

Fortress America Acquisition CORP  
Form PRER14A  
December 08, 2006

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**AMENDMENT NO. 2**  
**TO**  
**SCHEDULE 14A**  
**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934**

Filed by the Registrant:   
Filed by a Party other than the Registrant:

Check the appropriate box:

- Preliminary Proxy Statement  
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Under Rule 14a-12

**FORTRESS AMERICA ACQUISITION CORPORATION**

(Name of Registrant as Specified in Its Charter)

**Not Applicable**

(Name of Person(s) Filing Proxy Statement, if Other  
Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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.. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies: Membership interests in VTC, L.L.C. and Vortech, LLC.
- (2) Aggregate number of securities to which transaction applies: All of the issued and outstanding membership interests of VTC, L.L.C. and Vortech, LLC.
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): Up to \$38,275,641 will be paid for all of the issued and outstanding membership interests of VTC, L.L.C. and Vortech, LLC.
- (4) Proposed maximum aggregate value of transaction: \$38,275,641
- (5) Total fee paid: \$4,095

.. Fee paid previously with preliminary materials:

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:



**FORTRESS AMERICA ACQUISITION CORPORATION**  
**4100 North Fairfax Drive, Suite 1150**  
**Arlington, Virginia 22203**

Dear Stockholder:

You are cordially invited to attend a special meeting of the stockholders of Fortress America Acquisition Corporation, relating to the proposed acquisition of VTC, L.L.C., doing business as Total Site Solutions, and Vortech, LLC (together, TSS/Vortech), which will be held at 10:00 a.m., Eastern Time, on January \_\_, 2007, at the offices of Squire, Sanders & Dempsey L.L.P. located at 8000 Towers Crescent Drive, 14th Floor, Tysons Corner, Virginia 22182.

At this special meeting, you will be asked to consider and vote on the following proposals:

1.

To approve the acquisition of TSS/Vortech (referred to as the acquisition) substantially on the terms set forth in the Second Amended and Restated Membership Interest Purchase Agreement dated July 31, 2006 (referred to as the purchase agreement) by and among Fortress America Acquisition Corporation, VTC, L.L.C., Vortech, LLC, and Thomas P. Rosato and Gerard J. Gallagher, as the members of VTC, L.L.C. and Vortech, LLC, and the other transactions contemplated by the purchase agreement;

2.

To amend and restate our Amended and Restated Certificate of Incorporation to change our name from Fortress America Acquisition Corporation to Fortress International Group, Inc. and to remove certain provisions only applicable to us prior to our completion of a business combination (referred to as the amendment);

3.

To approve the 2006 Omnibus Incentive Compensation Plan (referred to as the incentive compensation plan);

4.

To elect one director, for a three-year term expiring in 2009 (referred to as the nomination); and

5.

To approve any adjournments or postponements of the special meeting for the purpose of soliciting additional proxies.

As provided in our Amended and Restated Certificate of Incorporation, we will proceed with the acquisition only if (i) a majority of the shares cast, in person or by proxy, in respect of common stock owned by our public stockholders (those stockholders who purchased their shares as part of our initial public offering or in the aftermarket) are voted in favor of the acquisition and (ii) public stockholders owning 20% or more of the shares sold in our initial public offering (1,560,000 or more of such shares) do not exercise their conversion rights (as discussed below in this letter). The incentive compensation plan and the adjournment must be approved by the affirmative vote of the majority of the shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote on such matters. The amendment must be approved by the affirmative vote of the majority of the shares of our common stock outstanding on the record date. To be elected as a director, a nominee must receive the affirmative vote of a plurality of the shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote on the election of directors.

None of our directors or officers purchased shares in our initial public offering or in the aftermarket.

As provided in our Amended and Restated Certificate of Incorporation, public stockholders voting against the acquisition are entitled to demand that their shares of common stock be converted into cash. If the acquisition is consummated, a demanding public stockholder that voted against the acquisition will receive cash equal to such public stockholder's pro rata portion of the proceeds of our initial public offering that were placed into our trust account, including a pro rata portion of any interest earned on such funds through the date that is two business days prior to the closing of the acquisition. Based on the amount of cash held in the trust account at November 30, 2006, we estimate that you will be entitled to convert each share that you hold into approximately \$5.70.

After careful consideration, our board of directors unanimously approved the acquisition, the purchase agreement and the other transactions contemplated by the purchase agreement, and determined that the acquisition is in our best interest and in the best interest of our stockholders. Our board of directors has also determined that the fair market value of TSS/Vortech will exceed 80% of our net assets at the time of the acquisition. Our board of directors has received a written opinion that, as of the date therein, and based upon and subject to the assumptions,

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factors, qualifications and limitations set forth therein, the consideration to be paid by us in the proposed acquisition is fair to our stockholders from a financial point of view. Our board of directors also unanimously approved the amendment and the incentive compensation plan, subject to stockholder approval of the acquisition. Finally, our board of directors has approved the nomination of David J. Mitchell as a member of the board of directors. If the acquisition is not approved, the amendment and the incentive compensation plan will not be presented for approval at the special meeting.

Our board of directors unanimously recommends that holders of our common stock vote **FOR** the approval of the acquisition, the purchase agreement and the other transactions contemplated by the purchase agreement, **FOR** the amendment, **FOR** the incentive compensation plan, **FOR** the nomination and **FOR** any adjournments or postponements of the special meeting for the purpose of soliciting additional proxies.

Enclosed is a notice of special meeting and proxy statement containing detailed information concerning the acquisition, the purchase agreement and the transactions contemplated by the purchase agreement, the amendment, the incentive compensation plan and the nomination.

Your vote is important. Whether or not you plan to attend the special meeting, we urge you to read this material carefully, complete the enclosed proxy card and return it as promptly as possible.

Under our Amended and Restated Certificate of Incorporation, the acquisition must be approved by a majority of the votes cast at the special meeting, in person or by proxy, in respect of shares of our common stock issued in our initial public offering. **If you do not appear at the special meeting in person or by proxy, or if you abstain by appearing in person and not voting or by returning a proxy and not instructing how your shares should be voted by proxy on the acquisition, or if your shares are held in street name and you do not instruct your broker or bank how to vote, your shares will not be counted as being voted either for or against approval of the acquisition, and you will not have the right to convert your shares into a pro rata portion of the trust account. Further, such a failure to vote or to instruct your broker or bank how to vote your shares will have the same effect as voting against the amendment.**

**See the section titled Risk Factors beginning on page \_\_\_ of this proxy statement for a discussion of various factors that you should consider in connection with the acquisition since, upon completion of the acquisition, the operations and assets of FAAC will largely be those of the business we acquire in the acquisition.**

This proxy statement is dated December \_\_, 2006, and is first being mailed, along with the enclosed proxy card, to stockholders on or about December \_\_, 2006.

Sincerely,

C. Thomas McMillen  
Chairman

**FORTRESS AMERICA ACQUISITION CORPORATION**  
**4100 North Fairfax Drive, Suite 1150**  
**Arlington, Virginia 22203**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**  
**TO BE HELD ON JANUARY \_\_, 2007**

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of Fortress America Acquisition Corporation, or FAAC, a Delaware corporation, will be held at 10:00 a.m., Eastern Time, on January \_\_, 2007, at the offices of Squire, Sanders & Dempsey L.L.P. located at 8000 Towers Crescent Drive, 14th Floor, Tysons Corner, Virginia 22182, for the purposes of considering and voting upon the following proposals:

1. To approve the acquisition of VTC, L.L.C. and Vortech, LLC (referenced to as the acquisition ) substantially on the terms set forth in the Second Amended and Restated Membership Interest Purchase Agreement dated July 31, 2006 (referred to as the purchase agreement ) by and among Fortress America Acquisition Corporation, VTC, L.L.C., Vortech, LLC, and Thomas P. Rosato and Gerard J. Gallagher, as the members of VTC, L.L.C. and Vortech, LLC, and the other transactions contemplated by the purchase agreement, as more fully described in the enclosed proxy statement;
2. To amend and restate our Amended and Restated Certificate of Incorporation to change our name from Fortress America Acquisition Corporation to Fortress International Group, Inc. and to remove certain provisions only applicable to us prior to our completion of a business combination (referred to as the amendment );
3. To approve the 2006 Omnibus Incentive Compensation Plan (referred to as the incentive compensation plan );
4. To elect one director for a three-year term expiring in 2009 (referred to as the nomination ); and
5. To approve any adjournments or postponements of the special meeting for the purpose of soliciting additional proxies.

The record date for determining stockholders entitled to notice of, and to vote at, the special meeting or any postponements or adjournments of the special meeting is the close of business on December \_\_, 2006. Only holders of record of shares of our common stock on the record date are entitled to vote at the special meeting or any postponements or adjournments of the special meeting. If we have not received sufficient proxies to constitute a quorum or sufficient votes for approval of the acquisition, the purchase agreement and the other transactions contemplated by the purchase agreement, the amendment, the incentive compensation plan and/or the nomination at the special meeting, the special meeting may be adjourned for the purpose of soliciting additional proxies.

A complete list of our stockholders of record entitled to vote at the special meeting will be available for ten days before the special meeting at FAAC's principal executive offices for inspection by stockholders during ordinary business hours for any purpose germane to the special meeting.

All FAAC stockholders are cordially invited to attend the special meeting and cast your vote in person. However, to ensure your representation at the special meeting, you are urged to complete, sign, date and return the enclosed proxy card as soon as possible. Regardless of the number of shares you own, your vote is important. If your shares are held in an account at a brokerage firm or bank, you must instruct your broker or bank on how to vote your shares.

**If you do not appear at the special meeting in person or by proxy, or if you abstain by appearing in person and not voting or by returning a proxy and not instructing how your shares should be voted by proxy on the acquisition, or if your shares are held in street name and you do not instruct your broker or bank how to vote, your shares will not be counted as being voted either for or against approval of the acquisition, and you will not**

**have the right to convert your shares into a pro rata portion of the trust account. Further, such a failure to vote or to instruct your broker or bank how to vote your shares will have the same effect as voting against the amendment.**

After careful consideration, our board of directors unanimously approved the acquisition, the purchase agreement and the other transactions contemplated by the purchase agreement, and determined that the acquisition is

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in our best interest and in the best interest of our stockholders. Our board of directors has received a written opinion that, as of the date therein, and based upon and subject to the assumptions, factors, qualifications and limitations set forth therein, the consideration to be paid by FAAC in the proposed acquisition is fair to FAAC from a financial point of view. Our board of directors also unanimously approved the amendment and the incentive compensation plan, subject to stockholder approval. Our board of directors has approved the nomination of David J. Mitchell as a member of our board of directors. Our board of directors unanimously recommends that holders of our common stock vote FOR the approval of the acquisition, the purchase agreement and the other transactions contemplated by the purchase agreement, FOR the amendment, FOR the incentive compensation plan, FOR the nomination and FOR any adjournments or postponements of the special meeting for the purpose of soliciting additional proxies.

We encourage you to read this entire proxy statement carefully as well as the additional documents to which it refers.

By Order of the Board of Directors,

C. Thomas McMillen  
Chairman

December \_\_, 2006

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## SUMMARY OF MATTERS TO BE VOTED UPON

This summary briefly outlines the matters to be voted upon at the special meeting, including principally approval of our acquisition of VTC, L.L.C. and Vortech, LLC.

### Summary of Material Terms of the Acquisition

This summary presents material information relating to our acquisition (referred to in this proxy statement as the acquisition ) of VTC, L.L.C, doing business as Total Site Solutions (referred to in this proxy statement as VTC or TS and Vortech, LLC (referred to in this proxy statement as Vortech and together with VTC the companies or TSS/Vortech) pursuant to the Second Amended and Restated Membership Interest Purchase Agreement dated July 31, 2006 (referred to in this proxy statement as the membership interest purchase agreement or the purchase agreement ), by and among Fortress America Acquisition Corporation (referred to in this proxy as FAAC , we, us and our, unless the context requires otherwise), TSS, Vortech, Thomas P. Rosato and Gerard J. Gallagher as the members of TSS and Vortech (referred to in this proxy statement as the selling members ), and Thomas P. Rosato, as the selling members representative. This summary may not contain all of the information that is important to you. Please carefully read this entire proxy statement as well as the additional documents to which it refers.

*Business of the companies:* TSS and Vortech are privately held companies that together provide a single source solution for highly technical mission-critical facilities such as data centers, operation centers, network facilities, server rooms, security operations centers, communications facilities and the infrastructure systems that are critical to their function. The companies' services include technology consulting, engineering and design management, construction management, system installations, operations management, and facilities management and maintenance.

*General description of the acquisition:* The membership interest purchase agreement provides for our acquisition of all of the issued and outstanding membership interests of VTC and Vortech from their respective members, for closing date purchase consideration of up to \$38.5 million (subject to certain working capital adjustments), consisting of \$11.0 million in cash, the assumption of up to \$161,000 of the companies' debt, up to 3,205,128 shares of our common stock as reduced by the amount of any debt assumed by FAAC, and \$10.0 million in two convertible, interest-bearing promissory notes of \$5.0 million each.

Of the up to 3,205,128 shares of our common stock to be issued at closing as purchase consideration,

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576,559 shares shall be issued to certain employees of the companies under restricted stock grants;

- 

up to 67,825 shares shall be issued to Evergreen Capital LLC as partial payment of certain outstanding consulting fees; and

- 

2,628,569 shares (as reduced for the assumption of up to \$161,000 of debt and by any shares issued to Evergreen Capital LLC) shall be issued to the selling members of VTC and Vortech.

All 2,628,569 shares of our common stock issued to the selling members shall be subject to a lock-up agreement restricting the sale or transfer of those shares through July 13, 2008 and, in addition, shall be held in escrows maintained by an escrow agent (2,487,484 shares to be held in a general indemnity escrow and 73,260 shares to be held in a balance sheet escrow, all as described below). The 576,559 shares of our stock to be issued to certain

employees of the companies as restricted stock grants will be subject to forfeiture if the receiving employee terminates his employment within three years of the closing of the acquisition, in which event the forfeited shares will be delivered to the selling members.

In addition, at the closing of the acquisition, we will enter into employment agreements with each of the selling members. Under these agreements, as described in more detail below, each selling member will be entitled to initial annual base compensation of \$425,000, an annual bonus of up to 50% of his base compensation, and if during the period from the closing of the acquisition through July 13, 2008 the market price of our common stock reaches certain thresholds, up to \$5.0 million in shares of our common stock. We refer to the potential issuance of additional shares under the employment agreements as the share performance bonus . For a more detailed discussion of the employment agreements, please see Directors and Executive Officers of Fortress America Acquisition Corporation Following the Acquisition Employment Agreements on page \_\_\_.

