SERVIDYNE, INC.
Form 10-K
July 29, 2011

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
ANNUAL REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934
For the fiscal year ended April 30, 2011
Commission file number 0-10146
SERVIDYNE, INC.
(Exact name of registrant as specified in its charter)

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

Registrant s telephone number, including area code: (770) 953-0304

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

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

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

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

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

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

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

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

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

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

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o **NO** þ

The aggregate market value of Common Stock held by non-affiliates of the registrant as of October 31, 2010, was $4,231,324. See Part III for a definition of non-affiliates. The number of shares of Common Stock of the registrant outstanding as of April 30, 2011, was 3,675,782.

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PART I

ITEM 1. *BUSINESS*

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

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

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

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

On June 26, 2011, the Company entered into an agreement to be acquired by Scientific Conservation, Inc. (SCI) for $3.50 per share in an all-cash transaction. The Company s board of directors has approved the merger and has unanimously recommended that the Company s shareholders vote in favor of it at a special meeting of the shareholders to be held to consider the merger. The merger has also been approved by the board of directors of SCI. The acquisition is subject to approval by Company shareholders holding a majority of the outstanding voting power of the Company, as well as other customary closing conditions, and is expected to be completed in the Company s second fiscal quarter ending October 31, 2011. Shareholders representing approximately 56% of the voting power of the Company have agreed to vote in favor of the merger, subject to termination of such agreements with respect to approximately 27% of the voting power if Servidyne s board should change its recommendation supporting the merger. If the merger is approved and is consummated, the Company will no longer be a publicly-traded company, and its shares will cease to be traded on the NASDAQ Global Market. For more information, see Note 18 Subsequent Events to the consolidated financial statements, as well as the Company s Current Report on Form 8-K filed with the Securities and Exchange Commission (the SEC) on June 28, 2011.

BUILDING PERFORMANCE EFFICIENCY OFFERINGS

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

> *The BPE Energy Solution* is designed to help building owners and operators substantially reduce energy consumption and cut utility and operating costs of their existing facilities. Major elements include: energy modeling; energy audits; building retro-commissioning; LEED® and ENERGY STAR® certifications; comprehensive preventive maintenance of energy-consuming equipment; turn-key design and implementation of energy-saving lighting systems; and retrofits of mechanical and electrical systems.
>
> *The BPE Environmental Sustainability Solution* is designed to help building owners and operators identify and transform wasteful and inefficient facilities into cost-effective, energy efficient and environmentally sustainable facilities. Major elements include: energy and sustainability audits; building performance benchmarking and utility monitoring; retro-commissioning of existing systems;

efficiency improvements of existing energy conversion and water consuming building assets; and other efficiency improvements that extend the lives of building infrastructures and equipment.

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

The BPE Utility Solution is designed to be a cost effective and reliable way for utilities and their customers to modify peak usage of electricity by implementing demand response programs that utilize *smart grid* technologies, in order to reduce excess demand on the electric grid, lessen the need for utilities to build expensive new energy generating plants, and provide substantial ongoing cost savings for building owners and operators. The Company launched this product line, marketed under the name Fifth Fuel Management®, during fiscal 2010, by expanding the Company s web-based iTendant® platform to create the energy optimization and demand response system. Major elements include: comprehensive demand response facility audits; technology-enabled demand response programs (automatic, semi-automatic and manual); reliable two-way, fast and secure communication and tracking; retro-commissioning of existing systems; customized site training; and step-by-step processes for optimized demand response participation.

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

EMPLOYEES AND EMPLOYEE RELATIONS

At April 30, 2011, the Company employed 94 salaried employees and 3 hourly employees. The Company believes that its relations with its employees are good.

SEASONAL NATURE OF BUSINESS

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

COMPETITION

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

BACKLOG

The following table indicates the Company s backlog of contracts:

	April 30,		Increase (Decrease)	
	2010	2009	Amount	Percentage
BPE (1)	$ 13,893,000	$ 15,369,000	$ (1,476,000)	(10)
Other (2)	402,000	402,000		0
Total Backlog	$ 14,295,000	$ 15,771,000	$ (1,476,000)	(9)

(1) BPE backlog at April 30, 2011, decreased by approximately $1,476,000, or 10%, compared to the year-earlier period, primarily due to:

(a) a decrease of approximately $2,361,000 in energy savings (lighting and mechanical) projects; and

(b) a decrease of approximately $270,000 in lighting products from the Company s lighting distribution business;

partially offset by:

(c) an increase of approximately $813,000 in energy management consulting services; and

(d) an increase of approximately $358,000 in Fifth Fuel Management® services.

BPE backlog includes some contracts that can be cancelled by customers with less than one year s notice, and assumes such cancellation provisions will not be invoked. The value of such contracts included in the prior year s backlog that were subsequently cancelled was approximately $234,000 or 1.5%.

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

Other than as noted above, the Company estimates that a substantial majority of the backlog at April 30, 2011, will be recognized prior to April 30, 2012. No assurance can be given as to future backlog levels or whether the Company will actually realize earnings from revenues that result from the backlog at April 30, 2011.

REGULATION

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

ITEM 1A. ***RISK FACTORS***

The following risk factors, together with all other matters described in this Annual Report on Form 10-K, should be considered in evaluating the Company. Any of these potential risk factors, if actually realized, could result in a materially negative impact on the Company s business and financial results. In such an event, the trading price of the Company s common stock could be materially adversely impacted.

RISKS RELATED TO THE PROPOSED SCI MERGER

The SCI merger may not be completed, which could adversely affect our business and stock price.

