on the Company s owned corporate headquarters building. Based on the rates currently available on certificates of deposit with similar terms, the CD s carrying amount approximates its fair value as of April 30, 2010. See Note 7 Mortgage Notes Payable and Leases for more information.

Based on the borrowing rates currently available for mortgage notes with similar terms and average maturities, the carrying value of the mortgage notes payable is a reasonable estimate of fair value. The fair value of mortgage notes payable was $4,368,245 and $4,340,273 as of April 30, 2010, and April 30, 2009, respectively. Based on the borrowing rates currently available for bank loans with similar terms and average maturities, the carrying value of the other debt is considered a reasonable estimate of fair value. The fair value of other debt was $1,950,109 and $1,123,744 as of April 30, 2010, and April 30, 2009, respectively.

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10. INCOME TAXES

The expense (benefit) for income taxes from continuing operations consists of the following:

	Current	Deferred	Total
Year ended April 30, 2010			
Federal	**$**	**$(1,486,321)**	**$(1,486,321)**
State and local	**13,309**	**(109,036)**	**(95,727)**
	$13,309	**$(1,595,357)**	**$(1,582,048)**
Year ended April 30, 2009			
Federal	$	$(1,893,193)	$(1,893,193)
State and local		364,568	364,568
	$	$(1,528,625)	$(1,528,625)

Total income tax benefits from continuing operations recognized in the consolidated statements of operations differs from the amounts computed by applying the federal income tax rate of 34% to pretax loss, as a result of the following:

	2010	2009
Computed expected benefit	**$(1,479,204)**	$(1,886,652)
State and local income taxes	**(265,038)**	63,579
Permanent items	**(8,803)**	(6,638)
State net operating loss adjustment		(127,775)
Valuation Allowance	**170,238**	429,463
Other	**759**	(602)
	$(1,582,048)	$(1,528,625)

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The tax effects of the temporary differences that gave rise to the significant portions of the deferred income tax assets and deferred income tax liabilities at April 30 are presented below:

	2010	2009
Deferred income tax assets:		
Items not currently deductible for tax purposes:		
Net operating loss carryforwards, federal and state, and credits (1)	**$ 3,898,970**	$ 3,088,066
Valuation allowance	**(750,214)**	(665,561)
Property and equipment, principally because of differences in capitalized interest	**54,118**	53,981
Capitalized costs	**38,116**	41,823
Bad debt reserves	**30,005**	45,492
Deferred compensation plan expenses	**369,423**	281,754
Equity-based compensation expenses	**223,107**	152,283
Compensated absences	**52,354**	46,048
Other accrued expenses	**318,266**	393,241
Other	**54,197**	90,816
Gross deferred income tax assets	**4,288,342**	3,527,943
Deferred income tax liabilities:		
Property and equipment, principally because of differences in depreciation and capitalized interest	**(441,552)**	(581,060)
Intangible assets, principally because of differences in amortization	**(870,182)**	(740,925)
Gain on real estate sales structured as tax-deferred like-kind exchanges	**(1,363,186)**	(1,359,749)
Other	**(92,954)**	(49,161)
Gross deferred income tax liability	**(2,767,874)**	(2,730,895)
Net deferred income tax asset of continuing operations	**$ 1,520,468**	$ 797,048
Net deferred income tax liability of discontinued operations (Note 4)	**(2,921,667)**	(3,136,445)
Total net deferred income tax liability	**$(1,401,199)**	$(2,339,397)

(1) The federal NOL carryforwards and all significant state NOL carryforwards expire between the fiscal years 2024 and 2030.

The valuation allowance against deferred tax assets at April 30, 2010, and April 30, 2009, was $750,214 and $665,561, respectively. The valuation allowance reduces tax deferred tax assets to an amount that represents management s best estimate of the amount of such deferred tax assets that most likely will be realized.

The Company has no material FIN 48 obligations. The Company s policy is to record interest and penalties as a component of income tax expense (benefit) in the consolidated statement of operations.

The Company and its subsidiaries income tax returns are subject to examination by federal and state tax jurisdictions for fiscal years 2007 through 2009.