For a more detailed discussion of the structure of the acquisition, please see *The Purchase Agreement* on page \_\_\_.

*Escrow of a portion of the purchase consideration:* Portions of the stock otherwise payable at closing to the selling members are being deposited into escrow accounts with an escrow agent as follows:

- 2,487,484 shares of our common stock to secure the selling members' indemnification obligations; and
- 73,260 shares of our common stock to secure post-closing adjustments to the purchase price in our favor.

Please see *Escrow Agreements* on page \_\_\_.

*Convertible promissory notes.* Each convertible promissory note bears interest at six percent per year and has a term of five years. Interest only is payable during the first two years of each note with principal payments commencing on the second anniversary of note and continuing throughout the balance of the term of the note in equal quarterly installments of \$416,667. At any time after the sixth month following the closing of the acquisition, the notes are convertible by the selling members into shares of our common stock at a conversion price of \$7.50 per share. At any time after the sixth month following the closing of the acquisition, the notes are automatically convertible if the average closing price of our common stock for 20 consecutive trading days equals or exceeds \$7.50 per share.

*Share performance bonus.* Up to \$5.0 million in additional shares of our common stock will be issuable to each selling member if during the period from the closing of the acquisition through July 13, 2008, certain share performance thresholds (alternative and not cumulative) set forth below are satisfied:

- if the highest average share price of FAAC's common stock during any 60 consecutive trading day period between the closing of the acquisition and July 13, 2008 exceeds \$9.00 per share but is no more than \$10.00 per share, the selling member will be entitled to \$0.5 million worth of additional shares; or
- if the highest average share price of FAAC's common stock during any 60 consecutive trading day period between the closing of the acquisition and July 13, 2008 exceeds \$10.00 per share but is no more than \$12.00 per share, the selling member will be entitled to \$1.5 million worth of additional shares; or
- if the highest average share price of FAAC's common stock during any 60 consecutive trading day period between the closing of the acquisition and July 13, 2008 exceeds \$12.00 per share but is no more than \$14.00 per share, the selling member will be entitled to \$3.0 million worth of additional shares; or
- if the highest average share price of FAAC's common stock during any 60 consecutive trading day period between the closing of the acquisition and July 13, 2008 exceeds \$14.00 per share, the selling member will be entitled to \$5.0 million worth of additional shares.

*Directors and Executive Officers Following the Acquisition:* At the effective time of the acquisition, C. Thomas McMillen, who has served as our Chairman, and Harvey L. Weiss, who has served as our Chief Executive Officer, in each case since inception, will resign from those offices but remain as members of the board of directors. At that time, Harvey L. Weiss will become our Chairman; C. Thomas McMillen will become our Vice Chairman, Thomas P. Rosato will become our Chief Executive Officer and Gerard J. Gallagher will become our President and Chief Operating Officer.

**Additional Proposals to be Voted Upon**

In addition to voting on the acquisition, our stockholders will vote on proposals to amend and restate our Amended and Restated Certificate of Incorporation, to approve an incentive compensation plan, to elect a director to our board of directors and to approve any adjournments or postponements of the special meeting for the purpose of soliciting additional proxies. Please see Approval of the Proposal to Amend and Restate Our Amended and Restated Certificate of Incorporation on page \_\_, Approval of the 2006 Omnibus Incentive Compensation Plan on page \_\_, Approval of the Election of a Nominee to Our Board of Directors on page \_\_ and Approval of Proposal to Adjourn the Special Meeting on page \_\_.

**QUESTIONS AND ANSWERS ABOUT THE ACQUISITION**

**Q.**

**What is being voted on?**

A.

There are five proposals that you are asked to vote on:

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The first proposal is to approve the acquisition of TSS/Vortech and the other transactions contemplated in the purchase agreement.

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The second proposal is to approve the amendment and restatement of our Amended and Restated Certificate of Incorporation to effect the name change of FAAC to Fortress International Group, Inc. and eliminate certain provisions that are applicable to us only prior to our completion of a business combination.

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The third proposal is to approve our 2006 Omnibus Incentive Compensation Plan.

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The fourth proposal is to elect David J. Mitchell to our board of directors.

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The fifth proposal allows the adjournment or postponement of the special meeting to a later date if necessary to permit further solicitation of proxies.

**Q.**

**Why is FAAC proposing the acquisition of TSS/Vortech?**

A.

We were organized to effect a business combination with an operating business in the homeland security industry. Under the terms of our Amended and Restated Certificate of Incorporation, prior to completing a business combination, we must submit the transaction to our stockholders for approval. Having negotiated the terms of a business combination with TSS/Vortech, we are now submitting the transaction to stockholders for their approval.

TSS and Vortech are privately held companies that together provide a single source solution for highly technical mission-critical facilities such as data centers, operation centers, network facilities, server rooms, security operations centers, communications facilities and the infrastructure systems that are critical to their function. The companies services include technology consulting, engineering and design management, construction management, system installations, operations management, and facilities management and maintenance.

Our board of directors believes that:

•

TSS/Vortech provides a strong homeland security platform from which we can expand, organically and through future acquisitions, in the large and growing homeland security market;

•

TSS/Vortech has strong core competencies and service offerings that we can build upon;

•

TSS/Vortech's management has substantial experience and is willing to remain with us post-acquisition and accept a significant portion of the purchase consideration in shares of our common stock;

•

TSS/Vortech's business is currently profitable and not reliant for profits upon speculative business plans; and

•

the purchase price for TSS/Vortech is reasonable.

**Q.**

**What will be FAAC's strategy after the acquisition is completed?**

**A.**

We plan to pursue a strategy for growth that includes both organic growth and acquisitions. We expect to achieve organic growth by increasing business development and sales activities utilizing TSS/Vortech's Solutions Path, a process for program roll-outs that aligns projects requirements with TSS/Vortech's capabilities. When involved in the initial planning stages of a facilities integration project, TSS/Vortech develops a comprehensive project Solutions Path that meets rigorous design and scheduling requirements for the timely delivery of high technology facilities that are critical to the customer's continuous operations. The traditional TSS/Vortech approach to the market begins with the sale of consulting and planning services at the beginning of a project cycle, which allows TSS/Vortech to establish key customer relationships early on. TSS/Vortech seeks to use these consulting engagements at the early stages of a project to offer its follow on engineering and design, construction management, installation management and, upon the completion of a



mission critical project, its facilities maintenance and services offerings. TSS/Vortech often finds that its on site presence results in additional contracts for adds-moves-changes, or AMCs. FAAC believes that increasing the number of TSS/Vortech's sales and marketing persons will significantly improve its opportunities for each of its traditional services and result in organic growth.

We plan to focus the acquisition portion of our growth strategy on the acquisition of specialty engineering and information technology/networking consulting and system integration companies that focus on mission-critical facilities. There are many independent, unaffiliated boutique engineering firms that specialize in the planning and design of mission-critical facilities. These firms, which often have customers among the largest and most prestigious financial services firms, universities and health care institutions, e-commerce Internet companies, Internet service providers, manufacturers and other companies considered part of the country's critical infrastructure, generally prepare designs but do not provide the engineering services and drawings needed to implement those designs. We plan to identify and acquire specialty engineering firms in up to ten high-potential geographic markets. With the comprehensive set of services available from TSS/Vortech, we expect that the acquisition of these engineering firms will significantly improve sales because TSS/Vortech would be a natural follow-on service provider for much of the initial engineering work provided by these businesses. We further expect this acquisition strategy to give the company a national foot print and increase the revenue and profit per employee. Another aspect of our acquisition strategy is to find and acquire businesses with Network Operation Center (NOC) capability, situational awareness, and command and control capability. We believe that these capabilities and services will enhance the ability of TSS/Vortech to sell and deliver facilities management services and will also increase capabilities for facility maintenance and growth services. Finally, we intend expand our international business in Europe, Asia and the Middle East through joint ventures and the acquisition of companies.

We believe these strategies will improve our revenue growth and allow us to achieve economies of scale that will enhance our profitability.

**Q.**

**Who will manage the acquired company?**

**A.**

Following the acquisition, TSS/Vortech will be managed by members of the existing management of TSS/Vortech, including Thomas P. Rosato, who will become our Chief Executive Officer, and Gerard J. Gallagher, who will become our President and Chief Operating Officer, and also by Harvey L. Weiss, who will become the Chairman of our Board of Directors, and C. Thomas McMillen, who will become the Vice Chairman of our Board of Directors. Mr. Rosato has more than 25 years of experience in operating and managing mission-critical service businesses and has overseen the building of more than \$1 billion in projects. Mr. Gallagher has more than 25 years of experience in mission-critical fields, including nine years serving as the president of operating businesses in the industry. Mr. Weiss has over 35 years of experience in security-related fields and has over 10 years of experience serving as president or chief executive officer of operating businesses. Mr. McMillen has since 2003 served as the chief executive officer or chairman of companies focused on the homeland security industry and has over 18 years of experience in government, finance and mergers and acquisitions. Mr. McMillen may have conflicts of interest due to his affiliation with Homeland Security Capital Corporation. See the discussion under Risk Factors Risks Related to the Acquisition of TSS/Vortech The current chairman of our board of directors may have conflicts of interest that could hinder our ability to make acquisitions and Certain Relationships and Related Transaction Homeland Security Capital Corporation.

**Q.**

**What is FAAC paying for TSS/Vortech and what are the selling members receiving?**

A.

We have agreed to purchase all of the issued and outstanding membership interests of VTC, L.L.C. and Vortech, LLC for closing date consideration of up to \$38.5 million (subject to certain working capital adjustments) consisting of up to \$11.0 million in cash, the assumption of up to \$161,000 of the companies debt, up to 3,205,128 shares of our common stock, as reduced by the amount of any debt assumed by FAAC, and \$10.0 million in two convertible, interest-bearing promissory notes of \$5.0 million each.

In addition, at the closing of the acquisition, we will entered into employment agreements with each of the two selling members. Under these agreements, each selling member will be entitled to initial annual base compensation of \$425,000, an annual bonus of up to 50% of his base compensation and, if during the period

from the closing of the acquisition through July 13, 2008 the market price of our common stock reaches certain thresholds, up to \$5.0 million in shares of our common stock.

The shares of our common stock to be delivered to the selling members will not be registered but will be the subject of a registration rights agreement entered into at the closing of the acquisition. See Registration Rights Agreement .

**Q.**

**How much of FAAC will existing FAAC stockholders own after the acquisition?**

A.

Immediately after the acquisition, if no FAAC stockholder demands that FAAC convert its shares into a pro rata portion of the trust account, existing FAAC s stockholders will own approximately 61% of the outstanding common stock of FAAC. Existing FAAC stockholders would own less than that percentage of shares if one or more FAAC stockholders vote against the acquisition and demand conversion of their shares into a pro rata portion of the trust account. The ownership percentages of existing FAAC stockholders will also be reduced to the extent that the convertible notes are converted into shares and to the extent that contingent shares are issued to the TSS/Vortech stockholders pursuant to the terms of the purchase agreement.

**Q.**

**What vote is required in order to approve the acquisition?**

A.

The acquisition does not require stockholder approval under Delaware law. As to transactions (such as mergers and sales of all or substantially all of a company s assets) that do require stockholder approval under Delaware, absent different requirements under the company s certificate of incorporation, Delaware law requires that the transaction be approved by the holders of a majority of the outstanding stock entitled to vote on the transaction. However, under our Amended and Restated Certificate of Incorporation, instead of requiring the approval of a majority of the outstanding stock entitled to vote on the transaction, the acquisition must be approved by a majority of the votes actually cast at the special meeting, in person or by proxy, in respect of shares of our common stock issued in our initial public offering or purchased in the aftermarket. Thus, votes in respect of shares issued other than in the public offering are not counted for the purpose of determining if the acquisition has been approved in accordance with our Amended and Restated Certificate of Incorporation. None of our directors or officers purchased shares in our initial public offering or in the aftermarket. In addition, as provided in our Amended and Restated Certificate of Incorporation, we will not proceed with the acquisition if public stockholders owning 20% or more of the shares sold in our initial public offering (1,560,000 or more of such shares) exercise their right to convert their shares of common stock into cash.

**Q.**

**What will happen if I fail to vote or abstain from voting?**

A.

Approval of the acquisition requires a majority of the votes actually cast by the holders of shares of our common stock issued in our initial public offering or purchased in the aftermarket (referred to in this proxy statement as public stockholders ), Therefore, if you do not appear at the special meeting in person or by proxy, or if you abstain by appearing in person and not voting or by returning a proxy and not instructing how your shares should be voted by proxy on the acquisition, or if you shares are held in street name and you do not instruct your broker or bank how to

vote, your shares will not be counted as being voted either for or against approval of the acquisition, and you will not have the right to convert your shares into a pro rata portion of the trust account. To exercise your conversion rights, you must have voted against the acquisition and affirmatively elect to convert your shares by checking the appropriate box, or directing your broker to check the appropriate box, on the proxy card and ensure that the proxy card is delivered prior to our special meeting. Additionally, you can convert your shares by voting against the acquisition at the special meeting and demanding that we convert your shares to cash.

**Q.**

**Do I have the right to convert my shares into cash?**

**A.**

If you hold shares of common stock issued in our initial public offering (including such shares purchased in the aftermarket), then you have the right to vote against the acquisition proposal and demand that we convert your shares of common stock into cash (conversion rights). If the acquisition is consummated, a demanding public stockholder that voted against the acquisition will receive cash equal to such public stockholder's pro rata portion of the proceeds of our initial public offering that were placed into our trust account, including a pro rata portion of any interest earned on such funds through the date that is two business days prior to the closing of the

acquisition. However, we will not proceed with the acquisition if public stockholders owning 20% or more of the shares sold in our initial public offering (1,560,000 or more of such shares) exercise such conversion rights.

**Q.**

**If I have conversion rights, how do I exercise them?**

**A.**

If you wish to exercise your conversion rights, you must vote against the acquisition and at the same time demand that we convert your shares into cash. If, notwithstanding your vote, the acquisition is consummated, then you will be entitled to receive your pro rata portion of the proceeds of our initial public offering that were placed into our trust account, including a pro rata portion of any interest earned on such funds through the date that is two business days prior to the closing of the acquisition. Based on the amount of cash held in the trust account at November 30, 2006, we estimate that you will be entitled to convert each share that you hold into approximately \$5.70. If you exercise your conversion rights, then you will be exchanging your shares for cash and will no longer own these shares. You will only be entitled to receive cash for these shares if you continue to hold these shares through the closing date of the acquisition and then tender your stock certificate to us. If the acquisition is not completed, then your shares will not be converted to cash under this procedure.