The merger agreement with respect to SCI s proposed acquisition of Servidyne contains customary closing conditions which may not be satisfied or waived. If we are unable to complete the merger, we would be subject to a number of risks, including the following:

- the attention of our management may have been diverted to the merger rather than to our operations and the pursuit of other opportunities that could have been beneficial to us;

- the potential loss of key personnel during the pendency of the merger as employees may experience uncertainty about their future roles with the combined company;

- we will have been subject to certain restrictions on the conduct of our business, which may prevent us from pursuing certain business opportunities while the merger is pending;

- the trading price of our common stock may decline to the extent that the current market price reflects a market assumption that the merger will be completed; and

- we would have incurred significant transaction-related expenses that did not result in a consummated transaction.

In addition, we are required to pay SCI a termination fee of $460,000 and reimburse its merger-related expenses up to a maximum of $450,000 if the merger agreement is terminated under certain circumstances specified therein.

The occurrence of any of these events individually or in combination could have a material adverse effect on our results of operations or the trading price of our common stock.

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We are subject to contractual restrictions in the merger agreement that may hinder operations pending the merger.
The merger agreement restricts our ability, without SCI s consent, from operating the business outside of the ordinary course or taking certain actions until the merger occurs or the merger agreement terminates. These restrictions may prevent us from pursuing otherwise attractive business opportunities and making other beneficial changes to our business prior to completion of the merger or termination of the merger agreement.

We will be subject to various uncertainties while the merger is pending that may cause disruption and may make it more difficult to maintain relationships with employees, suppliers, or customers.

Uncertainty about the effect of the merger on employees, suppliers and customers may have an adverse effect on us. Although we intend to take steps designed to reduce any adverse effects, these uncertainties may impair our ability to retain and motivate key personnel until the merger is completed, and could cause customers, suppliers and others that deal with us to seek to change or terminate existing business relationships with us or not enter into new relationships or transactions.

Employee retention may be particularly challenging prior to the completion of the merger, as employees and prospective employees may experience uncertainty about their future roles with the combined company. If, despite our retention efforts, key employees depart or fail to continue employment with us because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the combined company, our financial results could be adversely affected. The loss of the services of key employees and skilled workers and their experience and knowledge regarding our business could adversely affect our operating results and the successful ongoing operation of our business should the merger not be consummated.

Pending shareholder lawsuits could delay or prevent the closing of the merger. In addition, we could spend significant sums defending or settling the lawsuits.

The Company, SCI, SCI s wholly-owned acquisition subsidiary, and the Company s Board of Directors have been named as defendants in two putative class action lawsuits filed by alleged shareholders of the Company in the Superior Court of Fulton County, Georgia challenging the proposed merger. The complaints allege, among other things, that (a) the Company s Board of Directors breached their fiduciary duties by: (1) conducting an inadequate sales process that undervalued the Company; (2) agreeing to unfairly preclusive deal protection measures; and (3) approving merger terms that unfairly vest some of the corporate insiders with benefits not shared equally by other Company shareholders; and (b) in one of the complaints, that the Company s Board of Directors failed to disclose material facts to shareholders in connection with the proposed transaction in its preliminary proxy statement, filed with the SEC on July 18, 2011. The complaints also allege that SCI knowingly aided and abetted these fiduciary duty breaches. The complaints seek to enjoin the merger and other remedies. See ITEM 3. LEGAL PROCEEDINGS below for further information.

One of the conditions to closing the merger is that there be no pending legal proceedings challenging or seeking to restrain or prohibit the consummation of the merger. While the Company believes the claims asserted in the lawsuits are without merit and intends to vigorously defend against them, no assurance can be given that these lawsuits will not delay or even prevent the closing of the merger. Moreover, the costs the Company incurs in defending or settling the lawsuits may be material, regardless of whether the Company ultimately prevails.

RISKS RELATED TO OUR BUSINESS

We have experienced consolidated net losses in each of the last three fiscal years. There is no guarantee that we will be able to generate net earnings in the near future, or at all.

We experienced consolidated net losses of approximately $2.3 million, $1.9 million and $5.0 million for our fiscal years ended April 30, 2011, 2010 and 2009, respectively. Despite increases in sales and our efforts at expense reduction, we cannot assure you that we will attain sustained profitability in the near future, or at all.

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We have used a significant amount of cash for operations in recent years. We may deplete our capital resources before we achieve sufficient positive cash flow to fully fund our operations, and may not be able to secure additional capital on favorable terms and on a timely basis, or at all, which could materially adversely affect our ability to grow or continue to operate our business.

We believe that we have, or can obtain, sufficient capital resources to operate our business in the ordinary course until we begin to generate sufficient cash flow from operations; however, this will depend substantially upon future operating performance (which may be affected by prevailing economic conditions) and financial, business and other factors, some of which are beyond our control. Failure to secure adequate resources for working capital and capital expenditures could materially impair our ability to continue to operate.

The Company has historically generated substantial liquidity from the sale of real estate assets. For instance, in June 2010, we successfully closed on the sale of our owned shopping center in Jacksonville, Florida, generating net cash proceeds of approximately $2 million, and in December 2010, we successfully closed on the sale of our owned shopping center in Smyrna, Tennessee, generating net cash proceeds of approximately $250,000. As a result, our real estate assets now consist of only our corporate headquarters building in metropolitan Atlanta, Georgia (which is subject to a $4.1 million mortgage); a commercially zoned land parcel in North Ft. Myers, Florida; and commercially-zoned land parcels in Oakwood, Georgia. In addition, given the recent decline in commercial real estate values in the United States, the Company may be unable to sell any of its few remaining real estate assets at acceptable prices, or at all, in the near future.

In the event that currently available cash and cash generated from operations were not sufficient to meet future cash requirements, we might need to:

- refinance existing debt, or obtain new funds through bank loans or equity or debt security issuances;
- sell real estate or other assets;
- limit growth or curtail operations to levels consistent with the constraints imposed by the available cash and cash flow; or
- pursue any combination of these options.

