This is a preliminary shelf short form prospectus relating to these securities, a copy of which has been filed with the Ontario Securities Commission, but which has not yet become final for the purpose of a distribution or a distribution to the public. Information contained herein is subject to completion or amendment. These securities may not be sold to, nor may offers to buy be accepted from, residents of Ontario prior to the time a receipt for the final shelf short form prospectus is obtained from the Ontario Securities Commission.

PRELIMINARY SHELF PROSPECTUS dated May 31, 2000

This shelf short form prospectus has been filed under procedures in Ontario that permit certain information about these securities to be determined after this prospectus has become final and that permit the omission from this prospectus of the information. The procedures require the delivery to purchasers of a prospectus supplement containing this omitted information within a specified period of time after agreeing to purchase any of these securities.

This shelf short form prospectus constitutes a public distribution of these securities only in Ontario and therein only by persons permitted to sell such securities. The Ontario Securities Commission has not in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offense.

Information has been incorporated by reference in this shelf short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Bracknell Corporation, at Suite 1506, 150 York Street, Toronto, Ontario, M5H 3S5 (Telephone: 416-360-4105).

The securities offered under this shelf short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and, subject to certain exceptions, may not be offered or sold within the United States or to any U.S. person. This shelf short form prospectus does not constitute an offer to sell or solicitation of an offer to buy any of the securities offered hereby within the United States or to U.S. persons.

New Issue

BRACKNELL
C O R P O R A T I O N

■ Common Shares

This shelf short form prospectus qualifies the distribution (the “Offering”) of up to ■ Common Shares of Bracknell Corporation (the “Company”) to certain former shareholders (collectively, the “Noteholders”) of Sunbelt Integrated Trade Services Inc., Crouch Electric, Inc., Crouch Industries LLC, Pneu-Temp, Inc., Quality Mechanical Contractors, Inc., Inglett & Stubbs, Inc. and Schmidt Electric Company, Inc. (collectively, “Sunbelt”), as consideration for certain shares of Sunbelt purchased by the Company. See “Details of the Offering”. No cash proceeds will be received by the Company in respect of the Offering and no underwriting fee will be payable by the Company in connection with the issuance of the Common Shares. The expenses of the Offering are estimated to be C$75,000 and will be paid out of the general funds of the Company.

See “Use of Proceeds” for a description of the methods of issuance and pricing of the Common Shares. The price of Common Shares issued to Noteholders will be based on the lesser of US$4.65 and the average closing price of the Company’s Common Shares as quoted on The Toronto Stock Exchange (the “TSE”) for a specified period prior to issue.

The outstanding Common Shares of the Company are listed on the TSE under the symbol “BRK”. On ■, the last reported sale price of the Company’s Common Shares on the TSE was ■. See “Price Range and Trading Volume”.

A prospectus supplement or supplements, which will accompany and be delivered to Noteholders with this shelf short form prospectus in connection with any offering, will set forth, where applicable, the number of Common Shares, the purchase price and any other terms applicable to the particular offer and sale of Common Shares. Each shelf prospectus supplement will be incorporated by reference into the shelf prospectus as of the date of the shelf prospectus supplement and only for the purposes of the distribution of the securities to which the shelf prospectus supplement pertains.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the securities commission in the Province of Ontario are specifically incorporated by reference in, and form an integral part of, this shelf prospectus:

(a) Annual Information Form of the Company dated March 9, 2000, revised as of March 23, 2000;

(b) Information Circular of the Company dated January 26, 2000 in connection with the February 29, 2000 Annual Meeting of Shareholders, other than the sections entitled "Compensation Committee", "Corporate Governance", "Report on Executive Compensation" and "Performance Graph";

(c) Management's Discussion and Analysis of the Company for the year ended October 31, 1999, found at pages 14 through 18 of the 1999 Annual Report of the Company;

(d) a material change report filed by the Company dated February 22, 2000, in respect of the acquisition of Sylvan Industrial Piping, Inc., Sylvan Industrial Piping of Tennessee, Inc., and Sylvan Industrial Piping of NJ, Inc.;

(e) a material change report filed by the Company dated March 9, 2000, in respect of the acquisition of Sunbelt Integrated Trade Services, Inc.; and

(f) a material change report filed by the Company dated March 22, 2000, in respect of a public offering of 6,000,000 Common Shares.

Any documents of the types referred to in the preceding paragraphs (a) through (f) and any material change reports (excluding confidential reports) filed by the Company with a securities commission or other similar regulatory authority in Canada after the date of this shelf prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference into this shelf prospectus.

Any statement contained in this shelf prospectus or a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this shelf prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein, modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was

made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this shelf prospectus.

THE COMPANY

The Company is a growth-oriented provider of quality value-added facilities infrastructure services to businesses across North America. Its core competencies include the design, project management and execution of complex new installations of communication, electrical and mechanical systems and the ongoing operation and maintenance of established facilities. These efforts are supported by a wide array of specific technical expertise. The Company's objective is to be the most recognized and most profitable facilities infrastructure services provider in North America.

In the past year, the Company has implemented a new business plan focused on creating a new type of customer-oriented company in its industry. The Company is pursuing a disciplined acquisition strategy along with its strategy for internal growth through performance improvement. It is redefining its business, recognizing that its customers are changing the way they look at their facilities infrastructure needs. The Company's goal is to provide facilities infrastructure services over the total life cycle of a customer's facility.

Through a series of acquisitions over the past year, the Company has significantly refocused its business portfolio toward higher margin, value-added services and increased its exposure to the high growth telecommunications and special technology sectors. As a result of these acquisitions, the Company is transitioning from a low-margin construction company into a company with increased focus on the installation and maintenance of facilities for high-end technology and telecommunications equipment.

The internet, the growth in telecommunications demand and the increased use of technology are rapidly accelerating the need for new sophisticated facilities such as wireless infrastructure, call and data centers and other technologically advanced projects. Management believes that the Company is well positioned to service this growing demand.

The Company has begun to reorganize its business from a geographic market focus to a customer category focus. Specifically, the Company is targeting customers in:

- Telecommunications (wireless infrastructure, in-building communications networks and critical use facilities);

- Special Technology (data and call centers, other technology infrastructure, casinos and the gaming industry);

- Basic Industries (automotive, power, process and steel); and

- Commercial (office buildings, warehouses and distribution facilities).

The Telecommunications and Special Technology categories are growing rapidly and customers are looking for suppliers who have the technical and professional capability to meet their needs for rapid response with more complex facilities, equipment and infrastructure. The Basic Industries and Commercial categories are large, trending toward outsourcing and have barriers to entry which require suppliers to be well capitalized and capable of executing significant, complex projects. Each of the four categories is led by an experienced executive who serves as President and has its own marketing and financial support.

The Company has provided services to the following companies:

- AOL
- Apple
- AT&T
- Bell South
- Cable & Wireless
- Caesar's World
- DaimlerChrysler
- Dell
- Dofasco
- E*Trade
- Ford
- General Motors
- Intel
- Lucent Technologies
- MCI Worldcom
- Merck
- MGM Grand
- Motorola
- Nextel
- Nokia
- Park Place Entertainment
- Procter & Gamble
- PSInet
- SmithKline Beecham
- Sprint
- Target
- Toyota

The Company's registered head office and principal executive offices are located at Suite 1506, 150 York Street, Toronto, Ontario, M5H 3S5, Telephone (416) 360-4105.

RECENT DEVELOPMENTS

Equity Offering

On March 31, 2000, the Company issued 6,000,000 Common Shares at C$7.00 per Common Share for gross proceeds of C$42 million. The underwriters of the equity offering were granted an option to purchase up to an additional 600,000 Common Shares to cover over-allotments which was exercised on April 13, 2000 for the full over-allotment amount. The Company received gross over-allotment proceeds of C$4.2 million.

Disposition of PROFAC Facilities Management Services, Inc.

On May 26, 2000, the Company sold its entire 50% interest in PROFAC Facilities Management Services, Inc. to SNC-Lavalin, Inc. for consideration of C$17.5 million in cash. The Company will receive an additional C$5 million in cash upon the expiry of Bell Canada's option to reacquire all of the shares of Nexacor Realty Management Inc., which option expires on September 1, 2001. The proceeds of the sale were used to reduce the debt of the Company.

Proceedings Relating to NKK Steel Engineering, Inc.

The Company, through its wholly-owned subsidiary, The State Group International Limited ("SGIL"), entered into an agreement (the "Agreement") effective the 24th day of September, 1999, with NKK Steel Engineering, Inc. ("NKKSE") relating to the provision of electrical, mechanical and installation services for the construction of a continuous galvanizing process facility located at the site of National Steel Corporation Great Lakes Division in Ecorse, Michigan (the "Project"). On or about February 6, 2000, NKKSE terminated the Agreement. On or about April 6, 2000, SGIL filed a claim of lien against the Project in the amount of approximately US$25 million representing portions due to us and various subcontractors. Legal actions were commenced in May 2000 by both SGIL and NKKSE in respect of the termination of the Agreement but no monetary amounts have been specified by either party. In NKKSE's claim, they allege, among other things, breach of the Agreement. In SGIL's proceedings, we claimed, among other things, breach of the Agreement, unjust enrichment, misrepresentation and violations under the Michigan Building Contract Fund Act. Management believes there is merit to the claim of SGIL for wrongful termination of the Agreement and that SGIL has substantive defenses to NKKSE's claim against SGIL. Based on the advice of counsel and the Company's investigations, management believes that the results of these proceedings will not have a material adverse effect on the financial outcome of the Company.

MATERIAL CHANGES TO SHARE CAPITAL STRUCTURE

At the annual meeting of shareholders of the Company held on February 29, 2000, the shareholders voted to approve the conversion of the 9.5% Convertible Preferred Shares, Series A into Common Shares of the Company, pursuant to the share conditions of those 9.5% Convertible Preferred Shares, Series A. Accordingly, 1,273,535 9.5% Convertible Preferred Shares, Series A, being all of such shares, were converted into 1,273,535 Common Shares on February 29, 2000.

On March 31, 2000, the Company issued 6,000,000 Common Shares at C$7.00 per Common Share for gross proceeds of C$42 million. The underwriters of the equity offering were granted an option to purchase up to an additional 600,000 Common Shares to cover over-allotments which was exercised on April 13, 2000 for the full over-allotment amount. The Company received gross over-allotment proceeds of C$4.2 million.

PRICE RANGE AND TRADING VOLUME

The outstanding Common Shares are listed on the TSE. The following table sets forth the market price range and trading volume of the Common Shares on that exchange for the periods indicated:

	Price Per Share (in C$)		
	High	**Low**	**Share Trading Volume**
Calendar Period (based on an October 31 year end)			
Fiscal 1998			
Second quarter	6.20	4.00	2,764,190 shares
Third quarter	5.95	5.00	2,675,834 shares
Fourth quarter	5.40	3.75	1,265,036 shares
Fiscal 1999			
First quarter	6.50	4.80	2,138,003 shares
Second quarter	7.00	5.95	2,355,434 shares
Third quarter	7.20	5.90	2,568,761 shares
Fourth quarter	6.75	5.20	1,497,654 shares
Fiscal 2000			
First quarter	7.10	5.30	2,118,534 shares
Second quarter	8.75	6.45	5,566,740 shares
May 1 to May 30	8.50	5.90	942,206 shares

On May 30, 2000, the closing price of the Common Shares on The Toronto Stock Exchange was C$8.50.

DETAILS OF THE OFFERING

On March 9, 2000, the Company acquired 100% of the common shares of Sunbelt Integrated Trade Services, Inc. which then acquired 100% of the common shares (or membership interests, as the case may be) of Quality Mechanical Contractors, Inc., Inglett & Stubbs, Inc., Crouch Electric, Inc., Crouch Industries LLC, Pneu-Temp, Inc. and Schmidt Electric Company, Inc. The purchase agreements provide for the payment by the Company to the selling shareholders of Sunbelt of aggregate consideration of approximately US$199.6 million, comprising approximately US$59.3 million in cash at closing, US$50.0 million in promissory notes (the "Sunbelt Notes") issued to principal shareholders at closing, approximately US$17.7 million in the assumption and satisfaction of debt and other liabilities at closing, and a maximum of US$72.6 million as supplemental consideration payable over the next three years from closing. US$29.0 of the Sunbelt Notes has been repaid and the balance, excluding any amounts held in escrow, may be paid in cash or in Common Shares issued pursuant to this Offering.

The Sunbelt Notes were issued for an aggregate principal amount of US$50.0 million, earn interest at a rate of 10.5% per annum, and are repayable after 90 days (the "First Term"). The principal amount of the Sunbelt Notes also represents approximately US$10.0 million (the "Escrow Amount") which will be escrowed as security for the indemnity obligations of the Sunbelt stockholders.

If the Sunbelt Notes are not repaid in cash upon expiration of the First Term, and the Company has received a receipt (the "Receipt") from the Ontario Securities Commission (the "OSC") for this prospectus, the term is automatically extended for a further 90 days (the "Second Term"), and the interest rate is increased to 12.5% per annum.

If a Receipt is not received prior to the expiration of the First Term, then the Noteholders receive in satisfaction of the Sunbelt Notes the outstanding principal (excluding the Escrow Amount and increased by 50%) and interest in common shares of Bracknell issued at a price (the "Conversion Price"), being the lesser of US$4.65 or the twenty day weighted average closing price prior to the date of payment.

If the Sunbelt Notes are not repaid in cash upon expiration of the Second Term, then the Noteholders shall elect to either: (a) extend the term for a further 90 days; or (b) receive in satisfaction of the Sunbelt Notes the outstanding principal (excluding the Escrow Amount and increased by 50%) and interest in common shares of Bracknell issued at the Conversion Price.

In the event that the Escrow Amount is not repaid in cash, then the Noteholders shall receive in satisfaction the outstanding Escrow Amount (increased by 50%) and interest in common shares of Bracknell issued at the Conversion Price.

To the extent that the issuance of common shares pursuant to the Sunbelt Notes would exceed 25% of the issued and outstanding common shares of Bracknell, then the difference will be satisfied by the issuance at the Conversion Price of convertible preferred shares earning a 12.5% dividend, which are automatically converted to common shares of Bracknell upon receipt of shareholder approval. The Company expects that up to ■ Common Shares may be issued under this Offering if the Sunbelt Notes are not repaid in cash.

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares issuable in series, of which ■ Common Shares were outstanding as of May ■, 2000. The Common Shares entitle holders to one vote per share at all meetings of shareholders of the Company, except meetings at which holders of another class of outstanding shares, if any, are entitled to vote separately as a class. The Common Shares also entitle holders to share equally in any dividends declared by the board of directors on the Common Shares and to receive the property remaining after the satisfaction of prior claims in the event of a dissolution of the Company. The Common Shares have no pre-emptive, redemption, purchase or conversion rights.

USE OF PROCEEDS

The Common Shares offered hereby will be issued pursuant to the Sunbelt Notes, which were issued as partial consideration in connection with the purchase by the Company of all the issued and outstanding shares in the capital of Sunbelt from the Noteholders. No cash proceeds will be received by the Company in respect of the issuance of such Common Shares. See "Details of the Offering". The expenses of the Offering, estimated to be C$75,000, will be paid out of the general funds of the Company.

The Common Shares have not been and will not be registered under the U.S. Securities Act of 1933 and, subject to certain exceptions, may not be offered or sold within the United States or to U.S. persons. This shelf prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Common Shares in the United States. In addition, until 40 days after the commencement of the Offering made hereby, any offer or sale of the Common Shares within the United States by any dealer may violate the registration requirements of the U.S. Securities Act of 1933.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Company are Arthur Andersen LLP, 1900-79 Wellington Street West, P.O. Box 29, Toronto, Ontario, M5K 1B9.

The transfer agent and registrar for the Common Shares is Montreal Trust Company of Canada at its principal office in the city of Toronto, Ontario.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in Ontario provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. Securities legislation in Ontario further provides a purchaser with remedies for rescission or damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by applicable securities legislation. The purchaser should refer to any applicable provisions of the securities legislation of Ontario for the particulars of these rights or consult with a legal adviser.

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AUDITORS' REPORT

To the Board of Directors
of Bracknell Corporation:

We have audited the consolidated balance sheets of **BRACKNELL CORPORATION** (the "Company") as at October 31, 1999 and 1998 and the consolidated statements of net earnings, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) Arthur Andersen LLP

December 10, 1999
(except with respect to the sale of PROFAC
as discussed in Notes 2 and 24 as to
which the date is May 19, 2000)
Toronto, Canada.

BRACKNELL CORPORATION
CONSOLIDATED BALANCE SHEETS
OCTOBER 31, 1999 AND 1998
($U.S. in thousands)
RESTATED (Note 24)

ASSETS

	1999	1998
CURRENT ASSETS		
Cash and cash equivalents	$ 651	$ 23,165
Contract and accounts receivables (Note 4)	124,427	62,106
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 5)	25,902	26,667
Inventory	655	562
Prepaid expenses and other assets	5,016	2,002
Deferred income taxes (Note 12)	779	-
Income taxes receivable	-	1,316
Current assets of discontinued operations (Note 24)	9,001	6,676
TOTAL CURRENT ASSETS	166,431	122,494
CAPITAL ASSETS (Note 6)	9,239	2,911
DEFERRED INCOME TAXES (Note 12)	1,514	1,804
OTHER ASSETS, net (Note 7)	5,074	194
GOODWILL, net	77,767	2,080
LONG-TERM ASSETS OF DISCONTINUED OPERATIONS (Note 24)	11,668	4,161
TOTAL ASSETS	$ 271,693	$ 133,644

LIABILITIES AND SHAREHOLDERS' EQUITY

	1999	1998
CURRENT LIABILITIES		
Borrowings under revolving credit facilities (Note 10)	$ 19,935	$ 343
Current portion of long-term debt (Note 11)	240	-
Accounts payable and other accrued liabilities	73,339	41,397
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 5)	24,676	16,640
Income taxes payable	5,067	3,814
Deferred income taxes (Note 12)	-	7,846
Current liabilities of discontinued operations (Note 24)	5,252	4,547
TOTAL CURRENT LIABILITIES	128,509	74,587
LONG-TERM DEBT (Notes 10 and 11)	40,312	-
OTHER LONG-TERM LIABILITIES	1,309	428
COMMITMENTS AND CONTINGENCIES (Note 20)	-	-
LONG-TERM LIABILITIES OF DISCONTINUED OPERATIONS (Note 24)	6,084	29
TOTAL LIABILITIES	176,214	75,044
SHAREHOLDERS' EQUITY		
Common shares (Note 15)	53,235	27,233
Preferred shares (Note 15)	5,412	-
Warrants (Note 15)	229	-
Retained earnings	35,158	31,367
Cumulative translation adjustment	1,445	-
TOTAL SHAREHOLDERS' EQUITY	95,479	58,600
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 271,693	$ 133,644

On behalf of the Board:

(Signed) GILBERT S. BENNETT
Director

(Signed) ALLAN R. TWA
Director

The accompanying notes are an integral part of these consolidated balance sheets.

BRACKNELL CORPORATION
CONSOLIDATED STATEMENTS OF NET EARNINGS
FOR THE YEARS ENDED OCTOBER 31, 1999 AND 1998
($U.S. in thousands, except per share amounts)

RESTATED (Note 24)

	1999	1998
Revenues	$ 293,104	$ 273,373
Cost of services	255,296	243,637
Gross margin	37,808	29,736
Selling, general and administrative expenses	24,905	21,918
Earnings before interest, taxes, depreciation and amortization and restructuring	12,903	7,818
Depreciation and amortization	1,596	1,102
Restructuring and other charges (Note 18)	7,609	-
Earnings from operations	3,698	6,716
Income from long-term investments	23	294
Interest and other income (Note 13)	1,327	4,315
Earnings from continuing operations before provision for income taxes, and goodwill charges	5,048	11,325
Provision for income taxes	1,677	4,641
Earnings from continuing operations before goodwill charges	3,371	6,684
Goodwill charges, net of $89 tax (1998 – nil)	497	288
Earnings from continuing operations	2,874	6,396
Earnings from discontinued operations (Note 24)	917	979
Net earnings	$ 3,791	$ 7,375
Earnings from continuing operations before Goodwill charges per share		
Basic	$ 0.12	$ 0.25
Fully diluted	0.12	0.24
Earnings from continuing operations per share		
Basic	$ 0.11	$ 0.24
Fully diluted	0.11	0.24
Net earnings per share		
Basic	$ 0.14	$ 0.28
Fully diluted	0.14	0.27

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

BRACKNELL CORPORATION
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
FOR THE YEARS ENDED OCTOBER 31, 1999 AND 1998
($U.S. in thousands)

RESTATED (Note 24)

	1999	1998
RETAINED EARNINGS, beginning of year	$ 31,367	$ 24,024
EFFECT OF RETROACTIVE APPLICATION OF A CHANGE IN ACCOUNTING METHOD (Note 2)	-	(32)
RETAINED EARNINGS, as restated	31,367	23,992
NET EARNINGS	3,791	7,375
RETAINED EARNINGS, end of year	$ 35,158	$ 31,367

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

BRACKNELL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 1999 AND 1998
($U.S. in thousands)
RESTATED (Note 24)

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings from continuing operations	$ 2,874	$ 6,396
Items not affecting cash		
Depreciation and amortization	1,596	1,102
Goodwill charges	586	288
Provision for deferred income taxes	(7,205)	2,501
Gain on sale of capital assets	(58)	-
Income from long-term investments	(23)	(294)
Amortization of lease inducement	(67)	(65)
	(2,297)	9,928
Changes in operating assets and liabilities, excluding assets acquired and liabilities assumed in acquisitions	6,915	(296)
	4,618	9,632
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Nationwide, including assumed debt of $14,375	(61,859)	-
Purchase of Preferred, net of cash of $349	(5,553)	-
Purchases of capital assets	(1,451)	(1,816)
Long-term investments and acquisitions	(163)	(981)
Investment in discontinued operations	-	(3,500)
Other	77	(126)
	(68,949)	(6,423)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under term facilities	25,179	-
Financing costs	(2,284)	-
Proceeds from the issuance of common stock	325	176
Repayment of term facility	(995)	-
	22,225	176
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (BORROWINGS)	(42,106)	3,385
NET CASH AND CASH EQUIVALENTS (BORROWINGS), beginning of period	22,822	19,437
NET CASH AND CASH EQUIVALENTS (BORROWINGS), end of period	$ (19,284)	$ 22,822
CASH PAYMENTS FOR:		
Interest	$ 223	$ 385
Income Taxes	7,179	843

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

BRACKNELL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 1999 AND 1998
(in thousands of U.S. dollars)

RESTATED (Note 24)

1. BUSINESS AND ORGANIZATION

Bracknell Corporation, a corporation continued under the laws of Ontario, is a leading North American facilities services company that provides a broad range of essential technical and management services to ensure that buildings, plant and equipment operate effectively. Bracknell serves customers in the automotive, steel, technology, telecommunications, commercial, energy and pulp and paper sectors in Canada, the U.S. and abroad.

Bracknell principally conducts its business through two 100% owned subsidiary companies, The State Group Limited and Nationwide Electric, Inc. and through its 50% owned investment in PROFAC Facilities Management Services Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Generally Accepted Accounting Principles

These consolidated statements have been prepared in accordance with Canadian generally accepted accounting principles.

Basis of Presentation

The consolidated financial statements presented herein include the accounts of the Company and wholly-owned subsidiaries acquired in business combinations accounted for under the purchase method from their respective acquisition dates. All significant intercompany transactions and accounts have been eliminated. The Company uses the equity method of accounting for companies where it exercises significant influence but in which less than a controlling interest is held. The Company has reported its 50% investment in National – State Construction Group Inc. (which was sold during 1999 – see Note 3) using the proportionate consolidation method. The Company has reported its 50% investment in PROFAC Facilities Management Services Inc. as discontinued operations due to the sale of this investment on May 19, 2000. See Note 24. Certain reclassifications have been made to the prior year consolidated financial statements to conform with the basis of presentation used in 1999.

Change in Reporting Currency

The Company has historically prepared and filed its consolidated financial statements in Canadian dollars. During fiscal 1999, the Company adopted the U.S. dollar as its reporting currency for presentation of its consolidated financial statements. With the recent acquisitions of Preferred and Nationwide and the future growth prospects in the United States, a significant portion of the Company's net earnings will be earned by its U.S. operations. Historical consolidated results have been restated using a translation of convenience, whereby all historical results have been reflected using the exchange rate in effect on October 31, 1998 of $1 USD to $1.5429 CDN. Because of the strengthening of the Canadian dollar and Bracknell's significant amount of Canadian dollar assets prior to the Nationwide acquisition, the change in reporting currency resulted in the Company recognizing a $1,000 foreign exchange gain in 1999.

Bracknell's subsidiary operations in Canada are of a self-sustaining nature. Cumulative gains or losses arising from the translation of the assets and liabilities of these Canadian operations are recorded as a separate component of shareholders' equity.

Change in Accounting Method

In 1999, the Company determined that it would change the method by which income is recorded on major fixed price contracts. Previously, the Company used a labour based percentage-of-completion method, whereas it now applies the percentage-of-completion method measured by the ratio of contract costs incurred to date to estimated total contract costs for each contract. The change was made to allow for consistent presentation of all Bracknell subsidiaries, given the recent acquisitions of Preferred and Nationwide. The effect of this change decreased net earnings by $52 and $78 in 1999 and 1998 respectively, and by $32 for all years prior to 1998, and has been applied retroactively.

Use of Estimates

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

Cash and Cash Equivalents

Cash equivalents are securities held for cash management purposes having maturities of three months or less from the date of purchase.

Financial Instruments

The carrying value of short-term investments approximates their fair value as determined by market quotes. All significant debt obligations carry variable interest rates or interest rates that approximate market and their carrying value is considered to approximate fair value. The carrying value of receivables and other amounts arising out of normal contract activities, including retentions, which may be settled beyond one year, is estimated to approximate fair value.

Inventory

Inventory is valued at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis.

Capital Assets

Capital assets are stated at cost less accumulated depreciation. Routine repairs and maintenance are expensed as incurred; improvements are capitalized at cost and are amortized over the remaining useful life of the related asset. Depreciation is recorded using straight-line methods over the estimated useful lives of the related assets which are as follows:

Buildings	20 years
Leasehold improvements	Term of lease
Machinery and equipment	3 – 7 years

Goodwill

Goodwill represents the excess of the purchase price paid over the fair value of net tangible assets acquired and is amortized on a straight-line basis over 10 to 20 years. Goodwill is written down when there has been a permanent impairment in the value of unamortized goodwill. A permanent impairment in goodwill is determined by comparison of the carrying value of unamortized goodwill with undiscounted future earnings of the related business.

The Company presents goodwill amortization expense and goodwill impairment charges (collectively referred to as "goodwill charges") on a net-of-tax basis.

Contract Accounting

Contracts-in-progress are stated at the lower of actual cost incurred plus accrued profits or net estimated realizable value of incurred costs, reduced by progress billings. The Company records income from major fixed price contracts under the percentage-of-completion method measured by the ratio of contract costs incurred to date to estimated total contract costs for each contract. Contract costs include all direct material and labour costs and those indirect costs related to contract performance such as indirect labour, supplies and tools. Selling, general and administrative costs are charged to expense as incurred. Costs for material incurred at the inception of a project which are not reflective of effort are excluded from costs incurred for purposes of determining revenue recognition and profits. The performance of such contracts requires periodic review and revision of estimated final contract prices and costs. Effects of these revisions are included in the periods in which the revisions are made. Losses on contracts are recognized when they become evident.

Disputes arise in the normal course of the Company's business on projects where the Company contests with customers or owners for additional funds because of events such as delays or changes in contract specifications. Such disputes, whether claims or unapproved changes in process of negotiation, are recorded at the lesser of their estimated net realizable value or actual costs incurred and only when realization is probable and can be reliably estimated. Claims against the Company are recognized when loss is considered probable and reasonably determinable in amount. Income from time and materials and maintenance – type contracts is recognized when billed.

The Company makes investment in various business ventures in which arrangements are made with participants in projects where the Company provides bonding guarantees and cash advances for a share of the participants' project income. Income obtained from such activities is recognized in the consolidated statement of net earnings based on the percentage of completion of the related project.

Income Taxes

The Company previously used the deferral method to account for income taxes, but in 1999 adopted the liability method to account for income taxes. Under this method, income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related to certain income and expenses recognized in different periods for financial and income tax reporting purposes. Deferred tax assets and liabilities represent the future tax consequences of those differences. Deferred taxes are also recognized for operating losses and tax credits that are available to offset future taxable income and income taxes, respectively. A valuation allowance is provided if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The change in accounting policy had no effect on reported balances in the current or prior periods.

Foreign Currency Translation

Monetary assets and liabilities within Bracknell which are denominated in currencies other than U.S. dollars have been translated at the rate of exchange prevailing at the balance sheet date while other balance sheet items are translated at historic rates. Revenue and expense items have been translated at the rate of exchange in effect on the transaction dates. Realized as well as unrealized foreign exchange gains and losses are included in income in the year in which they occur.

Deferred Start-up Costs

Costs incurred during the preproduction or start-up period of new facilities are capitalized until commercial service levels are attainable. These preproduction costs are classified as deferred start-up costs and amortized over a period not to exceed five years commencing on completion of the preproduction or start-up

period. Management periodically assesses the realizability of these preproduction costs with reference to service volumes, pricing arrangements, and expected future operations.

Debt Issue Costs

Debt issue costs related to the Company's credit facility (see Note 10) are included in other non-current assets and are amortized to interest expense over the scheduled maturity of the debt. As of October 31, 1999, accumulated amortization of debt issue costs was approximately $14.

3. BUSINESS COMBINATIONS AND DIVESTITURES

On June 30, 1999, the Company acquired for cash all of the issued and outstanding shares of Preferred Electric Inc. ("Preferred"). The purchase price was $5,902 and was financed by cash on hand. Over the next two years, an additional amount, to a maximum of $3,200, will be payable if certain performance targets are met. Total assets acquired and liabilities assumed were approximately $3,002 and $774, respectively. The acquisition has been accounted for using the purchase method of accounting. Accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their anticipated fair values resulting in goodwill of approximately $3,674, which is being amortized to expense over 20 years using the straight-line method. A final allocation of the purchase price to net assets acquired is pending final determination of the fair value of assets and liabilities.

The accompanying consolidated statements of net earnings reflect the results of operations of Preferred from the date of acquisition through October 31, 1999.

On September 30, 1999, the Company acquired for cash and common and preferred shares of the Company, all the issued and outstanding common stock of Nationwide Electric, Inc.("Nationwide"). The total purchase price was $78,802, of which $47,484 was paid in cash (which included $1,887 of transaction costs) and the remainder was paid for with 6,041,638 Bracknell common shares ($25,677), 1,273,535 newly issued Bracknell convertible preferred shares ($5,412) and warrants entitling the holders to purchase 385,822 of Bracknell's common shares at $4.25 for 18 months ($229). The number of Bracknell common shares issued to the shareholders of Nationwide was determined based upon a value of $4.25 per share. Under the terms of the agreement, in the event that the common shares of Bracknell do not, within 12 months of the date of the agreement, achieve an average closing price in excess of $4.25 over a thirty day trading period, the shareholders acquiring Bracknell stock are entitled to receive $0.25 per Bracknell share held. Total assets acquired and liabilities assumed were approximately $79,952 and $73,956, respectively. The acquisition has been accounted for using the purchase method of accounting. Accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their anticipated fair values resulting in goodwill of approximately $72,806 which is being amortized to expense over 20 years using the straight-line method. A final allocation of the purchase price to net assets acquired is pending final determination of the fair value of assets and liabilities.

The accompanying consolidated statements of net earnings reflect the results of operations of Nationwide from the date of the acquisition through October 31, 1999.