Prior to exercising conversion rights, public stockholders should verify the market price of our common stock as they may receive higher proceeds from the sale of their common stock in the public market than from exercising their conversion rights. Our shares of common stock are listed on the Over the Counter Bulletin Board, or OTCBB, under the symbol FAAC.

**Q.**

**What will I receive in the acquisition?**

**A.**

If the acquisition is completed and you vote your shares for the acquisition, you will continue to hold the FAAC securities that you currently own. If the acquisition is completed but you have voted your shares against the acquisition and have elected to exercise your conversion rights, your FAAC shares will be cancelled and you will be entitled to receive your pro rata portion of the proceeds of our initial public offering that were placed into our trust account, including a pro rata portion of any interest earned on such funds through the date that is two business days prior to the closing of the acquisition.

**Q.**

**Will FAAC securities still be traded on the OTCBB after the acquisition is completed?**

**A.**

Yes. We intend to apply to have our common stock approved for listing on the NASDAQ Capital Market. If the listing on NASDAQ is not approved, we expect that our common stock will continue to be quoted on the OTCBB.

**Q.**

**What happens to the funds deposited in the trust account after consummation of the acquisition?**

A.

Upon consummation of the acquisition, any funds remaining in the trust account after payment of amounts, if any, to public stockholders exercising their conversion rights, will no longer be subject to the trust account and will be used to fund the acquisition, provide working capital, and fund future acquisitions, if any.

**Q.**

**What will the structure of the company be after the acquisition?**

A.

We will own all of the issued and outstanding membership interests of TSS/Vortech after closing of the acquisition.

**Q.**

**What happens if the acquisition is not consummated?**

A.

If the acquisition is not consummated, we will continue to search for an operating company to acquire. However, the trust account in which a substantial portion of the net proceeds of our initial public offering are held will be liquidated if we do not consummate a business combination by January 20, 2007. In any liquidation, the net proceeds of our initial public offering held in the trust account, plus any interest earned thereon, will be distributed pro rata to our public stockholders.

**Q.**

**When do you expect the acquisition to be completed?**

A.

It is currently anticipated that the acquisition will be completed, or closed, promptly following our special meeting on January \_\_, 2007.

**Q.**

**Why is FAAC proposing to amend and restate its Amended and Restated Certificate of Incorporation?**

**A.**

Article Fifth of our Amended and Restated Certificate of Incorporation is only applicable to us prior to our completion of a business combination. In the event that the acquisition is approved at the special meeting, Article Fifth will no longer be applicable to us. Therefore, we are proposing to eliminate Article Fifth and make certain other corrections and minor revisions to our Amended and Restated Certificate of Incorporation. In addition, we are changing our name to Fortress International Group, Inc.

**Q.**

**What vote is required to adopt the amendment?**

**A.**

The amendment must be approved by the affirmative vote of a majority of the shares of our common stock outstanding on the record date. The officers and directors of FAAC intend to vote all of their shares of common stock in favor of this proposal. If the acquisition is not approved, then the amendment will not be presented for approval.

**Q. Why is FAAC proposing to adopt the 2006 Omnibus Incentive Compensation Plan?**

**A.**

We are proposing the incentive compensation plan to:

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create incentives designed to motivate our employees and employees of our subsidiaries to significantly contribute toward our growth and profitability;

- 

provide our executives, directors and other employees and persons who, by their position, ability and diligence are able to make important contributions to our growth and profitability, with an incentive to assist us in achieving our long-term corporate objectives; and

- 

attract and retain qualified executives and other employees, and to provide such persons with an opportunity to acquire an equity interest in us.

**Q:**

**Why is FAAC proposing the adjournment proposal?**

**A.**

If, prior to the special meeting, we do not receive sufficient votes to approve the acquisition, the amendment, the incentive compensation plan and/or the nomination, approval of the adjournment proposed will permit to adjourn the special meeting to solicit additional proxies.

**Q:**

**What vote is required to adopt the incentive compensation plan proposal and the adjournment proposal?**

A.

The incentive compensation plan proposal and the adjournment proposal must be approved by the affirmative vote of the majority of the shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote on such matters. The officers and directors of FAAC intend to vote all their shares of common stock in favor of these proposals. If the acquisition is not approved, then the incentive compensation plan proposal will not be presented for approval.

**Q.**

**What vote is required to elect David J. Mitchell to the board of directors?**

A.

To be elected, a nominee must receive the affirmative vote of a plurality of the shares of our common stock present or represented by proxy at the special meeting and entitled to vote on the election of directors. The officers and directors of FAAC intend to vote all of their shares of common stock in favor of the election of David J. Mitchell to FAAC's board of directors.

**Q.**

**If I am not going to attend the special meeting in person, should I return my proxy card instead?**

A.

Yes. After carefully reading and considering the information contained in this document, please fill out and sign your proxy card. Then return the enclosed proxy card in the return envelope as soon as possible, so that your shares may be represented at the special meeting.

**Q.**

**What do I do if I want to change my vote?**

A.

Send a later-dated, signed proxy card to our Secretary prior to the date of the special meeting or attend the special meeting in person, revoke your proxy and vote.





**Q.**

**If my shares are held in street name by my broker, will my broker vote my shares for me?**

**A.**

No. Your broker can vote your shares only if you provide instructions on how to vote. You should instruct your broker to vote your shares, following the directions provided by your broker. To exercise your conversion rights, you must affirmatively elect to convert your shares by directing your broker to vote against the acquisition and check the appropriate box on the proxy card with respect to conversion and ensure that the proxy card is delivered prior to our special meeting.

**Q.**

**What are the federal income tax consequences to the acquisition?**

**A.**

Our common stockholders who do not exercise their conversion rights will continue to hold their common stock and as a result will not recognize any gain or loss from the acquisition. Common stockholders who exercise their conversion rights will recognize gain or loss to the extent that the amount received by such common stockholders upon conversion is greater than or less than, respectively, such stockholder's tax basis in their shares. A stockholder's tax basis in the shares generally will equal the cost of the shares. A stockholder that purchased our units will have to allocate the cost between the shares and the warrants of the units based on their relative fair market values at the time of the purchase. Assuming the shares are held as a capital asset, the gain or loss will be capital gain or loss and will be long-term capital gain or capital loss if such stockholder's holding period in the shares is longer than one year.

**Q.**

**Who will pay for this proxy solicitation?**

**A.**

We have retained Advantage Proxy to aid in the solicitation of proxies. Advantage Proxy will receive a fee of approximately \$7,000, as well as reimbursement for certain costs and out-of-pocket expenses incurred by them in connection with their services, all of which will be paid by us. In addition, officers and directors may solicit proxies by mail, personal contact, letter, telephone, facsimile and other electronic means, for which no additional compensation will be paid, though they may be reimbursed for their out-of-pocket expenses. We will bear the cost of preparing, assembling and mailing the enclosed form of proxy, this proxy statement and other material that may be sent to stockholders in connection with this solicitation. We may reimburse brokerage firms and other nominee holders for their reasonable expenses in sending proxies and proxy material to the beneficial owners of our shares of common stock.

**Q.**

**Who can help answer my questions?**

**A.**

If you have questions about the solicitation of proxies, you may contact Advantage Proxy at (800) 238-3410, ext. 34.



## SUMMARY OF THE PROXY STATEMENT

This summary presents material information contained in this proxy statement relating to:

- our acquisition of TSS/Vortech;
- amending and restating our Amended and Restated Certificate of Incorporation;
- adopting the 2006 Omnibus Incentive Compensation Plan; and
- electing one director for a three-year term expiring in 2009

This summary may not contain all of the information that is important to you. For a more complete description of the transactions contemplated by the purchase agreement, you should carefully read this entire proxy statement as well as the additional documents to which it refers. A copy of the purchase agreement is attached to this proxy statement as Annex A. For a more complete description of the amendment, the incentive compensation plan and the nomination, you should carefully read this entire proxy statement as well as the additional documents to which it refers. A copy of the Second Amended and Restated Certificate of Incorporation is attached to this proxy statement as Annex D. A copy of the 2006 Omnibus Incentive Compensation Plan is attached to this proxy statement as Annex E. We have included page references to pages in this proxy statement to direct you to a more complete description of the topics presented in this summary.

### **Special Meeting of Stockholders See Page\_\_**

This proxy statement is being furnished to holders of our common stock for use at the special meeting, and at any adjournments or postponements of that meeting, in connection with the approval of the acquisition, the purchase agreement and the other transactions contemplated in the purchase agreement, the amendment, the incentive compensation plan and the nomination, as more fully described in this proxy statement. The special meeting will be held at 10:00 a.m., Eastern Time, on January \_\_, 2007, at the offices of Squire, Sanders & Dempsey L.L.P. located at 8000 Towers Crescent Drive, 14th Floor, Tysons Corner, Virginia 22182.

### **Voting Power; Record Date See Page\_\_**

You will be entitled to vote or direct votes to be cast at the special meeting if you owned shares of our common stock at the close of business on December \_\_, 2006, which is the record date for the special meeting. You will have one vote for each share of our common stock you owned at the close of business on the record date. Our warrants do not have voting rights.

### **Voting Requirement for the Acquisition See Page\_\_**

The acquisition does not require stockholder approval under Delaware law. However, under our Amended and Restated Certificate of Incorporation, the acquisition must be approved by a majority of the votes cast at the special meeting, in person or by proxy, in respect of shares of our common stock issued in our initial public offering or

purchased in the aftermarket. Thus, votes in respect of shares issued other than in the public offering will not be counted for the purpose of determining if the acquisition has been approved in accordance with our Amended and Restated Certificate of Incorporation. None of our directors or officers purchased shares in our initial public offering or in the aftermarket.

Even if the acquisition is approved by the required stockholder vote, we will not proceed with the acquisition if public stockholders owning 20% or more of the shares sold in our initial public offering (1,560,000 or more of such shares) exercise their conversion rights.

**Conversion Rights** See Page\_\_

As provided in our Amended and Restated Certificate of Incorporation, public stockholders have the right to vote against the acquisition and demand that we convert their shares of common stock into cash (referred to in this proxy statements as conversion rights ). If the acquisition is consummated, a demanding public stockholder that voted against the acquisition will receive cash equal to such public stockholder's pro rata portion of the trust account in which the net proceeds of our initial public offering are held, including a pro rata portion of any interest earned on such funds through the date that is two business days prior to the closing of the acquisition. However, we will not proceed with the acquisition if public stockholders owning 20% or more of the shares of common stock sold in our

initial public offering (1,560,000 or more of such shares) exercise such conversion rights. Based on the amount of cash held in the trust account at November 30, 2006, we estimate that you will be entitled to convert each share of common stock that you hold into approximately \$5.70. If you exercise your conversion rights, then you will be exchanging your shares of our common stock for cash and will no longer own those shares. You will only be entitled to receive cash for these shares if you continue to hold these shares through the closing date of the acquisition and then tender your stock certificate to us. If the acquisition is not completed, then these shares will not be converted into cash. A stockholder who exercises conversion rights will continue to own any warrants to acquire our common stock owned by such stockholder, as such warrants will remain outstanding and unaffected by the exercise of conversion rights.

**No Appraisal or Dissenters Rights See Page\_\_**

No appraisal or dissenters rights are available under the Delaware General Corporation Law for our stockholders in connection with the acquisition.

**Amendment Proposal See Page\_\_**

We are proposing to amend and restate our Amended and Restated Certificate of Incorporation, upon consummation of the acquisition, to change our name from Fortress America Acquisition Corporation to Fortress International Group, Inc. and to eliminate certain provisions that are only applicable to us prior to our completion of a business combination. As a result of the amendment, after the completion of the acquisition, our name will be Fortress International Group, Inc. and Article Fifth of our Amended and Restated Certificate of Incorporation will be deleted. The Amended and Restated Certificate of Incorporation is attached to this proxy statement as Annex D. If the acquisition is not approved, then the amendment proposal will not be presented for approval.

**Voting Requirement for the Amendment Proposal See Page**

The amendment must be approved by the affirmative vote of the majority of shares of our common stock outstanding on the record date.

**Incentive Compensation Plan Proposal See Page\_\_**

The incentive compensation plan reserves 2,100,000 shares of our common stock (of which 576,559 shares are to be issued to certain employees of TSS/Vortech at the closing) for issuance in accordance with the plan's terms. The purpose of the plan is:

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to create incentives designed to motivate our employees, and employees of our subsidiaries, to significantly contribute toward our growth and profitability;

- 

to provide our executives, directors and other employees and persons who, by their position, ability and diligence are able to make important contributions to our growth and profitability, with an incentive to assist us in achieving our long-term corporate objectives; and

- 

to attract and retain qualified executives and other employees, and to provide such persons with an opportunity to acquire an equity interest in us.

After the closing date grants to TSS/Vortech employees, 1,523,441 shares of our common stock, or approximately 12% of the shares expected to then be outstanding, will be available for future grants under the incentive compensation plan. The plan is attached to this proxy statement as Annex E. If the acquisition is not approved, then the incentive compensation plan proposal will not be presented for approval.

**Voting Requirement for the Incentive Compensation Plan Proposal See Page\_\_**

The incentive compensation plan must be approved by the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote on such matter.

**Nomination Proposal See Page\_\_**

Our board of directors is divided into three classes, each of which will generally serve for a term of three years with only one class of directors being elected in each year. The term of office of the first class of directors,

consisting of David J. Mitchell, is expiring at the special meeting. Our board of directors has unanimously approved the nomination of David J. Mitchell as a member of our board of directors to serve a three-year term expiring in 2009.

**Voting Requirement for the Nomination Proposal See Page\_\_**

To be elected as a director, a nominee must receive the affirmative vote of a plurality of the shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote on the election of directors.

**Adjournment Proposal See Page\_\_**

In the event there are not sufficient votes at the time of the special meeting to approve the acquisition proposal, the amendment proposal, the incentive compensation plan proposal or the nomination proposal, our board of directors may submit a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies.

**Vote Requirement for the Adjournment Proposal See Page\_\_**

The adjournment proposal must be approved by the affirmative vote of a majority of shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote on such matter.