Our ability to secure new debt or equity financing could be limited by economic conditions.

We cannot provide assurance that any reductions in planned expenditures or curtailment of operations would be sufficient to cover shortfalls in available cash, or that debt or equity financing or real estate or other asset sales would be available on terms acceptable to us, if at all, in which event we could deplete our capital resources before achieving sufficient cash flows to fund operations, and might be obliged to explore strategic alternatives for our business, or cease operations.

The future of our business depends on the success of our BPE offerings. If we fail to continue to grow revenues and profitability from these offerings, our prospects will be adversely affected.

Our strategic focus is on developing our BPE offerings. The Company s few remaining real estate assets are not an element of our growth strategy, as we intend to dedicate our future capital resources and management attention to growing the BPE business.

Our ability to achieve earnings in recent years has been significantly dependent on achieving capital gains from the sales of real estate properties. Most of the proceeds from these sales have been invested in establishing and growing the BPE business. As a result, we have limited remaining real estate holdings, and consequently, real estate capital gains cannot be depended upon as a primary source for future earnings.

In addition, as a result of these real estate dispositions, rental income, another source of our historical earnings, has been negatively impacted. Accordingly, in order for us to improve profitability in the future, the BPE business will need to be expanded sufficiently to produce consolidated net earnings. There can be no guarantee, however, that the BPE business will be able to produce sufficient earnings, if any, to replace the earnings contribution that was generated by our former real estate segment in recent years, particularly in light of the BPE business lack of a long-term track record of sustained profitability.

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Our ability to implement our growth strategy for the BPE business will depend upon a variety of factors that are not entirely within our control, including, but not limited to:

- our ability to add new product and service offerings on a timely basis, and to keep our current products and services competitive;
- the successful hiring, training and retention of qualified personnel;
- the establishment of new relationships and the expansion of existing relationships with customers and suppliers;
- the availability of adequate capital; and
- our ability to make profitable business acquisitions and to integrate such acquired businesses into existing operations.

To date, our BPE business has yet to achieve sustained profitability. In light of the absence of a proven long-term track record of sustained profitability for the BPE business, we cannot guarantee that our growth strategy will be successful. If our growth strategy ultimately were to be unsuccessful, our revenues, earnings and stock price would be adversely affected.

Our earnings could be adversely affected by non-cash adjustments to goodwill and other assets.

As prescribed by generally accepted accounting principles (GAAP) in the United States, we undertake an annual review of goodwill and other intangible assets balances. This test is performed during the third quarter of our fiscal year, unless there has been a triggering event that warrants an earlier interim testing for possible impairment. Our most recently completed annual test indicated that no impairment existed as of January 31, 2011. Future impairment tests could yield different results, however, depending upon such factors as our actual operating performance being significantly different than our assumptions utilized in the testing, or as a result of changes in our industry. Consequently, future tests may result in an impairment of goodwill or other intangible assets, in which event we would be required to record a non-cash charge to earnings in our financial statements during the period in which such impairment were determined to exist. Our goodwill and other intangible assets at January 31, 2011, were approximately $8.6 million, or approximately 34% of our total assets. At April 30, 2011, they were approximately $8.5 million, or approximately 32% of total assets.

Non-cash adjustments to other assets can also negatively affect our earnings. For instance, we recorded non-cash charges during the current year of approximately $291,000 to increase the valuation allowance on our state deferred income tax assets, as a result of our periodic review of the recoverability of our deferred tax assets.

Any such charges could have a material adverse effect on our results of operations.

The markets for our products, services and technology are very competitive and are becoming more so; if we cannot successfully compete in those markets, our business could be materially and adversely affected.

The markets for our energy savings products, services and technology are highly competitive and fragmented, and are subject to rapidly changing technologies, emerging competing products and services, frequent performance improvements, and evolving industry standards. We compete against not only smaller companies of similar size to us, but also against much larger traditional and competitive energy efficiency services providers and energy services companies. We expect competition in our markets to increase in the future because of the substantial near-term and long-term growth potential of our markets. Competition could arise from both newly organized businesses, as well as from business expansions by established enterprises into our markets. Increased competition could cause us to reduce the price of our energy savings products and services, and we could experience lower gross profit margins and slower growth, or even a loss of market share.

Many of our existing competitors, as well as many potential new competitors, have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical, marketing, sales, manufacturing and other resources than we do. This may enable these competitors to develop and implement new and better product, service and/or technology offerings more quickly than we can, and to adapt more rapidly to changes in customer requirements or preferences. Greater resources may also enable competitors to promote their products more effectively, or price them more attractively, than we can. Established larger enterprises may have existing customer, vendor and partner relationships that may give them a competitive advantage vis-à-vis our BPE offerings, and other competitors with greater resources may be more attractive to potential new customers, vendors, partners and employees than we may be to them.

Consequently, we cannot assure you that we will have the financial resources, technologies, portfolio of products and services, or marketing, sales and operating support capabilities to compete successfully in the future, which could materially and adversely affect our revenues and profits.

Failure to adequately expand our sales force may impede our growth.

We are dependent on our direct sales force to obtain new customers for our BPE business, particularly large enterprise customers, and to help manage our customer base. We operate in a very competitive marketplace for sales personnel with the advanced sales skills, technical knowledge, industry experience, and existing customer relationships that we need. Our ability to achieve significant growth in revenues in the future will depend, in large part, on our success in recruiting, training, motivating and retaining a sufficient number of such qualified sales personnel. New personnel require significant training. Our recent hires and planned new hires might not prove to be as productive as we would like or expect, and we might be unable to hire a sufficient number of qualified individuals in the future in the markets where we conduct or desire to conduct business. If we cannot hire, develop, and retain a sufficient number of qualified and productive sales personnel, our revenues and profitability could be adversely impacted, and as a result, our growth could be impeded, which could have a material adverse effect on our business and financial position.