11. 401(K) PLAN

The Company has a 401(k) plan (the Plan) which covers the majority of its employees. Pursuant to the provisions of the Plan, eligible employees may make salary deferral (before tax) contributions of up to one hundred percent (100%) of their total compensation per plan year, not to exceed a specified maximum annual contribution as determined by the

Internal Revenue Service. The Plan also includes provisions that authorize the Company to make additional discretionary contributions. Such contributions, if made, are allocated among all eligible employees as determined under the Plan. The trustee under the Plan invests the assets of each participant s account, as directed by the participant. The Plan assets currently do not include any stock of the Company. Funded discretionary employer contributions to the Plan for fiscal years 2010 and 2009 were approximately $61,000 and $62,000, respectively. The net assets in the Plan, which is administered by an independent trustee and which are not included in the Company s consolidated financial statements, were approximately $5,619,000 and $4,050,000 at April 30, 2010, and April 30, 2009, respectively. In conjunction with the acquisition of the assets of Servidyne Systems, Inc. in fiscal 2002, the Company assumed a 401(k) plan (the Servidyne Systems Plan), which covered a significant number of the employees. Under the provisions of the Servidyne Systems Plan, participants could contribute up to one hundred percent (100%) of their compensation per plan year, not to exceed a specified maximum annual contribution as determined by the Internal Revenue Service. The Servidyne Systems Plan was frozen as of January 1, 2003, and no additional employee or employer contributions were funded after that date.

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12. SHAREHOLDERS EQUITY

In fiscal 2001, the Company s shareholders approved the 2000 Stock Award Plan (the 2000 Award Plan). The 2000 Award Plan permits the grant of incentive and non-qualified stock options, non-restricted, restricted and performance stock awards, and stock appreciation rights to directors, employees, independent contractors, advisors, consultants and other outside service providers to the Company, as determined by the Compensation Committee of the Board of Directors. The term and vesting requirements of each award are determined by the Compensation Committee, but in no event may the term of any award exceed ten (10) years. Incentive Stock Options granted under the 2000 Award Plan provide for the purchase of the Company s common stock at not less than fair market value on the date the stock option is granted. As of April 30, 2010, there can be no additional grants of awards under the 2000 Award Plan, as the ten-year term of the plan has ended. Prior to that date, the total number of shares that could have been granted under the 2000 Award Plan was 1,155,000 shares (share amount adjusted for stock dividends).

The Company issued 52,500 SARs (adjusted for stock dividend) outside of the 2000 Stock Award Plan, with an exercise price of $5.00 (adjusted for stock dividends) and an exercise period of ten (10) years, to one (1) employee in April 2008. Further, the Company issued 52,500 SARs (adjusted for stock dividend) outside of the 2000 Stock Award Plan, with an exercise price of $4.76 (adjusted for stock dividends) and an exercise period of ten (10) years, to one (1) employee in June 2008. The SARs awarded have a five-year vesting period, in which thirty percent (30%) of the SARs will vest on the third year anniversary of the date of grant, thirty percent (30%) will vest on the fourth year anniversary of the date of grant, and forty percent (40%) will vest on the fifth year anniversary of the date of grant, with an early vesting provision by which one hundred percent (100%) of SARs would vest immediately if the Company s stock price closes at or above $19.05 per share (adjusted for stock dividends) for ten (10) consecutive trading days or on the date of a change in control of the Company.

The Company issued 200,000 SARs outside of the 2000 Stock Award Plan, with an exercise price of $4.00 and an exercise period of ten (10) years, to two (2) outside service providers in November 2009. These SARs may not be exercised by the grantees prior to shareholder approval of the grants or a determination by the Company that such shareholder approval is not required. Further, the Company issued 20,000 SARs outside of the 2000 Stock Award Plan, with an exercise price of $2.12 and an exercise period of ten (10) years, to one employee in December 2009. The SARs awarded have a five-year vesting period, in which thirty percent (30%) of the SARs will vest on the third year anniversary of the date of grant, thirty percent (30%) will vest on the fourth year anniversary of the date of grant, and forty percent (40%) will vest on the fifth year anniversary of the date of grant, with an early vesting provision by which one hundred percent (100%) of SARs would vest immediately if the Company s stock price closes at or above $19.05 for ten (10) consecutive trading days or on the date of a change in control of the Company.

The Company issued 57,750 stock warrants (adjusted for stock dividends) outside the 2000 Stock Award Plan with an exercise price of $4.42 (adjusted for stock dividends), to unrelated third parties in December 2003, of which none had been exercised as of April 30, 2010.