During 1999, the Company sold its 50% interest in National-State Construction Group Inc. for $1,360. Proceeds received from the National-State transaction were $68 in cash and the remainder in the form of a note receivable bearing interest at prime with the remainder payable as follows:

August 30, 2000	$ 170
August 30, 2001	238
August 30, 2002	442
August 30, 2003	442
	$ 1,292

The note is secured by the sold shares of National-State and an irrevocable letter of guarantee. There was no gain or loss resulting from this transaction.

4. CONTRACT AND ACCOUNTS RECEIVABLES

Contract and accounts receivables consist of the following:

	1999	1998
Current accounts	$ 108,942	$ 44,884
Holdbacks	16,298	17,873
Subtotal	125,240	62,757
Less: Allowance for doubtful accounts	(813)	(651)
Contract receivables, net	$ 124,427	$ 62,106

5. CONTRACTS IN PROGRESS

Costs and estimated earnings on uncompleted contracts are summarized as net balances in process as follows:

	1999	1998
Costs incurred on uncompleted contracts	$ 521,575	$ 279,836
Estimated earnings	63,199	29,566
Total	584,774	309,402
Less: Billings to date	583,548	299,375
Net under billings	$ 1,226	$ 10,027

The net balances in process are classified on the balance sheet as follows:

	1999	1998
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 25,902	$ 26,667
Billings in excess of costs and estimated earnings on uncompleted contracts	(24,676)	(16,640)
Total	$ 1,226	$ 10,027

6. CAPITAL ASSETS

Capital assets consist of the following:

	1999		
	Cost	Accumulated Depreciation/ Amortization	Net Book Value
Land	$ 181	$ -	$ 181
Buildings	1,698	75	1,623
Machinery & equipment	18,121	10,887	7,234
Leasehold improvements	1,429	1,228	201
	$ 21,429	$ 12,190	$ 9,239

	1998		
	Cost	Accumulated Depreciation/ Amortization	Net Book Value
Land	$ 173	$ -	$ 173
Buildings	291	143	148
Machinery & equipment	10,291	8,281	2,010
Leasehold improvements	1,524	944	580
	$ 12,279	$ 9,368	$ 2,911

7. OTHER ASSETS

Other assets consist of the following:

	1999	1998
Long-term investments	$ 180	$ 194
Long-term portion of note receivable arising from sale of National-State	1,122	-
Deferred financing charges and other, net	3,772	-
	$ 5,074	$ 194

8. JOINT VENTURES

The Company engages in joint ventures for jointly controlled enterprises and jointly controlled operations. These are reflected in the accounts using the proportionate consolidation method.

The Company's proportionate share of the total assets, liabilities, and results of operations of these joint ventures as at and for the years ended October 31, 1999 and 1998, recorded in the consolidated financial statements of the Company, are as follows:

	1999	1998
Total assets	$ 4,693	$ 11,514
Total liabilities	1,549	1,574
Revenues	196	-
Operating costs and expenses	128	259
Operating income before provision for income taxes	68	259

During 1999, the Company entered into an agreement with its joint venture partner on the Cardinal Co-generation project, (which had been the subject of significant claims both by and against the owner) whereby all risks and rewards associated with the settlement of these claims would reside with the other joint venture partner. As a result of entering into this agreement, the Company recorded an additional loss of $2,343 in 1999 which has been reflected in restructuring and other charges.

9. LEBANESE POSTAL SYSTEM SERVICES CONTRACT

During 1998, PROFAC, Bracknell's 50% jointly controlled enterprise, and Canada Post Systems Management Limited ("CPSML") signed a contract with the Lebanese Ministry of Post and Telecommunications for the rehabilitation, reconstruction and operation of the Lebanese postal service. PROFAC and CPSML formed a joint venture Lebanese operating company ("LibanPost") to rebuild the postal system and carry out postal operations. As of October 31, 1999, Bracknell, through PROFAC, had invested $10,000, of which $5,000 was financed through a non-recourse Lebanese bank loan. Bracknell's share of PROFAC's investment in LibanPost is pledged as collateral for the loan. As commercial service

levels have not yet been attained, net costs incurred during the start-up period have been capitalized. Commercial service levels are expected to be achieved by January, 2000. In addition, LibanPost has an agreement with a Lebanese bank to maintain a minimum cash balance of $5,600 until October 21, 2001 and $1,600 thereafter to support the issuance of a bank guarantee. The guarantee was issued to the Lebanese Ministry of Post and Telecommunications in support of a performance obligation under the contract. On May 19, 2000, the Company entered into an agreement to sell its entire interest in PROFAC. See Note 24.

10. CREDIT FACILITY

As of October 31, 1999, Nationwide had a $40,000 credit facility with a bank maturing on December 1, 2000, which was composed of a $25,000 revolving credit facility and a $15,000 term facility. At October 31, 1999, $19,935 had been drawn under the revolving credit facility at an interest rate of 7.16%. At October 31, 1999, $15,000 had been borrowed under the term facility at an interest rate of 7.18%. Subsequent to year end the $34,935 was repaid with funds advanced from the new credit facility described below.

In order to finance the acquisition of Nationwide, the Company was advanced $25,000 against a proposed credit facility. Subsequent to year-end, the Company finalized the $192,500 credit facility with a syndicate of banks maturing on October 31, 2004, which is comprised of the following:

	Available	Utilized at October 31, 1999
Canadian Term Commitment	$ 25,000	$ 25,000
U.S. Term Commitment	15,000	15,000
Canadian Operating Commitment	12,500	- *
U.S. Operating Commitment	25,000	19,935
Acquisition Commitment	115,000	-
	$ 192,500	$ 59,935

* No actual cash drawn on this facility although letters of credit totaling $4.4 million were issued and outstanding.

The unused portion of the Canadian and U.S. acquisition facility will be cancelled on April 30, 2000. Borrowings under these facilities currently bear interest at LIBOR plus 2.0% or PRIME plus 1.0%, however can vary between 1.5% to 2.5% for LIBOR or 0.5% to 1.5% for PRIME based on the Company's ratio of total net debt to consolidated earnings before interest, tax, depreciation and amortization.

Fees associated with this credit facility of approximately $2,300 million have been deferred and will be amortized over the term of the debt. Amounts drawn against the term and acquisition facilities do not require any principal repayments prior to January 31, 2001. Otherwise, repayments are due ratably in quarterly installments at the rate of 5% for the 12 quarters following January 31, 2001, increasing to 10% for the remaining 4 quarters.

The acquisition facility may be used exclusively to finance acquisitions permitted under the credit agreement. The operating facilities, which are revolving credit facilities, may be used only for general corporate purposes and not for acquisitions.

The overall credit facility is secured by all assets of the Company, including the pledges of all shares of the Company's subsidiaries which guarantee the repayment of all amounts due under the facility and the facility restricts pledges of all material assets. The credit facility requires compliance with usual and customary covenants for a credit facility of this nature including the limitation on the payment of dividends on common shares and the consent of the lenders for acquisitions that do not satisfy specified criteria and financial covenants.

11. LONG-TERM DEBT

A summary of long-term debt is as follows:

	1999	1998
Term commitment (See Note 10)	$ 40,000	$ -
Other	552	-
	40,552	-
Less: Current portion	(240)	-
Total	$ 40,312	$ -

Aggregate annual maturities of long-term debt during the following periods are:

Years Ending October 31,	
2000	$ 240
2001	8,060
2002	8,060
2003	8,060
2004	16,060
2005 and thereafter	72
	$ 40,552

Total interest expense on long-term debt was $812 in 1999 (nil in 1998).

12. INCOME TAXES

The provision for income taxes consists of the following:

	1999	1998
Current	$ 8,882	$ 2,211
Deferred	(7,205)	2,430
	$ 1,677	$ 4,641

The Company's effective income tax rate has been determined as follows:

	1999	1998
Canadian statutory income tax rate	44.5%	44.5%
Change in valuation allowance	(13.9%)	3.1%
Non-taxable capital gains	-	(2.9%)
Non-taxable foreign currency translation	(6.6%)	-
Other	9.2%	(3.7%)
	33.2%	41.0%

The significant components of the current deferred tax asset (liability) consist of the following:

	1999	1998
Contract accounting	$ (1,392)	$ (7,846)
Non-deductible reserves	2,035	-
Other	136	-
	$ 779	$ (7,846)

The significant components of the long-term deferred tax asset consist of the following:

	1999	1998
Tax loss carryforwards	$ 78	$ 1,943
Book vs. tax, depreciation and amortization	956	794

Non-deductible reserves	480	-
	$ 1,514	$ 2,737
Less: valuation allowance	-	(933)
	$ 1,514	$ 1,804

13. INTEREST AND OTHER INCOME, NET

Interest and other income consists of the following:

	1999	1998
Interest, net	$ 354	$ 366
Interest on tax reassessment	-	1,329
Foreign exchange gains	414	1,655
Other	559	965
	$ 1,327	$ 4,315

14. EMPLOYEE BENEFIT PLANS

The Company and its subsidiaries are involved in a number of employee benefit plans, including both defined contribution and defined benefit plans.

Under the various defined contribution plans, the annual contributions required by the Company are generally determined based on a percentage of eligible wages, the level of the Company's return on sales and return on net assets or at the discretion of the Board of Directors. Company contributions for these plans were approximately $402 (1998 - $366) for The State Group Limited and $611 for Nationwide and Preferred since their date of acquisition.

Two of the Company's U.S. subsidiaries have multi-employer defined benefit pension plans. Under these plans, certain liabilities can be imposed on the Company if the Company withdraws from the plan or the plan terminates. Company contributions for these plans were approximately $353 from the date of acquisition to year end. The Company's contingent liability, if any, for its share of any unfunded vested liabilities cannot be determined at this time.

15. SHARE CAPITAL

Authorized share capital consists of the following:

An unlimited number of no par value common shares.

An unlimited number of preferred shares issuable in series of which one series is designated Series A. Series A preferred shares are cumulative, redeemable, retractable, convertible preferred shares. The Company will, with appropriate approval, convert each preferred share into one common share of Bracknell. If the shares are not converted to common shares, they will have a fixed cumulative dividend payable at an annual rate of 9.5% accruing from March 31, 2000. On or after September 30, 2004, Bracknell has the right to redeem the preferred shares at $4.25 per share plus accrued and unpaid dividends. Bracknell also has the opportunity to purchase the preferred shares for cancellation.

At October 31, 1999 common shares issued and outstanding consisted of 32,546,975 shares (1998 – 26,373,000 shares). Preferred shares issued and outstanding consisted of 1,273,535 issued at $4.25. In addition, the Company has warrants outstanding entitling the holders to purchase 385,822 common shares at $4.25 until March 31, 2001.

16. STOCK OPTION AND PURCHASE PLANS

The Company has reserved for issuance common shares for options granted to certain officers, directors and key employees exercisable as follows:

	1999	1998
Number of options outstanding, beginning of year	1,085,000	1,088,750
Options granted	2,580,594	100,000
Options cancelled	(101,500)	(3,750)
Options exercised	(132,500)	(100,000)
Number of options outstanding, end of year	3,431,594	1,085,000

Of the above options, 1,154,000 were exercisable at October 31, 1999. Exercise prices range between C$2.70 and C$6.45 per share which were equal to the market prices at the time the options were granted. These options expire between January 2002 and September 2009. In addition, the Company has agreed to issue, following shareholder approval, 1,104,594 additional options relating to the acquisition of Nationwide which have been reflected above in options granted.

17. RELATED PARTY TRANSACTIONS

The Company, in the ordinary course of business, performs work for its joint ventures on normal commercial terms and provides cash and guarantee facilities in accordance with joint venture participant arrangements.

The Company also provides and receives cash advances to and from affiliated companies and business ventures. Advances made and cash distribution receipts are mainly of a project nature and are interest free.

18. RESTRUCTURING AND OTHER CHARGES

The restructuring and other charges results from the retirement of former executives and management changes at Bracknell and its wholly-owned subsidiary, The State Group Limited in an amount of $5,266 with the remainder relating to the settlement of the dispute on the Cardinal project (see Note 8).

19. OPERATING LEASES

The Company leases offices, warehouse facilities and field vehicles which are classified as operating leases. Annual minimum lease payments under these noncancellable operating leases during the following periods are:

Years Ending October 31,	
2000	$ 3,156
2001	2,631
2002	1,607
2003	1,277
2004 and thereafter	2,980
	$ 11,651

20. COMMITMENTS, CONTINGENCIES AND CLAIMS

The Company is involved in claims and litigation primarily arising from the normal course of business for the reimbursement of costs of additional work and of additional costs incurred due to changed conditions. Any settlements or awards will be recorded in the accounts as they are resolved or when the outcome and amounts are determinable.

In the normal course of business, the Company is required to provide performance bonds and/or payment bonds, in respect of certain contracts, which guarantee payment for labour, material and services in the event of default by the Company. The Company has executed an indemnity agreement in favour of the surety of these bonds. In addition, the Company provides bonding for its various joint venture and investment interests.

In October 1997, The Allison-Smith Company ("Allison"), a subsidiary of Nationwide acquired in October 1998, was named as a defendant in a lawsuit arising out of electrical work performed by Allison as a subcontractor. The initial complaint filed against the general contractor for the project alleges the system installed by Allison is defective. Allison denies any responsibility for the claims on the basis that, among other things, installation was in accordance with the approved plans and specifications of the project. Prior to its acquisition by Nationwide, Allison entered into mediation in an effort to settle the lawsuit. Based on a settlement offer made during mediation of such lawsuit, Allison recorded a $1,200 liability. Such liability is reflected in the consolidated balance sheets within other long-term liabilities. Under the Stock Purchase Agreement entered into with Nationwide, former stockholders of Allison have agreed to indemnify Nationwide for settlements reached in the above matter; accordingly, Nationwide recorded an asset of $720 (which is net of associated tax benefit) to reflect such indemnification.

21. SEGMENTED INFORMATION

Bracknell had two reportable segments; electrical, mechanical and other technical services and facilities management services. Subsequent to year-end the facilities management services segment was disposed of and has been reflected as discontinued operations for all years presented. All of the revenue, overhead, earnings, identifiable assets and capital expenditures are attributable to the remaining business segment, which is electrical, mechanical and other technical services.

Revenues By Geographic Segment:

	1999	1998
Canada	$ 200,878	$ 209,442
United States	86,920	41,684
Other	5,306	23,482

Assets by Geographic segment:

	1999	1998
Canada	$ 89,528	$ 118,270
United States	177,258	11,485
Other	4,907	3,889

22. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

Most entities depend on computerized systems and therefore are exposed to the Year 2000 conversion risk, which, if not addressed, could affect an entity’s ability to conduct normal business operations. Management is addressing this issue, however, given the nature of this risk, it is not possible to be certain that all aspects of the Year 2000 issue affecting the Company and those with whom it deals such as customers, suppliers or other third parties, will be fully resolved without adverse impact on the Company’s operation.

23. SUBSEQUENT EVENTS

Subsequent to year end, the Company granted to certain employees, subject to shareholder approval, 205,000 stock options. The exercise prices range between C$5.85 and C$6.05 per share which were equal to the market prices at the time the options were granted.

Also subsequent to year end, PROFAC, the Company’s 50% owned subsidiary, signed a Memorandum of Understanding with Bell Canada to acquire its wholly owned subsidiary, NEXACOR Realty Management Inc. NEXACOR will continue to provide facilities management and other real estate services to Bell under a 10-year outsourcing contract. The purchase price to PROFAC is approximately $25 million, with approximately $18 million due in 2000. PROFAC intends to finance the acquisition through its own borrowing and cash flow.

24. DISCONTINUED OPERATIONS

On May 19, 2000, the Company entered into an agreement to sell its 50% interest in PROFAC Facilities Management Services Inc. to SNC-Lavalin, Inc. for consideration of C$17,500 in cash, or approximately $11,641. The Company will receive an additional C$5,000 in cash upon the expiry of Bell Canada's option to reacquire all of the shares of NEXACOR, which option expires on September 1, 2001. The previously released financial statements of the Company have been restated to treat PROFAC as a discontinued operation. The assets and liabilities of PROFAC have been separately identified on the balance sheet. PROFAC's operating results for all years presented are reflected as "discontinued operations." The statement of earnings for PROFAC was as follows:

	1999	1998
Revenue	$ 23,343	$ 21,318
Earnings before interest, taxes, depreciation amortization and restructuring	1,953	2,038
Interest and other income	171	95
Earnings from discontinued operations	917	979

BRACKNELL CORPORATION
UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET
JANUARY 31, 2000
(in thousands of U.S. dollars)
RESTATED (Note 6)

CURRENT ASSETS	
Cash and cash equivalents	$ 1,341
Contract and accounts receivables	123,582
Costs and estimated earnings in excess of billings on uncompleted contracts	34,984
Inventory	812
Prepaid expenses and other assets	5,943
Deferred income taxes	-
Income taxes receivable	
Current assets of discontinued operations	8,677
Total current assets	175,339
Capital assets	9,482
Deferred income taxes	1,024
Other assets, net	8,050
Goodwill, net	77,322
Long term assets of discontinued operations	13,126
Total assets	$ 284,343
LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES	
Borrowings under revolving credit facilities	$ 33,475
Current portion of long-term debt	2,000
Accounts payable and other accrued liabilities	66,321
Billings in excess of costs and estimated earnings on uncompleted contracts	24,594
Income taxes payable	5,913
Deferred income taxes	682
Current liabilities of discontinued operations	7,160
Total current liabilities	140,145
Long-term debt	38,351
Other long term liabilities	1,200
Commitments and contingencies	-
Long-term liabilities of discontinued operations	5,805
Total liabilities	185,501
SHAREHOLDERS' EQUITY	
Common shares	53,235
Preferred shares	5,412
Warrants	229
Retained earnings	37,951
Cumulative translation adjustment	2,015
Total shareholders' equity	98,842
Total liabilities and shareholders' equity	$ 284,343

On behalf of the Board:

(Signed) GILBERT S. BENNETT
Director

(Signed) ALLAN R. TWA
Director

The accompanying notes are an integral part of this consolidated balance sheet.

BRACKNELL CORPORATION

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF NET EARNINGS
FOR THE THREE MONTHS ENDED JANUARY 31, 2000 AND 1999
(in thousands of U.S. dollars, except per share amounts)
RESTATED (Note 6)

	2000	1999
Revenues	$ 146,085	$ 68,416
Cost of services	124,903	61,132
Gross margin	21,182	7,284
Selling, general and administrative expenses	12,903	5,009
Earnings before interest, taxes, depreciation, amortization, and restructuring	8,279	2,275
Depreciation and amortization	729	340
Restructuring and other charges	-	-
Earnings from operations	7,550	1,935
Income from long-term investments	74	(9)
Interest and other income (expense)	(1,905)	474
Earnings from continuing operations before provision for income taxes and goodwill charges	5,719	2,399
Provision for income taxes	2,053	640
Earnings from continuing operations before goodwill charges	3,666	1,760
Goodwill charges, net of tax of $231 (1999 — nil)	865	63
Earnings from continuing operations	2,801	1,697
Earnings (loss) from discontinued operations	(8)	302
Net earnings	$ 2,793	$ 1,999
Earnings from continuing operations before goodwill charges per share		
Basic	$ 0.11	$ 0.08
Fully diluted	$ 0.10	$ 0.07
Earnings from continuing operations per share		
Basic	$ 0.08	$ 0.07
Fully diluted	$ 0.08	$ 0.07
Net earnings per share		
Basic	$ 0.08	$ 0.08
Fully diluted	$ 0.08	$ 0.07

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

BRACKNELL CORPORATION

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JANUARY 31, 2000 AND 1999
(in thousands of U.S. dollars)
RESTATED (Note 6)

	2000	1999
Cash flows from operating activities		
Net earnings	$ 2,801	$ 1,697
Items not affecting cash		
Depreciation and amortization	729	340
Goodwill charges	1,096	63
Other amortization charges	335	—
Earnings loss from long-term investments	(74)	(9)
Amortization of lease inducement	(20)	(16)
	4,867	2,075
Change in operating assets and liabilities, excluding assets acquired and liabilities assumed in acquisitions	(15,189)	(13,448)
	(10,322)	(11,373)
Cash flows from investing activities		
Purchases of capital assets	(1,007)	(456)
Investment in diconstinued operations	-	(1,500)
Other	-	319
	(1,007)	(1,637)
Cash flows from financing activities		
Financing costs	(1,216)	—
Borrowings under credit facilities	—	4,945
Repayment of long-term debt	(305)	—
	(1,521)	4,945
Net decrease in cash and cash equivalents	(12,850)	(8,065)
Net cash and cash equivalents (borrowings), beginning of period	(19,284)	22,822
Net cash and cash equivalents (borrowings), end of period	$ (32,134)	$ 14,757
Cash payments for:		
Interest	$ 928	$ 12
Income Taxes	3,706	4,057

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

BRACKNELL CORPORATION

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2000 AND 1999
(in thousands of U.S. dollars)
RESTATED (Note 6)

1. Senior Credit Facility

On February 28, 2000, the Company signed an amended and restated agreement with a group of lenders for the Company's Senior Credit Facility. The amended facility provides for total credit availability of $212,500, (previously $192,500) with conditions and covenants similar to the original credit facility. As a result of amending and restating the Senior Credit Facility, in the second quarter the Company will be required to take a charge to earnings in order to expense the fees of $3,254 associated with the original facility which were to be amortized over a five year period.

2. Acquisition Activity

In February 2000, the Company acquired, at a cash purchase price of approximately $22,000 (including $750 of transaction costs), all of the issued and outstanding shares of Sylvan Industrial Piping, Inc., Sylvan Industrial Piping of Tennessee, Inc. and Sylvan Industrial Piping of NJ, Inc. (collectively "Sylvan"). On February 23, 2000, the Company acquired, at a cash purchase price of approximately $3,000 (including $300 of transaction costs), all of the issued and outstanding shares of six related companies, collectively the "Highlight Group". Both the Sylvan and Highlight acquisitions were financed through advances against the Company's Senior Credit Facility.

On March 9, 2000, the Company acquired 100% of the shares of Sunbelt Integrated Trade Services, Inc. ("Sunbelt"). Immediately following Bracknell's acquisition of Sunbelt, Sunbelt acquired all of the issued and outstanding shares of Inglett & Stubbs Inc. ("I&S"), Schmidt Electric Company, Inc. ("Schmidt"), Crouch Industries, LLC ("Crouch") and Pneu-Temp, Inc. ("Pneu-Temp"). The total purchase price was $128,000 (including $1,000 of transaction costs), of which $78,000 was paid in cash, through advances against the Senior Credit Facility, and the remaining $50,000 was satisfied through promissory notes (the "Sunbelt Notes"). The Sunbelt Notes have an initial term of six months, bearing interest at 10.5% per annum, increasing after the first 90 days to 12.5% until repaid. The Sunbelt Notes may also be extended for an additional 90-day term or repaid in Bracknell common and convertible preferred shares at the holder's option.

3. Subordinated Loan Facility

The Company signed a commitment letter with The Toronto Dominion Bank dated March 6, 2000, for a proposed borrowing of $50 million (the "Subordinated Loan Facility") in order to finance the Sunbelt Notes. The Subordinated Loan Facility will mature in 364 days after the initial funding date and will be exchanged for rollover securities for a term of nine years thereafter.

4. Subsequent Event

On March 31, 2000 the company completed a public offering of 6 million common shares in Canada at a price of C$7.00. On April 13, 2000 the underwriters exercised their full over allotment option of 600,000 shares. After underwriter fees and expenses of $2,385 the Company received net proceeds of $29,077, which were used to repay a portion of the Sunbelt Notes.

5. Contingency

There is a dispute involving a claim for wrongful termination of a contract at one of the Company's subsidiaries which may result in litigation. The original value of the contract was $30.9 million. At the time of termination, $14.9 million has been paid under the contract with undisputed receivables outstanding on the project of $9.1 million and unbilled change orders should not exceed 30% of the original contract value. The reason for termination has not been particularized and therefore the ultimate outcome of this matter cannot be predicted with certainty. The Company believes that a claim for wrongful termination has merit and that there are substantive defenses to any potential counterclaims.

6. Restatement

The Company entered into an agreement as of May 19, 2000 to sell its 50% interest in PROFAC. As a result of this transaction the Company’s financial statements have been restated to reflect the operations of PROFAC as discontinued operations.

Compilation Report

To the Board of Directors
of BRACKNELL CORPORATION

We have reviewed, as to compilation only, the accompanying unaudited pro forma consolidated balance sheet of **Bracknell Corporation** as at January 31, 2000 and the unaudited pro forma consolidated statements of net earnings for the three months ended January 31, 2000 and for the year ended October 31, 1999, which have been prepared for inclusion in this Prospectus. In our opinion, the pro forma consolidated balance sheet and the pro forma consolidated statements of net earnings have been properly compiled to give effect to the assumptions described in the notes thereto.

(Signed) ARTHUR ANDERSEN LLP
Chartered Accountants

May 19, 2000
Toronto, Canada

BRACKNELL CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
BASIS OF PRESENTATION
(IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)

Bracknell Corporation ("Bracknell" or the "Company"), a corporation continued under the laws of Ontario, is a leading North American facilities infrastructure services company that provides a broad range of essential technical and management services to ensure that buildings, plant and equipment operate effectively. Beginning in 1999, the Company began a series of strategic acquisitions.

On June 30, 1999 the Company acquired, at a cash purchase price of $5,902, all of the issued and outstanding shares of Preferred Electric, Inc. ("Preferred"). On September 30, 1999, the Company acquired for cash and common and preferred shares of the Company, all the issued and outstanding common stock of Nationwide Electric, Inc. ("Nationwide"). The total purchase price was $78,802, of which $47,484 was paid in cash (which included $1,887 of transaction costs) and the remainder was paid for with 6,041,638 Bracknell common shares ($25,677), 1,273,535 newly issued Bracknell convertible preferred shares ($5,412) and warrants entitling the holders to purchase 385,822 of Bracknell's common shares at $4.25 for 18 months ($229). On February 29, 2000 the Company's shareholders voted to convert the convertible preferred shares into common shares.

In February 2000 the Company acquired, at a cash purchase price of approximately $22,000 (including $750 of transaction costs), all of the issued and outstanding shares of Sylvan Industrial Piping, Inc., Sylvan Industrial Piping of Tennessee, Inc. and Sylvan Industrial Piping of NJ, Inc. (collectively "Sylvan"). On February 23, 2000 the Company acquired, at a cash purchase price of approximately $3,000 (including $300 of transaction costs), all of the issued and outstanding shares of six related companies, collectively the "Highlight Group". Both the Sylvan and Highlight acquisitions were financed through advances against the Company's Senior Credit Facility.

On March 9, 2000 the Company acquired 100% of the shares of Sunbelt Integrated Trade Services, Inc. ("Sunbelt"). Immediately following Bracknell's acquisition of Sunbelt, Sunbelt acquired all of the issued and outstanding shares of Inglett & Stubbs Inc. ("I&S"), Schmidt Electric Company, Inc. ("Schmidt"), Crouch Industries, LLC ("Crouch") and Pneu-Temp, Inc. ("Pneu-Temp"). Collectively, for purposes of this pro forma information, the acquisitions of I&S, Schmidt, Crouch and Pneu-Temp by Sunbelt are defined as the "Sunbelt New Subsidiaries". The total purchase price was approximately $128,000 (including $1,000 of transaction costs), of which $78,000 was paid in cash, through advances against the Senior Credit Facility, and the remaining $50,000 was satisfied through promissory notes (the "Sunbelt Notes"). The Sunbelt Notes have an initial term of six months, bearing interest at 10.5% per annum, increasing after the first 90 days to 12.5% until repaid. The Sunbelt Notes may also be extended for additional 90-day terms or repaid in Bracknell common and convertible preferred shares, at the holder's option. The Company has also secured a $50,000 subordinated loan facility which may be used to repay the Sunbelt Notes. For purposes of this pro forma information, the acquisitions of Preferred, Nationwide, Sylvan, Highlight, Sunbelt, I&S, Schmidt, Crouch and Pneu-Temp are collectively referred to as the "Acquisitions".

On March 31, 2000, the Company issued 6,000,000 Common Shares at C$7.00 per Common Share for gross proceeds of C$42 million. The underwriters of the equity offering were granted an option to purchase up to an additional 600,000 Common Shares to cover over-allotments which was exercised on April 13, 2000 for the full over-allotment amount. The Company received gross over-allotment proceeds of C$4.2 million. The Company received net proceeds of US$29,347 after giving effect to US$2,082 of transaction costs (the "Offering"), using an assumed exchange rate of US$1.00 to C$1.47.

On May 19, 2000, the Company entered into an agreement to sell its entire 50% interest in PROFAC Facilities Management Services, Inc. ("PROFAC") to SNC-Lavalin, Inc. for consideration of C$17.5 million in cash (the "Disposition"). The Company will receive an additional C$5 million in cash upon the expiry of Bell Canada's option to reacquire all of the shares of Nexacor Realty Management Inc., which option expires on September 1, 2001. The proceeds of the sale will be used to reduce the debt from the Company's most recent acquisitions. The Company's historical financial statements have been restated to reflect PROFAC as a discontinued operations.

This Prospectus relates to the issue of common shares in order to repay the outstanding balance on the Sunbelt Notes. The shares, if issued, will be issued at a price being the lesser of US$4.65 or the twenty day weighted average

closing price on the TSE prior to the date of payment. The Company expects that up to ■ Common Shares may be issued under this Offering if the Sunbelt Notes are not repaid in cash.

The unaudited pro forma consolidated balance sheet gives effect to the Acquisitions, the Offering and the Dispostion as if they had occurred on January 31, 2000. The unaudited pro forma statements of net earnings for the three months ended January 31, 2000 and for the year ended October 31, 1999 give effect to the Acquisitions, the Offering and the Disposition as if they had occurred on November 1, 1998. This unaudited pro forma consolidated financial information has been prepared using the pro forma adjustments, based upon available information and certain assumptions that management of the Company believes to be reasonable as described in the notes to the unaudited pro forma consolidated balance sheet and unaudited pro forma consolidated statements of net earnings. Final purchase adjustments, including borrowings and cash balances, may differ from the pro forma adjustments herein.

The unaudited pro forma consolidated financial information and related notes are provided for informational purposes only and do not purport to represent what the Company's financial position or results of operations would actually have been if such transactions had in fact occurred on the dates indicated and are not necessarily representative of Bracknell's financial position or results of operations for any future period. The unaudited pro forma consolidated financial information should be read in conjunction with the applicable historical consolidated financial statements of the Company and its newly acquired significant subsidiaries and the related notes thereto.