As more of our sales efforts are targeted at larger enterprise customers, sales cycles may become longer and more expensive, and we may encounter pricing pressures and implementation challenges, all of which could harm our business.

We are seeking to continue our recent years success in obtaining additional larger enterprise customers for our BPE offerings. As we target more of these customers, we anticipate potentially facing greater sales and marketing costs, longer sales cycles and less predictability in closing sales. In this market segment, a customer s decision to use our BPE products and services may be an enterprise-wide decision, and if so, this type of sale could require us to provide greater levels of education to prospective customers regarding the use and benefits of our building performance-enhancing products and services.

In addition, larger customers may demand more customization, enhanced integration services and additional product features and services. As a result of these factors, new sales opportunities may require us to devote greater sales support and professional services resources to individual customers, driving up the costs and the amount of time required to close sales and diverting selling and professional services resources to a smaller number of larger transactions. Because of these factors, the risk of not closing a sale with a larger enterprise customer may be greater than with smaller customers, and the results of such potential failure, due to higher costs and fewer overall ongoing sales initiatives, also could be greater. Moreover, the purchasing power of larger enterprise customers may result in lower profit margins.

A limited number of customers comprise a significant portion of our revenues and backlog. The loss of, or any significant decrease in, business from these customers could have an adverse effect on our results.

A significant portion of our revenues and backlog for the fiscal year ended and as of April 30, 2011, were derived from a relatively limited number of customers. In fiscal year 2011, we generated approximately 25% of revenues from our largest customer, and our top five customers accounted for approximately 60% of revenues. At April 30, 2011, approximately 25% of our backlog was due to one customer, and the top five customers accounted for approximately 52% of our backlog.

This customer concentration increases the risk of fluctuations in our revenues and operating results. If we lose a significant customer, or if revenues or orders from significant customers decline, our business, results of operations and financial condition could be materially adversely affected. Additionally, if one of these customers is lost, or if revenues or orders from one or more of these customers decline, we cannot assure you that we will be able to replace or supplement the lost customers with others that generate comparable revenues or profits.

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A portion of our revenues is derived from fixed price contracts, which could result in losses on contracts.

A portion of our revenues and current backlog is based on fixed price or fixed unit price contracts that involve risks relating to our potential responsibility for the increased costs of performance under such a contract. Generally, under fixed price or fixed unit price contracts, we have to absorb any increase in our costs not caused by a customer modification or other compensable change to the original contract, whether due to inflation, inefficiency, faulty estimates or other factors. There are a number of other factors that could create differences in contract performance, as compared to the original contract price, including, among other things, differing facility conditions, insufficient availability of skilled labor in a particular geographic location and insufficient availability of materials.

We often utilize subcontractors in performing services or completing projects, whose potential unavailability or unsatisfactory performance could have a material adverse effect on our business and financial position.

We often utilize unaffiliated third-party subcontractors in order to perform some of our energy engineering and consulting services, proprietary software and other IT development projects, much of our energy savings maintenance, installation and retrofit projects, and most of our other construction-related projects and services. As a consequence, we depend on the continuing availability of, and satisfactory performance by, such subcontractors. Such subcontractors may not be available at the times or in the quantities needed, or in the markets where we operate, or the quality of work by such subcontractors may prove to be below acceptable standards.

In addition, the subcontractors may be unable to qualify for payment and performance bonds to ensure their performance or may be otherwise inadequately capitalized. Insurance protection available to subcontractors for construction defects, if any, is increasingly expensive and may become unavailable, and the scope of such protection may become greatly limited.

If as a result of subcontractor problems or failures, we were unable to meet our contractual obligations to our customers, or were unable to successfully recover sufficient indemnity from our subcontractors or their bond or insurance carriers, then we could suffer losses which could decrease our profitability, damage our customer relations, significantly harm our reputation, or otherwise have a material adverse effect on our business and financial position.

If our security measures for our proprietary technology solutions were breached, and as a result unauthorized access to a customer s data were obtained, our BPE offerings could be perceived as not being sufficiently secure, customers might curtail or stop using our products and services, and we could incur significant losses and liabilities.

Our proprietary technology solutions involve the storage of customers data and information, whether locally on the customers own computers, or on our computers. Some of these proprietary technology solutions also involve the transmission of such data and information. Security breaches could expose us to partial or total loss of this data and information, potential litigation, and possible liability.

If security measures were breached as a result of third-party action, employee error, malfeasance or otherwise, during transfer of data and information to data centers or at any time, and, as a result, someone were to obtain unauthorized access to any of our customers data and information, our reputation might be damaged, our business might suffer, and we might incur significant losses and liabilities.

Because techniques used to obtain unauthorized access or to sabotage computer systems change frequently, and generally are not recognized until after being launched against a target, we might be unable to anticipate such techniques or to implement adequate preventative measures on a timely basis.

If an actual or perceived breach of security were to occur, the market perception of the effectiveness of our security measures could be harmed, we could lose sales and customers, and our business and financial potential could be harmed.

We depend on the assistance of our customers to complete energy savings projects on a timely basis. If a customer were unable or unwilling to offer us assistance on a timely basis, or at all, it could affect project timelines and reduce or slow the recognition of energy savings project revenues.

Much of the work we perform requires significant interaction with our customers. Therefore, we must have our customers full cooperation to complete projects on a timely basis. In the early stages of a project, we are at risk of our customers not providing accurate or timely data for project implementation. Also, we must frequently access our customers facilities, and any restriction of such access could delay or prevent the completion of projects.

Our recently introduced Fifth Fuel Management ® offering is largely untested. If we fail to fully develop this offering, its prospects could be adversely affected. Moreover, developing Fifth Fuel Management ® will require additional capital, which we may not be able to obtain.