In March 2008, the Company s Board of Directors authorized the repurchase of up to 50,000 shares of the Company s common stock during the twelve-month period ending on March 5, 2009. In December 2008, the Board of Directors increased the authorization to repurchase the Company s common stock to 100,000 shares during the twelve-month period ending on March 5, 2009. In February 2009, the Board of Directors authorized the repurchase of up to 100,000 shares of the Company s common stock during the twelve-month period ending on March 5, 2010. In March 2010, the Board of Directors authorized the repurchase of up to 100,000 shares of the Company s common stock during the twelve-month period ending on March 15, 2011. The Company repurchased 16,981 and 48,890 shares in fiscal years 2010 and 2009, respectively.

13. NET (LOSS) EARNINGS PER SHARE

Earnings per share are calculated in accordance with GAAP, which requires dual presentation of basic and diluted earnings per share on the face of the statement of operations for all entities with complex capital structures. Basic and diluted weighted average share differences, if any, result solely from dilutive common stock options, restricted stock, SARs and stock warrants. Basic earnings (loss) per share are computed by dividing net earnings (loss) by the weighted average shares outstanding during the reporting period. Potential dilutive common shares are calculated in accordance with the treasury stock method, which assumes that the proceeds from the exercise of all stock options, restricted stock, SARs and stock warrants would be used to repurchase common shares at the average market value. The number of shares remaining after the exercise proceeds were exhausted represents the potentially dilutive effect of the stock options, restricted stock, SARs and stock warrants. The dilutive effect on the number of common shares would have been 10,337 in 2010 and 54,832 in 2009. Because the Company had losses from continuing operations for all periods presented, all stock equivalents were anti-dilutive during these periods, and therefore, are excluded when determining the diluted weighted average number of shares outstanding.

The following tables set forth the computations of basic and diluted net earnings (loss) per share:

	For the year Ended April 30, 2010		
	Earnings (loss)	**Shares**	**Per Share Amount**
Basic EPS loss per share from continuing operations	**$(2,768,553)**	**3,685,834**	**$ (0.75)**
Basic EPS earnings per share from discontinued operations	**883,274**	**3,685,834**	**0.24**
Effect of dilutive securities			
Diluted EPS loss per share	**$(1,885,279)**	**3,685,834**	**$ (0.51)**

	For the Year Ended April 30, 2009		
	Loss	Shares	Per Share Amount
Basic EPS loss per share from continuing operations	$(4,020,352)	3,716,700	$ (1.08)
Basic EPS loss per share from discontinued operations	(996,561)	3,716,700	(0.27)
Effect of dilutive securities			
Diluted EPS loss per share	$(5,016,913)	3,716,700	$ (1.35)

14. SEGMENT REPORTING

In recent years the Company disposed of the vast majority of its real estate holdings, selling its last owned income-producing property, other than its corporate headquarters facility, in December 2010 (see Note 4 Discontinued Operations for more information). As a result, during the third quarter of fiscal 2011, following authoritative guidance in ASC 280, *Segment Reporting*, the Company performed a reassessment of the applicable quantitative and qualitative thresholds for segment reporting and determined that the BPE Segment is the Company s only reportable segment. The Company identified this reportable segment based on internal management reporting and management decision-making responsibilities.

The BPE Segment assists its customer base of multi-site owners and operators of corporate, commercial office, hospitality, gaming, retail, education, light industrial, government, institutional, and health care buildings, as well as energy services companies and public and investor-owned utilities, in improving facility operating performance, reducing energy consumption, and lowering ownership and operating costs, while improving the level of service and comfort for building occupants, through its: (1) energy efficiency engineering and analytical consulting services, including energy surveys and audits, facility studies, retro-commissioning services, utility monitoring services, building qualification for ENERGY STAR ® and LEED® certifications, HVAC retrofit design, and energy simulations and modeling; (2) facility management software programs, including its iTendant platform using Web and wireless technologies; (3) energy saving lighting programs and energy related services and infrastructure upgrade projects that reduce energy consumption and operating costs; and (4) comprehensive technology-enabled real-time demand response programs (automatic, semi-automatic and manual) and services through the Company s new Fifth Fuel Management platform, including two-way, fast and secure communication and tracking; retro-commissioning of existing systems; customized site training; and step-by-step processes for optimized demand response participation. The primary geographic focus for the BPE Segment is the continental United States.