BRACKNELL CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
JANUARY 31, 2000
(in thousands of U.S. dollars)

	Bracknell[1]	Acquisitions[2][10]	Acquisition Adjustments	Disposition Adjustments[7]	The Offering	Consolidated Pro Forma
CURRENT ASSETS						
Cash and cash equivalents	$1,341	$10,994	$(3,769)[3]	$	$	$ 8,566
Contract and accounts receivables	123,582	73,652				197,234
Costs and estimated earnings in excess of billings on uncompleted contracts	34,984	12,308				47,292
Inventory	812	1,331				2,143
Prepaid expenses and other assets	5,943	1,984				7,927
Deferred income taxes	—	203				203
Income taxes receivable	—	1,015				1,015
Current assets of discontinued operations	8,677			(8,677)		—
Total current assets	175,339	101,487	(3,769)	(8,677)	-	264,380
Capital assets	9,482	5,904				15,386
Deferred income taxes	1,024					1,024
Other assets, net	8,050	3,589	1,547[6] (3,254)[6]			9,932
Goodwill, net	77,322	3,803	114,812[4]			195,937
Long-term assets of discontinued operations	13,126			(13,126)		-
Total assets	$284,343	$114,783	$109,336	$(21,803)	-	$486,659
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Borrowings under revolving credit facilities	$33,475	$16,683	$(13,325)[3][4]	$(11,641)	$	$26,739
Current portion of long-term debt	2,000	5,692	1,547[6] (1,835)[3][4] 55,150[5]		(29,347)[8]	31,660
Accounts payable and other accrued liabilities	66,321	55,549				121,870
Billings in excess of cost and estimated earnings on uncomplete contracts	24,594	9,648				34,242
Income taxes payable	5,913	94				6,007
Deferred income taxes	682	210				892
Current liabilities of discontinued operations	7,160			(7,160)		-
Total current liabilities	140,145	87,876	41,537	(18,801)	(29,347)	221,410
Long-term debt	38,351	4,425	(4,389)[3][4] 97,850[5]			136,237
Other long-term liabilities	1,200	74	-			1,274
Commitments and contingencies						
Long-term liabilities from discontinued operations	5,805			(5,805)		-
Total liabilities	185,501	92,375	134,998	(24,606)	(29,347)	358,921
SHAREHOLDERS' EQUITY						
Common shares	53,235	5,751	(5,751)[4]		29,347[8] 5,412[9]	87,994
Preferred shares	5,412			-	(5,412)[9]	-
Warrants	229					229
Retained earnings	37,951	16,657	(16,657)[4] (3,254)[6]	2,803		37,500
Cumulative translation adjustment	2,015					2,015
Total shareholders' equity	98,842	22,408	(25,662)	2,803	29,347	127,738
Total liabilities and shareholders' equity	$284,343	$114,783	$109,336	$(21,803)	$ -	$486,659

On behalf of the Board:

(Signed) GILBERT S. BENNETT (Signed) ALLAN R. TWA

Director Director

The accompanying notes are an integral part of this balance sheet.

BRACKNELL CORPORATION

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
JANUARY 31, 2000
(IN THOUSANDS OF U.S. DOLLARS)

(1) Represents the historical assets and liabilities of Bracknell as included in the unaudited interim consolidated financial statements of Bracknell as at January 31, 2000, restated for the treatment of PROFAC as a discontinued operation. The acquisitions of Preferred and Nationwide have been recognized in these balances, since these acquisitions occurred prior to January 31, 2000.

(2) As defined, the acquisitions subsequent to January 31, 2000 consist of Sunbelt, the Sunbelt New Subsidiaries, Sylvan and Highlight (the "2000 Acquisitions"). Each of these acquisitions have December 31 year-ends. For purposes of preparation of these unaudited pro forma consolidated balance sheets, the balances at December 31, 1999 have been used for these acquisitions. All of the historical results of these companies have been compiled in arriving at the amounts disclosed in this column. To the extent that these companies are significant subsidiaries of Bracknell (as defined by the Ontario Securities Commission in their Bulletin dated December 17, 1999), the required audited financial statements have been included elsewhere in this Prospectus.

(3) The purchase and sale agreements for Sunbelt and the Sunbelt New Subsidiaries include representations from the vendors that the companies will be delivered free of debt. It is expected that $6,228 of cash will remain within these companies. For purposes of the pro forma balance sheets, it has been assumed that the vendors will use any cash in excess of $6,228 to pay down debt. Any remaining debt will then be repaid from the vendors' proceeds.

Total cash acquired is as follows:

Sunbelt and the Sunbelt New Subsidiaries	$	6,228
Sylvan		845
Highlight		152
	$	7,225

Each of the 2000 Acquisitions includes potential changes to the purchase price based upon working capital balances. For purposes of these pro forma consolidated balance sheets it has been assumed that there will be no change in purchase price.

(4) For purposes of preparation of these unaudited pro forma consolidated balance sheets, it has been assumed that the fair value of all assets and liabilities (the "Net Assets") of the 2000 Acquisitions is equivalent to their carrying value, except for the cash and debt discussed in (3) above. Upon performing a valuation of these 2000 Acquisitions subsequent to acquisition, Bracknell's allocation of purchase price may differ. The allocation of total purchase price of the 2000 Acquisitions, including estimated transaction costs, was as follows:

	Purchase Price	Net Assets	Debt Repaid	Goodwill
Sunbelt	$ 128,000	$ 12,511	$ 15,780	$ 99,709
Sylvan	22,000	9,652	—	12,348
Highlight	3,000	245	—	2,755
	$ 153,000	$ 22,408	$ 15,780	$ 114,812

As discussed in the notes to the unaudited interim consolidated financial statements of Bracknell for the three months ended January 31, 2000, each of the 2000 Acquisitions includes contingent consideration, dependent on the future operations of the acquired companies. For purposes of this unaudited pro forma consolidated financial information, this contingent consideration has not been included.

(5) The 2000 Acquisitions were financed through the $50,000 Sunbelt Notes, which are included in current portion of long-term debt, and advances against the Company's Senior Credit Facility. The Company's Senior Credit Facility was amended on February 28, 2000 to increase the permitted borrowings from $192,500 to $212,500 and to adjust the allocation between term debt and operating facilities. The total borrowings of $103,000 against the Senior Credit Facility as part of the 2000 Acquisitions have $5,150 due within one year with the remaining $97,850 due after January 31, 2001.

(6) As part of the 2000 Acquisitions, the Company borrowed $1,547 against its borrowing facility to pay $1,547 of deferred financing costs to be amortized over the life of the Senior Credit Facility. As described in Note (5) to the unaudited pro forma consolidated statements of net earnings, the Company originally capitalized costs of $3,488 with respect to the Senior Credit Facility. When the Agreement was amended on February 28, this was considered a settlement of the original Senior Credit Facility, requiring the remaining unamortized balance of $3,254 to be considered a settlement loss.

(7) On May 19, 2000, the Company entered into an agreement to sell its entire 50% interest in PROFAC Facilities Management Services Inc. to SNC-Lavalin, Inc. for consideration of C$17,500 in cash, or approximately $11,641. The sale proceeds have been used to pay down the Company's operating line of credit.

The Company will receive an additional C$5,000 in cash upon the expiry of Bell Canada's option to reacquire all of the shares of Nexacor Realty Management Inc., whose option expires on September 1, 2001. The proceeds from this additional payment have not been reflected in the pro forma balance sheet.

(8) Of the $29,347 net proceeds of the Equity Offering received, $28,991 was used to repay a portion of the Sunbelt seller note with the balance of $356 used to pay accrued interest.

(9) On February 29, 2000 the Company's shareholders voted to convert all of the issued and outstanding preferred shares into common shares.

BRACKNELL CORPORATION

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
JANUARY 31, 2000
(in thousands of U.S. dollars)

(10) The Acquisitions consist of significant subsidiaries and other acquisitions as follows:

	Sunbelt (Dec. 31, 1999)	I&S (Dec. 31, 1999)	Schmidt (Dec. 31, 1999)	Other	Acquisitions
CURRENT ASSETS					
Cash and cash equivalents	$ 781	$ 7,812	$ 157	$ 2,244	$ 10,994
Contract and accounts receivables	11,407	28,179	6,124	27,942	73,652
Costs and estimated earnings in excess of billings on uncompleted contracts	2,233	3,077	529	6,469	12,308
Inventory	346	–	371	614	1,331
Prepaid expenses and other assets	1,083	82	312	507	1,984
Deferred income taxes	156	–	–	47	203
Income taxes receivable	915	–	–	100	1,015
Total current assets	16,921	39,150	7,493	37,923	101,487
Capital assets	1,844	704	758	2,598	5,904
Other assets, net	677	–	283	2,629	3,589
Goodwill, net	3,803	–	–	–	3,803
Total assets	$ 23,245	$ 39,854	$ 8,534	$ 43,150	$ 114,783
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Borrowings under revolving credit facilities	$ 12,200	$ –	$ 1,125	$ 3,358	$ 16,683
Current portion of long-term debt	1,816	–	19	3,857	5,692
Accounts payable and other accrued liabilities	6,391	28,702	2,224	18,232	55,549
Billings in excess of cost and estimated earnings on uncompleted contracts	1,070	4,714	142	3,722	9,648
Income taxes payable	–	–	–	94	94
Deferred income taxes	156	–	–	54	210
Total current liabilities	21,633	33,416	3,510	29,317	87,876
Long-term debt	1,355	–	15	3,055	4,425
Other long-term liabilities	–	–	–	74	74
Commitments and contingencies					
Total liabilities	22,988	33,416	3,525	32,446	92,375
SHAREHOLDERS' EQUITY					
Common shares	3,618	701	1	1,431	5,751
Retained earnings	(3,361)	5,737	5,008	9,273	16,657
Total shareholders' equity	257	6,438	5,009	10,704	22,408
Total liabilities and shareholders' equity	$ 23,245	$ 39,854	$ 8,534	$ 43,150	$ 114,783

BRACKNELL CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF NET EARNINGS
FOR THE THREE MONTHS ENDED JANUARY 31, 2000
(in thousands of U.S. dollars, except per share amounts)

	Bracknell[1]	Acquisitions[2][10]	Acquisition Adjustments	Disposition[8]	Equity Offering	Consolidated Pro Forma
Revenues	$ 146,085	$ 115,497	$	$	$	$ 261,582
Cost of Services	124,903	99,625				224,528
Gross Margin	21,182	15,872				37,054
Selling, general and administrative expenses	12,903	7,131[3]				20,034[3]
Earnings before interest, taxes, depreciation, amortization and restructuring	8,279	8,741[3]				17,020[3]
Depreciation and amortization	729	560				1,289
Restructuring and other charges	–	–				–
Earnings from operations	7,550	8,181				15,731
Income from long-term investments	74	–				74
Interest and other income (expense)	(1,905)	200	(3,887)[5]		906[9]	(4,686)
Earnings from continuing operations before provision for income taxes and goodwill charges	5,719	8,381	(3,887)		906	11,119
Provision for income taxes	2,053	95	(1,555)[6] 3,373[7]		362[9]	4,328
Earnings from continuing operations before goodwill charges	3,666	8,286	(5,705)		544	6,791
Goodwill charges, net of tax	865	24	1,091[4]			1,980
Earnings from continuing operations	2,801	8,262	(6,796)		544	4,811
Earnings (loss) from discontinued operations	(8)			8	-	-
Net earnings	$ 2,793	$ 8,262	$ (6,796)	$ 8	$ 544	$ 4,811
Earnings from continuing operations before goodwill charges per share						
Basic	$ 0.11					$ 0.17
Fully diluted	0.10					$ 0.16
Earnings from continuing operations per share						
Basic	$ 0.08					$ 0.12
Fully diluted	0.08					$ 0.11
Net earnings per share						
Basic	$ 0.08					$ 0.12
Fully diluted	0.08					$ 0.11

The accompanying notes are an integral part of this statement.

BRACKNELL CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF NET EARNINGS
FOR THE YEAR ENDED OCTOBER 31, 1999
(in thousands of U.S. dollars, except per share amounts)

	Bracknell[1]	Acquisitions[2][11]	Acquisition Adjustments	Disposition[8]	Equity Offering	Consolidated Pro Forma
Revenues	$ 293,104	$ 569,146	$	$	$	$ 862,250
Cost of Services	255,296	477,493				732,789
Gross Margin	37,808	91,653				129,461
Selling, general and administrative expenses	24,905	60,225[3]				85,130[3]
Earnings before interest, taxes, depreciation, amortization and restructuring	12,903	31,428[3]				44,331[3]
Depreciation and amortization	1,596	2,920				4,516
Restructuring and other charges	7,609	–				7,609
Earnings from operations	3,698	28,508				32,206
Income from long-term investments	23	–				23
Interest and other income (expense)	1,327	(4,238)	(18,960)[5]		3,479[9]	(18,392)
Earnings from continuing operations before provision for income taxes and goodwill charges	5,048	24,270	(18,960)		3,479	13,837
Provision for income taxes	1,677	3,034	(7,584)[6] 6,854[7]		1,392[9]	5,373
Earnings from continuing operations before goodwill charges	3,371	21,236	(18,230)		2,087	8,464
Goodwill charges, net of tax	497	546	6,424[4]			7,467
Earnings from continuing operations	2,874	20,690	(24,654)		2,087	997
Earnings from discontinued operations	$ 917					
Net earnings	$ 3,791	$ 20,690	$ (24,654)	$ (917)	$ 2,087	$ 997
Earnings from continuing operations before goodwill charges per share						
Basic	$ 0.12					$ 0.21
Fully diluted	0.12					0.20
Earnings from continuing operations per share						
Basic	$ 0.11					$ 0.02
Fully diluted	0.11					0.02
Net earnings per share						
Basic	$ 0.14					$ 0.02
Fully diluted	0.14					0.02

The accompanying notes are an integral part of this statement.

BRACKNELL CORPORATION

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED OF NET EARNINGS FOR THE THREE MONTHS ENDED JANUARY 31, 2000 AND FOR THE YEAR ENDED OCTOBER 31, 1999 (IN THOUSANDS OF U.S. DOLLARS)

(1) Represents the results of operations of Bracknell as included in the unaudited interim consolidated statement of net earnings for the three months ended January 31, 2000 and the audited consolidated statement of net earnings for the year ended October 31, 1999 both restated for the treatment of PROFAC as a discontinued operation. The results for the 1999 Acquisitions have already been recognized in the unaudited interim consolidated statement of net earnings for the three months ended January 31, 2000, since these acquisitions occurred prior to November 1, 1999.

(2) As defined, the Acquisitions include, among others, the acquisitions of Preferred and Nationwide (the "1999 Acquisitions"). The results of operations of these companies subsequent to their acquisition by Bracknell have been included in preparing the consolidated statement of net earnings for the year ended October 31, 1999. Therefore the consolidated statement of net earnings of Bracknell requires a pro forma adjustment for the results of Nationwide for the eleven months ended September 30, 1999 and Preferred for the eight months ended June 30, 1999. The Nationwide results also give pro forma effect to the acquisitions of Neal Electric, Neal Equipment and Southwest Systems Limited as though they had occurred on November 1, 1998.

As defined, the Acquisitions also consist of Sunbelt, the Sunbelt New Subsidiaries, Sylvan and Highlight. Each of these acquisitions have December 31 year-ends. For purposes of preparation of the unaudited pro forma consolidated statement of net earnings for the three months ended January 31, 2000, the individual statements of net earnings of these acquisitions for the three months ended December 31, 1999 have been used. For purposes of preparation of the unaudited pro forma consolidated statement of net earnings for the year ended October 31, 1999, the individual statements of net earnings of these acquisitions for the year ended December 31, 1999 have been used.

To the extent that these companies are significant subsidiaries of Bracknell (as defined by the Ontario Securities Commission in their Bulletin dated December 17, 1999), their required audited financial statements have been included elsewhere in this Prospectus.

(3) Certain of the Acquisitions incurred selling, general and administrative expenses which Bracknell does not expect to incur on an ongoing basis. As private, owner-managed businesses, these companies paid salaries and bonuses to their shareholders as part of tax minimization and other strategies. In comparison to multi-year employment agreements between Bracknell and the former shareholders of these companies, these salaries and bonuses resulted in excess compensation of $942 for the three months ended January 31, 2000 and $8,157 for the year ended October 31, 1999. These companies also paid consulting fees which were for the benefit of these shareholders as they explored share divestitures. The excess general and administrative costs related to professional fees were $141 for the three months ended January 31, 2000 and $564 for the year ended October 31, 1999.

The pro forma consolidated statements of net earnings also include other selling, general and administrative costs that Bracknell expects to eliminate at the Sunbelt corporate facilities. These include salaries and bonuses for redundant positions, legal and consulting costs with respect to aborted business strategies and other administrative costs. These items resulted in excess selling, general and administrative costs of $653 for the three months ended January 31, 2000 and $4,915 for the year ended October 31, 1999.

If Bracknell had not paid the excess shareholder costs in accordance with executed employment agreements, and was successful in eliminating the redundant selling, general and administrative expenses, this would have the pro forma effect of increasing EBITDA by $1,736 to $18,756 for the three months ended January 31, 2000 and the pro forma effect of increasing EBITDA by $13,636 to $57,967 for the year ended October 31, 1999.

These adjustments have been derived without regard to the economic effect of such adjustments on the Company's results of operations and are provided for information purposes only.

(4) Reflects additional amortization of goodwill from both the 1999 and 2000 Acquisitions, which will be amortized over its estimated 20-year life. Using the assumptions in the unaudited pro forma consolidated balance sheet at January 31, 2000, the 2000 Acquisitions result in goodwill of $114,812. As noted in the consolidated financial statements of Bracknell for the year ended October 31, 1999 the acquisitions of Nationwide and Preferred resulted in goodwill of $72,806 and $3,674, respectively. However, Nationwide had $30,608 of goodwill being amortized over 40 years immediately preceding the acquisition by Bracknell. Therefore the incremental goodwill to amortize on a pro forma basis is $42,198 plus amortizing the original $30,608 over 20 years rather than 40 years. The tax savings have been calculated assuming a 60% weighted average goodwill deductibility and an assumed tax rate of 40%.

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF NET EARNINGS FOR THE THREE MONTHS ENDED JANUARY 31, 2000 AND FOR THE YEAR ENDED OCTOBER 31, 1999 (in thousands of U.S. dollars) — (Continued)

	Three months ended January 31, 2000	Year ended October 31, 1999
Goodwill amortization - 2000 Acquisitions	$ 1,435	$ 5,741
Increased goodwill amortization - Nationwide	–	2,590
Increased goodwill amortization - Preferred	–	122
Tax savings	(344)	(2,029)
Increased goodwill amortization, net of tax	$ 1,091	$ 6,424

(5) Reflects additional interest expense to be incurred with respect to the 1999 Acquisitions, the 2000 Acquisitions and the amendment of the Senior Credit Facility. Significant assumptions used were:

- The Company would have borrowed $103,000 against the acquisition portion of the Senior Credit Facility on November 1, 1998 in order to consummate the 2000 Acquisitions.
- The Company would have borrowed $25,000 against the term portion of the Senior Credit Facility on November 1, 1998 in order to consummate the Nationwide acquisition. In the historical financial statements, the Company borrowed this amount on September 30, 1999.
- All of the interest on the Senior Credit Facility has been accrued at 9.5%.
- The Company used $6,000 of available cash to purchase Preferred. This cash was otherwise generating interest income at approximately 4%.
- The Company used $22,000 of available cash to purchase Nationwide. This cash was otherwise generating interest income at approximately 4%.
- The Sunbelt Notes of $50,000 will accrue interest at 10.5% for the first 90 days and then 12.5% thereafter.
- The Company will have $1,547 of deferred financing costs to amortize over the life of the Senior Credit Facility. As described in Note (6) to the unaudited pro forma consolidated balance sheets as at January 31, 2000, the Company originally capitalized costs of $3,488 with respect to the Senior Credit Facility. When the Agreement was amended on February 28, 2000 this was considered a settlement of the original Senior Credit Facility, requiring the remaining unamortized balance to be considered a settlement loss. This settlement loss is considered to be a non-recurring expense and therefore has not been given pro forma effect in these statements. However the amortization of the original costs has been eliminated.

	Three months ended January 31, 2000	Year ended October 31, 1999
2000 Acquisitions	$ 2,446	$ 9,785
Nationwide term debt	–	2,177
Elimination of interest income earned	–	967
Sunbelt Notes	1,563	6,000
Change in deferred financing costs	(122)	31
	$ 3,887	$ 18,960

(6) Reflects the income tax effect of the adjustments as described in Note (5) effected at an assumed average tax rate of 40%.

(7) Reflects income taxes to be recognized on a pro forma basis for Sunbelt, the Sunbelt New Subsidiaries, Sylvan and Preferred. Each of these companies did not have a U.S. federal tax provision recorded. Under Bracknell these companies will be taxable. An assumed tax rate of 40% has been used.

(8) As described in Note (7) to the unaudited pro forma consolidated balance sheet as at January 31, 2000, the Company entered into an agreement dated as of May 19, 2000 to dispose of its 50% interest in PROFAC. Pro forma effect has been given to the disposition of PROFAC.

(9) Reflects the interest savings generated from having the partial payment of $29,347 from the Offering used to pay down the Sunbelt Notes. The interest savings are assumed to be at 10.5% for the first three months and at 12.5% thereafter. Income taxes are assumed to be payable at a 40% income tax rate.

BRACKNELL CORPORATION

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF NET EARNINGS FOR THE THREE MONTHS ENDED JANUARY 31, 2000 AND FOR THE YEAR ENDED OCTOBER 31, 1999 (in thousands of U.S. dollars) — (Continued)

(10) The Acquisitions consist of significant subsidiaries and other acquisitions as follows:

	Sunbelt (three months ended Dec. 31/99)	I&S (three months ended Dec. 31/99)	Schmidt (three months ended Dec. 31/99)	Other	Acquisitions
Revenues	$ 12,672	$ 51,805	$ 10,011	$ 41,009	$ 115,497
Cost of Services	7,033	46,450	7,981	38,161	99,625
Gross Margin	5,639	5,355	2,030	2,848	15,872
Selling, general and administrative expenses	2,232	1,584	1,464	1,851	7,131
Earnings before interest, taxes, depreciation, amortization and restructuring	3,407	3,771	566	997	8,741
Depreciation and amortization	197	102	58	203	560
Restructuring and other charges	–	–	–	–	–
Earnings from operations	3,210	3,669	508	794	8,181
Income from long-term investments	–	–	–	–	–
Interest and other income (expense)	(109)	88	61	160	200
Earnings before provision for income taxes and goodwill charges	3,101	3,757	569	954	8,381
Provision for income taxes	–	–	23	72	95
Earnings before goodwill charges	3,101	3,757	546	882	8,286
Goodwill charges, net of tax	24	–	–	–	24
Net earnings	$ 3,077	$ 3,757	$ 546	$ 882	$ 8,262

BRACKNELL CORPORATION

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF NET EARNINGS FOR THE THREE MONTHS ENDED JANUARY 31, 2000 AND FOR THE YEAR ENDED OCTOBER 31, 1999 (in thousands of U.S. dollars) — (Continued)

(11) The Acquisitions consist of significant subsidiaries and other acquisitions as follows:

	Nationwide	Sunbelt	I&S	Schmidt	Nationwide	Quality	Others	Acquisitions
	(six months ended Sept. 30/99)	(year ended Dec. 31/99)	(year ended Dec. 31/99)	(year ended Dec. 31/99)	(five months from Nov 1/98 to Mar. 31/99)	(two months from Jan. 1/99 to Feb. 28/99)		
Revenues	$ 98,294	$ 50,825	$ 137,377	$ 39,717	$ 98,874	$ 12,997	$ 131,062	$ 569,146
Cost of Services	81,234	39,483	118,498	31,538	82,486	10,264	113,990	477,493
Gross Margin	17,060	11,342	18,879	8,179	16,388	2,733	17,072	91,653
Selling, general and administrative expenses	11,950	9,948	6,203	5,483	10,830	671	15,140	60,225
Earnings before interest, taxes, depreciation, amortization and restructuring	5,110	1,394	12,676	2,696	5,558	2,062	1,932	31,428
Depreciation and amortization	–	697	316	231	940	(26)	762	2,920
Restructuring and other charges	–	–	–	–	–	–	–	–
Earnings from operations	5,110	697	12,360	2,465	4,618	2,088	1,170	28,508
Income from long-term investments	–	–	–	–	–	–	–	–
Interest and other income (expense)	(507)	(1,850)	205	2	(2,254)	117	49	(4,238)
Earnings before provision for income taxes and goodwill charges	4,603	(1,153)	12,565	2,467	2,364	2,205	1,219	24,270
Provision for income taxes	1,872	–	–	129	990	–	43	3,034
Earnings before goodwill charges	2,731	(1,153)	12,565	2,338	1,374	2,205	1,176	21,236
Goodwill charges, net of tax	–	–	–	–	465	81	–	546
Net earnings	$ 2,731	$ (1,153)	$ 12,565	$ 2,338	$ 909	$ 2,124	$ 1,176	$ 20,690

Independent Auditors' Report

NATIONWIDE ELECTRIC, INC.:

We have audited the accompanying consolidated statements of operations and cash flows for the six-month period ended September 30, 1999, the year ended March 31, 1999, and the period from September 23, 1997 (Date of Inception) to March 31, 1998 of Nationwide Electric, Inc. and subsidiaries (the Company). 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 generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the results of operations of Nationwide Electric, Inc. and subsidiaries and their cash flows for the six-month period ended September 30, 1999, the year ended March 31, 1999, and the period from September 23, 1997 (Date of Inception) to March 31, 1998, in conformity with generally accepted accounting principles in the United States of America.

(Signed) Deloitte & Touche LLP
Independent Public Accountants

Minneapolis, Minnesota
December 8, 1999
(March 8, 2000 as to Note 11)

NATIONWIDE ELECTRIC, INC. AND SUBSIDIARIES

Consolidated Statements Of Operations
For The Six-Month Period Ended September 30, 1999, Year Ended March 31, 1999, And Period From September 23, 1997 (Date Of Inception) To March 31, 1998
(in U.S. dollars)

	Six-Month Period Ended September 30, 1999	Year Ended March 31, 1999	Period from September 23, 1997 (Date of Inception) to March 31, 1998
CONTRACT REVENUES	$ 98,294,326	$ 102,556,460	$ 4,304,818
COSTS OF SERVICES	81,233,685	85,789,553	3,601,651
Gross Profit	17,060,641	16,766,907	703,167
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	11,950,111	12,130,508	968,208
INCOME (LOSS) FROM OPERATIONS	5,110,530	4,636,399	(265,041)
INTEREST AND OTHER INCOME (EXPENSE):			
Interest expense	(537,906)	(683,581)	(124,448)
Other Income (expense), net	30,803	(1,590,718)	42,990
	(507,103)	(2,274,299)	(81,458)
INCOME (LOSS) BEFORE INCOME TAXES	4,603,427	2,362,100	(346,499)
INCOME TAX EXPENSE (BENEFIT)	1,872,126	946,500	(120,500)
NET INCOME (LOSS)	$ 2,731,301	$ 1,397,600	$ (225,999)

See notes to consolidated financial statements.

NATIONWIDE ELECTRIC, INC. AND SUBSIDIARIES

Consolidated Statements Of Cash Flows
For The Six-Month Period Ended September 30, 1999, Year Ended March 31, 1999, And Period From September 23, 1997 (Date Of Inception) To March 31, 1998
(in U.S. dollars)

	Six-Month Period Ended September 30 1999	Year Ended March 31, 1999	Period from September 23, 1997 (Date of Inception) to March 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 2,731,301	$ 1,397,600	$ (225,999)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	532,326	537,606	32,532
Amortization of intangible assets	394,122	375,893	21,729
Provision for deferred income taxes	34,784	(262,000)	(120,500)
Interest on officer notes	(7,477)	(5,393)	
Changes in operating assets and liabilities, excluding assets acquired and liabilities assumed in acquisitions:			
Contract receivables	(10,213,448)	(520,736)	1,453,415
Costs and estimated earnings in excess of billings	(6,177,613)	77,901	(462,079)
Inventory	8,319	185,178	(26,943)
Prepaid expenses	627,390	(116,445)	154,667
Other assets, net	(1,129,044)	(31,596)	
Loans to management shareholders, net	100,000	(41,828)	
Accounts payable	1,169,922	990,794	132,283
Accrued expenses and other current liabilities	2,240,327	(256,985)	(998,340)
Billings in excess of costs and estimated earnings	6,238,963	(543,314)	(276,531)
Net cash (used in) provided by operating activities	(3,450,128)	1,786,675	(315,766)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(1,112,026)	(1,057,547)	(29,663)
Purchase of Allison and Henderson, net of cash acquired		(13,703,131)	
Purchase of Neal and Southwest, net of cash acquired	(9,939,548)		
Purchase of Parsons Electric Co.			(11,000,000)
Purchase of employee noncompete agreements			(200,000)
Net cash used in investing activities	(11,051,574)	(14,760,678)	(11,229,663)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from the issuance of preferred stock		6,000,000	6,000,000
Payments to redeem preferred stock	(6,000,000)		
Proceeds from the issuance of common stock		12,055,974	1,000,000
Capital contributions			100,000
Net borrowings (payments) under term facility	14,625,000	(8,600,000)	5,800,000
Net borrowings under revolving credit facility	9,500,000	5,500,000	
Payments on debt	(3,512,898)	(2,058,149)	(308,318)
Dividends paid	(256,001)	(473,750)	
Repurchase of common stock		(100,724)	
Net cash provided by financing activities	14,356,101	12,323,351	12,591,682
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(145,601)	(650,652)	1,046,253
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	395,601	1,046,253	
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 250,000	$ 395,601	$ 1,046,253
CASH PAYMENTS FOR:			
Interest	$ 500,875	$ 666,076	$ 65,552
Income taxes	$ 2,032,186	$ 979,099	$ —
NONCASH FINANCING TRANSACTION -			
Dividends on preferred stock	$ 256,001	$ 232,500	$ 37,500
PURCHASE OF BUSINESSES, NET OF CASH ACQUIRED:			
Working capital, other than cash	$ (4,879,686)	$ (12,057,388)	$ (5,398,838)
Property, plant, and equipment	(1,956,647)	(1,406,831)	(1,363,643)
Cost in excess of net assets of companies acquired	(14,811,108)	(12,093,224)	(4,266,107)
Other noncurrent assets	(13,458)	(1,289,904)	(233,560)
Long-term debt	4,646,366	1,867,466	262,148
Noncurrent liabilities		1,327,700	
	(17,014,533)	(23,652,181)	(11,000,000)
Less common stock issued for assets acquired	7,074,985	9,949,050	
Net cash used to acquire businesses	$ (9,939,548)	$ (13,703,131)	$ (11,000,00)

See notes to consolidated financial statements.

NATIONWIDE ELECTRIC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Six-Month Period Ended September 30, 1999, Year Ended March 31, 1999, And Period From September 23, 1997 (Date Of Inception) To March 31, 1998 (in U.S. dollars)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which differ in some respects from those in Canada. Note 12 presents amounts that would have been reported had the Company's consolidated financial statements been prepared on the basis of Canadian accounting principles.

General — The consolidated statements of operations and cash flows presented herein include the accounts of Nationwide Electric, Inc. (Nationwide or the Company) and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

On June 4, 1998, Galt, Inc. was merged into Nationwide in exchange for 3,300,000 shares of common stock (including 990,000 shares Class A Nonvoting) and 6,000 shares of Redeemable Preferred Stock. The merger was accounted for as a reorganization of companies under common control whereby Nationwide was the sole surviving entity as of that date. Parsons Electric Co. (Parsons) was acquired on February 27, 1998 by Galt, Inc. The Allison Company (Allison) and Henderson Electric Company, Inc. (Henderson) were both acquired on October 22, 1998 for a combination of cash and common stock of Nationwide. Neal Electric and Neal Equipment (Neal) were acquired effective July 1, 1999. Southwest Systems Limited (Southwest) was acquired effective September 1, 1999. Nationwide's operating results include the operations of Allison, Henderson, Neal, and Southwest from the date of each acquisition through September 30, 1999.

Through September 30, 1999, Nationwide is majority owned by KLT Energy Services, Inc. (KLT), a deregulated subsidiary of Kansas City Power and Light Company (KCPL) and Reardon Capital, LLC (Reardon). Galt, Inc. was also owned by KLT and Reardon.