Our Fifth Fuel Management® offering is relatively new, and its business viability is largely untested. Our ability to develop Fifth Fuel Management® into a profitable product line depends upon a variety of factors, some of which are not entirely within our control, including:

- our ability to develop, acquire and/or license any additional technologies and processes necessary to fully develop and implement the Fifth Fuel Management® system;

- our ability to market and sell this new offering to significant customers, such as public and investor-owned utilities and building owners and operators; and

- the availability of adequate capital to fund the full development, marketing and working capital requirements of Fifth Fuel Management®.

In light of the relative newness of Fifth Fuel Management®, and the absence of a proven track record of profitability, we cannot guarantee that this offering will be successful.

In addition, we anticipate that developing the Fifth Fuel Management® offering to meet expected demand will require additional capital, which we may seek to raise through outside sources or the sale of assets. We cannot assure you that we will be successful in raising adequate additional capital on acceptable terms, or at all.

If the new Fifth Fuel Management® system ultimately were to be unsuccessful, our revenues, earnings, financial position, stock price and the business as a whole could be adversely affected.

The value to customers of our energy savings products and services is substantially impacted by the prevailing conditions of energy markets; if energy prices and utility costs were to decline, our sales might not grow, or could even decline.

The financial value to customers who utilize our energy efficiency products and services is usually measured by the energy and utility cost savings to be realized over time. Accordingly, the return on our customers investment for installing energy efficient products and services and the time period necessary for our customers to recoup their initial investment in utilizing these products and services are directly correlated with the prevailing retail market prices for energy. If the price of energy and utility rates drop, customers energy savings and returns on investment from energy efficiency products and services would be less, and the time period over which their investment could be recovered through energy and utility costs savings would be extended. Consequently, if energy prices were to decline, demand for our energy efficiency products and services could decline as a result, as potential customers would be dissuaded from an upfront investment that may not produce an attractive return on investment for some time.

A decline in energy prices could not only negatively affect the level of sales of energy savings products and services, but could also decrease the profitability of such products and services, as we might be obliged to lower prices in response to a resulting decrease in customer demand.

We depend upon key personnel, and the loss of any such key personnel could adversely impair our ability to conduct business. In addition, implementing our growth strategy will require the addition of more suitable personnel.

One of our objectives is to develop and maintain a strong management team at all levels. We do not have employment agreements in place with our key employees. At any given time, we could lose the services of key executives or other key employees, and the loss of any such key personnel could adversely affect our results of operations, financial condition and ability to execute our business strategy. If we were to lose a member of our senior management team, we might be required to incur significant costs in identifying, hiring, and retaining a replacement for such departed executive.

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In addition, the growth of our BPE business will require the addition and retention of qualified personnel. Some of our offerings, such as energy engineering, energy savings project design and implementation, and various IT-oriented products and services, may require personnel with special skills who are in high demand in the employment marketplace. We compete for such personnel with some companies with much greater resources. Accordingly, we may not be able to attract and hire such personnel or retain them in the face of better offers from competitors.

Prevailing capital market and economic conditions could impact demand for our services and products.

U.S. and international capital markets have experienced severe volatility, disruptions and failures in recent years, and the U.S. economy has only recently emerged from recession. Customers and potential customers who are capital-constrained, whether due to a weak economy or deteriorated market conditions, may delay or even cancel certain operating expenses and/or capital expenditures, including expenditures for our services and products.

If we cannot find suitable candidates for business acquisition or cannot integrate completed business acquisitions successfully, our prospects could be adversely affected.

In addition to organic growth, our strategy includes growth through business acquisitions. Our BPE business was established through several business acquisitions over the years. We compete for acquisition opportunities with other companies that have significantly greater financial resources. Therefore, there is a risk that we may be unable to complete an important acquisition because another company may be able to pay more for a potential acquisition candidate or may be able to use its financial resources to acquire a potential acquisition candidate before we could obtain the requisite financing.

Even if we complete a desirable business acquisition on favorable terms, we may not be able to successfully integrate any newly acquired company into existing operations on a timely basis. Integration of a substantial business is a challenging, time-consuming and costly process. It is possible that the acquisition itself or the integration process could result in the loss of the acquired company s management or other key employees, the disruption of the acquired company s business, or inconsistencies in standards, controls, procedures and policies that could adversely affect the acquired company s ability to maintain good relationships with its suppliers, customers and employees.

In addition, successful integration of an acquired company requires the dedication of significant management resources that may temporarily detract attention from the day-to-day businesses of both Servidyne and the acquired company. If we cannot integrate the organization, operations and systems of an acquired company in a timely and efficient manner, the anticipated benefits of a completed acquisition may not be fully realized.

We could be exposed to environmental liability related to the disposal of hazardous materials.

One of our key offerings is replacing existing lighting systems with newer, more energy efficient lighting systems in various types of facilities. Replacing lighting systems can often involve removing, handling and disposing of hazardous materials. Various federal, state and local laws govern the handling of hazardous materials. Complying with environmental laws and regulations can be costly. If we fail to comply, we could face liability from government authorities or other third parties. Even in cases where we subcontract the disposal of such materials, we could face potential liability. Judgments, fines or similar penalties for environmental non-compliance could negatively affect our financial position and reputation.

We are subject to changing regulations regarding corporate governance and required public disclosure that have increased both the costs of compliance and the risks of noncompliance. As a small public company, these costs of compliance may affect us disproportionately as compared with larger competitors.

As a public company, we are subject to the laws, rules and regulations, and standards of various governing bodies, including the SEC, NASDAQ and the Public Company Accounting Oversight Board (the PCAOB), which are charged with the protection of investors and the oversight of companies whose securities are publicly traded. The Company s efforts to comply with these regulations have resulted in, and are expected to continue to result in, increased general and administrative expenses and a diversion of management time and attention away from earnings-generating activities to compliance activities.