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The BPE Segment is managed separately and maintains separate personnel, except for accounting, human resources, information technology, and some clerical shared services. Management evaluates and monitors the performance of the segment based primarily on the consistency with the Company s long-term strategic objectives. The significant accounting policies utilized by the BPE Segment are the same as those summarized in Note 2 Summary of Significant Accounting Policies.

Total revenues by operating segment include both revenues from unaffiliated customers, as reported in the Company s consolidated statements of operations, and intersegment revenues, which are generally at prices negotiated between segments.

The Company derived revenues from direct transactions with customers aggregating more than ten percent (10%) of consolidated revenues from continuing operations as follows:

	2010	**2009**
Customer 1	27%	16%

The table below shows selected financial data on an operating segment basis, including intersegment revenues, costs and expenses. Information previously reported as Real Estate and Parent is now combined in Corporate.

BPE Segment assets are those that are used in the operation of the segment, including receivables due from Corporate, if any. Corporate s assets primarily consist of its investments in subsidiaries, the corporate headquarters building and related assets, cash and cash equivalents, the cash surrender value of life insurance, assets related to deferred compensation plans, and assets from discontinued operations.

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For the Year Ended April 30, 2010	BPE	Corporate (1)	Eliminations	Consolidated
Revenues from unaffiliated customers				
BPE Segment services and products:				
Energy savings projects	$11,051,059			$11,051,059
Lighting products	1,932,521			1,932,521
Energy management services	1,801,271			1,801,271
Fifth fuel management services	28,000			28,000
Productivity software	3,358,685			3,358,685
Total revenues from unaffiliated customers	$18,171,536	$ 389,994	$	$18,561,530
Intersegment revenue	223,799	301,702	(525,501)	
Total revenues from continuing operations	$18,395,335	$ 691,696	$ (525,501)	$18,561,530
Loss from continuing operations before income taxes	$ (998,225)	$ (3,279,661)	$ (72,715)	$ (4,350,601)
Segment assets	$14,715,108	$43,535,833	$(17,298,669)	$40,952,272
Goodwill	$ 6,354,002	$	$	$ 6,354,002
Interest expenses	$ 82,044	$ 339,393	$ (19,333)	$ 402,104
Depreciation and amortization	$ 702,424	$ 282,750	$	$ 985,174
Capital expenditures (2)	$ 93,270	$ 163,925	$	$ 257,195

For the Year Ended April 30, 2009	BPE	Corporate (1)	Eliminations	Consolidated
Revenues from unaffiliated customers				
BPE Segment services and products:				
Energy savings projects	$ 5,533,925			$ 5,533,925
Lighting products	1,664,855			1,664,855
Energy management services	2,319,433			2,319,433
Fifth fuel management services				
Productivity software	3,674,097			3,674,097
Total revenues from unaffiliated customers	$13,192,310	$ 440,628	$	$13,632,938
Intersegment revenue	20,362	303,317	(323,679)	
	$13,212,672	$ 743,945	$ (323,679)	$13,632,938

Total revenues from continuing operations				
Loss from continuing operations before income taxes	$ (2,310,134)	$ (3,224,281)	$ (14,562)	$ (5,548,977)
Segment assets	$14,118,447	$49,420,882	$(19,622,733)	$43,916,596
Goodwill	$ 6,354,002	$	$	$ 6,354,002
Interest expenses	$ 93,717	$ 348,536	$ (29,812)	$ 412,441
Depreciation and amortization	$ 822,459	$ 246,342	$	$ 1,068,801
Capital expenditures (2)	$ 55,306	$ 251,233	$	$ 306,539

(1) The Corporate net loss in each period is derived from corporate headquarters activities, which consist primarily of the following: rental revenues from tenants in the Company s corporate headquarters building and related rental and operating costs, salaries and benefits of Corporate Headquarters executive officers and staff, equity-based compensation expenses, depreciation and amortization expenses, and costs related to the Company s status as a publicly-held company, which include, among other items, legal fees, non-employee directors fees, consulting expenses, investor relations expenses, corporate audit and tax fees, Nasdaq listing fees, and other Securities & Exchange Commission (SEC) and Sarbanes-Oxley compliance and financial reporting costs. All relevant costs related to the business operations of the Company s BPE Segment are either paid directly by BPE or are allocated to BPE by the Corporate Headquarters. The allocation method is dependent on the nature of each expense item. Allocated expenses include, among other items, accounting services, information technology services, insurance costs, and audit and tax preparation fees.

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(2) Includes property and equipment expenditures only.