On October 1, 1999, Bracknell Corporation (Bracknell) acquired for cash and shares of Bracknell's common and preferred stock all the issued and outstanding common stock of Nationwide. The total purchase price was $78,802,491, of which $47,483,560 was paid in cash (which included $1,886,716 of transaction costs) and the remainder was paid for with 6,041,638 shares of Bracknell common shares ($25,676,961), 1,273,535 newly issued Bracknell convertible preferred shares ($5,412,524), and warrants entitling the holders to purchase 385,822 of Bracknell's common shares at $4.25 for 18 months ($229,446). The number of Bracknell common shares issued to the shareholders of Nationwide was determined based upon a value of $4.25 per share. In addition, the former shareholders holding purchased shares or preferred shares have the right to receive additional cash or preferred shares (CVRs) in the event that Bracknell common shares do not, within 12 months of the date of the acquisition, achieve an average closing price in excess of $4.25 over a 30-consecutive-trading-day period (the Share Price Average). Upon achieving the Share Price Average at any time within the 12-month period, the CVRs are effectively cancelled. The transaction is being accounted for using the purchase method of accounting, and the operations of Nationwide are included in consolidated operations of Bracknell as of the acquisition date. Excess of cost over net assets acquired in the transaction was $72,305,798, which was recorded by Nationwide and is being amortized on a straight-line basis over 20 years. A final allocation of the purchase price to net assets acquired is pending the final determination of the fair value of assets and liabilities. In the acquisition, the following assets were acquired and liabilities assumed:

Current assets	$ 72,255,432
Property, plant, and equipment	6,060,806
Other assets	1,737,640
Current liabilities	(42,252,099)
Long-term liabilities	(31,203,968)
Excess of cost over net assets acquired	72,305,798
	78,903,609
Loans receivable from former Nationwide shareholders	(101,118)
Net purchase price paid	$ 78,802,491

Nature of Operations — The Company's primary operations are commercial and industrial electrical contracting with corporate offices in Minneapolis, Minnesota and operating offices in Minneapolis; Atlanta, Georgia; Louisville and Lexington, Kentucky; Cincinnati, Ohio; San Diego, California; and Las Vegas, Nevada. The work is generally performed under fixed-price contracts. The length of the Company's contracts vary, but generally are less than one year. The Company's operations are primarily conducted within the states in which the operating offices are located.

Use of Estimates — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of expenses during the period. Actual results could differ from those estimates.

Restricted Cash — The Company has withheld payment of $992,089 to the former shareholders of companies which Nationwide had acquired prior to its acquisition by Bracknell related to the terms of purchase agreements. The Company anticipates paying these restricted cash accounts to such former shareholders subsequent to the first anniversary of the acquisitions.

Contract Receivables — The Company carries contract receivables at the amounts it deems to be collectible. Accordingly, the Company provides allowances for contract receivables it deems to be uncollectible based on management's best estimates. Recoveries are recognized in the period they are received. The ultimate amounts of contract receivables that become uncollectible could differ from those estimated.

Credit Policy — In the normal course of business, the Company provides credit to its customers and does not generally require collateral. The Company principally deals with recurring customers, state and local governments, and well-known local companies whose reputation is known to the Company. Advance payments and progress payments are generally required for significant projects. Credit checks are performed for significant new customers that are not known to the Company. The Company generally has the ability to file liens against the property if payment is not received on a timely basis. The Company has not historically incurred significant credit losses.

Collective Bargaining Agreements — The Company is a party to various collective bargaining agreements with certain employees. These agreements require the Company to pay specified wages and provide certain benefits to its union employees. These agreements will expire at various times through May 2003.

Property and Equipment — Property and equipment is stated at cost less accumulated depreciation. Routine repairs and maintenance costs are expensed as incurred; improvements are capitalized at cost and are amortized over the remaining useful life of the related asset. Depreciation is recorded using straight-line methods over the estimated useful lives of the related assets which are as follows:

Leasehold improvements	10 years
Field equipment and tools	5 to 7 years
Field vehicles and trailers	5 years
Office furniture and equipment	5 to 7 years

Revenue and Cost Recognition — Revenue from contracts is recognized under the percentage of completion method measured by the ratio of contract costs incurred to date to estimated total contract costs for each contract.

Contract costs include all direct material and labor costs and those costs related to contract performance such as indirect labor, supplies, and tools. Selling, general, and administrative costs are charged to expense as incurred. Costs for materials incurred at the inception of a project which are not reflective of effort are excluded from costs incurred for purposes of determining revenue recognition and profits.

Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those changes arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income which are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated. Revenues in excess of contract costs from claims are recorded only when the amounts have been received.

Income Taxes — The Company uses the liability method to account for income taxes. Under this method, income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related to certain income and expenses recognized in different periods for financial and income tax reporting purposes. Deferred taxes are also recognized for operating losses and tax credits that are available to offset future taxable income and income taxes, respectively. A valuation allowance will be provided if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company files a consolidated federal income tax return.

Long-Lived Assets — The Company reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment is recognized to the extent that the sum of undiscounted estimated future cash flows expected to result from use of the assets is less than the carrying value. No impairment has been recognized through September 30, 1999.

Goodwill — Goodwill represents costs in excess of the fair value of net assets acquired and is amortized using the straight-line method over 40 years. The Company periodically assesses the recoverability of intangibles based on its expectations of future profitability and undiscounted cash flow of the related operations. These factors, along with management's plans with respect to the operations, are considered in assessing the recoverability of goodwill and other purchased intangibles. If the Company determines, based on such measures, that the carrying amount is impaired, the goodwill will be written down to its recoverable value with a corresponding charge to earnings. Recoverable value is calculated as the amount of estimated future cash flows for the remaining amortization period. During the periods presented, no such impairment was incurred.

Stock-Based Compensation — The Company accounts for stock-based compensation under Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*. Under this method, compensation cost is recorded for the excess, if any, of the market price or fair value of the stock at the grant date over the amount an employee must pay to acquire the stock.

New Accounting Pronouncements — In June 1998, Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, was issued. SFAS No. 133 established accounting and reporting standards for derivative instruments embedded in other contracts and for hedging activities. SFAS No. 133 is effective for all fiscal years beginning after June 15, 2000. Management of the Company has not yet fully evaluated the potential impact on the Company's financial statements of the adoption of SFAS No. 133.

2. ACQUISITIONS

On February 27, 1998, the Company acquired for cash all of the issued and outstanding stock of Parsons Electric Co. The total purchase price was $11,000,000, of which $4,600,000 was financed by additional borrowings under Parson's former line of credit. Total assets acquired and liabilities assumed were approximately $18,400,000 and $11,900,000, respectively. The acquisition has been accounted for using the purchase method of accounting. Accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their respective fair values resulting in goodwill of approximately $4,300,000, which is being amortized to expense over 40 years using the straight-line method. In addition, the Company entered in to noncompete agreements with one employee and one former employee of Parsons. Payments of $425,000 are being made under those agreements and are amortized on a straight-line basis over 21 to 54 months.

The accompanying consolidated statements of operations reflect the results of operations of Parsons form the date of acquisition through September 30, 1999.

On October 22, 1998, the Company acquired for cash and shares of the Company's common stock all the issued and outstanding common stock of The Allison Company. The total purchase price was $14,766,787, of which $10,130,244 was paid in cash and the remainder was paid for with 454,563 shares of Nationwide common stock. The number of shares of Nationwide common stock issued to the shareholders of Allison was determined based upon a fair value of $10.20 per share. Total assets acquired and liabilities assumed were approximately $12,600,000 and $6,089,000, respectively. The acquisition has been accounted for using the purchase method of accounting. Accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their respective fair values, resulting in goodwill of approximately $8,255,000 which is being amortized to expense using the straight-line method. An additional earn-out payment, which has been accounted for as contingent consideration, will be made to the former officers-shareholders of Allison in an amount equal to 25% of the amount by which the earnings of the subsidiary before interest and income taxes for each of the twelve months ending June 30, 1999 and 2000 exceeds $2,500,000.

On October 22, 1998, the Company acquired for cash and shares of the Company's common stock all the issued and outstanding common stock of Henderson Electric Company, Inc. The total purchase price was $11,545,078, of which $6,232,571 was paid in cash and the remainder was paid for with 520,834 shares of Nationwide common stock. The number of shares of Nationwide common stock issued to the shareholders of Henderson was determined based upon a fair value of $10.20 per share. Total assets acquired and liabilities assumed were approximately $17,889,000 and $10,183,000, respectively. The acquisition has been accounted for using the purchase method of accounting. Accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their respective fair values, resulting in goodwill of approximately $3,839,000 which is being amortized to expense using the straight-line method.

Effective July 1, 1999, the Company acquired for cash and shares of the Company's common stock all the issued and outstanding common stock of Neal Electric and Neal Equipment. The total purchase price was $12,500,000, of which $7,900,015 was paid in cash and the remainder was paid for with 383,332 shares of Nationwide common stock. The number of shares of Nationwide common stock issued to the shareholders of Neal was determined based upon a value of $12.00 per share. Total assets acquired and liabilities assumed were approximately $12,742,000 and $9,214,000, respectively. The acquisition has been accounted for using the purchase method of accounting. Accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their respective fair values, resulting in goodwill of approximately $8,972,000 which is being amortized to expense using the straight-line method. An additional earn-out payment, which has been accounted for as contingent consideration, will be made to the former officers-shareholders of Neal in an amount equal to 50% of the after-tax earnings of the subsidiary for each of the twelve months ended December 31, 1999 and 2000.

Effective September 1, 1999, the Company acquired for cash and shares of the Company's common stock all the issued and outstanding ownership units of Southwest Systems Limited. The total purchase price was $5,500,000, of which $3,025,000 was paid in cash and the remainder was paid for with 206,250 shares of Nationwide common stock. The number of shares of Nationwide common stock issued to the shareholders of Southwest was determined based upon a value of $12.00 per share. Total assets acquired and liabilities assumed were approximately $3,709,000 and $4,049,000, respectively. The acquisition has been accounted for using the purchase method of accounting. Accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their respective fair values, resulting in goodwill of approximately $5,840,000 which is being amortized to expense using the straight-line method. An additional earn-out payment, which has been

accounted for as contingent consideration, will be made to the former officers-shareholders of Southwest in an amount equal to 50% of the amount by which pretax earnings of the subsidiary for each of the twelve months ending March 31, 2000, 2001, 2002, and 2003 exceeds $1,100,000. The cumulative maximum amount for all periods is $3,500,000.

3. JOINT VENTURES AND LABOR SUBCONTRACT AGREEMENT

The Company has a minority interest (33%) in a limited liability company joint venture, which is accounted for in the accompanying statements of operations under the proportionate consolidation method. This venture was formed to provide certain construction contracting services to a large industrial customer. All of the members participate in construction. Contract revenues and gross profit recognized by the Company related to services on contracts of the joint venture were $1,503,873 and $300,592, respectively, for the six-month period ended September 30, 1999; $1,637,763 and $316,870, respectively, for the year ended March 31, 1999; and $365,705 and $25,600 for period from September 23, 1997 to March 31, 1998. The Company's investment in the joint venture is included in other assets.

As of September 30, 1999, the Company has a labor subcontract agreement, formed to provide electrical contracting to a large industrial customer. Contract revenues earned by the Company related to these services were $4,542,029 and $680,099 for the six-month period ended September 30, 1999 and the year ended March 31, 1999, respectively. The Company will share as part of the labor subcontract agreement in 50% of the gross profit from the parties' contract with the customer.

4. CREDIT FACILITY

As of September 30, 1999, the Company had a credit facility that was composed of a revolving credit facility and a term facility. At September 30, 1999, revolving credit facility and the term facility bore interest at 7.16% and 7.18%, respectively.

5. OPERATING LEASES

The Company leases offices, warehouse facilities, and field vehicles which are classified as operating leases.

Annual minimum lease payments under these noncancelable operating leases for the fiscal years ending September 30 are as follows:

2000	$ 1,542,780
2001	1,416,364
2002	1,371,269
2003	1,204,528
2004	827,659
Thereafter	2,094,100
	$ 8,456,700

Rent expense under these leases was $569,000 for the six-month period ended September 30, 1999, $590,000 for the year ended March 31, 1999, and $47,000 for the period from September 23, 1997 to March 31, 1998.

6. INCOME TAXES

The Company's income tax expense (benefit) consists of the following:

	Six-Month Period Ended September 30, 1999	Year Ended March 31, 1999	Period from September 23, 1997 (Date of Inception) to March 31, 1998
Current:			
Federal	$ 1,523,342	$ 1,014,000	
State	314,000	212,500	
Total current	1,837,342	1,226,500	
Deferred:			
Federal	27,814	(223,000)	$ (102,500)
State	6,970	(39,000)	(18,000)
Total deferred	34,784	(262,000)	(120,500)
	$ 1,872,126	$ 964,500	$ (120,500)

The difference between the statutory federal income tax rate and the Company's effective tax rate is as follows:

	Six-Month Period Ended September 30, 1999		Year Ended March 31, 1999		Period from September 23, 1997 (Date of Inception) to March 31, 1998	
Statutory federal rate, income	$ 1,565,165	34%	$ 803,088	34%	$ (117,810)	(34)%

State tax, net of federal benefit	203,646	5	141,712	6	(20,790)	(6)
Other permanent differences	43,684	1	42,700	2	14,760	4
Other	59,631	1	(23,000)	(1)	3,340	1
	$ 1,872,126	41%	$ 964,500	41%	$ (120,500)	(35)%

7. STOCK OPTIONS

Effective with the acquisition by Bracknell, the Board of Directors terminated the stock option plan and cancelled all outstanding options. Subsequently, Bracknell provided the same economic value by issuing a proportionate number of stock options in quantity and option price with the same vesting terms to replace the cancelled options subject to shareholder approval.

1998 Stock Option Plan — The Board of Directors of the Company has adopted, and the stockholders of the Company have approved, an Incentive Stock Option Plan (ISO Plan) and a Non-Qualified Stock Option Plan (NQSO Plan)(together, the Option Plans). The purpose of the Option Plans is to encourage the key employees of the Company and its subsidiaries to participate in the ownership of the Company and to provide additional incentive for such employees to promote the success of its business through sharing in the future growth of such business. An aggregate amount of 500,000 shares of common stock (1,000,000 shares in the aggregate) may be granted under options pursuant to each of the ISO Plan and the NQSO Plan (subject to certain extraordinary changes in capitalization).

Transactions relative to both plans are as follows:

	Number of Options	Weighted Average Exercise Price
Options outstanding at March 31, 1998		
Granted	223,500	$ 12.00
Exercised		
Options outstanding at March 31, 1999	223,500	12.00
Granted	168,200	12.00
Exercised		
Options outstanding at September 30, 1999	391,700	12.00

The Company accounted for its Option Plans in accordance with APB Opinion No. 25, which requires compensation cost to be recognized based on the excess, if any, between the quoted market price of the stock at the date of grant and the amount an employee must pay to acquire the stock. Under this method, no compensation cost has been recognized for stock option awards.

Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value as prescribed by SFAS No. 123, the Company's net earnings would have been reduced to the pro forma amounts indicated below:

	Six-Month Period Ended September 30, 1999	Year Ended March 31, 1999
Net income, as reported	$ 2,731,301	$ 1,397,6(
Net income, pro forma	2,705,707	1,391,6(

The weighted average fair value at date of grant for options granted during 1999 was $0.40 per share, which, for the purposes of this disclosure, is assumed to be amortized over the respective vesting period of the grants. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for both periods: dividend yield of 0%; risk-free interest rate of 5.1%; expected life of 5.5 years; and an expected volatility of 0%.

8. MAJOR CUSTOMERS AND CONCENTRATION OF RISK

For the periods presented herein, no single customer accounted for 10% or greater of consolidated revenues or contract receivables.

The Company grants credit, generally without collateral, to its customers, which are usually general contractors. Consequently, the Company is subject to potential credit risk related to changes in business and economic factors. However, management believes that its contract acceptance, billing, and collection policies are adequate to minimize the potential credit risk.

9. EMPLOYEE BENEFIT PLANS

Parsons has a defined contribution pension plan and a contributory profit sharing plan covering substantially all of its nonunion employees. An employee becomes eligible for these plans after one year of service and must be 21 years of age. Employer contributions required for the defined contribution pension plan are 3% of eligible wages. Annual contributions to the contributory profit sharing plan are at the discretion of the Board of Directors and were approximately $357,000, $495,000, and $43,000 during the six-month period ended September 30, 1999, the year ended March 31, 1999, and the period from the date of acquisition to March 31, 1998, respectively.

Parsons also contributes to union-sponsored, multi-employer defined benefit pension plans in accordance with negotiated labor contracts. The passage of the Multi-Employer Pension Plan Amendments Act of 1980 (the Act) may, under certain circumstances, cause Parsons to become subject to liabilities in excess of contributions made under collective bargaining agreements. Generally, liabilities are contingent upon the termination, withdrawal, or partial withdrawal from the plans. As of September 30, 1999, Parsons has not undertaken to terminate, withdraw, or partially withdraw from any of these plans. Under the Act, liabilities would be based upon Parsons' proportionate share of each plan's unfunded vested benefits. Parsons has not received information from the plans' administrators to determine its share of unfunded vested benefits (in the event the Company were to withdraw from the plan), if any. Parsons contributed approximately $1,774,000, $2,865,000, and $200,319 during the six-month period ended September 30, 1999, the year ended March 31, 1999, and the period from the date of acquisition to March 31, 1998, respectively, to these multi-employer union pension plans.

Allison has a 401(k) profit sharing plan covering substantially all employees. Each year, participants may contribute up to 15% of pretax annual compensation up to a maximum of $10,000. Discretionary matching amounts may be contributed at Allison's option, but to date no contributions have been made.

Allison also sponsors a profit sharing plan for all employees providing for benefits upon retirement. Contributions to the plan during the six- month period ended September 30, 1999 and the period from October 22, 1998 (acquisition by Nationwide) to March 31, 1999 were approximately $85,000, and $86,000, respectively. Allison's contributions to the plan are made at the discretion of Nationwide's Board of Directors.

Allison's union employees are covered by a retirement plan and a health and welfare plan (collectively, the Plans) determined through collective bargaining and administered by the union. Contributions made by Allison to the Plans were approximately $557,000 and $1,005,000, respectively, during the six-month period ended September 30, 1999 and the period from October 22, 1998 (acquisition by Nationwide) to March 31, 1999.

Qualified executives, office employees, and qualifying nonunion electricians of Henderson are included in a modified defined contribution plan. Henderson's contributions under the plan are determined annually by Nationwide's Board of Directors with the minimum allowable contribution being the greater of 3% of gross eligible wages or 25 cents per active hour of service. Union employees are covered by a retirement plan determined through collective bargaining and administered by the union. Contributions during the six-month period ended September 30, 1999 were approximately $257,000 and $951,000, respectively. Contributions made by Henderson to the plans during the period from October 22, 1998 (acquisition by Nationwide) to March 31, 1999 were approximately $50,000 and $710,000, respectively.

Neal has a profit sharing plan for all nonunion employees meeting age and length of service requirements. The plan may be terminated by Neal at any time. Neal contributed $58,000 during the period from July 1, 1999 (acquisition by Nationwide) to September 30, 1999.

Neal's union employees are covered by union-sponsored multi-employer pension plans. Under these union plans, Neal makes contributions based on the hours worked by each eligible employee. Contributions to union plans were $642,520 during the period from July 1, 1999 (acquisition by Nationwide) to September 30, 1999. The Employee Retirement Income Security Act of 1974, as amended, imposes certain liabilities upon employers who are contributors to multi-employer plans if the employer withdraws from the plan or the plan terminates. Neal's contingent liability, if any, for its share of any unfunded vested liabilities under these laws cannot be determined at this time.

10. COMMITMENTS AND CONTINGENCIES

The Company is party to various litigation matters involving routine claims incidental to the business of the Company. Although the ultimate outcome cannot presently be determined with certainty, the Company believes, based in part upon advice from its legal counsel, that the ultimate liability associated with such claims, if any, will not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

In October 1997, Allison was named as a defendant in a lawsuit arising out of electrical work performed by Allison as a subcontractor. The initial complaint filed against the general contractor for the project alleges the system installed by Allison is defective. Allison denies any responsibility for the claims on the basis that, among other things, installation was in accordance with the approved plans and specifications of the project. Prior to its acquisition by Nationwide, Allison entered into mediation in an effort to settle the lawsuit. Based on a settlement offer made during mediation of such lawsuit, Allison recorded a $1,200,000 liability in September 1998 in accordance with the requirements of SFAS No. 5, *Accounting for Contingencies*. Under the Stock Purchase Agreement entered into with Nationwide, former stockholders of Allison have

agreed to indemnify Nationwide for settlements reached in the above matter; accordingly, Nationwide recorded an asset of $720,000 (which is net of associated tax benefit) to reflect such indemnification.

11. SUBSEQUENT EVENTS

On February 15, 2000, Nationwide acquired all the outstanding stock of Sylvan Industrial Piping, Inc. (Sylvan) for $21,250,000 in cash. The acquisition does provide for an amount based on a defined level of earnings over the next three years.

On February 29, 2000, Nationwide announced the achievement of a definitive agreement regarding the purchase of all the outstanding stock of Sunbelt Integrated Trade Services, Inc. (Sunbelt) for $77 million in cash and a $50 million promissory note. The acquisition does provide for an amount based on a defined level of earnings over the next three years.

12. RECONCILIATION TO CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) which differ in some respects from those used in Canada (Canadian GAAP). These differences in accounting principles as they pertain to the accompanying financial statements are as follows:

Compound Financial Instruments

Under Canadian GAAP, the liability and equity components of compound financial instruments, such as the Company's redeemable convertible preferred stock are included in long-term debt and stockholders' equity respectively. An interest cost related to the instrument is determined by aggregating the dividend and the pro-rated portion of the accretion and is charged against operations. Under US GAAP, the redeemable convertible stock is presented outside stockholders' equity and dividends are charged to retained earnings.

Accordingly, under Canadian GAAP the Company's redeemable convertible preferred stock is bifurcated into debt and equity in accordance with the terms of the instrument. Interest on the debt position, representing the dividend and the pro-rated portion of the accretion has been charged against income in the amount of $196,252, $588,757 and $98,126 for the six-month period ended September 30, 1999, the year ended March 31, 1999, and the period from September 23, 1997 (Date of Inception) to March 31, 1998, respectively.

NET INCOME

	Six-Month Period Ended September 30, 1999	Year Ended March 31, 1999	Period from September 23, 1997 (Date of inception) to March 31, 1998
Net Income (Loss) for the period — U.S. GAAP	$ 2,731,301	$ 1,397,600	$ (275,999)
Interest on compound financial instrument	(196,252)	(588,757)	(98,126)
Net income (Loss) for the period — Canadian GAAP	$ 2,535,049	$ 808,843	$ (374,125)

Independent Auditors' Report

To the Board of Directors
of Sunbelt Integrated Trade Services, Inc.

We have audited the accompanying consolidated balance sheets of Sunbelt Integrated Trade Services, Inc. and Subsidiary (the "Company") as of December 31, 1998 and 1999, and the related consolidated statements of operations, stockholders' (deficit) equity, and cash flows for the period May 21, 1998 (inception) to December 31, 1998 and for the year ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 the Company at December 31, 1998 and 1999, and the results of its operations and its cash flows for the period May 21, 1998 (inception) to December 31, 1998 and for the year ended December 31, 1999 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 19 to the consolidated financial statements, on March 8, 2000, 100% of the issued and outstanding common stock of the Company was sold for approximately US$42 million. The Company's shareholders received approximately US$29 million and the balance of the proceeds were utilized to repay the Senior Credit Facility, related party notes payable, line of credit and the notes payable and to pay transaction costs.

(Signed) Deloitte & Touche LLP
Independent Public Accountants

Las Vegas, Nevada
March 9, 2000

**SUNBELT INTEGRATED TRADE SERVICES, INC.
AND SUBSIDIARY**

Consolidated Balance Sheets
December 31, 1998 And 1999
(in U.S. dollars)

	1998	1999
Assets		
Current assets:		
Cash and cash equivalents	$ 352,606	$ 780,686
Investment securities, at fair value	—	1,015,789
Contract receivables, net of allowance for doubtful accounts of $363,068 in 1999	—	11,373,264
Income tax receivable	—	915,046
Other receivables	—	34,000
Inventory	—	346,250
Costs and estimated earnings in excess of billings on contracts in progress	—	2,232,542
Deferred tax assets	—	155,717
Prepaid expenses and other	28,687	64,294
Total current assets	381,293	16,917,588
Property and equipment, net of accumulated depreciation and amortization of $878 and $544,356	39,223	1,843,658
Goodwill, net of accumulated amortization of $80,918	—	3,803,124
Deferred acquisition costs	71,212	471,336
Deferred financing costs	30,000	—
Other assets	25,167	206,082
	$ 546,895	$ 23,241,788
Liabilities and Stockholders' (Deficit) Equity		
Current liabilities:		
Accounts payable, including $296,998 to a related party in 1999	$ 481,890	$ 2,884,726
Accrued expenses	53,042	2,744,830
Notes payable	975,000	1,150,000
Related party notes payable	—	850,000
Senior credit facility	—	12,000,000
Current portion of other long-term debt and capital lease obligations	—	665,765
Line of credit	—	200,000
Billings in excess of costs and estimated earnings on contracts in progress	—	1,070,113
Current portion of incentive payment due to officer	450,000	761,417
Total current liabilities	1,959,932	22,326,851
Other long-term debt and capital lease obligations, less current portion	—	505,365
Deferred tax liability	—	155,717
Incentive payment due to officer, net of $44,444 discount	555,556	—
Total liabilities	2,515,488	22,987,933
Commitments and contingencies		
Stockholders' (deficit) equity:		
Preferred stock, $.01 par value; authorized 10,000,000 shares; no shares issued and outstanding	—	—
Common stock, $.0001 par value; authorized 100,000,000 shares; issued and outstanding 1,918,400 shares and 5,723,015 shares, respectively	192	573
Additional paid-in capital	518,844	4,053,867
Accumulated other comprehensive income (loss), net of tax	—	(3,057)
Accumulated deficit	(2,208,660)	(3,361,238)
	(1,689,624)	690,145
Notes receivable for common stock from officers, employees and former employees	(278,969)	(436,290)
Stockholders' (deficit) equity	(1,968,593)	253,855
	$ 546,895	$ 23,241,788

On behalf of the Board:

(Signed) FREDERICK C. GREEN IV
Director

(Signed) JOHN R. NACCARATO
Director

See accompanying notes to consolidated financial statements

SUNBELT INTEGRATED TRADE SERVICES, INC.
AND SUBSIDIARY

Consolidated Statements Of Operations
For The Period May 21, 1998 (Inception) To December 31, 1998
And For The Year Ended December 31, 1999
(in U.S. dollars)

	1998	1999
Contract revenues earned	$ —	$ 50,825,082
Cost of revenues earned	—	39,482,783
Gross profit	—	11,342,299
Selling, general and administrative expenses	2,198,864	9,947,856
Depreciation and amortization	878	697,485
Operating income (loss)	(2,199,742)	696,958
Nonoperating income (expense):		
Interest expense	(15,863)	(2,065,515)
Interest income	6,945	213,616
Gain on sale of property and equipment, net	—	2,363
	(8,918)	(1,849,536)
Loss before income tax provision	(2,208,660)	(1,152,578)
Income tax provision	—	—
Net loss	$ (2,208,660)	$ (1,152,578)

See accompanying notes to consolidated financial statements

SUNBELT INTEGRATED TRADE SERVICES, INC.
AND SUBSIDIARY

Consolidated Statements Of Stockholders' (Deficit) Equity
For The Period May 21, 1998 (Inception) To December 31, 1998
And For The Year Ended December 31, 1999
(in U.S. dollars)

	Common Stock		Additional Paid-in	Accumulated	Notes Receivable issued for Common Stock to Officers and	Accumulated Other Comprehensive Income (loss)	Total Stockholders' (Deficit)
	Shares	Amount	Capital	Deficit	Employees	Net of Tax	Equity
Balances at May 21, 1998 (Inception)	—	$ —	$ —	$ —	$ —	$ —	$ —
Issuance of 1,226,250 shares of common stock for cash upon formation of the Company	1,266,250	127	25,473	—	—	—	25,600
Issuance of 133,750 shares of common stock to a former officer as consideration for consulting services	133,750	13	66,862	—	—	—	66,875
Issuance of 100,000 shares of common stock as consideration for legal services	100,000	10	49,990	—	—	—	50,000
Issuance of 8,400 shares of common stock to a former officer for cash and as consideration for services	8,400	1	7,560	—	—	—	7,561
Issuance of 410,000 shares of common stock to officer, former employees and officer for notes and cash	410,000	41	368,959	—	(278,969)	—	90,031
Net loss	—	—	—	(2,208,660)	—	—	(2,208,660)
Balances at December 31, 1998	1,918,400	192	518,844	(2,208,660)	(278,969)	—	(1,968,593)
Comprehensive loss:							
Net loss	—	—	—	(1,152,578)	—	—	(1,152,578)
Unrealized loss on investment securities, net of tax	—	—	—	—	—	(3,057)	(3,057)
Total comprehensive loss	—	—	—	—	—	—	(1,155,635)
Common stock issued to officer for note receivable, less cash received	50,000	5	44,995	—	(44,995)	—	5
Common stock issued from exercise of stock options	2,500	—	2,250	—	—	—	2,250
Common stock issued to officer for note receivable and as partial satisfaction of incentive payment due to officer	445,454	45	400,864	—	(112,326)	—	288,583
Common stock issued for business acquired	3,306,661	331	2,975,664	—	—	—	2,975,995
Warrants issued as consideration for Senior Secured Credit Facility financing	–	–	111,250	—	—	—	—
Balances at December 31, 1998	5,723,015	$ 573	$ 4,053,867	$ (3,361,238)	$ (436,290)	$ (3,057)	$ 253,855

See accompanying notes to consolidated financial statements

SUNBELT INTEGRATED TRADE SERVICES, INC.
AND SUBSIDIARY

Consolidated Statements Of Cash Flows
For The Period May 21, 1998 (Inception) To December 31, 1998
And For The Year Ended December 31, 1999
(in U.S. dollars)

	1998	1999
Cash flows from operating activities:		
Net loss	$(2,208,660)	$ (1,152,578)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	878	697,485
Amortization of deferred financing fees	122,336	141,250
Gain on sale of property and equipment, net	—	(2,363)
Amortization of discount on incentive payment due to officer	—	44,444
Changes in operating assets and liabilities, net of business acquired:		
Contract receivables, net	—	3,719,775
Inventory	—	(178,257)
Costs and estimated earnings in excess of billings on contracts in progress	—	(1,323,649)
Income tax receivable	—	(774,253)
Prepaid expenses and other	(83,854)	(35,607)
Accounts payable, including related party in 1999	519,069	(3,135,418)
Accrued expenses	15,863	839,922
Billings in excess of costs and estimated earnings on contracts in progress	—	(3,656,224)
Incentive payment due to officer	1,005,556	—
Net cash used in operating activities	(628,812)	(4,815,473)
Cash flows from investing activities:		
Purchase of property and equipment	(40,101)	(137,753)
Proceeds received from sale of property and equipment	—	31,850
Cash paid for business acquired, net of cash acquired	—	(7,268,686)
Deferred acquisition costs	(71,212)	(400,124)
Proceeds received from note receivable, including related party	—	4,762
Purchase of investment securities	—	(72,745)
Other assets, net	—	37,050
Net cash used in investing activities	(111,313)	(7,805,646)
Cash flows from financing activities:		
Proceeds from issuance of common stock	117,731	—
Principal repayment of senior secured credit facility	—	(10,000,000)
Proceeds from senior secured credit facility and senior credit facility	—	
Net proceeds from line of credit	—	200,000
Proceeds from related party notes payable	—	850,000
Proceeds from exercise of stock options	—	2,250
Proceeds from issuance of notes payable	975,000	175,000
Proceeds from other long-term debt and capital lease obligations	—	35,166
Principal repayments of other long-term debt and capital lease obligations	—	(182,217)
Deferred financing costs	—	(31,000)
Net cash provided by financing activities	1,092,731	13,049,199
Net increase in cash and cash equivalents	352,606	428,080
Cash and cash equivalents, beginning of period	—	352,606
Cash and cash equivalents, end of period	$ 352,606	$ 780,686

See Note 15 for supplemental disclosure of cash flow information

See accompanying notes to consolidated financial statements

SUNBELT INTEGRATED TRADE SERVICES, INC., AND SUBSIDIARY

Notes To Consolidated Financial Statements
For The Period May 21, 1998 (Inception) To December 31, 1998
And For The Year Ended December 31, 1999
(in U.S. dollars)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operation — Sunbelt Integrated Trade Services, Inc. ("Sunbelt") was incorporated in the State of Delaware on May 21, 1998. Sunbelt was organized to operate as a holding company and acquire construction-related trade service contractors providing electrical, plumbing and mechanical/HVAC services. As part of its long-term growth strategy, Sunbelt acquired Quality Mechanical Contractors, Inc. ("Quality"), (collectively referred to as the "Company"), on February 18, 1999. As a result, Quality became a wholly owned subsidiary of Sunbelt. Quality is a heating, air-conditioning and plumbing contractor doing business primarily in Southern Nevada.