**Our Board of Directors Recommendation See Page\_\_**

After careful consideration, our board of directors has unanimously approved the acquisition, the purchase agreement and the other transactions contemplated by the purchase agreement, and has determined that the acquisition is in our best interest and in the best interests of our stockholders. Our board of directors has also unanimously approved the amendment and the incentive compensation plan, and has approved the nomination of David J. Mitchell as a member of our board of directors. Our board of directors unanimously recommends that you vote or give instruction to vote FOR the approval of the acquisition, the purchase agreement and the other transactions contemplated by the purchase agreement, the amendment, the incentive compensation plan, and the nomination.

**General Description of the Acquisition See Page\_\_**

At the special meeting, our stockholders will be asked to approve our acquisition of TSS/Vortech pursuant to the purchase agreement. The purchase agreement provides for our acquisition of all of the issued and outstanding membership interests of VTC, L.L.C. and Vortech, LLC.

At closing, the purchase price for all the issued and outstanding membership interest of the companies is up to \$38.5 million (subject to certain working capital adjustments), payable as follows:

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\$11.0 million in cash;

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up to 3,205,128 shares of FAAC common stock at closing, of which:

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576,559 shares shall be issued to certain employees of the companies under restricted stock grants (subject to forfeiture if the receiving employee terminates his employment within three years of the closing, in which event the



forfeited shares shall be re-issued to the selling members);

- 

up to 67,825 shares shall be issued to Evergreen Capital LLC as partial payment of certain outstanding consulting fees; and

- 

up to 2,628,569 shares (as reduced for the assumption of up to \$161,000 of debt and by any shares issued to Evergreen Capital LLC) shall be issued to the selling members of VTC and Vortech as consideration for their respective membership interests in the companies;

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the assumption by FAAC of up to \$161,000 in debt; and

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\$10.0 million in two convertible, interest-bearing promissory notes of \$5.0 million each.

The share consideration is subject to a working capital purchase price adjustment. See [The Purchase Agreement Working Capital Purchase Price Adjustment](#) .

At the closing of the acquisition, a total of 2,560,744 shares of FAAC common stock will be transferred to an escrow agent to secure any post-closing adjustment in the purchase price in FAAC's favor and to secure the indemnification obligations of the companies and the selling members.

In addition, at the closing of the acquisition, we will enter into employment agreements with each of the selling members. Under these agreements, each selling member will be entitled to initial annual base compensation of \$425,000, an annual bonus of up to 50% of his base compensation, and if during the period from the closing of the acquisition through July 13, 2008 the market price of our common stock reaches certain thresholds, up to \$5.0 million in shares of our common stock. We refer to the potential issuance of additional shares under the employment agreements as the [share performance bonus](#) . For a more detailed discussion of the employment agreements, please see [Directors and Executive Officers of Fortress America Acquisition Corporation Following the Acquisition Employment Agreements](#) on page\_\_ .

The shares of our common stock to be delivered pursuant to the arrangements described above will not be registered but will be the subject of a registration rights agreement entered into at the closing of the acquisition. See [Registration Rights Agreement](#) .

#### **Conditions to the Completion of the Acquisition See Page\_\_**

Our obligations and those of the companies and their members are subject to certain customary closing conditions, including the following:

- no order or injunction enjoining the acquisition;
- no statute, rule, order or decree shall have been enacted or promulgated which would prohibit the acquisition or limit the ownership of the companies;
- receipt of certain consents;
- entering into the escrow agreements; and
- no litigation regarding the acquisition shall be pending or threatened.

#### **Termination See Page\_\_**

The membership interest purchase agreement may be terminated prior to the closing of the acquisition, as follows:

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at any time, by mutual written agreement;

•

at any time after January 20, 2007, by either the selling members or us if the closing shall not have occurred for any reason other than a breach of the membership interest purchase agreement by the terminating party;

•

by us, if there is a material breach of any agreement, representation or warranty by the selling members under the membership interest purchase agreement that renders the satisfaction of any condition to our obligations impossible and such breach is not waived by us;

•

by the selling members, if there is a material breach by us of any agreement, representation or warranty under the membership interest purchase agreement that renders the satisfaction of any condition to the obligations of the selling members impossible and such breach is not waived by the selling members; and

•

by either us or the selling members if a court of competent jurisdiction permanently restrains or prohibits the acquisition.

**Interests of Our Directors and Officers in the Acquisition See Page\_\_**

When you consider the recommendation of our board of directors that you vote to approve the acquisition, you should keep in mind that certain of our executive officers and members of our board of directors, and certain of their

affiliates and associates, have interests in the acquisition that are different from, or in addition to, your interest as a stockholder. These interests include, among other things:

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If the acquisition is not approved and we fail to consummate an alternative transaction within the time allotted pursuant to our Amended and Restated Certificate of Incorporation and we are therefore required to liquidate, the shares of common stock beneficially owned by our executive officers and directors and their affiliates and associates that were acquired prior to our initial public offering may be worthless because no portion of the net proceeds of our initial public offering that may be distributed upon our liquidation will be allocated to such shares. These shares collectively have a market value of \$9,333,000 based on our share price of \$5.49 as of October 31, 2006. However, the 1,700,000 shares acquired prior to our initial public offering by these individuals are held in escrow and cannot be sold prior to July 13, 2008, during which time the value of the shares may increase or decrease. Similarly, the warrants to purchase our common stock held by our executive officers and directors and their affiliates and associates, with an aggregate market value of \$276,000 as of October 31, 2006, may become worthless if the acquisition is not approved and we fail to consummate an alternative transaction within the time allotted pursuant to our Amended and Restated Certificate of Incorporation.

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Messrs. McMillen and Weiss have agreed, pursuant to agreements with us and Sunrise Securities Corp., the representative of the underwriters of our initial public offering, that, if we liquidate prior to the consummation of a business combination, they may be personally liable to ensure that the proceeds of the trust account are not reduced by the claims of vendors or other entities that are owed money by us for services rendered or products sold to us or the claims of prospective target businesses

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After the completion of the acquisition, it is expected that our directors will continue to serve on our board of directors and Harvey L. Weiss will serve as Chairman and C. Thomas McMillen as our Vice Chairman. In addition, each of our directors, will, following the acquisition, be compensated in such manner, and in such amounts, as our board of directors may determine to be appropriate. Moreover, Mr. Weiss is expected to enter into an employment agreement with us providing for initial base compensation of \$200,000 per year, and a company controlled by Mr. McMillen is expected to enter into a consulting agreement with us providing for initial base consideration of \$200,000 per year. See the description of these agreements under Directors and Executive Officers of Fortress America Acquisition Corporation Following the Acquisition Employment Agreements and Consulting Agreement with Washington Capital Advisors, LLC below. Mr. McMillen may have conflicts of interest due to his affiliation with Homeland Security Capital Corporation. See the discussion under Risk Factors Risks Related to the Acquisition of TSS/Vortech. The current chairman of our board of directors may have conflicts of interest that could hinder our ability to make acquisitions and Certain Relationships and Related Transactions Homeland Security Capital Corporation.

### **Voting Agreement**

In connection with and pursuant to the purchase agreement, FAAC, the selling members, and Messrs. McMillen and Weiss agreed to enter into a voting agreement on or prior to the closing date of the acquisition. The voting agreement terminates immediately following the re-election of directors at FAAC's 2008 annual meeting.

In the voting agreement, the selling members and Messrs. McMillen and Weiss agree to vote their shares in favor of the following with respect to the election of directors:

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the selling members will have the right to propose the nomination of four nominees to our board of directors, two of whom must constitute independent directors within the meaning of NASDAQ rules, provided that at least one such independent director is approved by members of the board of directors that are not so nominated by the selling members; and

•

the members of the board of directors who are not nominated by the selling members shall have the right to designate five members of the board of directors, three of whom must constitute independent directors within the meaning of NASDAQ rules, provided that at least one such independent director must be approved by the selling members.

In the voting agreement, the selling members and Messrs. McMillen and Weiss also agree to vote their shares to elect a to be agreed upon list of members of FAAC's board of directors. While any director may be removed from the board of directors in the manner allowed by law and FAAC's governing documents, both the selling members

and Messrs. McMillen and Weiss have agreed not to vote their shares for the removal of the other group's designees absent written approval of such group.

In the voting agreement, the selling members and Messrs. McMillen and Weiss agree to vote their shares, to the extent applicable, in favor of electing the following individuals to the following offices:

Harvey L. Weiss	Chairman of the Board of Directors
C. Thomas McMillen	Vice Chairman of the Board of Directors
Thomas P. Rosato	Chief Executive Officer
Gerard J. Gallagher	President/Chief Operating Officer

**United States Federal Income Tax Consequences of the Acquisition See Page\_\_**

Our common stockholders who do not exercise their conversion rights will continue to hold their common stock and as a result will not recognize any gain or loss from the acquisition.

Common stockholders who exercise their conversion rights will recognize gain or loss to the extent that the amount received by such common stockholders upon conversion is greater than or less than, respectively, such stockholder's tax basis in their shares. A stockholder's tax basis in the shares generally will equal the cost of the shares. A stockholder that purchased our units will have to allocate the cost between the shares and the warrants of the units based on their relative fair market values at the time of the purchase. Assuming the shares are held as a capital asset, the gain or loss will be capital gain or loss and will be long-term capital gain or loss if such stockholder's holding period in the shares is longer than one year.

**Regulatory Matters See Page\_\_**

The acquisition and the transactions contemplated by the purchase agreement are not subject to any federal, state or provincial regulatory requirement or approval.

**SELECTED HISTORICAL AND PRO FORMA COMBINED FINANCIAL INFORMATION**

We are providing the following selected financial information to assist in your analysis of the financial aspects of the acquisition. TSS/Vortech's combined balance sheet data as of December 31, 2003, 2004 and 2005, and the combined statements of operations data for the years then ended, are derived from TSS/Vortech's combined financial statements audited by McGladrey & Pullen, LLP, an independent registered public accounting firm, and from the unaudited financial statements as of and for the nine-month periods ended September 30, 2005 and 2006. TSS/Vortech's combined audited financial statements as of and for the years ended December 31, 2003, 2004 and 2005 and unaudited combined financial statements for the nine-month periods ended September 30, 2005 and 2006 are included elsewhere in this proxy statement.

The FAAC historical financial data as of December 31, 2004 and for the period from December 20, 2004 (date of inception) through December 31, 2004 and as of December 31, 2005 and for the year then ended are derived from the FAAC financial statements audited by Goldstein Golub Kessler LLP, independent registered public accountants, included elsewhere in this proxy statement, and from the unaudited financial statements as of and for the nine-month period ended September 30, 2006 included elsewhere in this proxy statement.

The selected financial information of TSS/Vortech and FAAC is only a summary and should be read in conjunction with each company's historical combined financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained elsewhere herein. The historical results included below and elsewhere in this proxy statement may not be indicative of the future performance of TSS/Vortech, FAAC or the combined company resulting from the acquisition.

**TSS/Vortech's Selected Historical Combined Financial Data**

	<b>Years Ended December 31,</b>			<b>Nine Months Ended</b>	
	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>September 30,</b>	<b>2005</b>
				<b>(unaudited)</b>	
	(in thousands)				
<b>Combined Statements of Operations Data:</b>					
Earned revenues	\$ 58,632	\$ 21,303	\$ 12,331	\$ 47,300	\$ 43,427
Cost of earned revenues	50,057	15,769	8,393	38,939	36,803
Gross profit	8,575	5,534	3,938	8,361	6,624
General and administrative expenses	5,648	4,515	2,132	5,147	3,728
Operating income	2,927	1,019	1,806	3,214	2,896
Interest expense, net	35	29	4	(14)	(26)
Income from continuing operations	\$ 2,892	\$ 990	\$ 1,802	\$ 3,200	\$ 2,870

**As of December 31,**

**As of  
September**

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>30, 2006</b> (unaudited)
<b>Combined Balance Sheet Data:</b>				
Cash and cash equivalents	\$ 1,737	\$ 1,503	\$ 1,072	\$ 914
Contract and other receivables, net	11,137	2,669	3,593	11,526
Other current assets	586	1,247	219	1,214
Total assets	14,099	6,002	5,448	14,165
Current liabilities	11,219	5,252	4,005	10,696
Total long-term debt and capital lease obligations, net of current maturities	161	370	167	105
Members' equity (divisional equity in 2004)	\$ 2,592	\$ 356	\$ 1,276	\$ 3,185



**FAAC's Selected Historical Financial Information**

	<b>For the Period From December 20, 2004 (inception) to December 31, 2004</b>	<b>Year Ended December 31, 2005</b>	<b>Nine Months Ended September 30, 2006  (unaudited)</b>
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(in thousands, except per share data)

Revenue	\$	\$	\$
Interest income	\$	\$ 525	\$ 1,217
Net income	\$ (1)	\$ 132	\$ 521
Net income per share Basic	\$ (.00)	\$ .03	\$ ..05

	<b>As of December 31, 2004</b>	<b>As of December 31, 2005</b>	<b>As of September 30, 2006  (unaudited)</b>
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(in thousands, except per share data)

Total assets (including U.S. government securities deposited in Trust Fund)	\$ 38	\$ 43,779	\$ 45,061
Common stock subject to possible conversion		\$ 8,389	\$ 8,389
Stockholders' equity	\$ 24	\$ 34,951	\$ 35,472

**Selected Unaudited Pro Forma Combined Financial Information of TSS/Vortech and FAAC**

The following selected unaudited pro forma condensed combined balance sheet combines our historical balance sheets and those of TSS/Vortech as of September 30, 2006, giving effect to the transactions described in the purchase agreement as if they had occurred on September 30, 2006. The following selected unaudited pro forma condensed combined statements of operations combine (i) our historical statement of operations for the 12 months ended December 31, 2005 with those of TSS/Vortech and (ii) our historical statement of operations for the nine months ended September 30, 2006 with those of TSS/Vortech, in each case giving effect to the acquisition as if it had occurred on January 1, 2005. The following selected unaudited pro forma condensed combined financial information is intended to provide you with a picture of what our business might have looked like had the acquisition been completed on or as of the dates specified above. The combined financial information may have been different had the acquisition actually been completed on or as of those dates. You should not rely on the selected unaudited pro forma condensed combined financial information as being indicative of the historical results that would have occurred had the acquisition occurred or the future results that may be achieved after the acquisition. The following selected

unaudited pro forma condensed combined financial information has been derived from, and should be read in conjunction with, the Unaudited Pro Forma Condensed Consolidated Financial Statements and related notes thereto starting on page \_\_\_\_.