15. ACQUISITIONS

Fiscal 2010

There were no acquisitions in fiscal year 2010.

Fiscal 2009

In June 2008, Atlantic Lighting & Supply Co., LLC (AL&S LLC), an indirect wholly-owned subsidiary of the Company, acquired the business and substantially all of the assets and assumed certain operating liabilities of Atlantic Lighting & Supply Co., Inc. (the Seller) for a total consideration, including the assumption of certain operating liabilities, of approximately $1.5 million (excluding acquisition costs). The Seller was engaged in the business of distributing energy efficient lighting products to building owners and operators, and the Company is continuing to conduct this business. The acquisition was made pursuant to an asset purchase agreement dated June 6, 2008, between the Company, AL&S LLC, the Seller, and the shareholders of the Seller (the Agreement). The consideration consisted of 17,381 newly-issued shares of the Company s common stock, with a fair value of $91,250, the payment of approximately $618,000 in cash to the Seller, the payment of approximately $165,000 in cash to satisfy outstanding debt to two (2) lenders of the Seller, and the assumption of certain operating liabilities of the Seller that totaled approximately $584,000. The amounts and types of the consideration were determined through negotiations among the parties.

Pursuant to the Agreement, AL&S LLC acquired substantially all of the assets of the Seller, including cash, accounts receivable, inventory, personal property and equipment, proprietary information, intellectual property, and the Seller s right, title, and interest to assigned contracts. Only certain specified operating liabilities of the Seller were assumed, including executory obligations under assigned contracts and certain current balance sheet operating liabilities.

During fiscal 2009, the Company finalized its allocation of the purchase price. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	Assets and Liabilities Acquired from Seller	Estimated Life
Current assets	$ 322,514	
Property, furniture and equipment, net	58,699	Various (3-5)
Trade name	61,299	15 years
Non-compete agreements	63,323	2 years
Customer relationships	186,632	5 years
Goodwill	895,285	Indefinite
Total assets acquired	$ 1,587,752	
Current liabilities	(483,937)	
Long-term liabilities	(100,000)	
Net assets acquired	$ 1,003,815	

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The goodwill amount is not subject to amortization. The amounts assigned to all intangible assets are deductible for tax purposes over a period of fifteen (15) years. The goodwill amount has been assigned to the BPE Segment.

The following table summarizes what the results of operations of the Company would have been on a pro forma basis for fiscal year 2009, if the acquisition had occurred prior to the beginning of the period. These results do not purport to represent what the results of operations for the Company actually would have been or to be indicative of the future results of operations of the Company (unaudited, in thousands, except for per share amounts).

	Fiscal Year Ended April 30, 2009
Revenues	$ 13,831
Loss from continuing operations	$ (4,022)
Loss from discontinued operations	$ (997)
Net loss	$ (5,018)
Loss per share from continuing operations basic and diluted	$ (1.08)
Loss per share from discontinued operations basic and diluted	$ (0.27)
Net loss per share basic and diluted	$ (1.35)

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16. GOODWILL AND OTHER INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization for all of the Company s intangible assets are as follows:

	April 30, 2010	
	Gross Carrying Amount	Accumulated Amortization
Intangible assets, subject to amortization:		
BPE proprietary technology solutions	$ 4,096,802	$ 2,827,071
Acquired computer software	676,837	493,885
Real estate lease costs	49,170	19,459
Customer relationships	404,632	286,433
Deferred loan costs	122,686	95,082
Non-compete agreements	63,323	60,684
Tradename	61,299	7,834
Other	44,882	42,016
	$ 5,519,631	$ 3,832,464
Intangible assets and goodwill, not subject to amortization:		
Trademark	$ 708,707	
Goodwill	$ 6,354,002	

	April 30, 2009	
	Gross Carrying Amount	Accumulated Amortization
Intangible assets, subject to amortization:		
BPE proprietary technology solutions	$ 3,689,695	$ 2,340,980
Acquired computer software	466,589	458,883
Real estate lease costs	49,170	9,972
Customer relationships	404,632	252,216
Deferred loan costs	122,686	82,813
Non-compete agreements	63,323	29,023
Tradename	61,299	3,746
Other	45,844	39,149
	$ 4,903,238	$ 3,216,782
Intangible assets and goodwill, not subject to amortization:		
Trademark	$ 708,707	
Goodwill	$ 6,354,002	

Aggregate amortization expense for all amortizable intangible assets:	
For the year ended April 30, 2010	$ 594,770
For the year ended April 30, 2009	688,025

Estimated future amortization expenses for all amortized intangible assets for the fiscal years ended:	
2011	$ 589,679
2012	450,674
2013	302,627
2014	210,217
2015	93,075
Thereafter	40,895
	$ 1,687,167

The Company capitalized $406,143 and $266,229 for the development of proprietary technology solutions in fiscal years 2010 and 2009, respectively.