Principles of Consolidation and Presentation — The accompanying consolidated financial statements include the accounts of Sunbelt and its wholly-owned subsidiary. On February 18, 1999, the Company completed the acquisition of all the outstanding shares of Quality. The acquisition has been accounted for as a purchase and the results of operations of Quality have been included in the consolidated financial statements beginning on February 28, 1999, as the interim period between February 19, 1999 and February 28, 1999 was not material to the financial position or results of operations. The purchase price was allocated based on estimated fair values at the date of the acquisition. During the one year period following the acquisition, the Company may make adjustments to the estimated fair values assigned to the assets acquired from Quality based on appraisals and other information received, which may result in changes to the allocation of the excess of purchase price over the fair value of assets acquired.

As of December 31, 1998, the Company was a development stage company wherein the Company's activities consisted primarily of financial planning, raising capital, recruiting and training personnel and recruiting and acquiring companies. The Company began its operations in February 1999 by acquiring its first operating company. During the year ended December 31, 1999, the Company's planned principal activities commenced. Therefore, the Company has emerged from its development stage and the inception to date disclosures have not been included in the accompanying consolidated financial statements.

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which differ in some respects from those in Canada. Note 20 presents amounts that would have been reported had the Company's consolidated financial statements been prepared on the basis of Canadian accounting principles.

Operating Cycle — The Company's work is performed under cost-plus-fee contracts, fixed-price contracts, and fixed-price contracts modified by incentive and penalty provisions. The length of the contracts varies from one month to approximately 24 months.

Assets and liabilities related to long-term contracts are included in current assets and current liabilities in the accompanying consolidated balance sheets, as they will be liquidated in the normal course of contract completion, although this may require more than one year.

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

Cash and Cash Equivalents — Cash and cash equivalents are short-term, highly liquid investments that are both readily convertible into known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. At times, such investments may be in excess of the Federal Depository Insurance Coverage limits. However, the Company does not believe it is exposed to any significant credit risk on cash and cash equivalents. For purposes of the consolidated statements of cash flows, the Company considers such investments with an original maturity of three months or less to be cash equivalents.

Investment Securities — Investment securities at December 31, 1999 consist of a corporate loan fund. The Company classifies its investment in the corporate loan fund in one of three categories: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities in which the Company has the ability or intent to hold the security until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

The Company has classified its investment in the corporate loan fund as available-for-sale. Accordingly, unrealized holding gains and losses have been excluded from earnings and are reported as accumulated other comprehensive income, net of tax, in the accompanying consolidated statements of stockholders' (deficit) equity until realized.

A decline in the market value of any available-for-sale security below cost that is deemed other than temporary results in a reduction in the carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. Dividend and interest income are recognized when earned.

Inventory — Inventory consists primarily of purchased materials and supplies. The inventory is valued at the lower of cost or market, with cost determined on a first-in, first-out ("FIFO") basis.

Property and Equipment — Property and equipment are recorded at cost. Equipment under capital leases is stated at the present value of minimum lease payments. Depreciation and amortization is provided in amounts sufficient to allocate the cost of the depreciable or amortizable assets to operations over their estimated service lives using the straight-line method.

Significant replacements and improvements are capitalized; other maintenance and repairs are expensed. The cost and accumulated depreciation of assets retired or otherwise disposed of are eliminated from the accounts and any resulting gain or loss is credited or charged to income as appropriate.

Goodwill — Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is amortized on a straight-line basis over the expected periods to be benefited, generally 40 years. The Company assesses the recoverability of this intangible asset by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation. If an impairment is identified, the amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. The assessment of the recoverability of goodwill will be impacted if estimated future operating cash flows are not achieved.

Deferred Acquisition Costs — Deferred acquisition costs represent incremental direct costs that are incurred for pending acquisitions. Deferred acquisition costs are expensed in the period in which the related pending acquisition is terminated. If the pending acquisition is consummated, the deferred acquisition costs are included in the cost of the acquired entity.

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 the existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Stock Option Plan — On May 21, 1998 (inception), the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 "Accounting for Stock Issued to Employees", and related interpretations ("APB 25"). The Company has elected to apply the intrinsic-value based method of accounting prescribed by APB 25, which recognizes compensation expense only if the current market price of the underlying security exceeded the exercise price on the date of grant. The Company has elected to continue to apply the provisions of APB 25 and provide the pro forma disclosure provisions of SFAS No. 123.

Contract Revenue Recognition and Contract Costs — Revenues from fixed-price and modified fixed-price construction contracts are recognized on the percentage-of-completion method, measured by the percentage of cost incurred to date to estimated total cost for each contract (the "cost-to-cost method"). This method is used because management consider costs incurred to be the best available measure of progress on these contracts. Revenues from cost-plus-fee contracts are recognized on the basis of costs incurred during the period plus the fee earned. The Company does not recognize any gross profit amounts related to change order work performed until it is known that the change orders have been approved by the customer. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as insurance, supplies, tools and depreciation. Selling, general and administrative costs are charged to expense as incurred.

Provisions for estimated losses on contracts in progress are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured.

The asset "Costs and estimated earnings in excess of billings on contracts in progress" represents revenues recognized in excess of amounts billed. The liability "Billings in excess of costs and estimated earnings on contracts in progress" represents billings in excess of revenues recognized.

Comprehensive Income — SFAS No. 130 "Reporting Comprehensive Income" establishes standards for reporting and presentation of comprehensive income in a full set of financial statements. The reporting and presentation of comprehensive income only requires additional disclosures in the financial statements; it does not affect the Company's financial position or results of operations. Comprehensive income includes all changes in equity during a period except for those resulting from investments by owners or distributions to owners. The Company has reported the unrealized holding loss on investment securities as a component of comprehensive loss, net of tax, in the accompanying consolidated statements of stockholders' equity until realized.

Business and Credit Concentrations — The majority of the Company's work is performed in Las Vegas, Nevada and the surrounding area. Further, the majority of the Company's work is performed on projects in the gaming industry.

Substantially all of the Company's receivables are obligations of companies in the construction business. The Company does not require collateral or other security on most of these accounts. The credit risk on these accounts is controlled through credit approvals, lien rights and payment bonds issued on behalf of general contractors and monitoring procedures. The Company reviews its contract receivables and provides for allowances periodically.

Impairment Recognition — Management periodically evaluates the carrying value of its long-lived assets, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To the extent the estimated future cash flows (undiscounted and without interest) attributable to the asset, less estimated future cash outflows, are less than the carrying amount, an impairment loss is recognized. The amount of impairment loss to be recorded is the difference between the asset's carrying value and its estimated fair market value. Management believes no material impairment in long-lived assets exists at December 31, 1999.

Financial Instruments — The carrying amounts reported in the accompanying consolidated balance sheets for contract receivables, accounts payable and accrued expenses approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amounts reported for the Company's notes payable, other long-term debt and capital lease obligations, senior credit facility and incentive payment due to officer approximate fair value due to interest rates, which are comparable to current rates.

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments; they are subjective in nature and involve uncertainties and matters of judgement and, therefore, cannot be determined with precision. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular instrument. Changes in assumptions could significantly affect these estimates.

Reclassifications — Certain reclassifications have been made to prior year financial statements to conform to the current year presentation.

Recently Issued Accounting Pronouncements — In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The effective date of SFAS No. 133 was delayed one year to June 15, 2000, by SFAS No. 137. Management does not believe the implementation of this accounting pronouncement will have a material effect on its financial statements.

2. ACQUISITION

On February 18, 1999, Sunbelt completed the acquisition of all the outstanding shares of Quality, pursuant to a Stock Purchase Agreement, as amended. The consideration paid consisted of approximately $10,000,000 in cash, $2,975,995 in the Company's common stock and a $5,484,706 note payable. In the event of the Company closing on a private equity funding of $30,000,000 or more, and upon completion of an initial public offering, the Company is obligated to pay Quality's former shareholders additional funds totaling approximately $17,000,000 and $11,000,000, respectively. The acquisition has been accounted for as a purchase and the results of operations of Quality have been included in the consolidated financial statements beginning on February 28, 1999, as the interim period between February 19, 1999 and February 28, 1999 was not material to the financial position or results of operations. The following unaudited pro forma information presents a summary of consolidated results of operations of Sunbelt and Quality as if the acquisition had occurred at May 21, 1998, with pro forma adjustments to give effect to amortization of goodwill, net increase in interest expense resulting from the issuance of the Company's Senior Secured Credit Facility, and certain other adjustments, together with the related income tax effects:

	December 31, 1998	December 31, 1999
	(unaudited)	(unaudited)
Revenues	$ 52,595,000	$ 63,820,000
Net income	$ 528,000	$ 180,000

The pro forma results are not necessarily indicative of what actually would have occurred if Quality had been owned for the entire period presented. In addition, they are not intended to be a projection of future results and do not reflect any synergy's that might be achieved from the combined operations.

3. INVESTMENT SECURITIES

As of December 31, 1999, gross unrealized holding gains and losses on investment securities were as follows:

	Cost	Gross Unrealized Holding Gain	Gross Unrealized Holding Loss	Fair Value
Investment securities:				
Corporate loan fund	$ 1,018,846	$ —	$ 3,057	$ 1,015,789

4. CONTRACT RECEIVABLES

Contract receivables at December 31, 1999 are summarized as follows:

	1999
Current amounts due on completed and in progress contracts	$ 9,017,163
Retention	2,719,169
	11,736,332
Less allowance for doubtful accounts	(363,068)
	$ 11,373,264

The Company is involved in three claims totaling approximately $5,300,000 relating to the contract scope changes performed by the Company. The Company has included in contract receivables and contract revenues an amount equal to contract costs attributable to certain of the claims aggregating approximately $2,865,000 as management has determined that realization is probable and was reliably estimated. Certain of these claims arose from contracts for which revenues and costs were recorded in prior years, however significant events occurred during the year ended December 31, 1999 resulting in the recording of these claims.

5. COSTS AND ESTIMATED EARNINGS ON CONTRACTS IN PROGRESS

Costs and estimated earnings on contracts in progress at December 31, 1999 are summarized as follows:

	1999
Costs incurred on contracts in progress	$ 51,915,065
Estimated earnings	10,787,969
	62,703,034
Less billings to date	(61,540,605)
	$ 1,162,429

Included in the accompanying consolidated balance sheets under the following caption:

	December 31, 1999
Costs and estimated earnings in excess of billings on contracts in progress	$ 2,232,542
Billings in excess of costs and estimated earnings on contracts in progress	(1,070,113)
	$ 1,162,429

6. NOTE RECEIVABLE

Note receivable outstanding at December 31, 1999 is summarized as follows:

	1999
Note receivable from an employee due in October 2006. Monthly payments are $262 with an interest rate of 9.75% per annum	$15,611

Note receivable from an employee is classified as other assets in the accompanying consolidated balance sheets.

7. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 1998 and 1999 consists of the following:

	1998	1999	Estimated Useful Life
Machinery and equipment	$ —	$ 1,647,051	2-10 years
Office furniture and equipment	40,101	426,952	5-7 years
Vehicles	—	213,643	3-7 years
Leasehold improvements	—	100,368	5-10 years
	40,101	2,388,014	
Less accumulated depreciation and amortization	(878)	(544,356)	
	$ 39,223	$ 1,843,658	

The Company is obligated under various capital leases for vehicles that expire at various times during 2003. At December 31, 1999, the gross amount of vehicles and related accumulated amortization recorded under capital leases were $89,797 and $15,431, respectively. Amortization of assets under capital leases is included with depreciation expense.

8. ACCRUED EXPENSES

Accrued expenses at December 31, 1998 and 1999 consists of the following:

	1998	1999
Payroll and related expenses	$ —	$ 1,627,706
Workers compensation	—	175,511
Buy-out of Orlando office lease	—	120,400
Vacation	13,577	93,202
Warranty expense	—	89,000
Employee relocation expenses	—	333,397
Interest, including related party	15,863	297,110
Other	23,602	8,504
	$ 53,042	$ 2,744,830

9. SENIOR SECURED CREDIT FACILITY

On February 18, 1999, the Company entered into a credit agreement with NationsBank N.A. ("NationsBank") to provide the Company with $12,500,000 in Senior Secured Credit Facilities (the "Senior Facility"). The Senior Facility was comprised of a $10,000,000 term loan and a $2,500,000 revolving line of credit with a carve out of $500,000 for standby letters of credit.

The Senior Facility provided for 125,000 warrants to purchase shares of common stock of the Company, at an exercise price of $.01 per share. The Company allocated a portion of the Senior Facility proceeds to additional paid-in capital and deferred financing costs aggregating approximately $111,250, which represents the fair value of the warrants. The deferred financing costs were expensed and have been reported as interest expense in the accompanying consolidated statements of operations when the Senior Facility was refinanced in June 1999, see Note 10.

10. REFINANCING TRANSACTION — SENIOR CREDIT FACILITY

On June 25, 1999, the Company entered into a $12,000,000 Business Loan Agreement (the "Credit Facility") with First Security Bank of Nevada ("First Security") with principal and unpaid interest due December 1, 1999. On December 1, 1999 the Company negotiated an extension to the Credit Facility and Line of Credit which extends the repayment of the principal and accrued interest until March 1, 2000. In connection with the extension the Company was required to pay $50,000. The proceeds were utilized to refinance the NationsBank Senior Facility and provide working capital. As of December 31, 1999 the deferred financing costs of $150,741 capitalized in connection with the Credit Facility were amortized to interest expense using the effective interest method.

The Credit Facility provides for interest at .75% over the U.S. Bank of Oregon's Index Rate (9.5% at December 31, 1999). The Credit Facility is secured by the capital stock of the Company, as well as all present and future assets of the Company. The Credit Facility is guaranteed by the majority shareholder of the Company.

The Credit Facility contains certain covenants which include, but are not limited to, the Company incurring additional senior debt, paying dividends, maximum senior debt exceeding $16,000,000, total liabilities exceeding $34,000,000, the Company's consolidated net worth, excluding notes payable of $1,150,000 and related party notes payable of $850,000, of not less than $8,900,000 and change in ownership provisions. At December 31, 1999, the Company was not in compliance with certain of the debt covenants. Subsequent to year end the Credit Facility and accrued interest thereon were paid in full upon consummation of the sale of the Company's common stock.

On June 25, 1999, Quality entered into a Loan Agreement ("Line of Credit") with First Security which provides for a revolving line of credit up to $4,000,000 to be utilized for working capital purposes and a carve out of $500,000 to be utilized to cover Letters of Credit and equipment purchases. The principal and unpaid interest were due December 1, 1999. On December 1, 1999 the Company negotiated an extension to the Credit Facility and Line of Credit which extends the repayment of the principal and accrued interest until March 1, 2000. In connection with the extension the Company was required to pay $50,000. As of December 31, 1999, Quality had an outstanding balance of $200,000 under the Line of

Credit. Subsequent to year end the Line of Credit was paid in full upon consummation of the sale of the Company's common stock.

The Line of Credit provides for interest at .75% over the U.S. Bank of Oregon's Index Rate (9.5% at December 31, 1999). Quality is eligible to borrow the lesser of (i) $4,000,000 or (ii) 75% of the aggregate amount of eligible contract receivables.

The Line of Credit contains certain general business covenants which include, but are not limited to, incurring additional indebtedness and liens except in the normal course of business, engaging in business activities substantially different than those presently engaged and change of ownership provisions. The Line of Credit is guaranteed by the majority shareholder of the Company.

11. OTHER LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Other long-term debt and capital lease obligations at December 31, 1999 are summarized as follows:

	1999
Life insurance policy loans secured by cash surrender value Interest rate is 6-8% per annum	$ 27,926
Portfolio credit line with Smith Barney secured by investment securities. No repayment schedule as long as the value of the collateral meets the minimum requirements. Interest is calculated monthly based on the outstanding credit line at the Smith Barney base rate of 7.50% plus 0.75% (8.25% at December 31, 1999)	519,024
Note payable to retired employee (related party) due September 2004. Monthly payments are $12,900 with interest at 5.82% per annum	530,825
Notes payable secured by vehicles. Monthly payments are approximately $940 with interest at 5.9% per annum, due August 2001	17,119
Capital lease obligations secured by vehicles. Monthly payments aggregate approximately $2,400 with an effective interest rate of approximately 11.0% per annum due at various times during 2003	76,236
	1,171,130
Less current maturities	(665,765)
Long-term portion	$ 505,365

The required aggregate principal payments as of December 31, 1999 are as follows:

2000	$ 665,765
2001	163,205
2002	164,863
2003	177,297
	$ 1,171,130

12. STOCKHOLDERS' (DEFICIT) EQUITY

Common Stock — A former officer of the Company received 1,266,250 shares of the Company's common stock for $25,600 in cash upon the formation of the Company. No compensation expense was recorded because the Company determined that the fair value of the stock was $0.02 per share.

The Company had an agreement with a former officer which allowed her to purchase up to 600 shares of the Company's common stock per month at $.50 per share. The Company was obligated to match the officer's purchase of shares of common stock on a one-for-one basis. In 1998, this officer purchased 4,200 shares of the Company's common stock for $2,100. The Company matched this purchase with 4,200 shares of its common stock and recorded compensation expense of $5,461.

During the period May 21, 1998 (inception) to December 31, 1998 an officer of the Company provided services for which she was issued 133,750 shares of the Company's common stock valued at $66,875. The Company issued 100,000 shares of its common stock to its former legal counsel for legal services valued at $50,000. Such services totaling $116,875 were recorded based upon management's estimate of the fair value of the services rendered.

In October 1998, an officer of the Company purchased 100,000 shares of common stock at $.90 per share.

In October 1998, the Company issued 310,000 shares of common stock to three employees, including a former officer, in exchange for notes receivable aggregating $278,969. The notes bear interest at 8% per annum with principal and accrued interest due in September 2000. The notes receivable are classified in stockholders' (deficit) equity in the accompanying consolidated balance sheets. The estimated fair value of the common stock was $.90 per share. Accrued interest on the notes was approximately $29,237 at December 31, 1999.

In January 1999, the Company issued 50,000 shares of common stock to an officer of the Company in exchange for a note receivable of $44,995 which bears interest at 8% per annum with principal and accrued interest due January 2001. The note receivable has been classified in stockholders' (deficit) equity in the accompanying consolidated balance sheets. The

estimated fair value of the common stock was $.90 per share. Accrued interest on the note was approximately $3,637 at December 31, 1999.

In January 1999, the Company issued 445,454 shares of common stock to an officer in exchange for a note receivable aggregating $112,326 and as partial satisfaction of the incentive payment due to officer aggregating $288,583. The note bears interest at 8% per annum with principal and accrued interest due January 2004. The note receivable has been classified in stockholders' (deficit) equity in the accompanying consolidated balance sheets. The estimated fair value of the common stock was $.90 per share. Accrued interest on the note was approximately $9,076 at December 31, 1999.

In February 1999, the Company issued 3,306,661 shares of common stock for the acquisition of Quality. The estimated fair value of the common stock was approximately $0.90 per share.

Stock Option Plans — On July 31, 1998, the Company adopted a stock option plan (the "1998 Plan") pursuant to which the Company's Board of Directors may grant stock options to officers and employees. The 1998 Plan permits the granting of options to individuals to purchase the Company's common stock at or greater than the fair value at the time the options were granted. On January 18, 1999, the 1998 Plan was amended to grant options to acquire up to 2,000,000 shares under the 1998 Plan.

The 1998 Plan permits the granting of incentive stock options as defined under Section 422A of the Internal Revenue Code at an exercise price for each option equal to the fair value of the Company's common stock on the date of grant and expire ten years from the date of grant. As of December 31, 1999, the Company has no options available under the 1998 Plan to grant to officers and employees.

On January 18, 1999, the Company adopted a stock option plan (the "1999 Plan") pursuant to which the Company's Board of Directors may grant stock options to officers and employees to promote the interests of the Company and its stockholders by attracting and retaining employees and rewarding performance goals. The 1999 Plan permits the granting of options to individuals to purchase the Company's common stock at or greater than the fair value at the time the options were granted. The Company was authorized to grant options to acquire up to 10% of shares of common stock outstanding (572,302 at December 31, 1999). The 1999 Plan permits the granting of incentive stock options as defined under Section 422A of the Internal Revenue Code at an exercise price for each option equal to the fair value of the Company's common stock on the date of grant and expire ten years from the date of grant. As of December 31, 1999, the Company had 127,254 options available under the 1999 Plan to grant to officers and employees.

On January 18, 1999, the Company adopted a Executive Recruitment Plan (the "Recruitment Plan") pursuant to which the Company's Board of Directors may grant stock options to attract and retain senior executive employees. The Recruitment Plan permits the granting of options to individuals to purchase the Company's common stock at or greater than the fair value at the time the options were granted. The Company was authorized to grant options to acquire up to 800,000 shares under the Recruitment Plan. The Recruitment Plan permits the granting of options as defined under Section 422A of the Internal Revenue Code at an exercise price for each option equal to the fair value of the Company's common stock on the date of grant and expire ten years from the date of grant. As of December 31, 1999, the Company had no options available under the Recruitment Plan to grant.

On January 18, 1999, the Company adopted a Non-Employee Directors Plan (the "Directors Plan") pursuant to which the Company's Board of Directors may grant stock options to non-employee directors, who are ineligible to participate in the Company's 1999 Plan. The Directors Plan permits the granting of options to individuals to purchase the Company's common stock at or greater than the fair value at the time the options were granted. The Company was authorized to grant options to acquire up to 500,000 shares under the Directors Plan. The Directors Plan permits the granting of options as defined under Section 422A of the Internal Revenue Code at an exercise price for each option equal to the fair value of the Company's common stock on the date of grant and for a maximum of ten years. As of December 31, 1999, the Company had 500,000 options available under the Directors Plan to grant.

The Company applies APB Opinion No. 25 in accounting for its stock option plans and, accordingly, no compensation cost has been recognized for its stock options in the accompanying consolidated financial statements. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's net loss for the period May 21, 1998 (Inception) to December 31, 1998 and for the year ended December 31, 1999 would have been increased to the pro forma amounts indicated below:

	1998	1999
Net loss:		
As reported	$ 2,208,660	$ 1,152,578
Pro forma	$ 2,752,952	$ 1,580,179

The fair value of each option is estimated on the date of grant using the fair value method with the following assumptions used for 1998 and 1999 grants; risk free interest rate at the date of grant of 6%, expected dividend yield of 0.0%, and expected life of 10 years.

Stock option activity for the period May 21, 1998 (inception) to December 31, 1998 and for the year ended December 31, 1999 is summarized as follows:

	Shares	Weighted Average Exercise Price Per Share
Outstanding at May 21, 1998	—	$ —
Granted	1,520,000	0.90
Cancelled	—	—
Outstanding at December 31, 1998	1,520,000	$ 0.90
Granted	1,726,546	2.63
Exercised	(2,500)	0.90
Cancelled	(249,500)	1.25
Outstanding at December 31, 1999	2,994,546	$ 2.10
Options exercisable at December 31, 1999	2,994,546	$ 2.10

	Options Outstanding		
Exercise Price	Outstanding at December 31, 1999	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$ 0.90	2,419,546	9.0 years	$ 0.90
$ 3.42	575,000	9.56 years	$ 3.42

Warrants — The following is a summary of warrants outstanding as of December 31, 1999:

	Warrants
Warrants issued in connection with Senior Secured Credit Facility (See Note 9)	125,000
Warrants issued in connection with related party notes payable (See Note 13)	552,986
Warrants issued in connection with notes payable (See Note 13)	287,500
	965,486

13. RELATED PARTY TRANSACTIONS

Related Party Notes Payable — On June 16, 1999, the Company entered into Tranche A Loan Agreements ("Tranche A Notes") with four officers (including three directors), and two owners of potential acquisition targets to provide financing in the aggregate amount of $850,000. The Tranche A Notes require interest on the outstanding and unpaid principal balance at a rate of 10% per annum. Interest shall be paid semi-annually in arrears every six months. The Tranche A Notes are due and payable at the earlier of (i) the date of consummation of an underwritten public offering of the Company's common stock, (ii) the date of consummation of the sale or transfer of more than 50% of the Company's outstanding common stock, or (iii) the fifth anniversary of the date of this Agreement. Subsequent to year end the Tranche A Notes and accrued interest thereon were paid in full.

The Company issued to the holders of the Tranche A Notes, 552,986 warrants to purchase shares of the Company's common stock at an exercise price of $1.00 per share. The warrants may be exercised at any time by the holder for a period of ten years. No value was assigned to the warrants at the date of issuance based upon the estimation of their fair value by the Company.

Leases — The Company leases certain of its office space, production facilities and certain equipment from a related party. These multiple lease agreements require base monthly payments of $28,918 at December 31, 1999, and have been classified as operating leases. These leases require the Company to provide insurance, repairs and maintenance, and to pay real estate taxes on the leased property. These leases expire in February 2004. Lease expense for the year ended December 31, 1999, incurred under these agreements was $289,180.

Incentive Payment Due to Officer — Under the conditions of the employment agreement dated October 19, 1998 for one of the Company's officers, the Company agreed to pay $1,050,000 as an incentive to join the Company. As set forth in the employment agreement, $450,000 was due and payable within 30 days, and the remaining $600,000 was to be paid within 10 days after the earlier of (i) the date of the Company's underwritten initial public stock offering, (ii) December 31, 1999, or (iii) the officer's death or disability. For the year ended December 31, 1999, the Company issued 320,648 shares of common stock aggregating $288,583 to the officer as partial satisfaction of the $450,000 incentive payment due to the officer. The estimated fair value of the Company's common stock was approximately $0.90 per share. The remaining principal balance due to the officer of $161,417 accrues interest at 8% per annum. At December 31, 1999 the Company has accrued interest of approximately $15,351 for the incentive payment due to officer.

As of December 31, 1998, the $600,000 due to officer was recorded at the present value utilizing a discount rate of 8% per annum. The discount of $44,444 was amortized to interest expense using the effective interest method for the year ended December 31, 1999. The Company has classified the incentive payment due to officer as a current obligation at December 31, 1999.

Notes Payable — Through a private placement, the Company issued units of securities at the price of $25,000 each, some of which are to related parties. Each security consists of a $25,000 promissory note ("Notes") and a warrant ("Warrants"). As of December 31, 1998 and 1999 the Notes outstanding were $975,000 and $1,150,000, respectively. The Notes bear interest at the rate of 10% per annum and are due at the earlier of (a) the closing of an initial public stock offering, or (b) December 31, 1999. The amount of Notes outstanding at December 31, 1999, aggregate $1,150,000, and the total cumulative accrued interest on the Notes at December 31, 1999 is $129,247. The warrants allow the holder to purchase 6,250 shares of the Company's common stock at an exercise price of $5.00 per share. The total number of shares available for purchase by the holders is 287,500. No value was assigned to the warrants at the date of issuance based upon the estimation of their fair value by the Company. Subsequent to year end the principal and accrued interest were paid in full.

During 1999 the note payable to a former shareholder of Quality in an amount of $5,484,706, resulting from the acquisition, was satisfied with the exchange of certain investments, notes receivable and a vehicle at the Company's recorded book value.

Other — Note payable to retired employee due September 2004. Monthly payments are $12,900 with interest at 5.82% per annum, see Note 11.

Included in accounts payable is approximately $297,000 due to officer and director of the Company. Subsequent to year end amount was paid in full.

See Note 12 for equity transactions with related party transactions.

14. INCOME TAXES

For the period May 21, 1998 (inception) to December 31, 1998 and for the year ended December 31, 1999, the Company generated a net loss for both financial reporting and income tax purposes; therefore, no current tax provision has been recorded.

A reconciliation of the Company's income tax provision as compared to the tax provision calculated by applying the federal statutory rate (35%) to the loss before income tax provision for the period May 21, 1998 (inception) to December 31, 1998 and for the year ended December 31, 1999 are as follows:

	1998	1999
Computed "expected" income tax benefit at 35%	$ (773,031)	$ (403,402)
Amortization of goodwill	—	28,321
Nondeductible acquisition	—	191,349
Nondeductible expenses for tax purposes	(7,572)	70,000
Other	—	(350)
Change in valuation allowance	780,603	114,082
	$ —	$ —

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets, liabilities and the valuation allowance are as follows:

	1998	1999
Deferred tax assets:		
Contract receivables, principally due to allowance for doubtful accounts	$ —	$ 127,074
Net operating loss carryforwards	—	286,542
Capitalized start-up costs	513,706	606,231
Accrued expenses not currently deductible	266,897	204,877
Unrealized loss on investment securities	—	1,070
Total deferred tax assets	780,603	1,225,794
Valuation allowance	(780,603)	(1,070,077)
Net deferred tax assets	—	155,717
Deferred tax liabilities:		
Property and equipment, principally due to accelerated depreciation	—	155,717
Total deferred tax liabilities	—	155,717
Net deferred tax asset/liability	$ —	$ —

The change in the valuation allowance for the year ended December 31, 1999 is comprised of the following:

	1999
Change in beginning of year valuation allowance	$ 289,474
Tax expense charged to equity	(1,070)
Valuation allowance resulting from acquisition	(174,322)
	$ 114,082

The valuation allowance has increased by $289,474 for the year ended December 31, 1999. A valuation allowance is provided when, in management's opinion, it is more likely than not that the deferred tax asset will not be realized.

At December 31, 1999, the Company had net operating loss carryforwards for federal income tax purposes of approximately $816,000 which are available to offset future federal taxable income, if any, expiring in 2019.

15. SUPPLEMENTAL CASH FLOW DISCLOSURE

The following supplemental information is related to the consolidated statements of cash flows. The Company recorded the following significant non-cash investing and financing activities for the period May 21, 1998 (Inception) to December 31, 1998 and for the year ended December 31, 1999:

	1998	1999
Common stock issued to former officer and employees for note receivable	$ 278,969	$ —
Warrants issued as consideration for Senior Secured Credit Financing	$ —	$ 111,250
Common stock issued for business acquired	$ —	$ 2,975,995
Note payable issued for business acquired	$ —	$ 5,484,706
Note payable issued for business acquired satisfied with certain investments, notes receivable and vehicle	$ —	$ 5,484,706
Vehicles acquired through the issuance of capital lease obligations	$ —	$ 89,797
Common stock issued to officer for note receivable	$ —	$ 44,995
Common stock issued as partial satisfaction of incentive payment due to officer	$ —	$ 288,583
Common stock issued to officer for note receivable	$ —	$ 112,326
Unrealized loss in investment securities, net of tax	$ —	$ 3,057

	1999
Business acquisition, net of cash acquired:	
Fair value of assets acquired, net of cash	$ 25,327,617
Purchase price in excess of net assets	3,884,042
Liabilities assumed	18,966,978
Common stock issued	2,975,995
Net cash used to acquire Quality	$ 7,268,686

The following summarizes cash paid for the period May 21, 1998 (Inception) to December 31, 1998 and for the year ended December 31, 1999 for:

	1998	1999
Interest	$ —	$ 1,584,175
Income taxes	$ —	$ —

16. BACKLOG

The following is a reconciliation of the approximate backlog of signed contracts for the period March 1, 1999 to December 31, 1999 for Quality:

	1999
Balance at March 1, 1999	$ 42,196,549
New contracts and change orders during the year	44,839,371
Less revenue earned on signed contracts	(50,825,082)
Balance at December 31, 1999	$ 36,210,838

17. SIGNIFICANT CUSTOMERS

Contract revenues earned for the year ended December 31, 1999 from major customers exceeding 10% of total contract revenues earned are as follows:

	Amount	Percentage
Customer A	$ 13,672,785	26.9%

Contract receivables for the year ended December 31, 1999 from major customers exceeding 10% of total contract receivables are as follows:

	Amount	Percentage
Customer A	$ 1,165,347	11.3%

18. COMMITMENTS AND CONTINGENCIES

Legal Actions — The Company is involved from time to time in various claims and legal actions arising in the ordinary course of business. Management believes that the ultimate outcome of these matters will not have a material adverse effect on the Company's consolidated results of operations or financial position.