**Unaudited Pro Forma Condensed Combined Balance Sheet**

	<b>At September 30, 2006</b>	
	<b>Assuming No Conversions(1)</b>	<b>Assuming Maximum Conversions (2)</b>
Current assets	\$ 44,268,803	\$ 35,450,720
Non-current assets	38,820,052	38,820,052
Current liabilities	11,394,384	11,394,384
Non-current liabilities	10,161,000	10,161,000
Stockholders equity	\$ 61,533,471	\$ 52,715,388

**Unaudited Pro Forma Condensed Combined Statement of Operations**

	<b>At December 31, 2005</b>		<b>At September 30, 2006</b>	
	<b>Assuming No Conversions(1)</b>	<b>Assuming Maximum Conversions(2)</b>	<b>Assuming No Conversions(1)</b>	<b>Assuming Maximum Conversions(2)</b>
Revenues	\$ 58,632,293	\$ 58,632,293	\$ 47,300,017	\$ 47,300,017
Cost of earned revenues	(50,056,924 )	(50,056,924 )	(38,938,582 )	(38,938,582 )
Gross margin	8,575,369	8,575,369	8,361,435	8,361,435
Operating costs	(9,516,928 )	(9,516,928 )	8,396,330 )	(8,396,330 )
Interest (expense)	(151,717 )	(246,366 )	659,924	436,750
Income and other income	(1,093,276 )	(1,187,925 )	625,029	401,860
Income before income tax	(1,093,276 )	(1,187,925 )	(250,012 )	(160,740 )
Income tax				
Income	\$ (1,093,276 )	\$ (1,187,925 )	\$ 375,017	\$ 241,120
Income per share				
Basic	\$ (0.09 )	\$ (0.11 )	\$ 0.03	\$ 0.03
Diluted	\$ (0.08 )	\$ (0.10 )	\$ 0.03	\$ 0.03

(1)

Assumes that no FAAC stockholder seeks conversion of FAAC stock into a pro rata share of the trust account.

(2)

Assumes that 1,560,000 shares of FAAC common stock were converted into a pro rata share of the trust account.

**FAAC PER SHARE DATA**

The following table sets forth our selected historical per share information and that of TSS/Vortech and unaudited pro forma consolidated per share information as of and for the year and nine months ended December 31, 2005 and September 30, 2006, respectively, giving effect to the acquisition as if it had occurred on January 1, 2005. We are providing this information to aid you in your analysis of the financial aspects of the acquisition. The unaudited pro forma consolidated share information should be read in conjunction with our historical financial statements and those of TSS/Vortech and the related notes thereto included elsewhere in this proxy statement. The historical per share information is derived from financial statements of TSS/Vortech.

	As of and For the Year Ended December 31, 2005			As of and For the Nine Months Ended September 30, 2006		
	TSS/ Vortech	FAAC	Combined Company	TSS/ Vortech	FAAC	Combined Company
Weighted average number of shares of common stock outstanding						
Actual:						
Basic		5,107,534			9,550,000	
Diluted		5,107,534			9,550,000	
Pro forma:						
Assuming no conversions						
Basic			12,725,641			12,725,641
Diluted			13,091,266			13,971,967
Assuming maximum conversions						
Basic			11,166,421			11,166,421
Diluted			11,532,046			12,412,747
Book value historical at September 30, 2006				\$ 3,185,350	\$ 35,471,657	\$ 8,657,007
Book value pro forma at September 30, 2006(1):						
Assuming no conversions				\$ 3,185,350	\$ 35,471,657	\$ 1,533,471
Assuming maximum conversions				\$ 3,185,350	\$ 35,471,657	\$ 2,715,388
Book value per share historical September 30, 2006					\$ 3.71	
Book value per share pro forma September 30, 2006						
Assuming no conversions						
Basic						\$ 4.84
Diluted						\$ 4.40
Assuming maximum conversions						
Basic						\$ 4.72

Diluted

\$ 4.25

(1)

Includes goodwill of \$16,999,471.

Diluted earnings per share and diluted book value per share reflect the potential dilution assuming common shares were issued upon the exercise, at \$5.00 per share, of 15,600,000 outstanding in-the-money warrants and the proceeds thereof were used to purchase common shares at the average market price of \$5.43 per share for the nine months ended September 30, 2006, and at the closing market price of \$5.46 on September 30, 2006, respectively.

**MARKET PRICE INFORMATION FOR FAAC**

The shares of our common stock, warrants and units are currently quoted on the Over-the-Counter Bulletin Board, or OTCBB, under the symbols FAAC, FAACW and FAACU, respectively. On June 5, 2006, the last day for which information was available prior to the date of the public announcement of the proposed acquisition, the last quoted sale prices of FAAC, FAACW and FAACU were \$5.39, \$0.58 and \$6.665, respectively. Each of our units consists of one share of our common stock and two redeemable common stock purchase warrants.

There is no established public trading market for the shares of common stock of TSS/Vortech.

The following table sets forth, for the calendar quarter indicated, the quarterly high and low bid information of our common stock, warrants and units as reported on the OTCBB. The quotations listed below reflect interdealer prices, without retail markup, markdown or commission and may not necessarily represent actual transactions:

Quarter Ended	Common Stock (FAAC)		Warrants (FAACW)		Units (FAACU)	
	High	Low	High	Low	High	Low
September 30, 2005	\$ 5.24	\$ 5.02	\$ 0.52	\$ 0.38	\$ 6.10	\$ 5.39
December 31, 2005	\$ 5.60	\$ 5.22	\$ 0.78	\$ 0.36	\$ 7.15	\$ 5.39
March 31, 2006	\$ 5.57	\$ 5.37	\$ 0.83	\$ 0.49	\$ 7.20	\$ 6.665
June 30, 2006	\$ 5.48	\$ 5.35	\$ 0.55	\$ 0.41	\$ 6.50	\$ 6.665

## FORWARD-LOOKING STATEMENTS

This proxy statement includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements can be identified by the use of forward-looking terminology, including the words believes, estimates, anticipates, expects, intends, will or should, or, in each case, their negative or other variations or comparable terminology. Such statements include, but are not limited to, any statements relating to our ability to consummate the acquisition or other business combination and any other statements that are not historical facts. These statements are based on management's current expectations, but actual results may differ materially due to various factors, including, but not limited to:

- our being a development stage company with no operating history;
- risks that the acquisition of TSS/Vortech may not be completed due to failure of the conditions to closing of the acquisition being satisfied or other factors;
- our personnel allocating their time to other businesses and potentially having conflicts of interest with our business and the acquisition;
- the ownership of our securities being concentrated;
- TSS/Vortech's reliance on a single customer for a majority of its revenues;
- TSS/Vortech's backlog is declining and may not be replaced;
- risks associated with the homeland security sector; and
- those other risks and uncertainties detailed under the heading "Risk Factors" beginning on page .

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and developments in the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this proxy statement. In addition, even if our results of operations, financial condition and liquidity, and developments in the industry in which we operate, are consistent with the forward-looking statements contained in this proxy statement, those results or developments may not be indicative of results or

developments in subsequent periods.

These forward-looking statements are subject to numerous risks, uncertainties and assumptions about us. The forward-looking events we discuss in this proxy statement speak only as of the date of the proxy statement and might not occur in light of these risks, uncertainties and assumptions.



## RISK FACTORS

*You should carefully consider the following risk factors, together with all of the other information included in this document, before you decide whether to vote or instruct your vote to be cast to approve the acquisition. As our operations will be those of TSS/Vortech upon completion of the acquisition, the risk factors that relate to the business and operations of TSS/Vortech also apply to us as the successor to TSS/Vortech's business.*

### **Risks Related to the Acquisition of TSS/Vortech**

***We may not be able to consummate the acquisition, or another business combination, within the required time frame, in which case we would be forced to liquidate.***

We must complete a business combination with a fair market value of at least 80% of our net assets at the time of acquisition by January 20, 2007. If we fail to consummate the acquisition within the required time frame, we will be forced to liquidate our assets.

***If we are forced to liquidate before a business combination, our public stockholders will receive less than \$6.00 per share upon distribution of the trust account, and our warrants will expire worthless.***

If we are unable to complete the acquisition or another business combination and are forced to liquidate our assets, the per share liquidation value will be less than \$6.00 because of the expenses related to our initial public offering, our general and administrative expenses and the costs of performing due diligence for the acquisition, negotiating the purchase agreement and otherwise seeking a business combination. Furthermore, the warrants will expire worthless if we liquidate before the completion of a business combination.

***Certain of our key personnel may join us following the acquisition and may be unfamiliar with the requirements of operating a public company, which may adversely affect our operations, including significantly reducing our revenues and net income, if any.***

Our ability to successfully effect the acquisition of TSS/Vortech will be completely dependent upon the efforts of our key personnel, and after the consummation of the acquisition, our current senior executives will take a substantially reduced role with us, will be actively engaged in other business matters outside of FAAC, and will only work on FAAC-related matters on a part-time basis. Upon the completion of the acquisition, our current Chairman of the Board, C. Thomas McMillen, will resign, and our current Chief Executive Officer, President and Secretary, Harvey L. Weiss, will resign from those positions and will become Chairman of the Board. Thomas P. Rosato will become our Chief Executive Officer, and Gerard J. Gallagher will become our President and Chief Operating Officer. Neither Mr. Rosato nor Mr. Gallagher have significant public company experience and are unfamiliar with the unique requirements of operating a public company under U.S. securities laws. In addition, we do not currently have a Chief Financial Officer. Although we are currently engaged in a search for a Chief Financial Officer, we do not know when we will find a qualified candidate or whether the individual we hire will have public company experience. Accordingly, we could be required to expend significant resources to assist the new management team with regulatory and stockholder relations issues, which could be expensive and time-consuming and could lead to various regulatory issues that may adversely affect our operations, including significantly reducing our revenues and net income, if any.

***We expect to incur significant costs associated with the acquisition, whether or not the acquisition is completed, which costs will significantly reduce the amount of cash available to be used to consummate a business combination.***

We expect to incur significant costs associated with the acquisition, whether or not the acquisition is completed. By incurring these costs, we will significantly reduce the amount of cash available to be used for consummating a business combination.

*As a result of the acquisition, our stockholders will be solely dependent on a single business.*

As a result of the acquisition, our stockholders will be solely dependent upon the performance of TSS/Vortech. TSS/Vortech will remain subject to a number of risks that relate generally to the homeland security and mission

critical information technology, or IT, industries and other risks. See Risk Factors - Risks Related to our Business and Operations Following the Acquisition.

***If the acquisition's benefits do not meet the expectations of financial or industry analysts, the market price of our common stock may decline.***

The market price of our common stock may decline as a result of the acquisition if:

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we do not achieve the perceived benefits of the acquisition as rapidly as, or to the extent anticipated by, financial or industry analysts; or

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the effect of the acquisition on our financial results is not consistent with the expectations of financial or industry analysts.

Accordingly, investors may experience a loss as a result of a decreasing stock price.

***Our directors may have certain conflicts in determining to recommend the acquisition of TSS/Vortech since certain of their interests, and certain interests of their affiliates and associates, are different from, or in addition to, your interests as a stockholder.***

Although none of our directors is an investor or potential investor in TSS or Vortech, members of our board of directors have interests in and arising from the acquisition of TSS/Vortech that are different from, or in addition to, your interests as a stockholder which could result in a real or perceived conflict of interest. These interests include the fact that certain of the shares of common stock owned by them, or their affiliates and associates, would become worthless if the acquisition is not approved and we otherwise fail to consummate a business combination prior to our liquidation date. Such shares, as of September 30, 2006, had a market value of approximately \$9,282,000. Similarly, the warrants owned by such directors, affiliates and associates to purchase 600,000 shares of common stock, with an aggregate market value of \$300,000 as of September 30, 2006, would expire worthless. If the acquisition is approved, Messrs. McMillen and Weiss will continue to serve as members of our board of directors after the acquisition, and will be compensated for such services.

***The current chairman of our board of directors may have conflicts of interest that could hinder our ability to make acquisitions.***

One of our growth strategies following completion of the acquisition of TSS/Vortech will be to make selective acquisitions of specialty engineering and information technology/networking consulting and system integration companies that focus on mission-critical facilities. The current chairman of our board of directors, Mr. McMillen, who will become the vice chairman of our board of directors after the closing of the acquisition, is the president, chief executive officer and chairman of the board of Homeland Security Capital Corporation ( HSCC ). HSCC has announced that its intended strategic direction is to focus on owning and operating small and mid-sized growth businesses that provide homeland security solutions through innovative technologies to both the public and private sector and to drive growth through management, strategic guidance, capital and financial support, and government marketing expertise . It is possible that HSCC could be interested in acquiring businesses that we would also be interested in and that these relationships could hinder our ability to carry out our acquisition strategy.

***We plan to issue shares of our common stock to complete the acquisition of TSS/Vortech, which will reduce the proportionate equity interest of our current stockholders.***

Our Amended and Restated Certificate of Incorporation authorizes the issuance of up to 50.0 million shares of common stock, par value \$0.0001 per share, and 1.0 million shares of preferred stock, par value \$0.0001 per share. We currently have 22,750,000 authorized but unissued shares of our common stock available for issuance (after appropriate reservation for the issuance of shares upon full exercise of our outstanding warrants and the unit purchase option granted to Sunrise Securities Corp., the representative of our underwriters in our initial public offering) and all of the 1.0 million shares of preferred stock available for issuance. As set forth in the purchase agreement, the selling members will receive a portion of the purchase price for the acquisition in shares of our common stock. The selling members will receive an aggregate of up to 2,628,569 shares of our common stock on the closing date (as reduced for the assumption of up to \$161,000 of debt and by any shares issued to Evergreen Capital LLC), an aggregate of 576,559 shares of our common stock will be issued to key employees of TSS/Vortech on the closing date, up to 67,825 shares of our common stock will be issued to Evergreen Capital LLC on the

closing date, the \$10.0 million in convertible, interest-bearing promissory notes delivered by us at the closing of the acquisition will be convertible into shares of our common stock, and the selling members may receive up to an aggregate of \$10.0 million in shares of our stock in the future under the terms of their employment agreements. The issuance of such shares will reduce the equity interest of our stockholders on a pro rata basis.