17. RELATED PARTIES

The Company recognized approximately $958,000 in revenue for the year ended April 30, 2010, from an affiliate of a member of the Board of Directors associated with a contract for energy savings projects. The related accounts receivable and costs and earnings in excess of billings as of April 30, 2010, were $238,000 and $290,000, respectively.

18. COMMITMENTS AND CONTINGENCIES

The Company is subject to legal proceedings and other claims that arise from time to time in the ordinary course of business. While the resolution of these matters cannot be predicted with certainty, the Company believes that the final outcome of any such matters would not have a material adverse effect on the Company s financial position or results of operations.

19. RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

The need to restate the financial statements resulted from an error in the application of ASC 740, *Accounting for Income Taxes*, related to the recoverability of deferred tax assets, which was discovered in March 2011 in connection with the performance of the third quarter 2011 review. During the third quarter of fiscal 2011, the Company moved from a consolidated net deferred tax liability position into a consolidated net deferred tax asset position, which highlighted a potential recoverability issue related to its deferred tax assets. Accordingly, the Company performed an analysis of recoverability by weighing all positive evidence of recovery against all negative evidence of recovery. Because the Company was in a three-year cumulative book loss position, it was determined that the future earnings projections of the Company over the relatively long net operating loss carryforward period did not represent objectively verifiable positive evidence of recovery, and that the recent historical results were objectively verifiable negative evidence.

The Company determined that it had no exposure to non-recoverability at the federal jurisdiction level due to adequate future taxable income offsetting federal net operating losses through the form of deferred tax liabilities. The exposure to non-recoverability was determined to exist at the state jurisdiction level. As a result of this analysis, the Company recorded a full valuation allowance in the amount of $857,000 on its state deferred tax assets during the quarter ended January 31, 2011, as filed in the Company s Form 10-Q for the period.

Upon further analysis during April 2011, the Company determined that it had actually entered into the three-year cumulative book loss position in the fourth quarter of fiscal year 2009. As a result, the Company should not have used future earnings projections to analyze recoverability since the fourth quarter of fiscal 2009. The result of this error is that the Company understated its deferred tax asset valuation allowance by approximately $600,000 and $429,000 as of April 30, 2010 and 2009, respectively. Additionally, the Company understated its net loss by approximately $170,000 and $429,000 for the fiscal years ended April 30, 2010 and 2009, respectively.

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The results of the above are summarized in the tables below.

	As of and for the Year Ended April 30, 2010		
	As Recast for Discontinued Operations and Segment Change (Note 4)	Adjustments	As Restated
Consolidated balance sheet accounts impacted by restatement:			
Deferred income taxes	$ 401,215	$ (41,118)	$ 360,097
Total current assets	8,766,908	(41,118)	8,725,790
Deferred income taxes (non-current)	1,718,954	(558,583)	1,160,371
Total assets	41,551,973	(599,701)	40,952,272
Retained earnings	6,669,330	(599,701)	6,069,629
Total shareholders equity	15,789,479	(599,701)	15,189,778
Total liabilities and shareholders equity	41,551,973	(599,701)	40,952,272
Consolidated statement of operations accounts impacted by restatement:			
Income tax expense (benefit) deferred	$ (1,765,595)	$ 170,238	$ (1,595,357)
Total income tax expense (benefit)	(1,752,286)	170,238	(1,582,048)
Loss from continuing operations	(2,598,315)	(170,238)	(2,768,553)
Net loss	(1,715,041)	(170,238)	(1,885,279)
Net loss per share from continuing operations	$ (0.70)	$ (0.05)	$ (0.75)
Net earnings (loss) per share from discontinued operations	0.24		0.24
Net loss per share basic and diluted	(0.46)	(0.05)	(0.51)
Consolidated statement of cash flows accounts impacted by restatement:			
Net loss	$(1,715,041)	$(170,238)	$(1,885,279)
Deferred tax benefit	(1,791,668)	170,238	(1,621,430)