Self-Insurance — Quality Mechanical is a self-insured employer in the Nevada Workers Compensation Program. The plan is administered by a licensed third party administrator. Quality is indemnified for any loss for workers compensation claims in excess of $300,000 and up to the statutory limit for each accident. In addition, Quality is indemnified for any damages related to workers compensation claims in excess of $300,000 and up to $1,000,000, for each accident. As of December 31, 1999, $175,511 for estimated future claims is recorded in the accompanying consolidated balances sheet in accrued expenses. Quality has provided a letter of credit in the amount of $500,000 as a condition to participate in the self-insured program, which remains outstanding as of December 31, 1999.

Unionized Labor Force — Approximately 50% of the Company's employees belong to Plumbers and Pipefitters Local Number 525, whose contract expires in June 2001. Approximately 33% of the Company's employees belong to Sheetmetal Workers International Local Number 88 whose contract also expires in June 2001.

Defined Contribution 401(k) Profit-Sharing Plan — Quality has a defined contribution profit sharing plan (the "Plan"), which qualifies under Section 401(k) of the Internal Revenue Code. The Plan provides retirement benefits for nonunion employees meeting minimum age and service requirements. Participants may contribute up to 10% of their gross wages, subject to certain limitations. The Plan provides for discretionary matching contributions, as determined by the Quality Board of Directors. The discretionary amounts contributed to the Plan by the Quality Board of Directors for the period March 1, 1999 to December 31, 1999 was approximately $71,900.

Union-administered Benefit Plans — Quality makes contributions to union-administered health and welfare, local and national pensions, and union benefit plans that cover approximately 83% of Quality's employees. Governmental regulations impose certain requirements relative to multi-employer plans. In the event of a plan termination or employer withdrawal, an employer may be liable for a portion of the multi- employer plan's unfunded vested benefits, if any. The Company has not yet received information from the plans' administrators to determine its share of any unfunded vested benefits, if any. The Company does not anticipate withdrawal from the plans, nor is it aware of any expected plan termination's.

Leases — Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of December 31, 1999 are as follows:

Year ending December 31,	Capital Leases	Operating Leases
2000	$ 27,973	$ 347,016
2001	26,595	347,016
2002	25,215	347,016
2003	11,732	347,016
2004	—	57,836
Total minimum lease payments	91,515	$ 1,445,900
Amount representing interest at approximately 11.5%	(15,278)	
Current installments of obligations under capital lease	(20,650)	
Obligations under capital leases, excluding current installments	$ 55,587	

Capital lease obligations are included in the accompanying balance sheets under the caption other long-term debt and capital lease obligations, see Note 11.

Rental expense for operating leases was approximately $11,000 and $455,000 for the period May 21, 1998 (inception) to December 31, 1998 and for the year ended December 31, 1999, respectively.

Employment Agreements — The Company has entered into employment agreements with officers and several employees. The agreements generally provide for the employees to receive a stated minimum salary, guaranteed bonus and stock options. The agreements which contain renewal provisions expire from November 2000 through February 2002.

19. SUBSEQUENT EVENTS

Sale of Company's Common Stock — On March 8, 2000, 100% of the issued and outstanding common stock was sold for approximately $42 million. The Company's shareholders received approximately $29 million and the balance of the proceeds were utilized to repay the Senior Credit Facility, related party notes payable, line of credit, the notes payable and to pay transaction costs.

Notes Receivable Issued for Common Stock — Subsequent to year end proceeds were received from officers', former officer and former employees to repay notes receivable and accrued interest thereon in full issued for common stock.

Stock Purchase Agreement — Subsequent to year end the Stock Purchase Agreement with Quality was amended to reflect an additional cash consideration paid to the buyers of approximately $16,150,000.

20. RECONCILIATION TO CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) which differ in some respects from those used in Canada (Canadian GAAP). These differences in accounting principles as they pertain to the accompanying financial statements are as follows:

Short Term Investments

US GAAP, SFAS No. 115, requires that short-term investments classified as available-for-sale be reported at fair value, with unrealized gains and losses excluded from the determination of earnings and reported in comprehensive income. Canadian GAAP requires that these investments be carried at the lower of cost and market with any unrealized losses which are other than temporary recorded in the consolidated statements of operation.

Accordingly, unrealized losses or investment securities of $3,057 would not be recorded under Canadian GAAP.

Comprehensive Income

US GAAP, SFAS No. 130, requires that companies report comprehensive income as a measure of overall performance. Comprehensive income includes all changes in equity during a period, except those resulting from investments by owners and distributions to owners. There is no similar concept under Canadian GAAP.

Share Acquisition Loans

U.S. GAAP requires that outstanding loans receivable from officers and directors for the acquisition of shares be shown as a deduction from capital stock. Under Canadian GAAP such loans are reflected as assets provided that their recoverability is assured.

Accordingly, loans receivable from officers, employees, and former employees of $436,290 (1998 — $278,969) would be reclassified as assets under Canadian GAAP.

STOCKHOLDERS' EQUITY

	1998	1999
Stockholders' Equity (deficit), December 31st — U.S. GAAP	$ (1,968,593)	$ 253,855
Derecognition of unrealized losses on investment securities	—	3,057
Reclassification of loans to officers, employees and former employees	278,969	436,290
Stockholders' Equity (deficit), December 31st — Canadian GAAP	$ (1,689,624)	$ 693,202

INDEPENDENT AUDITORS' REPORT

Inglett & Stubbs, Inc.
Atlanta, Georgia

We have audited the accompanying balance sheets of Inglett & Stubbs, Inc.(an S Corporation) as of December 31, 1999 and 1998 and the related statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inglett & Stubbs, Inc. at December 31, 1999 and 1998, and the results of its operations and its cash flows for the years than ended in conformity with generally accepted accounting principles.

(Signed) BDO SEIDMAN LLP
Independent Public Accountants

February 22, 2000, except for Note 8 which is as of February 26, 2000

INGLETT & STUBBS, INC.

Balance Sheets
December 31, 1999 And 1998

(in U.S. dollars)

	1999	1998
Assets		
Current		
Cash and cash equivalents (Note 6)	$ 7,811,879	$ 4,281,882
Receivables:		
Contracts, less allowance of $90,000 for possible losses	24,240,296	20,964,941
Retainage	3,938,197	2,830,294
Costs and estimated earnings in excess of billings on incomplete contracts (Note 2)	3,076,818	3,288,288
Prepaid expenses	82,763	16,070
Total current assets	39,149,953	31,381,475
Property and equipment, less accumulated depreciation (Note 3)	703,681	583,122
	$ 39,853,634	$ 31,964,597
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 13,452,568	$ 10,772,670
Accrued expenses	4,995,501	3,769,592
Distributions payable to stockholders	10,253,434	8,571,441
Billings on incomplete contracts in excess of costs and estimated earnings (Note 2)	4,713,506	2,412,269
Total current liabilities	33,415,009	25,525,972
Commitments (Notes 1, 4 and 5)		
Stockholders' equity (Note 8)		
Common stock, $1 par — shares authorized, 500,000; 16,906 and 16,981 outstanding	16,906	16,981
Additional paid-in capital	684,436	726,167
Retained earnings	5,737,283	5,695,477
Total stockholders' equity	6,438,625	6,438,625
	$ 39,853,634	$ 31,964,597

On behalf of the Board:

(Signed) FREDERICK C. GREEN IV
Director

(Signed) JOHN R. NACCARATO
Director

See accompanying summary of accounting policies and notes to financial statements.

INGLETT & STUBBS, INC.

Statements Of Income
Years Ended December 31, 1999 And 1998

(in U.S. dollars)

	1999	1998
Income from contracts	$ 137,377,242	$ 97,384,242
Cost of contracts	118,498,418	81,317,716
Gross profit on contracts	18,878,824	16,066,526
General and administrative expenses (Note 4)	6,519,433	5,306,649
Operating income	12,359,391	10,759,877
Interest income — net	205,163	188,418
Net income	$ 12,564,554	$ 10,948,295

See accompanying summary of accounting policies and notes to financial statements.

INGLETT & STUBBS, INC.

Statements Of Stockholders' Equity
Years Ended December 31, 1999 And 1998

(in U.S. dollars)

	Common stock	Additional paid-in capital	Retained earnings	Total
Balance, at December 31, 1997	$ 16,746	$ 599,862	$ 5,394,901	$ 6,011,509
Cash distributions to stockholders	—	—	(2,076,278)	(2,076,278)
Accrued distributions to stockholders	—	—	(8,571,441)	(8,571,441)
Issuance of common stock	235	126,305	—	126,540
Net income for the year	—	—	10,948,295	10,948,295
Balance, at December 31, 1998	16,981	726,167	5,695,477	6,438,625
Cash distributions to stockholders	—	—	(2,269,314)	(2,269,314)
Accrued distributions to stockholders	—	—	(10,253,434)	(10,253,434)
Purchase of common stock	(1,000)	(589,000)	—	(590,000)
Issuance of common stock	925	547,269	—	548,194
Net income for the year	—	—	12,564,554	12,564,554
Balance, at December 31, 1999	$ 16,906	$ 684,436	$ 5,737,283	$ 6,438,625

See accompanying summary of accounting policies and notes to financial statements.

INGLETT & STUBBS, INC.

Statements Of Cash Flows
Years Ended December 31, 1999 And 1998

(in U.S. dollars)

	1999	1998
Operating activities		
Net income	$12,564,554	$10,948,295
Adjustments to reconcile net income to cash provided by operating activities:		
(Gain)/loss on sale of assets	(9,286)	109,438
Depreciation	316,385	280,648
Changes in current assets and liabilities:		
Receivables	(4,383,258)	(14,542,036)
Costs and estimated earnings in excess of billings on incomplete contracts	211,470	(1,253,367)
Prepaid Expenses	(66,693)	(1,102)
Accounts payable	2,679,898	8,549,739
Accrued expenses	1,225,909	1,421,948
Billings on incomplete contracts in excess of costs and estimated earnings	2,301,237	1,448,184
Cash provided by operating activities	14,840,216	6,961,747
Investing activity		
Additions to property and equipment	(443,608)	(317,007)
Proceeds from sale of property and equipment	15,950	—
Cash used for investing activities	(427,658)	(317,007)
Financing activities		
Distributions paid to stockholders	(10,840,755)	(6,156,043)
Proceeds on issuance of common stock	548,194	126,540
Purchase of common stock	(590,000)	—
Cash used for financing activities	(10,882,561)	(6,029,503)
Net increase in cash	3,529,997	615,237
Cash and cash equivalents, beginning of year	4,281,882	3,666,645
Cash and cash equivalents, end of year	$ 7,811,879	$4,281,882

See accompanying summary of accounting policies and notes to financial statements

INGLETT & STUBBS, INC.

Notes To Financial Statements

(in U.S. dollars)

1. SUMMARY OF ACCOUNTING POLICIES

General Business

Inglett & Stubbs, Inc., (the "Company") is a sub-contractor engaged in the installation and servicing of electrical facilities primarily in the southeastern part of the Unites States.

Basis of Presentation

The financial statements and the notes thereto are prepared in accordance with accounting principles generally accepted in the United States which do not vary in material respects from accounting principles generally accepted in Canada.

Property, Equipment and Depreciation

Property and equipment are stated at cost. Equipment is depreciated primarily on accelerated methods.

Income from Contracts

Income from fixed price contracts is reported on the percentage-of-completion method. Under this method, the percentage of contract revenue to be recognized currently is based on the ratio of costs incurred to date to total estimated contract costs after giving effect to the most recent estimates of cost to complete. Income from time and materials contracts and from guaranteed maximum price contracts is reported based on the cost incurred to date plus the applicable fee percentage. Income from small contracts (work orders) and on service contracts is reported upon completion of the applicable contracts.

Retirement Plans

The Company has a contributory, trusteed profit-sharing plan covering substantially all non-union employees. The annual contribution to the plan is determined by the Board of Directors and is not to exceed 15% of eligible salaries. The Company's contribution to the plan was approximately $262,300 and $208,300 for the years ended December 31, 1999 and 1998, respectively.

The Company also contributes to a multi-employer pension plans jointly administered by industry and union representatives. The Company's contributions were approximately $7,857,400 and $4,866,000 for the years ended December 31, 1999 and 1998, respectively. All of the Company's field employees are subject to a collective bargaining agreement.

Taxes on Income

The Company has elected S Corporation status for income tax purposes and the stockholders include the taxable income of the Company on their individual tax returns. Accordingly, there is no provision for income taxes in the financial statements. Had this election not been made, the Company's income tax expense would have been approximately $4,298,000 and $4,220,000 for the years ended December 31, 1999 and 1998, respectively. It is the Company's policy to distribute to the stockholders, at a minimum amounts equaling the individual income tax liability related to the Company's taxable income.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Examples include estimated costs at completion and the allowance for possible contract losses. Actual results could differ from those estimates.

Supplemental Statement of Cash Flows Information

For the purposes of the accompanying statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Company has accrued distributions of $10,253,434 and $8,571,441 at December 31, 1999 and 1998, respectively, which have been charged to retained earnings and recorded as a current liability.

Reclassifications

Certain reclassifications have been made to the financial statements previously reported for the year ended December 31, 1998 to conform with classifications used in the financial statements for the year ended December 31, 1999.

2. CONTRACTS IN PROGRESS

Information relative to contracts in progress is as follows:

	1999	1998
Costs incurred to date on incomplete contracts	$ 124,601,796	$ 96,241,800
Estimated earnings recognized to date on these contracts	10,506,142	11,217,239
	135,107,938	107,459,039
Less applicable billings	137,662,304	107,075,489
Net amount before work orders	(2,554,366)	383,550
Work orders	917,678	492,469
Net amount	$ (1,636,688)	$ 876,019

Included in accompanying balance sheets under the following captions:

	1999	1998
Costs and estimated earnings in excess of billings on incomplete contracts	$ 3,076,818	$ 3,288,288
Billings on incomplete contracts in excess of costs and estimated earnings	(4,713,506)	(2,412,269)
Net amount	$ (1,636,688)	$ 876,019

3. PROPERTY AND EQUIPMENT

Major classes of property and equipment consisted of the following:

	1999	1998
Automobile and trucks	$ 1,368,174	$ 1,087,626
Equipment	526,845	464,461
Furniture and fixtures	57,977	36,714
	1,952,996	1,588,801
Less accumulated depreciation	1,249,315	1,005,679
Net property and equipment	$ 709,681	$ 583,122

4. COMMITMENTS

(a) Leases

The Company leases its facilities, consisting of land and building, from a partnership whose partners are stockholders of the Company under a lease agreement expiring in December 2014. This lease calls for annual rental payments of $216,000 to be paid on a monthly basis. During 1999 and 1998, the Company leased a different facility from another partnership whose partners are stockholders of the Company. Lease payments to those partnerships during 1999 and 1998 amounted to $236,000 and $60,000, respectively.

(b) Guaranty

The Company has given a limited guaranty to the bank holding the mortgage to the property that is currently being leased by the Company from a partnership whose partners are stockholders of the Company. This guaranty is limited to $431,000.

(c) Year 2000 Issues (Unaudited)

Like other companies, Inglett & Stubbs, Inc. could be adversely affected if the computer systems we, our suppliers or customers use do not properly process and calculate date-related information and data from the period surrounding and including January 1, 2000. This is commonly known as the “Year 2000” issue. Additionally, this issue could impact non-computer systems and devices such as production equipment, elevators, etc. At this time, because of the complexities involved in the issue, management cannot provide assurances that the Year 2000 issue will not have an impact on the Company’s operations.

5. LINE-OF-CREDIT

The Company has a $3,000,000 unsecured line-of-credit agreement with a bank that expires in July 2000. Borrowings under the line bear interest at the bank's prime interest rate (8.5% percent at December 31, 1999). There were no borrowings outstanding during the year. There were no outstanding borrowings under the agreement at December 31, 1999 and 1998.

6. CONCENTRATION OF CREDIT RISK

The Company's cash and cash equivalents in banks exceeds the federally insured deposits limit by $12,256,472 at December 31, 1999.

Major contracts with two organizations account for 22% and 11% respectively, of contracts in progress at December 31, 1999.

7. RELATED PARTY TRANSACTION

During 1999, the Company installed electrical facilities in a building owned by a related partnership whose partners are stockholders of the Company. The Company recognized approximately $273,000 of income from contracts and no gross profit from this job.

8. SUBSEQUENT EVENT

On February 26, 2000, the Company entered into an agreement whereby all of the then outstanding shares of the Company would be purchased by Sunbelt Integrated Trade Services, Inc. ("Sunbelt"). The agreement calls for Sunbelt to pay the holders of Company stock an aggregate initial amount of $53,000,000 (subject to adjustment for the amount by which the Company's stockholders equity differs from a stated base) in cash and notes. The agreement also calls for payment of an additional $22,743,971 in cash or stock of Sunbelt's ultimate parent company, should the aggregate earnings of the Company and several other companies being acquired concurrently meet certain earnings targets over the three year period after acquisition.

Independent Auditors' Report

Inglett & Stubbs, Inc.
Atlanta, Georgia

We have audited the accompanying balance sheets of Inglett & Stubbs, Inc. (an S Corporation) as of December 31, 1998 and 1997 and the related statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inglett & Stubbs, Inc. at December 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

(Signed) BDO SEIDMAN LLP
Independent Public Accountants

March 19, 1999, except
for Note 8(b) which is as of
February 26, 2000

INGLETT & STUBBS, INC.

Balance Sheets
December 31, 1998 And 1997

(in U.S. dollars)

	1998	1997
Assets		
Current		
Cash and cash equivalents (Notes 2 and 7)	$ 4,281,882	$ 3,666,645
Receivables:		
Contracts, less allowance of $90,000 for possible losses	20,964,941	8,643,382
Retainage	2,830,294	602,984
Other	—	7,514
Costs and estimated earnings in excess of billings on incomplete contracts (Note 3)	3,288,288	2,034,921
Prepaid expenses	16,070	14,287
Total current assets	31,381,475	14,969,733
Property and equipment, less accumulated depreciation (Note 4)	583,122	656,201
	$ 31,964,597	$ 15,625,934
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 10,772,670	$2,222,931
Accrued expenses	3,769,592	2,347,644
Distributions payable to stockholders	8,571,441	4,079,765
Billings on incomplete contracts in excess of costs and estimated earnings (Note 3)	2,412,269	964,085
Total current liabilities	25,525,972	9,614,425
Commitments (Notes 1, 5 and 6)		
Stockholders' equity (Note 8)		
Common stock, $1 par — shares authorized, 500,000; 16,981 and 16,746 outstanding	16,981	16,746
Additional paid-in capital	726,167	599,862
Retained earnings	5,695,477	5,394,901
Total stockholders' equity	6,438,625	6,011,509
	$ 31,964,597	$ 15,625,934

On behalf of the Board:

(Signed) Frederick C. Green IV
Director

(Signed) John R. Naccarato
Director

See accompanying summary of accounting policies and notes to financial statements.

INGLETT & STUBBS, INC.

Statements Of Income
Years Ended December 31, 1998 And 1997

(in U.S. dollars)

	1998	1997
Income from contracts	$ 97,384,242	$ 41,835,202
Cost of contracts	81,317,716	32,207,418
Gross profit on contracts	16,066,526	9,627,784
General and administrative expenses (Note 5)	5,306,649	4,239,719
Operating income	10,759,877	5,388,065
Interest income — net	188,418	375,494
Net income	$ 10,948,295	$ 5,763,559

See accompanying summary of accounting policies and notes to financial statements.

INGLETT & STUBBS, INC.

Statements Of Stockholders' Equity
Years Ended December 31, 1998 And 1997

(in U.S. dollars)

	Common stock	Treasury Stock	Additional paid-in capital	Retained earnings	Total
Balance, at December 31, 1996	$16,746	$ —	$ 599,862	$5,108,640	$5,725,248
Cash distributions to stockholders		—	—	(1,397,533)	(1,397,533)
Accrued distributions to stockholders	—	—	—	(4,079,765)	(4,079,765)
Purchase of treasury stock	—	(57,121)	—	—	(57,121)
Issuance of common stock from treasury	—	57,121	—	—	57,121
Net income for the year	—	—	—	5,763,559	5,763,559
Balance, at December 31, 1997	16,746	—	599,862	5,394,901	6,011,509
Cash distributions to stockholders	—	—	—	(2,076,278)	(2,076,278)
Accrued distributions to stockholders	—	—	—	(8,571,441)	(8,571,441)
Issuance of common stock	235	—	126,305	—	126,540
Net income for the year	—	—	—	10,948,295	10,948,295
Balance, at December 31, 1998	$16,981	$ —	$ 726,167	$5,695,477	$6,438,625

See accompanying summary of accounting policies and notes to financial statements.

INGLETT & STUBBS, INC.

Statements Of Cash Flows
Years Ended December 31, 1998 And 1997

(in U.S. dollars)

	Years ended December 31, 1998	1997
Operating activities		
Net income	$ 10,948,295	$5,763,559
Adjustments to reconcile net income to cash (used) provided by operating activities:		
Loss on sale of assets	109,438	7,485
Depreciation	280,648	251,298
Changes in current assets and liabilities:		
Receivables	(14,542,036)	520,755
Costs and estimated earnings in excess of billings on incomplete contracts	(1,253,367)	77,387
Prepaid expenses	(1,102)	80,089
Accounts payable	8,549,739	(5,848,093)
Accrued expenses	1,421,948	(103,082)
Billings on incomplete contracts in excess of costs and estimated earnings	1,448,184	(1,119,778)
Cash (used) provided by operating activities	6,961,747	(370,380)
Investing activity		
Additions to property and equipment	(317,007)	(377,105)
Financing activities		
Distributions paid to stockholders	(6,156,043)	(11,953,654)
Proceeds on issuance of common stock	126,540	—
Purchase of Treasury Stock	—	(57,121)
Issuance of common stock from treasury	—	57,121
Cash used for financing activities	(6,029,503)	(11,953,654)
Net increase (decrease) in cash	615,237	(12,701,139)
Cash and cash equivalents, beginning of year	3,666,645	16,367,784
Cash and cash equivalents, end of year	$ 4,281,882	$ 3,666,645

See accompanying summary of accounting policies and notes to financial statements.

INGLETT & STUBBS, INC.

Notes To Financial Statements

(in U.S. dollars)

1. Summary of Accounting Policies

General Business

Inglett & Stubbs, Inc., (the "Company") is a sub-contractor engaged in the installation and servicing of electrical facilities primarily in the southeastern part of the United States.

Basis of Presentation

The financial statements and the notes thereto are prepared in accordance with accounting principles generally accepted in the United States which do not vary in material respects from accounting principles generally accepted in Canada.

Property, Equipment and Depreciation

Property and equipment are stated at cost. Equipment is depreciated primarily on accelerated methods.

Income from Contracts

Income from fixed price contracts is reported on the percentage-of-completion method. Under this method, the percentage of contract revenue to be recognized currently is based on the ratio of costs incurred to date to total estimated contract costs after giving effect to the most recent estimates of cost to complete. Income from time and materials contracts and from guaranteed maximum price contracts is reported based on the cost incurred to date plus the applicable fee percentage. Income from small contracts (work orders) and on service contracts is reported upon completion of the applicable contracts.

Retirement Plans

The Company has a contributory, trusteed profit-sharing plan covering substantially all non-union employees. The annual contribution to the plan is determined by the Board of Directors and is not to exceed 15% of eligible salaries. The Company's contribution to the plan was approximately $208,300 and $212,700 for the years ended December 31, 1998 and 1997, respectively.

The Company also contributes to a multi-employer pension plan jointly administered by industry and union representatives. The Company's contributions were approximately $4,866,000 and $2,524,000 for the years ended December 31, 1998 and 1997, respectively. All of the Company's field employees are subject to a collective bargaining agreement.

Taxes on Income

The Company has elected S Corporation status for income tax purposes and the stockholders include the taxable income of the Company on their individual tax returns. Accordingly, there is no provision for income taxes in the financial statements. Had this election not been made, the Company's income tax expense would have been approximately $4,220,000 and $1,660,000 for the years ended December 31, 1998 and 1997, respectively. It is the Company's policy to distribute to the stockholders, at a minimum, amounts equaling the individual income tax liability related to the Company's taxable income.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Examples include estimated costs at completion and the allowance for possible contract losses. Actual results could differ from those estimates.

Supplemental Statement of Cash Flows Information

For the purposes of the accompanying statements of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Company has accrued distributions of $8,571,441 and $4,079,765 at December 31, 1998 and 1997, respectively, which have been charged to retained earnings and recorded as a current liability.

Reclassifications

Certain reclassifications have been made to the financial statements previously reported for the year ended December 31, 1997 to conform with classifications used in the financial statements for the year ended December 31, 1998.

2. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following:

	1998	1997
Cash	$4,281,882	$1,366,645
Certificates of deposit and commercial paper	–	2,300,000
	$4,281,882	$3,666,645

3. Contracts in Progress

Information relative to contracts in progress is as follows:

	1998	1997
Costs incurred to date on incomplete contracts	$96,241,800)	$42,811,979
Estimated earnings recognized to date on these contracts	11,217,239	4,519,002
	107,459,039	47,330,981
Less applicable billings	107,075,489	46,816,269
Net amount before work orders	383,550	514,712
Work orders	492,469	556,124
Net amount	$ 876,019	$ 1,070,836

Included in accompanying balance sheets under the following captions:

	1998	1997
Costs and estimated earnings in excess of billings on incomplete contracts	$3,288,288	$2,034,921
Billings on incomplete contracts in excess of costs and estimated earnings	(2,412,269)	(964,085)
Net amount	$ 876,019	$1,070,836

During 1998, the Company installed electrical facilities in a building owned by a partnership whose partners are stockholders of the Company. The Company recognized approximately $273,000 of income from contracts and no gross profit from this job.

4. Property and Equipment

Major classes of property and equipment consisted of the following:

	1998	1997
Automobile and trucks	$1,087,626	$947,804
Equipment	464,461	562,897
Furniture and fixtures	36,714	136,897
Leasehold improvements	–	153,828
	1,588,801	1,801,426
Less accumulated depreciation	1,005,679	1,145,225
Net property and equipment	$ 583,122	$ 656,201

5. Commitments

(a) Leases

Beginning December 1998, the Company leases its facilities, consisting of land and building, from a partnership whose partners are stockholders of the Company under a lease agreement expiring in December 2014. This lease calls for annual rental payments of $216,000 to be paid on a monthly basis. During 1998 and 1997, the Company leased a different facility from another partnership whose partners are stockholders of the Company. Lease payments to the partnership during 1998 and 1997 amounted to $60,000 each year.

(b) Guaranty

The Company has given a limited guaranty to the bank holding the mortgage to the property that is currently being leased by the Company from a partnership whose partners are stockholders of the Company. This guaranty is limited to $431,000.

(c) Year 2000 Issues (Unaudited)

Like other companies, Inglett & Stubbs, Inc. could be adversely affected if the computer systems we, our suppliers or customers use do not properly process and calculate date-related information and data from the period surrounding and including January 1, 2000. This is commonly known as the "Year 2000" issue. Additionally, this issue could impact non-computer systems and devices such as production equipment, elevators, etc. At this time, because of the complexities involved in the issue, management cannot provide assurances that the Year 2000 issue will not have an impact on the Company's operations.

6. Line-of-Credit

The Company has a $1,000,000 unsecured line-of-credit agreement with a bank that expires in July 1999. Borrowings under the line bear interest at the bank's prime interest rate (8.5% percent at December 31, 1998). There were no borrowings outstanding during the year. There were no outstanding borrowings under the agreement at December 31, 1998 and 1997.

7. Concentration of Credit Risk

The Company's cash and cash equivalents in banks exceeds the federally insured deposits limit by $6,059,500 and $2,667,400 at December 31, 1998 and 1997.

Major contracts with two organizations account for 36% and 11% respectively, of contracts in progress at December 31, 1998.

8. Subsequent Events

(a) Purchase of Stock

On January 1, 1999 the Company purchased 1,000 shares of stock from a stockholder for $590,000.

(b) Sale of the Company

On February 26, 2000, the Company entered into an agreement whereby all of the then outstanding shares of the Company would be purchased by Sunbelt Integrated Trade Services, Inc. ("Sunbelt"). The agreement calls for Sunbelt to pay the holders of Company stock an aggregate initial amount of $53,000,000 (subject to adjustment for the amount by which the Company's stockholders equity differs from a stated base) in cash and notes. The agreement also calls for payment of an additional $22,743,971 in cash or stock of Sunbelt's ultimate parent company, should the aggregate earnings of the Company and several other companies being acquired concurrently meet certain earnings targets over the three year period after acquisition.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Quality Mechanical Contractors, Inc.

We have audited the accompanying statements of income and of cash flows of Quality Mechanical Contractors, Inc. (the "Company") for the year ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, such financial statements present fairly, in all material respects, the results of operations and cash flows of the Company for the year ended December 31, 1998 in conformity with accounting principles generally accepted in the United States.

(Signed) DELOITTE & TOUCHE LLP
Independent Public Accountants

March 12, 1999 (except for note 11 for which the date is March 9, 2000)

QUALITY MECHANICAL CONTRACTORS, INC.

Statement Of Income
Year Ended December 31, 1998

(in U.S. dollars)

CONTRACT REVENUES EARNED	$ 90,163,388
COST OF REVENUES EARNED	77,069,251
Gross profit	13,094,137
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	4,681,093
INCOME FROM OPERATIONS	8,413,044
OTHER INCOME (EXPENSE):	
Interest income	574,461
Interest expense	(93,733)
Other income — net	11,220
Other income — net	491,948
INCOME BEFORE INCOME TAXES	8,904,992
PROVISION FOR INCOME TAXES	3,171,859
NET INCOME	$ 5,733,133

See accompanying notes to financial statements.

QUALITY MECHANICAL CONTRACTORS, INC.

Statement Of Cash Flows
Year Ended December 31, 1998

(in U.S. dollars)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 5,733,133
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	322,768
Loss on sale of property and equipment	26,482
Loss on sale of partnership investment	115,746
Gain on sale of marketable securities	(134,782)
Deferred income taxes	(86,756)
Net change in allowance for doubtful accounts	(9,823)
Changes in operating assets and liabilities — net:	
Contract receivables	5,568,690
Income tax receivable	(516,192)
Inventory	(44,317)
Costs and estimated earnings in excess of billings on uncompleted contracts	1,263,908
Other assets	(3,195)
Accounts payable and accrued expenses	(2,020,336)
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,466,543)
Accrued union benefits	285,606
Income taxes payable	(676,901)
Net cash provided by operating activities	7,357,488
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(687,488)
Proceeds from sale of property and equipment	227
Purchase of marketable securities	(3,441,634)
Proceeds from sales of marketable securities	2,018,234
Issuance of notes receivable	(3,230,923)
Repayments of notes receivable	1,502,149
Purchase of investment in real estate	(2,540,440)
Net cash used in investing activities	(6,379,875)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal repayments of long-term debt	(285,423)
Proceeds from long-term debt	59,210
Purchase and retirement of common stock	(145,000)
Proceeds from sale of common stock	133,950
Net cash used in financing activities	(237,263)
NET INCREASE IN CASH AND CASH EQUIVALENTS	740,350
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,445,378
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,185,728
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	$ 90,333
Income taxes	$ 4,450,000
NONCASH FINANCING ACTIVITIES:	
Vehicle acquired under note payable	$ 60,834

See accompanying notes to financial statements.