***Voting control by our executive officers, directors and other affiliates may limit your ability to influence the outcome of director elections and other matters requiring stockholder approval.***

Upon consummation of the merger, persons who are parties to the voting agreement (Messrs. McMillen, Weiss, Gallagher and Rosato) will own approximately 29.1% of our voting stock. Moreover, this concentration will increase if additional shares are issued under the employment agreements to be entered into with the selling members or upon conversion of the convertible promissory notes delivered to the selling members at closing. These persons have made certain agreements to vote for each other's designees to our board of directors through director elections in 2008. Accordingly, they will be able to significantly influence the election of directors and, therefore, our policies and direction during the term of the voting agreement. This concentration of ownership and the voting agreement could have the effect of delaying or preventing a change in our control or discouraging a potential acquirer from attempting to obtain control of us, which in turn could have a material adverse effect on the market price of our common stock or prevent our stockholders from realizing a premium over the market price for their shares of common stock.

***After the acquisition, actual or potential conflicts of interest are likely to develop between us and the selling members.***

The selling members will, after the closing of the acquisition, continue to own significant businesses other than TSS/Vortech and that are not owned or controlled by TSS/Vortech. As described below under "Certain Relationships and Related Transactions", we will have an ongoing business relationship with certain of these businesses of the selling members. This will likely create actual or potential conflicts of interest between the selling members, who will be executive officers and members of our board of directors and thus in a position to influence corporate decisions, and us.

***If we are unable to obtain a listing of our securities on NASDAQ or any stock exchange, it may be more difficult for our stockholders to sell their securities.***

Our units, common stock and warrants are currently traded in the over-the-counter market and quoted on the OTCBB. We intend to apply for listing on NASDAQ. Generally, NASDAQ requires that a company applying for listing on the NASDAQ Capital Market have stockholders' equity of not less than \$5.0 million or a market value of listed securities of \$50 million or net income from continuing operations of not less than \$750,000, at least 1.0 million publicly held shares, and a minimum bid price of \$4.00 with over 300 round lot stockholders. There is no assurance that such listing will be obtained and listing is not a condition to closing the merger. If we are unable to obtain a listing or approval of trading of our securities on NASDAQ, then it may be more difficult for stockholders to sell their securities.

***If third parties bring claims against us or if TSS/Vortech has breached any of its representations, warranties or covenants set forth in the purchase agreement, we may not be adequately indemnified for any losses arising therefrom.***

Although the purchase agreement provides that the selling members will indemnify us for losses arising from a breach of the representations, warranties and covenants by TSS/Vortech or the selling members set forth in the purchase agreement, such indemnification is limited, in general terms, to an aggregate amount of \$5 million and claims may be asserted against the selling members only if a claim exceeds \$8,000 and the aggregate amount of all claims exceeds \$175,000. In addition, with some exceptions, the survival period for claims under the purchase agreement is limited to the 18-month period following the closing of the acquisition. We will be prevented from seeking indemnification for most claims above the aggregate threshold or arising after the applicable survival period.



**Risks Related to Our Business and Operations Following the Acquisition**

***TSS/Vortech derives a significant portion of its revenues from a limited number of customers.***

TSS/Vortech has derived, and we believe TSS/Vortech will continue to derive, a significant portion of its revenues from a limited number of customers. To the extent that any significant customer uses less of TSS/Vortech's services or terminates its relationship with TSS/Vortech, TSS/Vortech's revenues could decline significantly, which would have an adverse effect on TSS/Vortech's financial condition and results of operations. For the years ended December 31, 2005, 2004 and 2003 and nine months ended September 30, 2006, TSS/Vortech had one large project with its major real estate investment trust (REIT) customer that is providing mission-critical space to a government end user that comprised approximately 78%, 49.1%, 20.3% and 65.8%, respectively of its revenues. TSS/Vortech expects that it will not recognize significant revenue from this project after the second quarter of 2007. TSS/Vortech's 10 largest customers accounted for approximately 94.6% and 86.3% of its total revenues for the year ended December 31, 2005 and the nine months ended September 30, 2006, respectively.

***TSS/Vortech's backlog is declining and may not be replaced.***

TSS/Vortech's backlog is comprised of the uncompleted portion of services to be performed under job-specific contracts. TSS/Vortech's backlog as September 30, 2006 was \$17.6 million, down approximately \$22.1 million from its backlog of \$39.7 million as of December 31, 2005 and down \$35.2 million from its backlog of \$52.8 million as of December 31, 2004. Approximately 62.3% of TSS/Vortech's backlog as of September 30, 2006 was represented by five contracts relating to its project for its major REIT customer. The project subject to these contracts is expected to be substantially completed during the second quarter of 2007. TSS/Vortech is currently transitioning from a business heavily reliant upon a single, long-term project to a business based on a more diversified customer base consisting of a number of smaller contracts of shorter duration and there can be no assurance that TSS/Vortech will be able to make this transition on a basis timely enough to replace revenue currently provided by TSS/Vortech's existing project from its major REIT customer or at all. As a result of this transition to more numerous smaller contracts of shorter duration, TSS/Vortech does not expect to maintain contract backlog at historical levels. If TSS/Vortech cannot timely make this transition, TSS/Vortech's backlog could decline more than TSS/Vortech anticipates and its revenue, operations, cash flows and liquidity could all be significantly and adversely affected. In addition, TSS/Vortech is in part implementing this transition by hiring additional sales and business development personnel and undertaking other business development efforts, which has increased its costs but may not result in significantly increased revenues. See Management's Discussion and Analysis Overview and Contract Base and Backlog.

***The fairness opinion relied upon by the board of directors in approving the acquisition was based on assumptions as to future performance of TSS/Vortech, including revenue levels, that may not be consistent with actual future performance.***

Business Valuation Center, Inc., or BVC, the firm that rendered the fairness opinion with respect to the acquisition (see Approval of the Acquisition and the Other Transactions Contemplated by the Purchase Agreement Fairness Opinion), made a number of assumptions in connection with formulating its opinion. These assumptions included revenue growth. As described above and in Management's Discussion and Analysis of Financial Condition and Results of Operations of TSS/Vortech, TSS/Vortech has declining backlog that may not be replaced. Indeed, the TSS/Vortech business model is in transition toward larger numbers of smaller contracts. Although BVC was aware of the projected drop in backlog for TSS/Vortech's major customer, for purposes of its opinion BVC assumed that the addition of new contracts with the major customer, extensions under that or other existing contracts, and new business would replace the revenue generated under the contracts included in backlog. To the extent that actual future performance of TSS/Vortech falls below the performance assumptions underlying the fairness opinion, including those with respect to revenues, the basis of the fairness opinion will be undermined.

***Failure to properly manage projects may result in costs or claims.***

TSS/Vortech's engagements often involve relatively large scale, highly complex projects. The quality of TSS/Vortech's performance on such projects depends in large part upon its ability to manage the relationship with its customers, and to effectively manage the project and deploy appropriate resources, including third-party contractors and its own personnel, in a timely manner. Any defects or errors or failure to meet customers' expectations could result in claims for substantial damages against TSS/Vortech. In addition, TSS/Vortech cannot be



certain that the insurance coverage it carries to cover such claims will be adequate to protect TSS/Vortech from the full impact of such claims. Moreover, in certain instances, TSS/Vortech guarantees customers that it will complete a project by a scheduled date or that the project will achieve certain performance standards. If the project experiences a performance problem, TSS/Vortech may not be able to recover the additional costs it will incur, which could exceed revenues realized from a project. Finally, if TSS/Vortech underestimates the resources or time TSS/Vortech needs to complete a project with capped or fixed fees, its operating results could be seriously harmed.

***Most of TSS/Vortech's contracts may be canceled on short notice, so TSS/Vortech's revenue is not guaranteed.***

Most of TSS/Vortech's contracts are cancelable on short notice, even if TSS/Vortech is not in default under the contract. Many of its contracts, including its service agreements, are periodically open to public bid. TSS/Vortech may not be the successful bidder on its existing contracts that are re-bid. TSS/Vortech also provides an increasing portion of its services on a non-recurring, project-by-project basis. TSS/Vortech could experience a reduction in its revenue, profitability and liquidity if:

- its customers cancel a significant number of contracts;
- TSS/Vortech fails to win a significant number of its existing contracts upon re-bid; or
- TSS/Vortech completes the required work under a significant number of its non-recurring projects and cannot replace them with similar projects.

***Future acquisitions by us would subject us to additional business, operating and industry risks, the impact of which cannot presently be evaluated, and could adversely impact our capital structure.***

We plan to pursue other acquisition opportunities following the closing of the TSS/Vortech acquisition in an effort to take advantage of the platform we expect TSS/Vortech to constitute. Although we are often engaged in preliminary discussions with acquisition candidates, as of the date of this proxy statement we have no commitments or agreements (including agreements in principle, letters of intent and non-binding term sheets) to enter into any acquisition. Following the acquisition of TSS/Vortech, we will not be limited to any particular industry or type of business that we may acquire. Accordingly, there is no current basis for you to evaluate the possible merits or risks of the particular business or assets that we may acquire, or of the industry in which such business operates. In addition, the financing of any acquisition completed by us after the TSS/Vortech acquisition could adversely impact our capital structure as any such financing would likely include the issuance of additional equity securities and/or the borrowing of additional funds.

***TSS/Vortech operates in a highly competitive industry, which could reduce its growth opportunities, revenue and operating results.***

The mission critical IT industry in which TSS/Vortech operates is highly competitive. TSS/Vortech often competes with other IT consulting and integration companies, including several that are large domestic companies that may have financial, technical and marketing resources that exceed its own. Its competitors may develop the expertise, experience and resources to provide services that are equal or superior in both price and quality to TSS/Vortech's services, and TSS/Vortech may not be able to maintain or enhance its competitive position. Although TSS/Vortech's customers currently outsource a significant portion of these services to TSS/Vortech and its competitors, TSS/Vortech

can offer no assurance that its existing or prospective customers will continue to outsource specialty contracting services to TSS/Vortech in the future.

***TSS/Vortech may not accurately estimate the costs associated with its services provided under fixed-price contracts, which could impair its financial performance.***

A portion of TSS/Vortech's revenue is derived from fixed price contracts. Under these contracts, TSS/Vortech sets the price of its services and assumes the risk that the costs associated with its performance may be greater than it anticipated. TSS/Vortech's profitability is therefore dependent upon its ability to accurately estimate the costs associated with its services. These costs may be affected by a variety of factors, such as lower than anticipated productivity, conditions at the work sites differing materially from what was anticipated at the time TSS/Vortech bid on the contract, and higher than expected costs of materials and labor. Certain agreements or projects could have lower margins than anticipated or losses if actual costs for contracts exceed TSS/Vortech's estimates, which could reduce TSS/Vortech's profitability and liquidity.

***TSS/Vortech accounts for a majority of its projects on the percentage-of-completion method, and if actual results vary from the assumptions made in estimating percentage-of-completion, TSS/Vortech's revenue and income could be reduced.***

TSS/Vortech generally recognizes revenue on projects on the percentage-of-completion method. Under the percentage-of-completion method, TSS/Vortech records revenue as work on the contract progresses. The cumulative amount of revenue recorded on a contract at a specified point in time is that percentage of total estimated revenue that incurred costs to date bear to estimated total contract costs. The percentage-of-completion method therefore relies on estimates of total expected contract costs. Contract revenue and total cost estimates are reviewed and revised periodically as the work progresses. Adjustments are reflected in contract revenue in the fiscal period when such estimates are revised. Estimates are based on management's reasonable assumptions and experience, but are only estimates. Variation between actual results and estimates on a large project or on a number of smaller projects could be material. TSS/Vortech immediately recognizes the full amount of the estimated loss on a contract when its estimates indicate such a loss. Any such loss would reduce TSS/Vortech's revenue and income.

***TSS/Vortech's failure to attract and retain qualified employees may adversely affect its business.***

TSS/Vortech's continued success depends to a substantial degree on its ability to recruit and retain the technically skilled personnel it needs to serve its customers effectively. TSS/Vortech's business involves the development of tailored solutions for its customers, a process that relies heavily upon the expertise and services of employees. Accordingly, TSS/Vortech's employees are its most valuable resource. Competition for skilled personnel, especially those with security clearance, is intense in TSS/Vortech's industry. Recruiting and training these personnel requires substantial resources. TSS/Vortech's failure to attract and retain qualified personnel could increase its costs of performing its contractual obligations, reduce its ability to efficiently satisfy its customers' needs, limit its ability to win new business and constrain its future growth.

***An economic downturn or reduced homeland security related capital expenditures could result in a decrease in demand for TSS/Vortech's services.***

If federal, state or local government or private enterprise spending on homeland security related capital expenditures decreases, the demand for services like those provided by TSS/Vortech would likely decrease. This decrease could reduce TSS/Vortech's opportunity for growth, increase its marketing and sales costs, and decrease the prices it can charge for its services, which could reduce TSS/Vortech's revenue and operating results.

***TSS/Vortech may be unable to obtain sufficient bonding capacity to support certain service offerings.***

Some of TSS/Vortech's contracts require performance and surety bonds. Bonding capacity for construction projects has become increasingly difficult to obtain, and bonding companies are denying or restricting coverage to an increasing number of contractors. Companies that have been successful in renewing or obtaining coverage have sometimes been required to post additional collateral to secure the same amount of bonds which reduces availability under TSS/Vortech's credit facility. TSS/Vortech may not be able to maintain a sufficient level of bonding capacity in the future, which could preclude TSS/Vortech from being able to bid for certain contracts and successfully contract with certain customers. In addition, even if TSS/Vortech are able to successfully renew or obtain performance or payment bonds in the future, TSS/Vortech may be required to post letters of credit in connection with the bonds.

***TSS/Vortech may choose, or be required, to pay its subcontractors even if its customers do not pay, or delay paying, TSS/Vortech for the related services.***

TSS/Vortech uses subcontractors to perform portions of its services and to manage work flow. In some cases, TSS/Vortech pays its subcontractors before its customers pay TSS/Vortech for the related services. If TSS/Vortech chooses, or is required, to pay its subcontractors for work performed for customers who fail to pay, or delay paying

TSS/Vortech for the related work, TSS/Vortech could experience a decrease in profitability and liquidity.

***A portion of TSS/Vortech's business depends upon obtaining and maintaining required security clearances, and its failure to do so could result in termination of certain of its contracts or cause it to be unable to bid or rebid on certain contracts.***

Some U.S. government projects require TSS/Vortech's employees to maintain various levels of security clearances, and TSS/Vortech may be required to maintain certain facility security clearances complying with U.S. government requirements.