In addition, because these laws, rules and regulations, and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to satisfactorily address and remain in compliance with all of these laws, rules and regulations, and standards, and any subsequent revisions or additions, our business may be adversely impacted.

Moreover, many compliance costs are not in direct proportion to the size of a particular company. As a small public company, these costs might affect us disproportionately, particularly in comparison to our larger public competitors. We may also be at a disadvantage vis-à-vis public company compliance costs compared with privately held competitors that are not subject to the same laws, rules and regulations, and standards.

We might not be able to refinance the mortgage debt on our corporate headquarters building on a timely basis or on acceptable terms.

At April 30, 2011, we had a mortgage note payable of approximately $4.1 million on our corporate headquarters building, which is pledged as collateral on the note. The note matures on August 21, 2012. Exculpatory provisions of the mortgage loan limit our liability for repayment to our interest in the mortgaged property. The property s current leasing status, physical condition, and net operating income; global, national, regional, or local economic conditions; financial and credit market conditions; the level of liquidity available in real estate markets; our financial position; the terms and conditions or status of our other corporate loans; or other prior financial commitments could impair our ability to refinance the mortgage debt on the corporate headquarters building at a time when such refinancing might be necessary. Moreover, such refinancing might not be available at acceptable terms, including in respect of loan principal amounts, interest rates, amortization schedules, guaranties or maturity terms.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. *PROPERTIES*

The Company owns its corporate headquarters building, which contains approximately 65,880 square feet of leasable office space. The building is located in the North x Northwest Office Park, 1945 The Exchange, in suburban Atlanta, Georgia. The Company utilizes 25,928 square feet of this building as its main office and the remainder of the leasable space is either currently leased to third parties or vacant. In addition, the Company leases 25,654 square feet of office and warehouse space at another location in Atlanta, Georgia, which lease is scheduled to expire in May 2015.

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

ITEM 3. *LEGAL PROCEEDINGS*

From time to time, the Company is a party to various legal proceedings arising in the ordinary course of business. Although the Company does not presently believe that any of the legal proceedings to which it is currently a party will ultimately have a material adverse impact upon its business, financial position or results of operations, it is currently a party to the proceedings described below.

As discussed previously, on June 26, 2011, the Company entered into an agreement to be acquired by SCI for $3.50 per share in an all-cash transaction. Subsequently, the Company, SCI, SCI s wholly-owned acquisition subsidiary, and the Company s Board of Directors were named as defendants in two putative class action lawsuits, *Manzoor Hussain v. Servidyne Inc. et al*. (Civil Action No. 2011-CV-202977), filed July 7, 2011, and *Brian Jacobs v. Servidyne, Inc. et al*. (Civil Action No. 2011-CV-203489), filed July 22, 2011. Each lawsuit was brought by an alleged shareholder of the Company challenging the merger and filed in the Superior Court of Fulton County, Georgia.

The complaints allege, among other things, that (a) the Company s Board of Directors breached their fiduciary duties by: (1) conducting an inadequate sales process that undervalued the Company; (2) agreeing to unfairly preclusive deal protection measures; and (3) approving merger terms that unfairly vest some of the corporate insiders with benefits not shared equally by other Company shareholders; and (b) in the complaint filed by Brian Jacobs, that the Company s Board of Directors failed to disclose material facts to shareholders in connection with the proposed transaction in its preliminary proxy statement, filed with the SEC on July 18, 2011. The complaints also allege that SCI knowingly aided and abetted these fiduciary duty breaches. The complaints seek to enjoin the merger and other remedies.

The Company believes the claims asserted in the lawsuits are without merit and intends to vigorously defend against them. However, these proceedings are in their early stages, and due to the inherent uncertainty in litigation, there can be no guarantee that the Company will ultimately be successful in these proceedings, or in others to which it is currently a party. Substantial losses from legal proceedings could have a material adverse impact upon the Company s business, financial position or results of operations; adverse developments in the proceedings described above could impede or prevent the merger from being consummated.

PART II

ITEM 5. *MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

MARKET FOR REGISTRANT S COMMON EQUITY

The common stock of Servidyne, Inc. is traded on the NASDAQ Global Market under the symbol SERV. The approximate number of holders of common stock was 775 (including shareholders of record and shares held in street name) as of July 15, 2011. The following table sets forth the range of high and low sales prices per share of the Company s common stock as reported on the NASDAQ Global Market for each quarterly period in fiscal years 2011 and 2010, as well as cash dividends paid per share of common stock for each quarterly period in fiscal years 2011 and 2010.

	Market Prices				Cash Dividends Paid Per Share	
	Fiscal 2011		Fiscal 2010		2011	2010
	High Trade	Low Trade	High Trade	Low Trade		
First Quarter	$ 3.98	$ 1.67	$ 2.90	$ 1.51	$ 0.010	$ 0.020
Second Quarter	3.60	2.02	2.93	1.75	0.010	0.010
Third Quarter	3.15	2.18	2.30	1.53	0.010	0.010
Fourth Quarter	3.05	2.21	7.24	1.60	0.010	0.010

For information required by this item with respect to the Company s equity compensation plan, refer to PART III, ITEM 12 of this filing.

ISSUER PURCHASES OF EQUITY SECURITIES

The Company repurchased one share in the fourth quarter of fiscal 2011. The Company made no other repurchases of shares during the fiscal year ended April 30, 2011.

In March 2010, the Board of Directors authorized the repurchase of up to 100,000 shares of the Company s common stock during the twelve-month period ending on March 15, 2011. In March 2011, the Board of Directors authorized the repurchase of up to 100,000 shares of the Company s common stock during the twelve-month period ending on March 9, 2012.