QUALITY MECHANICAL CONTRACTORS, INC.

Notes To Financial Statements
Year Ended December 31, 1998

(in U.S. dollars)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which, with respect to these financial statements are substantially the same as those generally accepted in Canada.

Nature of Operations — Quality Mechanical Contractors, Inc. (the "Company") was organized in July 1972 as a heating, air conditioning and plumbing contractor doing business in Southern Nevada.

Operating Cycle — The Company's work is performed under cost-plus-fee contracts, fixed-price contracts, and fixed-price contracts modified by incentive and penalty provisions. The length of the contracts varies from one month to approximately 24 months.

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

Concentrations — The majority of the Company's work is performed in the City of Las Vegas, Nevada and the surrounding area. Further, the majority of the Company's work is performed on projects in the gaming industry. See Note 14 for discussion regarding major customers.

Substantially all of the Company's receivables are obligations of companies in the construction business. The Company does not require collateral or other security on most of these accounts. The credit risk on these accounts is controlled through credit approvals, lien rights and payment bonds issued on behalf of general contractors, limits and/or monitoring procedures. The Company reviews its contract receivables and provides allowances periodically.

Contract Revenue Recognition and Contract Cost — Revenues from fixed-price and modified fixed-price construction contracts are recognized on the percentage-of-completion method, measured by the percentage of cost incurred to date to estimated total cost for each contract (the "cost-to-cost method"). Revenues from cost-plus-fee contracts are recognized on the basis of costs incurred during the period plus the fee earned, measured by the cost-to-cost method. The cost-to-cost method is used because management considers expended cost to be the best available measure of progress on these contracts. Profits on contracts are recorded when progress reaches a point where cost and estimate analysis and other evidence are sufficient to estimate results with reasonable accuracy. The Company does not recognize any gross profit amounts related to change order work performed until it is known that those change orders have been approved by the customer. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as insurance, supplies, tools and depreciation. Selling, general and administrative costs are charged to expense as incurred.

Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured.

The asset, "Cost and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

Long-Lived Assets — Management periodically evaluates the carrying value of its long-lived assets, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To the extent the estimated future cash outflows (undiscounted and without interest) attributable to the asset, less estimated future cash outflows, are less than the carrying amount, an impairment loss is recognized. The amount of impairment loss to be recorded is the difference between the asset's carrying value and its estimated fair market value. Management believes no material impairment in long-lived assets exists at December 31, 1998.

Comprehensive Income — On January 1, 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, *Reporting Comprehensive Income.* SFAS No. 130 establishes standards for reporting and presentation of

comprehensive income and its components in a full set of financial statements. Comprehensive income includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. In 1998, comprehensive income consisted of net income and unrealized gains on marketable securities and is presented in the accompanying statement of stockholders' equity. SFAS No. 130 requires additional disclosures in the financial statements; it does not affect the Company's financial position or results of operations.

Financial Instruments — The carrying amounts reported in the balance sheet for cash and cash equivalents, contract receivables, notes receivable, accounts payable and accrued expenses, and accrued union benefits approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amounts reported for the Company's line of credit and long-term debt approximate fair value due to interest rates, which are comparable to current rates.

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instrument; they are subjective in nature and involve uncertainties and matters of judgment and, therefore, cannot be determined with precision. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular instrument. Changes in assumptions could significantly affect these estimates.

Cash and Cash Equivalents — Cash and cash equivalents are short-term, highly liquid investments that are both readily convertible into known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. At times, such investments may be in excess of the Federal Depository Insurance Coverage limits. However, the Company does not believe it is exposed to any significant credit risk on cash and cash equivalents. For purposes of the statement of cash flows, the Company considers such investments with a maturity of three months or less to be cash equivalents.

Marketable Securities — The Company's marketable securities have been classified as available-for-sale and stated at market value, with unrealized gains and losses, net of income tax effects, excluded from income and reported as a separate component of other comprehensive income and stockholders' equity. Market value is determined by the most recently traded price of the security at the balance sheet date. Net realized gains or losses are determined on the specific identification cost method.

Unrealized gains and losses at December 31, 1998 are $39,208 and $8,397, respectively. Realized gains totaled $134,782 for the year ended December 31, 1998 and are included in other income in the accompanying statement of income.

Inventory — Inventory consists primarily of purchased materials and supplies. The inventory is valued at the lower of cost or market, with cost determined on a first-in, first-out ("FIFO") basis.

Notes Receivable — Notes receivable are recorded at cost, less the related allowance for impaired notes receivable. Management, considering current information and events regarding the borrowers' ability to repay their obligations, considers a note to be impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the note agreement. Impairment losses are included in the allowance for doubtful accounts through a charge to bad debt expense. Cash receipts on impaired notes receivable are applied to reduce the principal amount of such notes until the principal has been recovered and are recognized as interest income, thereafter.

Property, Equipment, and Depreciation — Property and equipment are stated at cost. Equipment under capital leases is stated at the present value of future minimum lease payments. Depreciation and amortization is provided in amounts sufficient to allocate the cost of depreciable or amortizable assets to operations over their estimated service lives using the straight-line method. The estimated service lives are generally as follows:

Shop tools and equipment	5-10 years
Vehicles	5-7 years
Office furniture and equipment	3-7 years
Leasehold improvements	5-10 years

Income Taxes — The Company accounts for income taxes under the asset and liability method. Under this method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in income in the period that the change in the rate is enacted.

2. COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Costs and estimated earnings on uncompleted contracts at December 31, 1998 are summarized as follows:

Costs incurred on uncompleted contracts	$ 99,177,751
Estimated earnings	13,741,246
	112,918,997
Less billings to date	(116,827,326)
	$ (3,908,329)

Included in the accompanying balance sheet are the following captions and amounts:

Costs and estimated earnings in excess of billings on uncompleted contracts	$	1,353,358
Billings in excess of costs and estimated earnings on uncompleted contracts		(5,261,687)
	$	(3,908,329)

3. NOTES RECEIVABLE

Notes receivable outstanding at December 31, 1998 are summarized as follows:

Unsecured notes receivable from employees. Maturities range from 12 months to 120 months. Monthly payments are required including interest at the rate of 9.75% to 10% per annum	$	18,419
Notes receivable from a mortgage company; collateralized by real estate. Monthly payments are required, including interest at the rate of 13% to 14% per annum. The notes mature in 1999		1,787,498
Contract receivable from a related party; collateralized by real estate. Monthly payments are $7,142 with interest at the rate of 6.75%		1,042,779
Total		2,848,696
Less current portion		(1,807,337)
	$	1,041,359

4. LINE OF CREDIT

The Company has a line of credit arrangement with a bank, under which it may borrow, on an unsecured basis, up to an aggregate of $4,000,000 as of December 31, 1998, with interest at the bank's prime rate plus 0.50%. An unused commitment fee of 0.10% per annum is assessed quarterly on the average unused loan balance. The line of credit available at December 31, 1998 was $3,783,000, net of a $217,000 letter of credit issued as a condition to participate in a self-insured workers compensation program. The line of credit is guaranteed by the Company's majority stockholder. The line of credit contains a provision restricting the payment of dividends without the prior written consent of the lender. There were no borrowings outstanding under this arrangement at December 31, 1998.

The line of credit was terminated in connection with the sale of the Company in February 1999 (see Note 15).

5. LONG-TERM DEBT

Long-term debt at December 31, 1998 is summarized as follows:

Life insurance policy loans collateralized by cash surrender value of policies. Interest rate is 6-8%	$	38,854
Notes payable collateralized by vehicles. Monthly payments are $946 with interest at 5.9% per annum. Due August 2001		27,946
Note payable collateralized by a vehicle. Monthly payments for the first year are $1,507 and are reduced each year of the four-year term. The interest rate is 6.2%. The final payment of $1,275 is due February 2002		46,098
Note payable collateralized by equipment. Monthly principal payments are $10,417. Interest is payable monthly at the rate of 7.9%. The note is due January 31, 2002. Interest is charged as a penalty on any accelerated principal payments. The note payable is guaranteed by the majority stockholder. The loan agreement contains various covenants		375,000
Note payable to retired employee (related party) due September 2004. Monthly payments are $12,900 with interest at 5.82%		660,608
		1,148,506
Less current portion		(269,088)
Total	$	879,418

Maturities of long-term debt for years subsequent to December 31, 1998 are summarized as follows:

1999	$	269,088
2000		277,140
2001		281,872
2002		143,569
2003		137,983
Thereafter		38,854
	$	1,148,506

6. EMPLOYEE BENEFIT PLANS

Defined Contribution 401(k) Profit-Sharing Plan — The Company has a defined contribution profit sharing plan, which qualifies under Section 401(k) of the Internal Revenue Code. The plan provides retirement benefits for nonunion employees meeting minimum age and service requirements. Participants may contribute up to 10% of their gross wages, subject to certain limitations. The plan provides for discretionary matching contributions, as determined by the Board of Directors, to be made by the Company. The discretionary amounts contributed to the plan by the Company for the year ended December 31, 1998 were $88,709. In addition, the Company elected to make profit sharing contributions to the plan for the year ended December 31, 1998 of $63,000.

Union-Administered Benefit Plans — The Company makes contributions to union-administered health and welfare, local and national pensions, and union benefit plans that cover approximately 91% of the Company's employees. During the year ended December 31, 1998, the Company contributed $2,517,504, $2,631,111, and $1,099,685 to health and welfare plans, local and national pensions, and union benefit plans, respectively. Governmental regulations impose certain requirements relative to multi-employer plans. In the event of a plan termination or employer withdrawal, an employer may be liable for a portion of the multi-employer plan's unfunded vested benefits, if any. The Company has not yet received information from the plans' administrators to determine its share of any unfunded vested benefits, if any. The Company does not anticipate withdrawal from the plans, nor is the Company aware of any expected plan terminations.

7. INCOME TAXES

The provision (benefit) for income taxes for the year ended December 31, 1998 is summarized as follows:

Current federal	$	3,258,615
Deferred federal		(86,756)
Total provision for income taxes	$	3,171,859

Income tax expense differed from the amount computed by applying the U.S. federal corporate income tax rate of 35% to income before income taxes for the year ended December 31, 1998 as follows:

Computed "expected" tax expense	$	3,116,747
Nondeductible expenses		55,112
	$	3,171,859

The accompanying financial statements do not include a provision for state income tax as the Company's income is earned in Nevada, which does not have a corporate income tax.

The tax effect of temporary differences between the income tax bases of assets and liabilities and the financial statement reporting amounts, which result in the recognition of deferred tax assets and liabilities, are as follows:

Deferred tax assets — current:		
Allowance for doubtful accounts	$	151,370
Accrued workers' compensation		54,324
Accrued warranty expense		56,875
Allowance for loss contracts		109,295
Total deferred tax assets — current	$	371,864
Deferred tax liabilities — noncurrent:		
Property and equipment principally due to differences in depreciation		117,782
Installment sale of building		35,152
Unrealized gain on marketable securities		10,784
Total deferred tax liabilities — noncurrent	$	163,718

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods that the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences.

8. COMMITMENTS AND CONTINGENCIES

Legal Actions — The Company is involved in various legal actions that have arisen in the ordinary course of business. While any litigation contains an element of uncertainty, management is of the opinion that none of these matters will have material adverse effect on the financial condition or results of operations of the Company.

Self-Insurance — The Company is a self-insured employer in the Nevada Workers Compensation Program. The plan is administered by a licensed third party administrator. The Company is indemnified for any loss for workers compensation claims in excess of $300,000 and up to the statutory limit for each accident. In addition, the Company is indemnified for

any damages related to workers compensation claims in excess of $300,000 and up to $1,000,000 for each accident. A $155,211 liability for estimated future claims expense is recorded in accrued expenses in the accompanying balance sheet. The Company has provided a letter of credit in the amount of $217,000 as a condition to participate in the self-insured program, which remains outstanding as of December 31, 1998.

Unionized Labor Force — Approximately 61% of the Company's employees belong to Plumbers and Pipefitters Local Number 525, whose contract expires in June 2001. Approximately 30% of the Company's employees belong to Sheetmetal Workers International Local Number 88, whose contract also expires in June 2001.

Leases — The following is a schedule of future minimum lease payments required under operating leases, including those with related parties as more fully described in Note 13, that have initial or remaining noncancelable lease terms in excess of one year at December 31, 1998:

1999	$ 390,520
2000	405,394
2001	413,116
2002	431,189
2003	441,660
Thereafter	1,507,849
	$ 3,589,728

Rental expense for operating leases was approximately $390,000 for the year ended December 31, 1998.

The Company leases their office space and production facilities from a related party, as more fully described in Note 13. These leases have been classified as operating leases.

Claims — The Company is currently in negotiations with respect to claims on work previously performed. Such amounts, consisting of three claims, total approximately $3,400,000 at December 31, 1998. The Company has recorded the costs associated with this work and has not recognized revenue on the pending claims. There are no assurances that the Company will prevail in these matters.

Executive Employment Agreements — The Company has entered into three employment agreements, two with related parties, which expire in five years. The terms of the agreements stipulate either party can terminate the agreement for any reason by giving notice sixty-days prior to the renewal date. In connection with the sale of the Company, as indicated in Note 15, these agreements have been terminated.

Stock Purchase Agreement — In January 1993, the Company and certain stockholders entered into a stock purchase agreement ("Agreement"). As set forth in the Agreement, upon the death or total permanent disability of a stockholder, the Company shall within ninety days proceed to purchase all of the said stockholder's stock in the Company at fair value as determined by the Agreement. It is the intent of the parties that the proceeds of any life insurance policies pertaining to this Agreement shall be used to complete the purchase of said stockholder's stock. In connection with the sale of the Company, as indicated in Note 15, this agreement has been terminated.

9. TRANSACTIONS WITH A RELATED PARTY

The Company leases its office space, production facilities and certain equipment from a related party. These multiple lease agreements require base monthly payments of $32,050 at December 31, 1998, and have been classified as operating leases. These leases require the Company to provide insurance, repairs and maintenance, and to pay real estate taxes on the leased property. These leases expire at various dates through July 2006. Lease expense for the year ended December 31, 1998 incurred under these agreements was $384,600.

10. SIGNIFICANT CUSTOMERS

Revenues earned for the year ended December 31, 1998 include approximately $82,000,000 from two significant customers, which represent approximately 88% of total revenues earned.

11. SUBSEQUENT EVENT

In February 1999, the Company was sold to Sunbelt Integrated Trade Services, Inc. ("Sunbelt") for cash and shares of Sunbelt common stock.

Independent Auditors' Report

Board of Directors
Quality Mechanical Contractors, Inc.

We have audited the accompanying balance sheets of Quality Mechanical Contractors, Inc. as of June 30, 1998 and 1997, and the related statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended June 30, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Quality Mechanical Contractors, Inc. as of June 30, 1998 and 1997 and the results of its operations and its cash flows for each of the years in the three-year period ended June 30, 1998 in conformity with United States generally accepted accounting principles.

(Signed) KPMG LLP
Independent Public Accountants

Las Vegas, Nevada
December 31, 1998

QUALITY MECHANICAL CONTRACTORS, INC.

Balance Sheets
June 30, 1998 And 1997

(in U.S. dollars)

	1998	1997
Assets		
Current assets:		
Cash and cash equivalents	$ 4,593,779	8,499
Contract receivables, net	14,264,446	12,811,824
Costs and estimated earnings in excess of billings on uncompleted contracts	971,933	2,537,425
Notes receivable, current portion:		
Related party	15,190	43,912
Other	656,308	4,258
Other receivables	3,710	1,855
Income tax receivable	—	290,293
Deferred income taxes	338,990	236,420
Total current assets	20,844,356	15,934,486
Contract receivable, retainage	842,015	—
Notes receivable, less current installments, net:		
Related party	1,036,325	1,051,515
Other	1,015,865	18,078
Investments	170,056	179,236
Property and equipment, at cost:		
Leasehold improvements	226,660	192,860
Autos, trucks and trailers	824,551	631,922
Office furniture and equipment	572,693	487,223
Shop tools and equipment	2,158,760	1,649,921
	3,782,664	2,961,926
Less accumulated depreciation and amortization	(2,051,966)	(1,893,186)
Total property and equipment	1,730,698	1,068,740
Other assets	186,310	193,121
	$ 25,825,625	18,445,176

(Continued)

QUALITY MECHANICAL CONTRACTORS, INC.

Balance Sheets
June 30, 1998 And 1997

(in U.S. dollars)

	1998	1997
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank overdraft	$ —	116,407
Line of credit	—	1,637,520
Current maturities of long-term debt and capital lease obligations	265,577	95,898
Accounts payable	2,970,874	5,263,707
Allowance for loss contracts	415,223	—
Accrued expenses	1,749,985	1,428,141
Income tax payable	2,600,956	—
Billings in excess of costs and estimated earnings on uncompleted contracts	4,508,669	2,812,883
Total current liabilities	12,511,284	11,354,556
Long-term debt and capital lease obligations, less current maturities	1,014,451	873,530
Deferred income taxes	148,982	96,622
Total liabilities	13,674,717	12,324,708
Commitments and contingencies		
Shareholders' equity:		
Common stock, 50,000 shares authorized, 11,842 shares and 12,092 shares issued and outstanding, at $1.00 par value	11,842	12,092
Additional paid-in capital	308,279	453,029
Retained earnings	12,819,077	6,643,637
Treasury stock, 1,800 common shares, at cost	(988,290)	(988,290)
Total shareholders' equity	12,150,908	6,120,468
	$ 25,825,625	18,445,176

On behalf of the Board:

(Signed) FREDERICK C. GREEN IV
Director

(Signed) JOHN R. NACCARATO
Director

See accompanying notes to financial statements.

QUALITY MECHANICAL CONTRACTORS, INC.

Statements Of Operations
Years Ended June 30, 1998, 1997 And 1996

(in U.S. dollars)

	1998	1997	1996
Contract revenues earned	$ 83,606,672	53,434,549	35,916,920
Cost of contract revenues earned	70,211,252	48,607,207	31,137,737
Gross profit	13,395,420	4,827,342	4,779,183
Selling, general and administrative expenses	3,871,267	3,940,898	3,366,361
Depreciation expense	271,807	225,170	182,536
Income from operations	9,252,346	661,274	1,230,286
Other income (expense):			
Interest income	261,560	131,490	123,308
Interest expense	(119,372)	(92,834)	(12,744)
Other income (expense), net	1,843	49,296	(14,404)
Other income (expense), net	144,031	87,952	96,160
Income before income taxes	9,396,377	749,226	1,326,446
Provision for income taxes (note 10)	3,220,937	256,772	470,228
Net income	$ 6,175,440	492,454	856,218

See accompanying notes to financial statements.

QUALITY MECHANICAL CONTRACTORS, INC.

Statements Of Shareholders' Equity
Years Ended June 30, 1998, 1997 And 1996

(In U.S. dollars)

	Common Stock		Additional paid-in capital	Retained earnings	Treasury Stock	Total shareholders' equity
	Shares	Dollars				
Balances at June 30, 1995	12,070	$ 12,070	440,971	5,294,965	—	5,748,006
Net income	—	—	—	856,218	—	856,218
Issuance of common stock (note 9)	22	22	12,058	—	—	
Balances at June 30, 1996	12,092	12,092	453,029	6,151,183	—	6,616,304
Net income	—	—	—	492,454	—	492,454
Purchase of 1,800 shares of common stock (note 9)	—	—	—	—	(988,290)	
Balances at June 30, 1997	12,092	12,092	453,029	6,643,637	(998,290)	6,120,468
Net income	—	—	—	6,175,440	—	6,175,440
Purchase and retirement of common stock (note 9)	(250)	(250)	(144,750)	—	—	
Balances at June 30, 1998	11,842	$	308,279	12,819,077	(998,290)	

See accompanying notes to financial statements.

QUALITY MECHANICAL CONTRACTORS, INC.

Statements Of Cash Flows
Years Ended June 30, 1998, 1997 And 1996

(in U.S. dollars)

	1998	1997	1996
Cash flows from operating activities:			
Net income	$ 6,175,440	492,454	856,218
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Loss on sale of property and equipment	2,918	10,420	2,620
Depreciation and amortization	271,807	225,170	182,536
Deferred income taxes	(50,210)	(30,539)	(40,009)
Allowance for loss contracts	415,223	—	—
Changes in operating assets and liabilities:			
Contract receivables	(2,294,637)	(5,681,254)	(2,319,849)
Net increase (decrease) in billings related to costs and estimated earnings on uncompleted contracts	3,261,278	(1,053,424)	372,129
Prepaid expenses	—	28,203	(28,203)
Accounts payable	(2,292,833)	3,138,115	1,049,902
Accrued expenses	321,844	544,154	(563,135)
Income tax payable/receivable	2,891,249	(464,450)	709,351
Net cash provided by (used in) operating activities	8,702,079	(2,791,151)	221,560
Cash flows from investing activities:			
Purchase of property and equipment	(964,275)	(742,753)	(218,259)
Proceeds from sale of property and equipment	27,592	250	10,665
Issuance of note receivable	(1,750,000)	(21,846)	—
Other receivables, net	(1,855)	11,684	(2,804)
Collections of notes receivable	144,075	—	189,662
Sales (purchase) of marketable securities, net	—	907,133	(907,133)
Other assets, net	15,991	4,737	40,755
Net cash provided by (used in) investing activities	(2,528,472)	159,205	(887,114)
Cash flows from financing activities:			
Principal repayments of long-term debt	(288,967)	(82,860)	—
Proceeds from long-term debt	599,567	—	—
Bank overdraft	(116,407)	116,407	—
Net (repayment of) proceeds form line of credit	(1,637,520)	1,637,520	(300,000)
Purchase and retirement of common stock	(145,000)	—	—
Proceeds from sale of common stock	—	—	12,080
Net cash provided by (used in) financing activities	(1,588,327)	1,671,067	(287,920)
Net increase (decrease) in cash and cash equivalents	4,585,280	(960,879)	(953,474)
Cash and cash equivalents at beginning of year	8,499	969,378	1,922,852
Cash and cash equivalents at end of year	$ 4,593,779	8,499	969,378
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$ 125,527	85,492	25,449
Income taxes	$ 381,380	754,058	350,000
Supplemental non-cash investing and financing activities:			
Note payable to related party in connection with acquisition of Company's common stock	$ —	988,290	—

See accompanying notes to financial statements.

QUALITY MECHANICAL CONTRACTORS, INC.

Notes To Financial Statements
June 30, 1998, 1997 And 1996

(in U.S. dollars)

1. Organization and Summary of Significant Accounting Policies

Organization

Quality Mechanical Contractors, Inc. (the "Company") was organized in July 1972 as a heating, air conditioning and plumbing contractor doing business in southern Nevada, United States. The Company's work is primarily performed under fixed-price contracts, fixed-price contracts modified by incentive and penalty provisions and cost plus contracts. The length of the contracts varies from one month to approximately 24 months.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible into known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. At times, such investments may be in excess of the Federal Depository Insurance Coverage limits. However, the Company does not believe it is exposed to any significant credit risk on cash and cash equivalents. The Company's uninsured cash balances at June 30, 1998 were $4,470,614. For purposes of the statement of cash flows, the Company considers such investments with a maturity of three months or less to be cash equivalents.

Notes Receivable

Notes receivable are recorded at cost, less the related allowance for impaired notes receivable. Management, considering current information and events regarding the borrowers' ability to repay their obligations, considers a note to be impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the note agreement. Impairment losses are included in the allowance for doubtful accounts through a charge to bad debt expense. Cash receipts on impaired notes receivable are applied to reduce the principal amount of such notes until the principal has been recovered and are recognized as interest income, thereafter.

Property and Equipment

Property and equipment are stated at cost. Equipment under capital leases is stated at the present value of minimum lease payments.

Depreciation and amortization is provided in amounts sufficient to allocate the cost of depreciable or amortizable assets to operations over their estimated service lives using the straight-line method.

The estimated service lives are generally as follows:

Leasehold improvements	3-15 years
Autos, trucks and trailers	5 years
Office furniture and equipment	3-10 years
Shop tools and equipment	5 years

Income Taxes

The Company follows the asset and liability method in which 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. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Contract Revenue Recognition and Contract Costs

Contract revenues are recognized on the percentage-of-completion method. Under this method, the percentage of completion of each job is the proportion of the costs incurred to date compared to current estimates of total cost. This percentage is applied to the total contract price to determine the amounts of revenue earned on fixed price contracts. Revenues from cost plus contracts are recognized on the basis of costs incurred as set forth in the contract during the period

plus the fee earned. At the time a loss on a contract becomes known, the entire amount of the estimated loss is recorded. The Company does not recognize any gross profit amounts related to change order work performed until it is known that those change orders have been approved by the customer. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Selling, general and administrative costs are charged to expense as incurred.

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts", represents revenues recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts", represents contract billings in excess of revenues recognized.

Concentration of Credit Risk

As of June 30, 1998, substantially all of the Company's receivables are obligations of companies in the construction business. The Company does not require collateral or other security on most of these accounts. The credit risk on these accounts is controlled through credit approvals, lien rights and payment bonds issued on behalf of general contractors, limits and/or monitoring procedures.

Use of Estimates

The financial statements have been prepared in accordance with United States generally accepted accounting principles. The accounting principles are in significant conformity with Canadian generally accepted accounting principles.

In conformity with United States generally accepted accounting principles, management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of these financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Impairment Recognition

Management periodically evaluates the carrying value of its long-lived assets, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To the extent the estimated future cash inflows (undiscounted and without interest) attributable to the asset, less estimated future cash outflows, is less than the carrying amount, an impairment loss is recognized. The amount of impairment loss to be recorded is the difference between the assets carrying value and its estimated fair market value. Management believes no material impairment in the value of long-lived assets exists at June 30, 1998.

Financial Instruments

Balance Sheet Financial Instruments — The carrying amounts reported in the balance sheets for cash and cash equivalents, contract receivables, accounts payable and accrued expenses approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amounts reported for the Company's line of credit and long-term debt approximate fair value due to interest rates which are comparable to current rates.

Reclassifications

Certain reclassifications have been made to the 1997 and 1996 financial statements to conform with the 1998 presentation.

Recently Issued Accounting Pronouncements

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 130, *Reporting Comprehensive Income* (SFAS No. 130). SFAS No. 130 requires companies to classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity sections of a statement of financial position and is effective for financial statements issued for fiscal years beginning after December 15, 1997. The Company is currently assessing the impact on the accompanying financial statements and believes that SFAS No. 130 will not result in comprehensive income different from net income as reported in the accompanying financial statements. SFAS No. 130 is a disclosure item only and will have no impact on the Company's financial position or results of operations.

In June 1997, the FASB issued SFAS No. 131, *Disclosure About Segments of an Enterprise and Related Information* (SFAS No. 131). SFAS No. 131 also establishes standards for related disclosures about products and services, geographic areas and major customers and will supersede SFAS No. 14, *Financial Reporting for Segments of a Business Enterprise.* This new standard becomes effective for years beginning after December 15, 1997. This is a disclosure item only and will have no impact on the Company's financial position or results of operations.

Statement of Position 98-5, *Reporting on Costs of Start-up Activities* (SOP 98-5) requires the costs of start-up activities and organizational costs to be expensed as incurred. SOP 98-5 is effective for fiscal years beginning after December 15, 1998. The adoption of SOP 98-5 is not expected to have a material effect on the Company's financial position or results of operations.

2. Contract Receivables

Contract receivables at June 30, 1998 and 1997 are summarized as follows:

	1998	1997
Completed contracts:		
Currently due	$ 1,226,939	8,652,577
Retainage	682,655	2,417
Contracts in progress:		
Currently due	9,436,792	1,281,604
Retainage	3,874,187	3,075,704
	15,220,573	13,012,302
Less allowance for doubtful accounts	(114,112)	(200,478)
Less retainage due in October 1999	(842,015)	—
	$ 14,264,446	12,811,824

As of June 30, 1998, $6,150,211 or 40.7% of the accounts receivable/retention balance is due from Perini Building Company on the Paris Hotel and Casino Project. In addition, $3,514,483 or 23.3% is due from Lehrer McGovern Bovis, Inc. on the Sands Tower Project. As of June 30, 1997, $5,438,552 or 42.4% of the accounts receivable/retention is due from Perini Building Company primarily for the McCarren International Airport Satellite D Project.

The activity in the allowance for doubtful accounts for contract receivables for the years ended June 30, 1998, 1997 and 1996 are summarized as follows:

	1998	1997	1996
Allowance for doubtful accounts at beginning of year	$ 200,478	197,128	209,673
Additions to (recoveries of) bad debt expense	(86,366)	3,350	(12,545)
Allowance for doubtful accounts at end of year	$ 114,112	200,478	197,128

3. Notes Receivable

Notes receivable outstanding at June 30, 1998 and 1997 are summarized as follows:

	1998	1997
Notes receivable from Del Mar Mortgage, Inc. is due at the monthly rate of 9% per annum. The note is due on demand and is unsecured	$ 1,000,000	—
Notes receivable from Del Mar Mortgage, Inc., secured by real estate. Interest is due monthly at the rate of 13% per annum. The notes mature in March 1999	650,000	—
Note receivable from J&M Spilsbury Investment Co. (a related party through common ownership of shareholder of the Company). Secured by real estate. Monthly payments are 7,142 with interest at the rate of 6.5% per annum	1,051,515	1,065,716
Notes receivable from employees. Maturities range from 12 months to 120 months. Monthly payments are required including interest at the rate of 9.75% per annum	22,173	22,336
Notes receivable from shareholders. Due on demand with no interest	—	29,711
	2,723,688	1,117,763
Less current portion	(671,498)	(48,170)
	$2,052,190	1,069,593

Subsequent to June 30, 1998, the $1,000,000 note receivable from Del Mar Mortgage, Inc. was rolled into three separate notes secured by real estate. The three notes receivable totaled $700,000, $150,000 and $150,000 with the interest rate of 13%, 13% and 14%, respectively. The $700,000 note receivable matures in August 1999 and the two $150,000 notes receivable mature in September 1999.

4. Costs and Estimated Earnings on Uncompleted Contracts

Costs and estimated earnings on uncompleted contracts at June 30, 1998 and 1997 are summarized as follows:

	1998	1997
Costs incurred on uncompleted contracts	$ 64,483,332	51,947,830
Estimated earnings	9,927,811	3,847,841
	74,411,143	55,795,671
Less billings to date	77,947,879	56,071,129
	$ (3,536,736)	(275,458)

Included in the accompanying balance sheets under the following captions:

	1998	1997
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 971,933	2,537,425
Billings in excess of costs and estimated earnings on uncompleted contracts	4,508,669	2,812,883
	$ (3,536,736)	(275,458)

5. Investments

The Company owns a 19.42% limited partnership interest in Copperpointe, Ltd. The partnership owns a commercial real estate development in Las Vegas, Nevada. The Company is not liable for any additional capital contributions.

The Company owns a 9.055% interest in Emerald River Contractors, LLC. The partnership owns undeveloped real estate in Laughlin, Nevada. The Company is subject to partnership assessments to pay operating expenses. No assessments were made during the years ended June 30, 1998, 1997 and 1996, respectively.

Both investments are carried on the cost method.

6. Other Assets

Other assets consists of the following at June 30, 1998 and 1997:

	1998	1997
Cash surrender value of life insurance	$ 185,910	187,930
Other	400	5,191
	$ 186,310	193,121

7. Line of Credit

The Company has a line of credit arrangement with a bank, under which it may borrow, on an unsecured basis, up to an aggregate of $4,000,000 as of June 30, 1998, with interest at the bank's prime rate plus 0.5% (9.5% at June 30, 1998). The line of credit expires October 1999. There were no borrowings outstanding under this arrangement as of June 30, 1998. The line of credit available at June 30, 1998 was $3,783,000, net of $217,000 letter of credit issued as a condition to participate in self-insured workers compensation program. The total balance outstanding under the line of credit was $1,637,520 at June 30, 1997. The line of credit is guaranteed by Jerry Spilsbury, a majority shareholder.