Obtaining and maintaining security clearances for employees involves a lengthy process, and it is difficult to identify, recruit and retain employees who already hold security clearances. If TSS/Vortech's employees are unable to obtain or retain security clearances or if such employees who hold security clearances terminate their employment with TSS/Vortech, the customer whose work requires cleared employees could terminate the contract or decide not to renew it upon its expiration. To the extent TSS/Vortech is not able to engage employees with the required security clearances for a particular contract, TSS/Vortech may not be able to bid on or win new contracts, or effectively re-bid on expiring contracts, which could adversely affect TSS/Vortech's business.

In addition, TSS/Vortech expects that some of the contracts on which it will bid will require it to demonstrate its ability to obtain facility security clearances and perform work with employees who hold specified types of security clearances. A facility security clearance is an administrative determination that a particular facility is eligible for access to classified information or an award of a classified contract. Although contracts may be awarded prior to the issuance of a facility security clearance, in such cases the contractor is processed for facility security clearance at the appropriate level and must meet the eligibility requirements for access to classified information. A contractor or prospective contractor must meet certain eligibility requirements before it can be processed for facility security clearance. TSS/Vortech's ability to obtain and maintain facility security clearances has a direct impact on its ability to compete for and perform U.S. government projects the performance of which requires access to classified information. In addition, to the extent that any acquisition or merger contemplated by TSS/Vortech might adversely impact its eligibility for facility security clearance, the U.S. government could revoke TSS/Vortech's facility security clearance if TSS/Vortech was unable to adequately address concerns regarding potential unauthorized access to classified information.

***TSS/Vortech's failure to comply with the regulations of the U.S. Occupational Safety and Health Administration and other state and local agencies that oversee safety compliance could reduce its revenue, profitability and liquidity.***

The Occupational Safety and Health Act of 1970, as amended, or OSHA, establishes certain employer responsibilities, including maintenance of a workplace free of recognized hazards likely to cause death or serious injury, compliance with standards promulgated by the Occupational Safety and Health Administration and various record keeping, disclosure and procedural requirements. Various standards, including standards for notices of hazards, safety in excavation and demolition work, may apply to TSS/Vortech's operations. TSS/Vortech has incurred, and will continue to incur, capital and operating expenditures and other costs in the ordinary course of its business in complying with OSHA and other state and local laws and regulations.

***TSS/Vortech is dependent upon key personnel whose loss may have an adverse impact on TSS/Vortech's business.***

TSS/Vortech depends on the expertise, experience and continued services of its senior management employees, especially Mr. Rosato, its Chief Executive Officer, and Mr. Gallagher, its President. Messrs. Rosato and Gallagher have acquired specialized knowledge and skills with respect to TSS/Vortech and its operations and most decisions concerning the business of TSS/Vortech will be made or significantly influenced by them. The loss of Mr. Rosato, Mr. Gallagher or other senior management employees of TSS/Vortech, or an inability to attract or retain other key individuals, could materially adversely affect TSS/Vortech's business. If Mr. Rosato, Mr. Gallagher or other senior management were to become unavailable following the acquisition, we could face substantial difficulty in hiring

qualified successors and could experience a loss in productivity while any successor obtains the necessary training and experience. TSS/Vortech will seek to compensate and incentivize key executives, as well as other employees, through competitive salaries and bonus plans, but there can be no assurance that these programs will allow TSS/Vortech to retain key employees or hire new key employees.

***TSS/Vortech's quarterly revenue, operating results and profitability will vary.***

TSS/Vortech's quarterly revenue, operating results and profitability may fluctuate significantly and unpredictably in the future. In particular, the changes in contract mix that we anticipate will occur as TSS/Vortech completes existing projects for our major customer may affect quarterly results.

Factors that may contribute to the variability of TSS/Vortech's quarterly revenue, operating results or profitability include:

- fluctuations in revenue earned on contracts;
- commencement, completion and termination of contracts during any particular quarter, especially contracts relating to TSS/Vortech's major customer;
- declines in TSS/Vortech's backlog that are not replaced;
- additions and departures of key personnel;
- strategic decisions by TSS/Vortech and its competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments and changes in business strategy;
- contract mix and the extent of use of subcontractors; and
- any seasonality of TSS/Vortech's business.

Therefore, period-to-period comparisons of TSS/Vortech's operating results may not be a good indication of TSS/Vortech's future performance. TSS/Vortech's quarterly operating results may not meet the expectations of securities analysts or investors, which in turn may have an adverse affect on the market price of our common stock.

***If TSS/Vortech is unable to engage appropriate subcontractors or if TSS/Vortech's subcontractors fail to perform their contractual obligations, its performance as a prime contractor and its ability to obtain future business could be materially and adversely impacted.***

TSS/Vortech's performance of contracts may involve the issuance of subcontracts to other companies upon which it relies to perform all or a portion of the work TSS/Vortech is obligated to deliver to its customers. The inability of TSS/Vortech to find and engage appropriate subcontractors or a failure by one or more of TSS/Vortech's subcontractors to satisfactorily deliver on a timely basis the agreed-upon supplies and/or perform the agreed-upon

services may materially and adversely affect its ability to perform its obligations as a prime contractor.

In extreme cases, a subcontractor's performance deficiency could result in the customer terminating TSS/Vortech's contract for default. A default termination could expose us to liability for excess costs of reprocurement by the customer and have a material adverse effect on TSS/Vortech's ability to compete for future contracts and task orders.

***If TSS/Vortech is unable to manage TSS/Vortech's growth, TSS/Vortech's business may be adversely affected.***

Sustaining TSS/Vortech's growth may place significant demands on TSS/Vortech's management, as well as on TSS/Vortech's administrative, operational and financial resources. If TSS/Vortech sustains significant growth, TSS/Vortech must improve its operational, financial and management information systems and expand, motivate and manage its workforce. If TSS/Vortech is unable to do so, or if new systems that TSS/Vortech implements to assist in managing any future growth do not produce the expected benefits, TSS/Vortech's business, prospects, financial condition or operating results could be adversely affected.

### **Risks Related to Our Capital Structure and Our Experience as a Public Company**

***Because we do not currently intend to pay dividends on our common stock, stockholders will benefit from an investment in our common stock only if it appreciates in value.***

We have never declared or paid any cash dividends on our common stock. We currently intend to retain all future earnings, if any, for use in the operations and expansion of our business. As a result, we do not anticipate paying cash dividends in the foreseeable future. Any future determination as to the declaration and payment of cash dividends will be at the discretion of our board of directors and will depend on factors our board of directors deems



relevant, including among others, our results of operations, financial condition and cash requirements, business prospects, and the terms of our credit facilities and other financing arrangements. Accordingly, realization of a gain on stockholders' investments will depend on the appreciation of the price of our common stock. There is no guarantee that our common stock will appreciate in value or even maintain the price at which stockholders purchased their shares.

***If our initial stockholders and the selling members exercise their registration rights, or if our existing warrant holders exercise their warrants or Sunrise Securities Corp. exercises an option it holds, it may have an adverse effect on the market price of our common stock.***

Our initial stockholders are entitled to demand that we register the resale of their shares of common stock in certain circumstances. If our initial stockholders exercise their registration rights with respect to all of their shares of common stock, then there will be an additional 1,750,000 shares of common stock eligible for trading in the public market. We have also granted registration rights to the selling members, who will receive at least 2,560,744 shares of our common stock upon closing of the acquisition pursuant to the purchase agreement. In addition, there are outstanding warrants to purchase an aggregate of 15,600,000 shares of common stock at a price of \$5.00 per share and we have sold to Sunrise Securities Corp., the representative of the underwriters in our initial public offering, an option to purchase up to a total of 700,000 units, each comprised of one share of our common stock and two warrants. Each warrant covered by the unit purchase option granted to Sunrise Securities Corp. entitles the holder to purchase one share of our common stock at a price of \$6.25 per share. The purchase option and its underlying securities were registered in the registration statement declared effective for our initial public offering and, in addition, the option grants to holders demand and piggy back registration rights. The presence of this additional number of shares of common stock eligible for trading in the public market may have an adverse effect on the market price of our common stock.

***If we are unable to maintain a current prospectus relating to the common stock underlying our warrants, our warrants may be worthless.***

Our warrants will be exercisable and we will not be obligated to issue shares of common stock unless, at the time a holder seeks to exercise such warrant, a prospectus relating to the common stock issuable upon exercise of the warrant is current and the common stock has been registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of the warrants. Under the terms of the warrant agreement between Continental Stock Transfer & Trust Company, as warrant agent, and us, we have agreed to use our reasonable best efforts to maintain a current prospectus relating to the common stock issuable upon exercise of our warrants until the expiration of our warrants. However, we cannot assure warrant holders that we will be able to do so. The warrant agreement does not provide that we are required to net-cash settle the warrants if we are unable to maintain a current prospectus. If the prospectus relating to the common stock issuable upon exercise of the warrants is not current, or if the common stock is not qualified or exempt from qualification in the jurisdictions in which the holders of the warrants reside, our warrants may not be exercisable before they expire. Thus, our warrants may be deprived of any value, the market for our warrants may be limited or non-existent and the warrants may expire worthless.

***The warrant agreement governing our warrants permits us to redeem the warrants after they become exercisable, and it is possible that we could redeem the warrants at a time when a prospectus is not current, resulting in the warrant holder receiving less than fair value of the warrant or the underlying common stock.***

Under section 6 of the warrant agreement governing our outstanding warrants, we have the right to redeem outstanding warrants, at any time after they become exercisable and prior to their expiration, at the price of \$0.01 per warrant, provided that the last sales price of our common stock has been at least \$8.50 per share on each of 20 trading days within any 30 trading day period ending on the third business day prior to the date on which notice of redemption is given. Section 6 of the warrant agreement does not require, as a condition to giving notice of redemption, that we have in effect a current prospectus relating to the common stock issuable upon exercise of our warrants. Thus, it is possible that we could issue a notice of redemption of the warrants at a time when holders of our warrants were unable to exercise their warrants and thereafter immediately resell the underlying common stock under a current prospectus.

Under such circumstances, rather than face redemption at a nominal price per warrant, warrant holders could be forced to sell the warrants or the underlying common stock for less than fair value.

***Our securities are quoted on the Over-the-Counter Bulletin Board, which may limit the liquidity and price of our securities more than if our securities were quoted or listed on an exchange.***

Our securities are quoted on the Over-the-Counter Bulletin Board, a NASD-sponsored and operated inter-dealer automated quotation system for equity securities not included in any stock exchange. Quotation of our securities on the Over-the-Counter Bulletin Board will limit the liquidity and price of our securities more than if our securities were quoted or listed on Nasdaq. Although we intend to apply for listing of our common stock on Nasdaq, we cannot assure you that we will satisfy the applicable listing requirements.

***Under Delaware law, our dissolution requires the approval of the holders of a majority of our outstanding stock, without which we will not be able to dissolve and liquidate and distribute our assets to our public stockholders.***

Pursuant to Delaware law, our dissolution requires the affirmative vote of stockholders owning a majority of our then outstanding common stock. Soliciting the vote of our stockholders will require the preparation of preliminary and definitive proxy statements, which will need to be filed with the Securities and Exchange Commission and could be subject to their review. This process could take a substantial amount of time, ranging from 40 days to several months.

As a result, the distribution of our assets to the public stockholders could be subject to a considerable delay. Furthermore, we may need to postpone the stockholders' meeting, resolicit our stockholders or amend our plan of dissolution and liquidation to obtain the required stockholder approval, all of which would further delay the distribution of our assets and result in increased costs. If we are not able to obtain approval from a majority of our stockholders, we will not be able to dissolve and liquidate and we will not be able to distribute funds from our trust account to holders of our common stock sold in our initial public offering and these funds will not be available for any other corporate purpose. In the event we seek stockholder approval for a plan of dissolution and liquidation and do not obtain such approval, we will nonetheless continue to pursue stockholder approval for our dissolution. However, we cannot predict whether our stockholders will approve our dissolution in a timely manner or will ever approve our dissolution. As a result, we cannot provide our initial stockholders with assurances of a specific timeframe for the dissolution and distribution.

***Our stockholders may be held liable for claims by third parties against us to the extent of distributions received by them.***

Under the Delaware General Corporation Law, stockholders may be held liable for claims by third parties against a corporation to the extent of distributions received by them in a dissolution. If we complied with certain procedures set forth in Section 280 of the Delaware General Corporation Law intended to ensure that we make reasonable provision for all claims against us, including a 60-day notice period during which any third-party claims can be brought against us, a 90-day period during which we may reject any claims brought, and an additional 150-day waiting period before any liquidating distributions are made to stockholders, any liability of a stockholder with respect to a liquidating distribution would be limited to the lesser of such stockholder's pro rata share of the claim or the amount distributed to the stockholder, and any liability of the stockholder would be barred after the third anniversary of the dissolution. However, it is our intention to make liquidating distributions to our stockholders as soon as reasonably possible after dissolution and, therefore, we do not intend to comply with those procedures. As such, our stockholders could potentially be liable for any claims to the extent of distributions received by them in a dissolution and any such liability of our stockholders will likely extend beyond the third anniversary of such dissolution. Accordingly, we cannot assure you that third parties will not seek to recover from our public stockholders amounts owed to them by us.

***If third parties bring claims against us, the proceeds held in the trust account could be reduced and the per share liquidation price received by stockholders could be less than the \$5.70 per share available at November 30, 2006.***

Our placing of funds in the trust account may not protect those funds from third party claims against us. Pursuant to Sections 280 and 281 of the Delaware General Corporation Law, upon our dissolution we will be required to adopt a

plan that will provide for our payment, based on facts known to us at such time, of all existing claims, all pending claims and all claims that may be potentially brought against us within the subsequent 10 years. Although we intend to pay those amounts from our funds not held in trust, we cannot assure you those funds will be sufficient to cover such claims and obligations. Although we have sought to have vendors, prospective target

businesses or other entities with which we do business execute valid and enforceable agreements waiving any right, title, interest or claim of any kind in or to any monies held in the trust account for the benefit of our public stockholders, not all have executed such agreements. Those parties who have not entered into such agreements may have claims they will attempt to assert, and those who have may claim that the waiver is unenforceable or assert claims based on fraudulent inducement, breach of fiduciary responsibility or other similar claims.

As of September 30, 2006, we had liabilities of approximately \$1,201,000. Creditors with claims in the amount of approximately \$350,000 have executed agreements with us waiving their rights, if any, to any funds held in the trust account. We have not received a waiver letter from Continental Stock Transfer and Trust Company, our escrow agent and warrant agent, the State of Delaware and certain miscellaneous service providers, with aggregate claims in the amount of approximately \$25,000. As a result of obtaining the waiver letters, we believe the claims that could be made against the trust account are limited. To the extent that creditors, even those who have executed a waiver of claims against the trust account, or TSS/Vortech bring a claim and attempt to have it satisfied out of the trust account, the proceeds available to our stockholders from the trust account could be reduced.