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PART II

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

INTRODUCTION

The Company has one reportable operating segment, the Building Performance Efficiency, or BPE, Segment. The Company continues to add new BPE products and service offerings, which may come in part from future business acquisitions. Information previously reported as Real Estate or Parent is now reported below as Corporate or Other. In RESULTS OF OPERATIONS below, changes in revenues, costs of revenues, selling, general and administrative expenses, and loss from continuing operations before income taxes from period to period are analyzed on a segment basis. For other information on a consolidated basis, please see the Company s consolidated financial statements.

On June 26, 2011, the Company entered into an agreement to be acquired by Scientific Conservation, Inc. (SCI) for $3.50 per share in an all-cash transaction. The Company s board of directors has approved the merger and has unanimously recommended that the Company s shareholders vote in favor of it at a special meeting of the shareholders to be held to consider the merger. The merger has also been approved by the board of directors of SCI. The acquisition is subject to approval by Company shareholders holding a majority of the outstanding voting power of the Company, as well as other customary closing conditions, and is expected to be completed in the Company s second fiscal quarter ending October 31, 2011. Shareholders representing approximately 56% of the voting power of the Company have agreed to vote in favor of the merger, subject to termination of such agreements with respect to approximately 27% of the voting power if Servidyne s board should change its recommendation supporting the merger. If the merger is approved and is consummated, the Company will no longer be a publicly-traded company, and its shares will cease to be traded on the NASDAQ Global Market. For more information, see Note 18 Subsequent Events to the consolidated financial statements, as well as the Company s Current Report on Form 8-K filed with the Securities and Exchange Commission (the SEC) on June 28, 2011.

OVERVIEW

The Company entered fiscal year 2011 with an order backlog at its BPE Segment of $15.4 million, which at that time represented the highest backlog achieved by BPE in the Company s history. The Company recognized historic levels of BPE revenues during fiscal year 2011. In addition, BPE s new order activity showed continued strength in fiscal 2011. BPE closed the year with a backlog of $13.9 million as of April 30, 2011. The new order activity in fiscal 2011 included the award of a $5.8 million design-build retro-commissioning project for the Georgia Department of Corrections under a contract with the Georgia Environmental Finance Authority, which the Company commenced during the fiscal second quarter and expects to substantially complete by the end of calendar year 2011.

More specifically, BPE generated $25.7 million in revenues, $556,000 in pre-tax earnings (including intercompany costs and expenses), and $1,270,000 in EBITDA[1] (pre-tax earnings, plus interest, depreciation and amortization of $714,000) in fiscal 2011. The current year revenues increased 42% compared to fiscal 2010, including a 70% year-over-year increase in Energy Savings Projects revenues. During the fourth quarter, BPE generated $7.5 million in revenues, a new record for revenues recognized in a fiscal quarter, and generated $492,000 in pre-tax earnings (including intercompany costs and expenses) and $648,000 in EBITDA (pre-tax earnings, plus interest, depreciation and amortization of $157,000).

The Company believes that the increase in BPE order activity, revenues and profitability over the last year is a direct result of three distinct factors: the success of the Company s enhanced sales and marketing efforts, which were initiated in fiscal 2009; an overall improvement in the capital spending environment for many BPE customers; and the infusion of U.S. government expenditures for energy efficiency upgrades of government facilities. The Company believes that these factors will continue to be favorable in fiscal year 2012. Management expects that BPE will generate positive EBITDA in fiscal year 2012, exceeding the EBITDA achieved in fiscal year 2011, with revenues and order activity remaining strong.

However, the Company on a consolidated basis in not expected to generate positive EBITDA in fiscal 2012. Moreover, EBITDA on a quarterly basis is more sensitive to fluctuations in the timing of revenues and may not be positive in an individual quarter. Management believes that a longer period of time will be required before the BPE Segment is able to generate sufficient sustained cash flow to fully fund the Company s consolidated operations. See the Liquidity section below for more information.

To support ongoing revenue growth, the Company anticipates continued strong order growth from customers in the government sector, the private sector and from utility companies. The Company offers government sector customers many of the same offerings it provides to private sector customers, including energy savings projects and other energy efficiency-focused products and services, by entering into direct contracts and by acting as a subcontractor to large energy services companies (ESCOs). The Company has a long history of providing energy efficiency services for a wide range of government facilities, including U.S. military bases, federal, state and county prisons, large public educational facilities, municipal school districts, and a variety of other federal, state, county and municipal buildings and facilities. The Company has existing business relationships with a number of government entities and with several of the large ESCOs currently authorized by the U.S. Department of Energy to perform federally-funded projects to improve the energy efficiency of government buildings. In addition, the Company expects to build on its recent successes in the private sector by continuing to broaden its customer base of Fortune 500 companies and large asset and property managers that own or manage numerous facilities across the country, due to the growing corporate awareness of the solid investment potential of sustainable and energy efficient facility upgrades. The Company also has recently developed relationships with a number of major U.S. utility companies, who are actively seeking the Company s energy efficiency expertise, demand response services, project management capabilities, and engineering and implementation services to offer to their end-use customers buildings and facilities. Demand from utilities is growing rapidly, driven by increasing pressures on these companies to provide more power without adding a commensurate amount of new generating capacity, as construction of new generating plants in most regions of the U.S. is either politically unpopular or economically unfeasible, or both. As the combined result of the many funded and proposed

1 The Company believes earnings before interest, taxes, depreciation and amortization (EBITDA) is a useful non-GAAP measurement of the BPE Segment s performance because it assists investors in comparing the Company s performance across reporting periods on a consistent basis by excluding items that the Company does not believe are indicative of its core operating performance. One should not consider EBITDA as an alternative to, or a more meaningful indicator of the segment s operating performance than, earnings before taxes as determined in accordance with GAAP. EBITDA has limitations as an analytical tool. Some of these limitations are:

EBITDA does not reflect the Company s cash expenditures, or future requirements for capital expenditures, or contractual commitments;

EBITDA does not reflect changes in, or cash requirements for, working capital needs;

EBITDA does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on indebtedness;

although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and

other companies in the Company s industry may calculate EBITDA differently, potentially limiting its usefulness as a comparative measure.