The line of credit contains a provision restricting the payment of dividends without the prior written consent of the lender.

8. Long-Term Debt and Capital Lease Obligations

Long-term debt and capital lease obligations are summarized as follows:

	1998	1997
Life insurance policy loans secured by cash surrender value of policies. Interest rate is 6-8% (note 6)	$ 38,853	63,998
Notes payable secured by vehicles. Monthly payments are $946 with interest at 5.9% per annum. Due August 2001	32,715	—
Lease obligations payable secured by vehicle. Monthly payments for the first year are $1,507 and are reduced each year of the four-year term. The implicit interest rate is 6.2%. The final payment of $1,275 is due February 2002	53,150	—
Note payable secured by equipment. Monthly principal payments are $10,417. Interest is payable monthly at the rate of 7.9%. The note is due January 31, 2002. Interest is charged as a penalty on any accelerated principal payments. The note payable is guaranteed by Jerry Spilsbury, majority shareholder. The note payable contains restrictions on working capital, tangible net worth, total liabilities to tangible net worth, earnings before interest, taxes, depreciation and amortization (EBITDA), change of ownership and lawsuits brought against the Company	437,500	—
Note payable to retired employee (related party) due September 2004. Monthly payments are $12,900 with interest at 5.82% (note 9)	717,810	905,430
	1,280,028	969,428
Less current portion	(265,577)	(95,898)
	$ 1,014,451	873,530

Maturities of long-term debt and capital lease obligations for years subsequent to June 30, 1998 are summarized as follows:

1999	$ 265,577
2000	273,097
2001	281,068
2002	211,294
2003	146,435
Thereafter	102,557
	$ 1,280,028

9. Shareholders' Equity

The Company sold 22 shares of common stock to two employees (related parties) for cash aggregating $12,080 on June 30, 1996. The value of the stock was $549.05 per share.

The Company purchased 1,800 shares of common stock from a retiring employee (related party) on September 17, 1996. The cost of the stock was $549.05 per share which will be paid over eight years. Monthly payments are $12,900 including interest at 5.82% per annum. The shares will be held as treasury stock until they are paid in full.

The Company purchased 250 shares of common stock from a retiring member of the Board of Directors (related party) for cash aggregating $145,000 on April 28, 1998. The cost of the stock was $580 per share.

10. Income Taxes

The provision for income tax expense for the years ended June 30, 1998, 1997 and 1996 is summarized as follows:

	1998	1997	1996
Current federal	$2,543,815	225,205	487,844
Deferred federal	49,696)	(69,066)	(54,526)
Total provision for income taxes	$2,494,119	156,139	433,318

Actual income tax expense differed from the "expected" income tax expense (computed by applying the United States federal corporate income tax rate of 35% to income before income taxes) for the years ended June 30, 1998, 1997 and 1996 as follows:

	1998	1997	1996
Computed "expected" tax expense	$ 2,491,502	111,077	414,931
Nondeductible expenses	2,617	45,062	18,387
	$ 2,494,119	156,139	433,318

The accompanying financial statements do not include a provision for state income tax as the Company's income is earned in Nevada, which does not have a corporate income tax.

The tax effect of temporary differences between the income tax bases of assets and liabilities and the financial statement reporting amounts which result in the recognition of deferred tax assets and liabilities are as follows:

	1998	1997
Deferred tax assets:		
Allowance for doubtful accounts	$ 295,528	200,724
Accrued liability, workers compensation claims estimate	94,903	108,800
Allowance for loss contracts	1,776	—
Total deferred tax assets	392,207	309,524
Deferred tax liabilities:		
Property and equipment principally due to differences in depreciation	92,414	59,346
Installment sale of building	34,434	34,515
Total deferred tax liabilities	126,848	93,861
Net deferred tax asset	$ 265,359	215,663

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods, which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences.

11. Related Party Transactions

The Company leases its office space and production facilities from a related party. These multiple lease agreements require base monthly payments of $35,100 at June 30, 1998. These leases require the Company to provide insurance, repairs and maintenance, and to pay real estate taxes on the leased property. These leases expire at various dates through July 2006. Lease expense for the years ended June 30, 1998, 1997 and 1996 incurred under these agreements was $410,546, $349,008 and $334,248, respectively.

12. Backlog

The following is a reconciliation of backlog work to be performed under signed contracts in existence at June 30, 1998:

Balance, June 30, 1997	$ 20,074,000
Contract adjustments and new contracts	122,097,672
Less contract revenue earned in 1998	(83,606,672)
Balance, June 30, 1998	$ 58,565,000

13. Commitments and Contingencies

(a) Leases

The Company leases their office space and production facilities from a related party, as more fully described in Note 11. These leases have been classified as operating leases.

The following is a schedule of future minimum lease payments required under operating leases, including those with related parties as more fully described in Note 11, that have initial or remaining noncancelable lease terms in excess of one year at June 30, 1998:

1999	$ 404,160
2000	379,259
2001	387,582
2002	344,136
2003	362,460
Thereafter	1,119,559
	$2,997,426

Rental expense for operating leases was $432,405, $369,951 and $350,091 for the years ended June 30, 1998, 1997 and 1996, respectively.

(b) Employees' Profit Sharing Plan

The Company has a defined contribution profit sharing plan, which qualifies, under Section 401(k) of the Internal Revenue Code. The plan provides retirement benefits for non-union employees meeting minimum age and service requirements. Participants may contribute up to 10% of their gross wages, subject to certain limitations. The plan provides for discretionary matching contributions, as determined by the Board of Directors, to be made by the Company. The discretionary amounts contributed to the plan by the Company for the years ended June 30, 1998, 1997 and 1996 were $79,451, $72,793 and $59,298, respectively. In addition, the Company elected to make profit sharing contributions to the plan for the same years in the amount of $63,000, $16,089 and $65,985, respectively.

Approximately 91% of the Company's employees are covered by various union sponsored, collectively bargained, multi-employer retirement plans. These plans are not controlled or administered by the Company. Amounts charged to expense are included in construction costs.

(c) Nevada Workers Compensation Program

The Company is a self-insured employer in the Nevada Workers Compensation Program. The plan is administered by a licensed third party administrator. The Company's liability is limited to $300,000 per occurrence by an insurance policy. A provision for estimated future claims expense is recorded in the accompanying financial statements. Estimated losses have exceeded actual losses as of June 30, 1998 and 1997 by $279,128 and $320,000, respectively.

The Company was required to provide a letter of credit in the amount of $217,000 as a condition to participate in the self-insured program, which remains outstanding as of June 30, 1998.

(d) Significant Vendors and Customers

Significant vendors and customers are defined as those that account for greater than 10% of the Company's purchases.

For the year ended June 30, 1998, one vendor accounted for 17.2% of the Company's purchases. There were no significant vendors for the years ended June 30, 1997 and 1996. The Company believes that an interruption in supply from the

significant vendor referred to above would not have a material adverse impact on the financial position or results of operations of the Company.

Significant customers as a percentage of contract revenues for the years ended June 30, 1998, 1997 and 1996 are as follows:

	1998	1997	1996
Perini Building Company	58.0%	15.0%	10.0%
Lehrer McGovern Bovis Inc.	21.0%	—	—
AF Construction	—	10.0%	—
Tiberti Construction	—	—	24.0%
	79.0%	25.0%	34.0%

(e) Year 2000

In 1998, the Company initiated a plan ("Plan") to identify, assess and remediate "Year 2000" issues within each of its significant computer programs and certain equipment which contain micro-processors. The Plan is addressing the issue of computer programs and embedded computer chips being unable to distinguish between the year 1900 and the year 2000, if a program or chip uses only two digits rather than four to define the applicable year. The Company has purchased a general ledger package, which is Year 2000 compliant.

The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect the Company's operations, liquidity and financial condition. Due to the general uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third-party suppliers and customers, the Company is unable to determine at this time whether the consequences of Year 2000 failures will have a material impact on the Company's operations, liquidity or financial condition.

(f) Claims

The Company is currently in negotiations with respect to claims on work previously performed aggregating approximately $3,000,000. The Company has recorded the costs associated with this work and has not recognized revenue on the pending claims. There are no assurances that the Company will prevail in these matters.

(g) Executive Employment Agreement

The Company has entered into three employment agreements, two with related parties, which expire in five years. The terms of the agreements stipulate either party can terminate the agreement for any reason by giving notice sixty-days prior to the renewal date.

(h) Stock Purchase Agreement

In January 1993, the Company and certain shareholders entered into a stock purchase agreement ("Agreement"). As set forth in the Agreement, upon the death or total permanent disability of a stockholder, the Corporation shall within ninety days proceed to purchase all of said shareholder's stock in the Corporation at fair value as determined by the Agreement. It is the intent of the parties that the proceeds of any life insurance policies pertaining to this Agreement shall be used to complete the purchase of said shareholder's stock.

(i) Legal

The Company is a party to various legal actions, which have arisen, in the ordinary course of business. While any litigation contains an element of uncertainty, management and its legal counsel are of the opinion that none of these matters will have a material adverse effect on the financial condition or results of operations of the Company.

14. Subsequent Event

Subsequent to June 30, 1998, the shareholders of the Company executed a letter of intent to sell the shares of the Company to Sunbelt Integrated Trading Services, Inc. ("Sunbelt") for cash and shares of common stock of Sunbelt.

Independent Auditors' Report

To the Board of Directors of Schmidt Electric Company, Inc.:

We have audited the accompanying balance sheets of Schmidt Electric Company, Inc. as of December 31, 1998 and 1999 and the related statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Schmidt Electric Company, Inc. as of December 31, 1998 and 1999 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with United States generally accepted accounting principles.

(Signed) KPMG LLP
Independent Public Accountants

Orlando, Florida
February 24, 2000

SCHMIDT ELECTRIC COMPANY, INC.

Balance Sheets
December 31, 1998 And 1999

	1998	1999
Assets		
Current assets:		
Cash and cash equivalents	$ 792,205	$ 156,429
Investment securities	305,540	420,572
Contract receivables, less allowance for doubtful accounts of $60,000 in 1998 and 1999	5,729,651	6,057,900
Other receivables	11,535	66,005
Inventory	11,138	371,265
Costs and estimated earnings in excess of billings on uncompleted contracts	331,271	529,386
Prepaid expenses	60,582	79,090
Total current assets	7,241,922	7,680,647
Notes and accrued interest receivable from related parties	336,447	125,000
Property and equipment, net	685,887	757,766
Cash surrender value of officers' life insurance	111,896	150,311
Other assets	31,199	7,680
	$ 8,407,351	$ 8,721,404
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of notes payable	$ 46,247	$ 19,242
Line of credit	—	1,125,000
Accounts payable	1,847,553	501,336
Accrued expenses	510,626	1,723,046
Billings in excess of costs and estimated earnings on uncompleted contracts	487,663	141,390
	2,892,089	3,510,014
Notes payable, excluding current portion	36,132	15,134
	2,928,221	3,525,148
Commitments and contingencies		
Stockholders' equity:		
Common stock, $1.00 par value; authorized 100,000 shares, 1,000 shares issued and outstanding	1,000	1,000
Retained earnings	5,405,692	5,007,786
Accumulated other comprehensive income	72,438	187,470
	5,479,130	5,196,256
	$ 8,407,351	$ 8,721,404

On behalf of the Board:

(Signed) FREDERICK C. GREEN IV
Director

(Signed) JOHN R. NACCARATO
Director

See accompanying notes to financial statements.

SCHMIDT ELECTRIC COMPANY, INC.

Statements Of Operations
Years Ended December 31, 1997, 1998 And 1999

(in U.S. dollars)

	1997	1998	1999
Contract revenues earned	$ 25,400,766	$ 38,219,022	$ 39,716,996
Cost of revenues earned	22,465,889	28,621,259	31,537,513
Gross profit	2,934,877	9,597,763	8,179,483
Selling, general and administrative expenses	1,113,307	1,354,752	2,794,986
Stockholders compensation	799,370	4,179,150	2,919,528
Operating income	1,022,200	4,063,861	2,464,969
Nonoperating income (expenses):			
Interest expense	(92,470)	(59,177)	(9,579)
Interest income	—	67,092	534
Interest income on notes receivable from related parties	68,571	27,876	14,768
Equipment rental	64,511	—	—
Other, net	(34,149)	(27,184)	(3,430)
Income before state income taxes	1,028,663	4,072,468	2,467,262
State income tax provision	40,647	145,905	128,636
Net income	$ 988,016	$ 3,926,563	$ 2,338,626
Per share data:			
Basic			
Income per share	$ 988.02	$ 3,926.56	$ 2,338.63
Weighted average number of shares outstanding	1,000	1,000	1,000

See accompanying notes to financial statements.

SCHMIDT ELECTRIC COMPANY, INC.

Statements Of Stockholders' Equity
Years Ended December 31, 1997, 1998 And 1999

(in U.S. dollars)

	Common Stock			Accumulated	
	Shares	Amount	Retained Earnings	Other Comprehensive Income	Total Stockholders' Equity
Balances at January 1, 1997	1,000	$ 1,000	$ 693,511	$ —	$ 694,511
Comprehensive income:					
Net income	—	—	988,016	—	988,016
Unrealized gain on investment securities	—	—	—	16,322	16,322
Comprehensive income	—	—	—	—	1,004,338
Distributions to stockholders	—	—	(190,134)	—	(190,134)
Balances at December 31, 1997	1,000	1,000	1,491,393	16,322	1,508,715
Comprehensive income:					
Net income	—	—	3,926,563	—	3,926,563
Unrealized gain on investment securities	—	—	—	56,116	56,116
Comprehensive income	—	—	—	—	3,982,679
Distributions to stockholders	—	—	(12,264)	—	(12,264)
Balances at December 31, 1998	1,000	1,000	5,405,692	72,438	5,479,130
Comprehensive income:					
Net income	—	—	2,338,626	—	2,338,626
Unrealized gain on investment securities	—	—	—	115,032	115,032
Comprehensive income	—	—	—	—	2,453,658
Distributions to stockholders	—	—	(2,736,532)	—	(2,736,532)
Balances at December 31, 1999	1,000	$ 1,000	$ 5,007,786	$ 187,470	$ 5,196,256

See accompanying notes to financial statements.

SCHMIDT ELECTRIC COMPANY, INC.

Statements Of Cash Flows
Years Ended December 31, 1997, 1998 And 1999

(in U.S. dollars)

	1997	1998	1999
Cash flows from operating activities:			
Net income	$ 988,016	$ 3,926,563	$ 2,338,626
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	183,231	188,739	231,060
Bad debt expense	3,237	58,499	27,882
(Gain) loss on disposal of assets	6,331	—	(1,243)
Accrued interest on notes receivable from related parties	(68,571)	(27,876)	—
Changes in operating assets and liabilities:			
(Increase) decrease in contract receivables	1,945,817	(2,853,990)	(356,131)
(Increase) decrease in other receivables	(24,148)	12,613	(54,470)
Increase in inventory	(2,000)	(6,138)	(360,127)
(Increase) decrease in costs and estimated earnings in excess of billings on uncompleted contracts	283,111	(134,047)	(198,115)
Increase in prepaid expenses	—	(60,582)	(18,508)
(Increase) decrease in cash surrender value of officers' life insurance and other assets	50,790	(76,032)	(14,896)
(Decrease) increase in accounts payable	(333,490)	90,187	(1,346,217)
Increase (decrease) in accrued expenses	100,264	(92,933)	1,212,420
Decrease in billings in excess of costs and estimated earnings on uncompleted contracts	(1,656,757)	(180,091)	(346,273)
Net cash provided by operating activities	1,475,831	844,912	1,114,008
Cash flows from investing activities:			
Purchase of property and equipment	(229,445)	(393,487)	(305,554)
Purchase of investment securities	—	(233,102)	—
Collection of related party notes receivable	16,000	399,000	336,447
Advances under notes receivable to related party	—	—	(125,000)
Proceeds received on disposal of fixed assets	—	—	3,858
Net cash used in investing activities	(213,445)	(227,589)	(90,249)
Cash flows from financing activities:			
Distributions to stockholders	(190,134)	(12,264)	(2,736,532)
Proceeds from line of credit	—	—	1,125,000
Principal repayments of notes payable	(1,460,872)	(256,687)	(48,003)
Net cash used in financing activities	(1,651,006)	(268,951)	(1,659,535)
Net (decrease) increase in cash and cash equivalents	(388,620)	348,372	(635,776)
Cash and cash equivalents, beginning of year	832,453	443,833	792,205
Cash and cash equivalents, end of year	$ 443,833	$792,205	$156,429
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 92,470	$59,177	$8,785
State income taxes	$ 37,808	$40,647	$150,866
Non-cash investing and financing activities:			
Property and equipment acquired through issuance of notes payable	$ 83,308	$19,391	$ —

See accompanying notes to financial statements.

Notes To Financial Statements
December 31, 1998 And 1999

(in U.S. dollars)

1. Summary of Significant Accounting Policies

Nature of Operations

Schmidt Electric Company, Inc. (the "Company") was organized in February 1984, as an electrical contractor. The Company installs and services electrical equipment and wiring for industrial and commercial customers primarily in the Austin, Texas market and believes that it operates as one business segment.

Operating Cycle

The Company's work is typically performed under cost-plus-fixed fee contracts, fixed-price contracts, or fixed-price contracts modified by incentive and penalty provisions. The length of the contracts varies from one month to approximately 24 months.

Use of Estimates

The financial statements have been prepared in accordance with United States generally accepted accounting principles. These accounting principles are in conformity with Canadian generally accepted accounting principles except as noted in Note 15. The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents represents cash in banks or short-term, highly liquid investments that are both readily convertible into known amounts of cash and are so near their maturity that they present insignificant risk of changes in value due to changes in interest rates. At times, such investments may be in excess of the Federal Depository Insurance Coverage limits. However, the Company does not believe it is exposed to any significant credit risk on cash and cash equivalents. For purposes of the statement of cash flows, the Company considers such investments with a maturity of three months or less to be cash equivalents.

Investment Securities

Investment securities at December 31, 1998 and 1999 consist of marketable equity securities. The Company classifies its marketable equity securities in one of three categories: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities in which the Company has the ability and intent to hold the security until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

The Company has classified its investment in marketable equity securities as available-for-sale. Accordingly, unrealized holding gains and losses have been excluded from earnings and are reported as accumulated other comprehensive income in the statements of stockholders' equity until realized.

A decline in the market value of any available-for-sale security below cost that is deemed other than temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. Dividend and interest income are recognized when earned.

Inventory

Inventory consists primarily of purchased materials and supplies used in the ordinary course of business. The inventory is valued at the lower of cost or market, with cost determined on a first-in, first-out ("FIFO") basis.

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization is provided in amounts sufficient to allocate the cost of depreciable or amortizable assets to operations over their estimated service lives using the straight-line method.

Income Taxes

The Company has elected to be taxed under the provisions of Section 1366 (a) (S corporation) of the Internal Revenue Code. Under those provisions, the federal taxable income or loss of the Company is included in the income tax return of the stockholders. Accordingly, no income tax assets, liabilities, or provisions for federal income taxes have been recorded in the accompanying financial statements. However, the accompanying statement of operations includes a provision for state income tax expense at the statutory rate of 4.5% of federal taxable income.

Contract Revenue Recognition and Contract Costs

Revenues from fixed-price and modified fixed-price construction contracts are recognized on the percentage-of-completion method, measured by the percentage of cost incurred to date to estimated total cost for each contract (the "cost-to-cost method"). Revenues from cost-plus-fixed fee contracts are recognized on the basis of costs incurred during the period plus the fee earned. Profits on contracts are recorded when progress reaches a point where cost and estimate analysis and other evidence are sufficient to estimate results with reasonable accuracy. The Company does not recognize any gross profit amounts related to change order work performed until it is known that those change orders have been approved by the customer. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as insurance, supplies, tools, depreciation and amortization. Selling, general and administrative costs are charged to expense as incurred.

Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured.

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

Comprehensive Income

On January 1, 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130 "Reporting Comprehensive Income'("SFAS No. 130"). SFAS No. 130 establishes standards for reporting and presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income consists of net income and net unrealized gains (losses) on investment securities and is presented in the statements of stockholders' equity. The statement requires only additional disclosures in the financial statements; it does not affect the Company's financial position or results of operations. Prior year financial statements have been reclassified to conform to the requirements of SFAS No. 130.

Business and Credit Concentrations

The majority of the Company's work is performed in Austin, Texas and the surrounding area. Substantially all of the Company's receivables are obligations of companies in the construction business. The Company does not require collateral or other security on most of these accounts. The credit risk on these accounts is controlled through credit approvals, lien rights, payment bonds issued on behalf of general contractors and monitoring procedures.

Impairment Recognition

Management periodically evaluates the carrying value of its long-lived assets, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To the extent the estimated future cash flows (undiscounted and without interest) attributable to the asset, less estimated future cash outflows, are less than the carrying amount, an impairment loss is recognized. The amount of impairment loss to be recorded is the difference between the asset's carrying value and its estimated fair market value. Management believes no material impairment in long-lived assets exists at December 31, 1998 or 1999.

Recently Issued Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This pronouncement, for which the effective date was delayed by SFAS No. 137, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Management does not believe the implementation of this accounting pronouncement will have a material effect on its financial statements.

2. **Investment Securities**

As of December 31, 1998 and 1999, gross unrealized holding gains and losses on investment securities were as follows:

	Cost	Gross unrealized holding gain	Gross unrealized holding losses	Fair value
1998:				
Investment securities: Corporate equity	$ 233,102	$ 72,438	$ —	$ 305,540
1999:				
Investment securities: Corporate equity	$ 233,102	187,470	—	420,572

3. **Contract Receivables**

Contract receivables at December 31, 1998 and 1999 are summarized as follows:

	1998	1999
Billed on completed and in progress contracts	$ 5,011,889	$ 5,551,125
Retention	777,762	566,775
	5,789,651	6,117,900
Less allowance for doubtful accounts	(60,000)	(60,000)
	$5,729,651	$ 6,057,900

4. **Costs and Estimated Earnings on Uncompleted Contracts**

Costs and estimated earnings on uncompleted contracts at December 31, 1998 and 1999 are summarized as follows:

	1998	1999
Costs incurred on uncompleted contracts	$ 7,605,657	$ 23,977,134
Estimated earnings	5,729,929	11,766,541
	13,335,586	35,743,675
Less billings to date	(13,491,978)	(35,355,679)
	$ (156,392)	$ 387,996

Included in the accompanying balance sheets under the following captions:

	1998	1999
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 331,271	$ 529,386
Billings in excess of costs and estimated earnings on uncompleted contracts	(487,663)	(141,390)
	$ (156,392)	$ 387,996

5. **Property and Equipment**

Property and equipment at December 31, 1998 and 1999 consists of the following:

	1998	1999	Estimated useful life
Vehicles	$ 1,102,494	$ 1,184,338	3-5 years
Equipment	627,379	729,620	5-7 years
Furniture and office equipment	137,093	167,479	5-7 years
Computer software	42,519	43,793	3-5 years
	1,909,485	2,125,230	
Less accumulated depreciation and amortization	(1,223,598)	(1,367,464)	
	$ 685,887	$ 757,766	

6. Notes and Accrued Interest Receivable from Related Parties

Notes and accrued interest receivable from related parties at December 31, 1998 and 1999 are summarized as follows:

	1998	1999
Unsecured note receivable from Mustang Mesa Partnership (a related party through common ownership of stockholder of the Company) due on demand, including accrued interest of $69,009 at December 31, 1998. Interest rate is 10% per annum. The note was collected in 1999..	$ 145,009	$ —
Unsecured note receivable from Mesa Construction Inc. (a related party through common ownership of stockholder of the Company) due on demand, including accrued interest of $27,438 at December 31, 1998. Interest rate is 10% per annum. The note was collected in 1999................	191,438	—
Unsecured note receivable from an officer and stockholder of the Company due on demand. Non-interest bearing	—	125,000
	$ 336,447	$ 125,000

The note receivable outstanding at December 31, 1999 was repaid subsequent to year end.

7. Accrued Expenses

Accrued expenses at December 31, 1998 and 1999 are summarized as follows:

	1998	1999
Accrued compensation...	$ 16,676	$ 1,321,823
Union benefit assessments..	341,452	190,813
State income tax	150,865	127,588
Other accrued expenses	1,633	82,822
	$ 510,626	$ 1,723,046

8. Line of Credit

During 1999, the Company entered into a line of credit arrangement with a financial institution, under which it may borrow up to an aggregate of $1,750,000, with interest at the financial institution's base rate plus 1.0% (9.0% at December 31, 1999). The line of credit expires August 15, 2000. Borrowings outstanding under the line of credit at December 31, 1999 were $1,125,000. The line of credit is collateralized by inventory, contract receivables and the assignment of a $400,000 life insurance policy and is guaranteed by the stockholders of the Company.

9. Notes Payable

Notes payable at December 31, 1998 and 1999 are summarized as follows:

	1998	1999
Notes payable with a financial institution secured by vehicles. Monthly payments aggregate approximately $2,700 with interest ranging from 5.9% to 11.1% per annum on the individual notes	$ 82,379	$ 34,376
Less current portion..	(46,247)	(19,242)
Notes payable, excluding current portion	$ 36,132	$ 15,134

Scheduled maturities of long term-debt as of December 31, 1999, are due as follows:

2000...	$ 19,242
2001...	15,134
	$ 34,376

10. Transactions with Related Parties

The Company leases its office and warehouse space from a stockholder at mutually agreed upon amounts. The leases require the Company to provide insurance, repairs and maintenance and to pay real estate taxes on the leased property. The lease agreement expires June 2003. Lease expense was approximately $18,000 for each of the years ended December 31, 1997, 1998 and 1999, respectively.

Mustang Mesa Partnership, in which a stockholder owns a 49% interest and a 1% indirect interest through Mesa Construction, Inc., has an unsecured note receivable due to the Company aggregating $76,000 at December 31, 1998. The note bears interest at 10% per annum and is due on demand. Accrued interest at December 31, 1998 was $69,009. During 1999, the note and accrued interest was paid in full.

Mesa Construction, Inc., which is 50% owned by a stockholder has an unsecured note receivable aggregating $164,000 at December 31, 1998. The note bears interest at 10% per annum and is due on demand. Accrued interest at December 31, 1998 was $27,438. During 1999, the note and accrued interest were paid in full.

An officer and stockholder of the Company has an unsecured note receivable due to the Company in the amount of $125,000 at December 31, 1999. The note was collected in January 2000.

11. Selling, General and Administrative Expenses

The Company incurred incentive based compensation expenses of $259,500, $343,400 and $1,552,300 in 1997, 1998 and 1999, respectively, which have been included in selling, general and administrative expenses in the accompanying statements of operations.

12. Significant Customers

Contract revenues earned for the years ended December 31, 1997, 1998 and 1999 from major customers (exceeding 10% of total contract revenues earned) are as follows:

	1997		1998		1999	
	Total amount of contract revenues earned	Percentage of contract revenues earned	Total amount of contract revenues earned	Percentage of contract revenues earned	Total amount of contract revenues earned	Percentage of contract revenues earned
Customer A	$ 13,104,729	51.5%	$ 8,026,547	21.3%	$ —	—
Customer B	2,707,190	10.6%	—	—	—	—
Customer C	—	—	11,277,701	29.9%	11,705,428	29.5%
Customer D	—	—	4,756,247	12.6%	—	—

Contract receivables for the years ended December 31, 1998 and 1999 from major customers exceeding 10% of total contract receivables are as follows:

	1998		1999	
	Total amount of contract receivables	Percentage of contract receivables	Total amount of contract receivables	Percentage of contract receivables
Customer C	$ 861,400	15.0%	$ 1,236,415	20.4%
Customer E	1,779,992	31.1%	—	—
Customer F	660,907	11.5%	—	—
Customer G	—	—	715,651	11.8%
Customer H	—	—	1,066,891	17.6%

13. Financial Instruments

The estimation of fair values is based on comparable transactions, quoted market prices, and/or the immediate or short-term maturities of the Company's financial instruments. Assets and liabilities that are reported in the balance sheets at fair value or at a carrying amount that approximates fair value included cash and cash equivalents, investment securities, contracts receivables, other receivables, costs and estimated earnings in excess of billings on uncompleted contracts, notes and accrued interest receivable from related parties, cash surrender value of officers' life insurance, notes payable, line of credit, accounts payable, accrued expenses, and billings in excess of costs and estimated earnings on uncompleted contracts.

14. Commitments and Contingencies

Unionized Labor Force

Approximately 85% of the Company's employees belong to Local 520 of the International Brotherhood of Electrical Workers, whose contract expires in June 2000.

Union-Administered Benefit Plans

The Company makes contributions to union-administered health and welfare, local and national pensions, and union benefit plans that cover approximately 85% of the Company's employees. During the years ended December 31, 1997, 1998 and 1999, the Company contributed approximately $1,838,000, $3,031,000 and $2,117,000, respectively, to such plans. Governmental regulations impose certain requirements relative to multi-employer plans. In the event of a plan termination or employer withdrawal, an employer may be liable for a portion of the multi-employer plan's unfunded vested benefits, if any. The Company has not yet received information from the plans' administrators to determine its share of any unfunded vested benefits, if any. The Company does not anticipate withdrawal from the plans, nor is the Company aware of any expected plan terminations.

Leases

The Company has several noncancelable operating leases, primarily for warehouse and office space which expire over the next five years. These leases generally contain renewal options and require the Company to pay all executory costs such as maintenance and insurance. Rental expense for operating leases for the years ended December 31, 1997, 1998 and 1999 was $59,678, $51,587 and $37,813, respectively.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 1999 are as follows:

2000	$ 18,000
2001	18,000
2002	18,000
2003	9,000
2004	—
	$ 63,000

Legal Actions

The Company is involved from time to time in various claims and legal actions arising in the ordinary course of business. Management believes that the ultimate outcome of these matters will not have a material adverse effect on the Company's results of operations, financial position or liquidity.

15. Differences Between United States and Canadian Accounting Principles

The financial statements of the Company have been prepared in accordance with United States generally accepted accounting principles. Any differences with Canadian generally accepted accounting principles are immaterial except with respect to the accounting for investment securities. In Canada, no "available for sale" category for investment securities exists. Under Canadian generally accepted accounting principles, these investment securities are carried at the lower of cost or market value with impairment assessed on an individual investment basis. If Canadian generally accepted accounting principles were applied to the financial statements, investment securities and accumulated other comprehensive income would be reduced by $72,438 and $187,470 at December 31, 1998 and 1999, respectively. Under Canadian generally accepted accounting principles, investment securities would be $233,102 at December 31, 1998 and 1999. In addition, the statements of stockholders' equity for 1997, 1998 and 1999 would eliminate all amounts reported in the column "accumulated other comprehensive income" and total stockholders' equity would be reduced by $16,322, $72,438 and $187,470 to $1,492,393, $5,406,692 and $5,008,786 at December 31, 1997, 1998 and 1999, respectively.

16. Subsequent Events

Subsequent to year end, the Company assigned its rights to the cash surrender value of officers' life insurance policies to the Company's stockholders.

During 1999, the stockholders of the Company signed a letter of intent with Sunbelt Integrated Trade Services, Inc. ("Sunbelt") to sell the issued and outstanding shares of common stock of the Company for cash and shares of common stock of Sunbelt.

CERTIFICATE

Date: May 31, 2000

This shelf prospectus, together with the documents incorporated in this prospectus by reference, constitutes full, true and plain disclosure of all material facts relating to the securities as required by the securities laws of Ontario.

(Signed) PAUL D. MELNUK
President and Chief Executive Officer

(Signed) JOHN D. AMODEO
Executive Vice President and
Chief Financial Officer

On behalf of the Board of Directors

(Signed) GILBERT S. BENNETT
Director

(Signed) ALLAN R. TWA
Director

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