	As of and for the Year Ended April 30, 2009		
	As Recast for Discontinued Operations and Segment Change (Note 4)	Adjustments	As Restated
Consolidated balance sheet accounts impacted by restatement:			
Deferred income taxes	$ 525,108	$ (57,061)	$ 468,047
Total current assets	10,602,124	(57,061)	10,545,063
Deferred income taxes (non-current)	701,403	(372,402)	329,001
Total assets	44,346,059	(429,463)	43,916,596
Retained earnings	8,569,451	(429,463)	8,139,988
Total shareholders equity	17,538,530	(429,463)	17,109,067

Total liabilities and shareholders equity	44,346,059	(429,463)	43,916,596
Consolidated statement of operations accounts impacted by restatement:			
Income tax expense (benefit) deferred	$ (1,958,088)	$ 429,463	$ (1,528,625)
Total income tax expense (benefit)	(1,958,088)	429,463	(1,528,625)
Loss from continuing operations	(3,590,889)	(429,463)	(4,020,352)
Net loss	(4,587,450)	(429,463)	(5,016,913)
Net loss per share from continuing operations	$ (0.96)	$ (0.12)	$ (1.08)
Net loss per share from discontinued operations	(0.27)		(0.27)
Net loss per share basic and diluted	(1.23)	(0.12)	(1.35)
Consolidated statement of cash flows accounts impacted by restatement:			
Net loss	$(4,587,450)	$(429,463)	$(5,016,913)
Deferred tax benefit	(2,001,572)	429,463	(1,572,109)

Additionally, subsequent to the filing of the Form 10-K for the year ended April 30, 2010, the Company has included a disclosure associated with a BPE contract with a related party. See Note 17 Related Parties for more information.

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20. SUBSEQUENT EVENTS

On June 9, 2010, the Company sold its owned shopping center located in Jacksonville, Florida, for a sales price of approximately $9.9 million. The sale generated a pre-tax gain of approximately $120,000. As part of this transaction, the buyer assumed in full the mortgage note payable on the property. Net cash proceeds were approximately $2 million, after deducting:

- approximately $6.9 million for assumption of the mortgage note;
- approximately $0.5 million for funding of repair escrows; and
- approximately $0.6 million for closing costs and prorations.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management has evaluated the Company s disclosure controls and procedures as defined by Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. This evaluation was carried out with the participation of the Company s Chief Executive Officer and Chief Financial Officer. No system of controls, no matter how well designed and operated, can provide absolute assurance that the objectives of the system of controls are met, and no evaluation of controls can provide absolute assurance that the system of controls has operated effectively in all cases. The Company s disclosure controls and procedures, however, are designed to provide reasonable assurance that the objectives of disclosure controls and procedures are met.

In connection with the restatement of certain financial statements described in more detail elsewhere in this Amendment 1, related to the timing of recording a valuation allowance on the Company s state deferred tax assets, management of the Company has re-evaluated the effectiveness of the Company s disclosure controls and procedures as of April 30, 2010. As a result of that re-evaluation, the Chief Executive Officer and Chief Financial Officer have determined that, due to the material weakness in internal control over financial reporting described below, the Company s disclosure controls and procedures were not effective as of such date. Additional information regarding the restatement is contained in Note 19 to the accompanying consolidated financial statements included in the filing.

Changes in Internal Control Over Financial Reporting

There was no change in the Company s internal control over financial reporting that occurred during the period covered by this annual report on Form 10-K that materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting; however, as described below, it is expected that changes in the Company s internal control over financial reporting will be made that will materially affect, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Servidyne, Inc. and subsidiaries (the Company) is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become ineffective because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, the risk.

The Company s management assessed the effectiveness of the Company s internal control over financial reporting as of April 30, 2010. In making this assessment, the Company s management used the criteria set forth by the Committee of

Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

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Based on its assessment, management initially concluded that, as of April 30, 2010, the Company s internal control over financial reporting was effective based on those criteria; however, as a result of the identification of the issue that caused the restatement described in Note 19 to the consolidated financial statements and management s determination that there is a material weakness in the area of accounting for income taxes, as described below, the Chief Executive Officer and Chief Financial Officer have subsequently concluded that the Company s internal controls over financial reporting were not effective as of April 30, 2010.