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government mandates to improve the efficiency of federal, state and local government facilities, the growing awareness in corporate America of the benefits of sustainability and energy efficiency, and the increasing pressures faced by utility companies to meet customer demand, the Company believes that it is well positioned for ongoing revenue growth.

The Company also anticipates that increased order activity will continue to be generated by its Fifth Fuel Management® service offering over the next several quarters. The BPE Segment offers this technology-enabled demand response and energy efficiency system to a network of utilities and independent system operators in the U.S., as well as to owners and operators of large commercial office buildings, retail stores, hotels, light industrial facilities and institutional buildings. Demand response is emerging as a critical tactic to help address the growing imbalance in the supply and demand of generated electric power in the United States. The Company expects Fifth Fuel Management® will provide additional opportunities for sales of other energy efficiency services and products as well, which can enable the Company to leverage its established customer base of building owners and operators to help utilities gain better utilization of their existing energy generating facilities and infrastructures. The Company believes that it is now better positioned to participate in the growing utility market sector; however, the Company s ability to develop the Fifth Fuel Management® offering to its full potential will require the investment of additional capital. While market demand for the BPE Segment s offerings appears to be strong and growing, there can be no assurance that this will result in sustained revenue growth, particularly if recent improvements in macro-economic conditions do not continue, or if such conditions were to worsen, for an extended period of time.

DISCONTINUED OPERATIONS

In recent years, the Company has generated substantial liquidity from sales of its real estate assets, and the proceeds from such sales largely have been redeployed to fund the establishment and growth of the BPE Segment. In June 2010, the Company successfully closed on the sale of its owned shopping center in Jacksonville, Florida, generating net cash proceeds of approximately $2 million, and in December 2010, successfully closed on the sale of its owned shopping center in Smyrna, Tennessee, generating net cash proceeds of approximately $250,000. (See Note 4 Discontinued Operations to the consolidated financial statements for more information).

As a cumulative result of the real estate asset sales in recent years, the Company s real estate assets now consist of only its corporate headquarters building in metropolitan Atlanta, Georgia; a commercially-zoned land parcel in North Ft. Myers, Florida; and commercially-zoned land parcels in Oakwood, Georgia.

LIQUIDITY

The Company s cash increased by $201,000 during the fourth quarter of fiscal 2011, as operating activities provided cash of $363,000. On a full year basis, the Company s cash increased by $202,000, as operating and investing activities used cash of $1,294,000 and $725,000, respectively, offset primarily by cash generated from sales of real estate assets. Despite the recent successes and achievements described above, the Company s full year loss from continuing operations in fiscal 2011 resulted in significant usage of the Company s cash, continuing the trend of substantial cash usage to fund operating losses in recent years. Although the BPE Segment generated positive EBITDA and net earnings from operations in four of the last five fiscal quarters, and generated positive EBITDA and net earnings for the full fiscal year, a longer period of time will be required before the BPE Segment is able to generate sufficient sustained cash flow to fully fund the Company s consolidated operations. If the merger, as described in Note 18 Subsequent Events to the consolidated financial statements, should not occur, the Company believes that it has, or can obtain, sufficient capital resources to operate its business in the ordinary course until the BPE Segment begins to generate sufficient sustained cash flow to fund the Company s consolidated operations, which it may seek to obtain by using any of the methods described below in Liquidity and Capital Resources; however, there can be no assurance that the Company will be successful in these efforts.

Historically, earnings before taxes have been indicative of the BPE Segment s cash flows, before taking into account the timing of receivables and payables. Despite the revenue growth, positive EBITDA and earnings that

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the BPE Segment achieved in fiscal 2011, and which the Company expects the BPE Segment to achieve in fiscal 2012, the timing of when BPE will generate consistent and sustainable cash flow from operations will be dependent on a number of factors, including the timing of collections on customer receivables and payments to vendors and suppliers. In addition, there can be no guarantee that the expected revenue growth, positive EBITDA and earnings at the BPE Segment will actually occur, particularly if recent improvements in macro-economic conditions do not continue, or if such conditions were to worsen, for an extended period of time. See Liquidity and Capital Resources later in this discussion and analysis section for more information.

RESULTS OF OPERATIONS

In the following charts, changes in revenues, cost of revenues, selling, general and administrative expenses, and loss from continuing operations before income taxes from period to period are analyzed on a segment basis, prior to intercompany revenues, costs and expenses. For other information on a consolidated basis, refer to the Company s consolidated financial statements. For net earnings presented by segment including intercompany revenues, costs and expenses, refer to Note 14 Segment Reporting to the consolidated financial statements.

REVENUES

Consolidated revenues from continuing operations, prior to intercompany revenues, were $26,157,928 in fiscal 2011 compared to $18,561,530 in fiscal 2010. This represents an increase in revenues of 41%.

CHART A

REVENUES FROM CONTINUING OPERATIONS

(Dollars in Thousands)

	Years Ended April 30, 2011	2010	Amount Change	Percentage Change
BPE (1)	$25,735	$18,172	$7,563	42
Other	423	390	33	8
	$26,158	$18,562	$7,596	41

NOTES TO CHART A

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

BPE SEGMENT REVENUES SUMMARY BY SERVICE & PRODUCT TYPE

(Dollars in Thousands)

	Years Ended April 30 2011	2010	Amount Change	Percentage Change
Energy Savings Projects	$18,791	$11,051	$7,740	70
Lighting Products	2,227	1,933	294	15
Energy Mana				