A material weakness in internal control over financial reporting is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of a company s financial statement will not be prevented or detected on a timely basis by the company s internal controls. The restatement of the Company s financial statements resulted from an error in the timing of recording a valuation allowance for its state deferred tax assets in accordance with ASC 740, *Accounting for Income Taxes*, related to the recoverability of the deferred tax assets, as more fully described in Note 19 to the consolidated financial statement included in this Amendment 1. Management believes that this error constitutes a material weakness in the design of the Company s internal control over financial reporting in the area of accounting for income taxes and has begun to take the following steps to remediate the deficiency:

- develop and implement additional procedures to increase the level of review, evaluation and validation of the Company s valuation of deferred tax assets; and

- increase the level of knowledge among Company employees in the area of accounting for income taxes.

In doing both of the above, the Company expect that it will be in a position to place less reliance on third-party tax professionals.

The management of the Company is committed to a strong internal control environment, and believe that, when fully implemented, these remediation actions will represent significant improvements. The remediation actions are not expected to result in material costs to the Company. Further, management anticipates completing this remediation effort before the 2011 Annual Report is filed in July 2011.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(A) The following documents are filed as part of this Amendment No. 1 to the Annual Report on Form 10-K/A:

1. Financial Statements:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets at April 30, 2010, and April 30, 2009
Consolidated Statements of Operations for the Years Ended April 30, 2010, and April 30, 2009
Consolidated Statements of Shareholders Equity for the Years Ended April 30, 2010, and April 30, 2009
Consolidated Statements of Cash Flows for the Years Ended April 30, 2010, and April 30, 2009
Notes to Consolidated Financial Statements

3.Exhibits:

Exhibit No.	Exhibit Title
3.1	Amended and Restated Articles of Incorporation of Servidyne, Inc., dated September 22, 2008 (included as Exhibit 3.1 to the Company s Form 8-K filed with the SEC on September 25, 2008 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of Servidyne, Inc., dated November 28, 2007 (included as Exhibit 3(b) to the Company s Form 8-K filed with the SEC on November 30, 2007 and incorporated herein by reference).
10.1	Directors Deferred Compensation Plan (included with the Company s Form 10-K for the year ended April 30, 1991, File No. 0-10146, and incorporated herein by reference).#
10.2	2000 Stock Award Plan (included as Exhibit 4 to the Company s Form S-8 filed with the SEC on September 29, 2000, File No. 333-46920, and incorporated herein by reference).#
10.3	Alan R. Abrams Split Dollar Life Insurance Agreement dated May 31, 2001 (included as Exhibit 10(i) to the Company s Form 10-K for the year ended April 30, 2001 filed with the SEC on July 18, 2001, File No. 0-10146, and incorporated herein by reference).#
10.4	J. Andrew Abrams Split Dollar Life Insurance Agreement dated May 31, 2001 (included as Exhibit 10(j) to the Company s Form 10-K for the year ended April 30, 2001 filed with the SEC on July 18, 2001, File No. 0-10146, and incorporated herein by reference).#
10.5	Summary Description of Annual Incentive Bonus Plan (included as Exhibit 10(i) to the Company s Form 10-Q for the quarter ended October 31, 2005 filed with the SEC on December 15, 2005, File No. 0-10146, and incorporated herein by reference).#
10.6	Form of Stock Appreciation Rights Agreement (included as Exhibit 10(j) to the Company s Form 10-K for the year ended April 30, 2006 filed with the SEC on July 31, 2006 and incorporated herein by reference).#
10.7	Form of Related Party Promissory Note (included as Exhibit 10.1 to the Company s Form 10-Q for the quarter ended October 31, 2010 filed with the SEC on December 15, 2010).
21.1	List of the Company s Subsidiaries. *

23.1	Consent of Deloitte & Touche LLP.
31.1	Certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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Exhibit No.	Exhibit Title
31.2	Certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the CEO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Management compensatory plan or arrangement.

* Filed with the original filing of this annual report.

(B) The Company hereby files as exhibits to this Amendment No. 1 to its Annual Report on Form 10-K/A the exhibits set forth in Item 15(A)3 hereof.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 1 to be signed on its behalf by the undersigned, thereunto duly authorized.

	SERVIDYNE, INC.
Dated: June 2, 2011	By: /s/ Alan R. Abrams Alan R. Abrams Chief Executive Officer
Dated: June 2, 2011	/s/ Rick A. Paternostro Rick A. Paternostro Chief Financial Officer