Messrs. McMillen and Weiss have agreed, pursuant to an agreement with us and Sunrise Securities Corp., the representative of the underwriters of our initial public offering, that, if we liquidate prior to the consummation of a business combination, they may be personally liable to ensure that the proceeds of the trust account are not reduced by the claims of vendors or other entities that are owed money by us for services rendered or products sold to us or the claims of prospective target businesses. We cannot assure you, however, that they will be able to satisfy those obligations.

Additionally, if we are forced to file a bankruptcy case or an involuntary bankruptcy case is filed against us which is not dismissed, the proceeds held in the trust account could be subject to applicable bankruptcy law, and may be included in our bankruptcy estate and subject to the claims of third parties with priority over the claims of our stockholders. To the extent any bankruptcy claims deplete the trust account, we cannot assure you we will be able to return to our public stockholders the \$5.70 per share available at November 30, 2006.

***Our working capital will be reduced if FAAC stockholders exercise their right to convert their shares into cash. This would reduce our cash reserve after the acquisition.***

Pursuant to our certificate of incorporation, holders of shares issued in our initial public offering may vote against the merger and demand that we convert their shares into a pro rata share of the trust account where a substantial portion of the net proceeds of the initial public offering are held. We and TSS/Vortech will not consummate the acquisition if holders of 1,560,000 or more shares of common stock issued in our initial public offering exercise these conversion rights. To the extent the acquisition is consummated and holders have demanded to so convert their shares, there will be a corresponding reduction in the amount of funds available to the combined company following the acquisition. As of November 30, 2006, assuming the acquisition proposal is adopted, the maximum amount of funds that could be disbursed to our stockholders upon the exercise of their conversion rights is approximately \$8,894,030, or approximately 20% of the funds then held in the trust account. Any payment upon exercise of conversion rights will reduce our cash after the acquisition, which may limit our ability to implement our business plan.

***We have not had operations, and TSS/Vortech has never operated as a public company. Fulfilling our obligations incident to being a public company after acquiring TSS/Vortech will be expensive and time consuming.***

Both we, as a company without operations, and TSS/Vortech, as a private company, have maintained relatively small finance and accounting staffs. Neither we nor TSS/Vortech currently has an internal audit group. Although we have maintained disclosure controls and procedures and internal control over financial reporting as required under the federal securities laws with respect to our very limited activities, we have not been required to maintain and establish such disclosure controls and procedures and internal control as will be required with respect to a business such as TSS/Vortech with substantial operations. Under the Sarbanes-Oxley Act of 2002 and the related rules and regulations

of the SEC, as well as the rules of NASDAQ, we will need to implement additional corporate governance practices and adhere to a variety of reporting requirements and complex accounting rules. Compliance with these obligations will require significant management time, place significant additional demands on our finance and accounting staff and on our financial, accounting and information systems, and increase our insurance, legal and financial compliance costs.

We also need to hire a chief financial officer and may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge.

***Section 404 of the Sarbanes-Oxley Act of 2002 will require us to document and test our internal controls over financial reporting for fiscal 2007 and beyond and will require an independent registered public accounting firm to report on our assessment as to the effectiveness of these controls. Any delays or difficulty in satisfying these requirements could adversely affect our future results of operations and our stock price.***

Section 404 of the Sarbanes-Oxley Act of 2002 will require us to document and test the effectiveness of our internal controls over financial reporting in accordance with an established internal control framework and to report on our conclusion as to the effectiveness of our internal controls. It will also require an independent registered public accounting firm to test our internal controls over financial reporting and report on the effectiveness of such controls for our fiscal year ending December 31, 2007 and subsequent years. An independent registered public accounting firm will also be required to test, evaluate and report on the completeness of our assessment. It may cost us more than we expect to comply with these control- and procedure-related requirements.

We may in the future discover areas of our internal controls that need improvement, particularly with respect to TSS/Vortech or other businesses that we may acquire in the future. We cannot be certain that any remedial measures we take will ensure that we implement and maintain adequate internal controls over our financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could harm our operating results or cause us to fail to meet our reporting obligations. If we are unable to conclude that we have effective internal controls over financial reporting, or if our independent auditors are unable to provide us with an unqualified report regarding the effectiveness of our internal controls over financial reporting as of December 31, 2007 and in future periods as required by Section 404, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common stock. Failure to comply with Section 404 could potentially subject us to sanctions or investigations by the SEC, NASDAQ or other regulatory authorities.

## THE SPECIAL MEETING

### The Special Meeting

We are furnishing this document to you as part of the solicitation of proxies by our board of directors for use at the special meeting, and at any adjournment or postponement thereof, called to consider and vote upon our acquisition of TSS/Vortech and other proposals. This document provides you with the information you need to know to be able to vote or instruct your vote to be cast at the special meeting.

### Date, Time and Place

We will hold the special meeting at 10:00 a.m., Eastern Time, on January \_\_\_\_, 2007, at the offices of Squire, Sanders & Dempsey L.L.P. located at 8000 Towers Crescent Drive, 14th Floor, Tysons Corner, Virginia 22182.

### Purpose of the Special Meeting

At the special meeting, we are asking holders of our common stock to approve:

- the acquisition pursuant to the purchase agreement and the other transactions contemplated by the purchase agreement;
- the amendment removing certain provisions only applicable to us prior to our completion of a business combination;
- the incentive compensation plan;
- the election of David J. Mitchell to our board of directors; and
- a proposal to adjourn the special meeting to solicit additional proxies.

### Board of Directors Recommendation

Our board of directors unanimously recommends:

- that our common stockholders vote FOR the approval of the acquisition pursuant to the purchase agreement and the other transactions contemplated by the purchase agreement;
- that our common stockholders vote FOR the approval of the amendment;



- that our common stockholders vote FOR the approval of the incentive compensation plan;
- that our common stockholders vote FOR the election of David J. Mitchell to our board of directors; and
- that our common stockholders vote FOR the proposal to adjourn the special meeting to solicit additional proxies.

Adoption by our stockholders of the acquisition is not conditioned on the adoption of the amendment proposal, the incentive compensation plan proposal, the nomination proposal or the adjournment proposal.

**Record Date; Who is Entitled to Vote**

The record date for the special meeting is December \_\_, 2006. Record holders of our common stock at the close of business on the record date are entitled to vote or have their votes cast at the special meeting. On the record date, there were 9,550,000 shares of our common stock outstanding.

**Quorum**

The presence, in person or by proxy, of a majority of all the outstanding shares of common stock entitled to vote constitutes a quorum at the special meeting.

**Voting Your Shares**

Each share of our common stock that you own in your name entitles you to one vote. Your proxy card shows the number of shares of our common stock that you own.

There are two ways to vote your shares of common stock at the special meeting:

- 

You can vote by signing and returning the enclosed proxy card. If you vote by proxy card, your proxy, whose name is listed on the proxy card, will vote your shares as you instruct on the proxy card. If you abstain by returning a proxy and not instructing how your shares should be voted by proxy on the acquisition, or if your shares are held in street name and you do not instruct your broker or bank how to vote, your shares will not be counted as being voted either for or against approval of the acquisition, and you will not have the right to convert your shares into a pro rata portion of the trust account. Further, such a failure to vote or to instruct your broker or bank how to vote your shares will have the same effect as voting against the amendment. However, if you sign and return the proxy card but do not give instructions on how to vote your shares, your shares will be voted as recommended by our board of directors FOR the incentive compensation plan, the nomination and the adjournment proposal.

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You can attend the special meeting and vote in person. We will give you a ballot when you arrive. However, if your shares are held in the name of your broker, bank or another nominee, you must obtain a proxy from the broker, bank or other nominee. That is the only way we can be sure that the broker, bank or nominee has not already voted your shares.

Our issued and outstanding warrants do not have voting rights and record holders of our warrants will not be entitled to vote at the special meeting.

### **Who Can Answer Your Questions About Voting Your Shares**

If you have questions, you may call Advantage Proxy at (800) 238-3410, ext. 34.

### **No Additional Matters May Be Presented at the Special Meeting**

This special meeting has been called only to consider the approval of the acquisition pursuant to the purchase agreement, the amendment, the incentive compensation plan, the nomination and the adjournment proposal. Under our by-laws, other than procedural matters incident to the conduct of the meeting, no other matters may be considered at the special meeting, if they are not included in the notice of the meeting.

In addition, representatives of our accountants are not expected to be present at the special meeting and accordingly will not make any statement or be available to respond to any questions.

### **Revoking Your Proxy**

If you give a proxy, you may revoke it at any time before it is exercised by doing any one of the following:

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You may send another proxy card with a later date;

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You may notify Mr. Weiss, our Secretary, in writing before the special meeting that you have revoked your proxy; or

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You may attend the special meeting, revoke your proxy, and vote in person.

**Vote Required to Approve the Acquisition**

The acquisition does not require stockholder approval under Delaware law. However, under our Amended and Restated Certificate of Incorporation, the acquisition must be approved by a majority of the votes cast at the special meeting, in person or by proxy, in respect of shares of our common stock issued in our initial public offering. Thus, votes in respect of shares issued other than in the public offering are not counted for this purpose. None of our directors or officers purchased shares in our initial public offering or in the aftermarket.

As described below under Abstentions and Broker Non-Votes, if you fail to appear at all at the special meeting, in person or by proxy, or if you abstain from voting, either in person or by proxy voting instruction, your shares will not be counted as voting either for or against the acquisition and will not constitute a demand for conversion of your shares into a pro rata portion of the trust account.

If your shares of common stock are held in your bank or broker's name, you must instruct your bank or broker how to vote on the acquisition. If you do not give your broker voting instructions and the broker does not vote your

shares, this is referred to as a broker non-vote. Broker non-voting shall be treated as shares not entitled to vote at the special meeting, and, therefore, shall have no impact on the approval of the acquisition.

Approval of the acquisition is not conditioned upon the adoption of the amendment proposal, the incentive compensation plan proposal, the nomination proposal and/or the adjournment proposal.

In addition to the voting requirements described above, if the public stockholders holding 20% or more of the total number of shares of common stock issued in our initial public offering (1,560,000 or more of such shares) demand conversion of their shares into their pro rata portion of the trust account, we will not consummate the acquisition.

No vote of the warrant holders is necessary to adopt the acquisition proposal, and we are not asking the warrant holders to vote on the acquisition. At the close of business on December \_\_, 2006, the record date for the special meeting, there were 9,550,000 shares of our common stock outstanding, 7,800,000 of which were issued in our initial public offering.

### **Conversion Rights**

As provided in our Amended and Restated Certificate of Incorporation, a public stockholder who votes against the acquisition may demand that we convert his or her shares into cash. This demand must be made on the proxy card at the same time that the public stockholder votes against the acquisition. If so demanded, we will convert each share of common stock owned by such stockholder into a pro rata portion of the trust account in which \$43,964,000 million of the net proceeds of our initial public offering is held, plus interest earned thereon. Based on the amount of cash held in the trust account at November 30, 2006, we estimate that you will be entitled to convert each share of common stock that you hold into approximately \$5.70. If you exercise your conversion rights, then you will be exchanging your shares of our common stock for cash and will no longer own these shares. You will only be entitled to receive cash for these shares if you continue to hold these shares through the closing date of the acquisition and then tender your stock certificate. If the acquisition is not completed, then these shares will not be converted into cash.

The acquisition will not be consummated if public stockholders owning 20% or more of the total number of the shares issued in our initial public offering (1,560,000 or more of such shares) exercise their conversion rights.

Prior to exercising conversion rights, public stockholders should verify the market price of our common stock as they may receive higher proceeds from the sale of their common stock in the public market than from exercising their conversion rights. Our shares of common stock are listed on the OTCBB under the symbol FAAC.

### **Voting Requirement for the Amendment**

The amendment proposal must be approved by the affirmative vote of the majority of shares of our common stock outstanding on the record date. No vote of the warrant holders is necessary to adopt the amendment proposal, and we are not asking the warrant holders to vote on the amendment proposal. Adoption of the amendment proposal is conditioned upon the adoption of the acquisition proposal, and if the acquisition is not approved, then the amendment proposal will not be presented for approval.

### **Voting Requirement for the Incentive Compensation Proposal**

The incentive compensation plan proposal must be approved by the affirmative vote of the majority of shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote on the incentive compensation plan proposal. No vote of the warrant holders is necessary to adopt the incentive compensation plan proposal, and we are not asking the warrant holders to vote on the incentive compensation plan proposal. Adoption of the incentive compensation plan proposal is conditioned upon the adoption of the acquisition proposal, and if the acquisition is not approved, then the incentive compensation plan proposal will not be presented for approval.

**Voting Requirement for the Nomination**

To be elected to our board of directors, a nominee must receive the affirmation vote of a plurality of the shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote on the election of directors. Adoption of the nomination proposal is not conditioned upon the adoption of the acquisition proposal.

### **Voting Requirement for the Adjournment**

The adjournment proposal must be approved by the affirmative vote of the majority of shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote on the adjournment proposal. No vote of the warrant holders is necessary to adopt the adjournment proposal, and we are not asking the warrant holders to vote on the adjournment proposal. Adoption of the adjournment proposal is not conditioned upon the adoption of the acquisition proposal.

### **Failures to Vote, Abstentions and Broker Non-Votes**

With respect to the acquisition, if you are not present at the meeting, either by not appearing in person or failing to return a proxy, or if you abstain from voting by appearing in person and not voting or by returning a proxy and failing to instruct how your shares should be voted by proxy, your shares will not be counted as voting either for or against the acquisition and will not constitute a demand for conversion of your shares into a pro rata portion of the trust account. A failure to be present in person or by proxy, or an abstention, will have the same effect as a vote against the approval of the amendment, which must be approved by a majority of our outstanding shares. Personally appearing at the meeting and failing to vote will have the same effect as a vote against the incentive compensation plan and the adjournment proposals, which must be approved by a majority of the shares present at the meeting in person or by proxy. Neither a failure to vote nor an abstention will have an effect on the nomination.

Please note that if you sign and return a proxy card but do not give instructions on how to vote your shares, your shares will be voted as recommended by our board of directors FOR the amendment, the incentive compensation plan, the nomination and the adjournment proposal, but will not be voted at all on the acquisition proposal.

If your broker holds your shares in its name and you do not give the broker voting instructions, your broker may not vote your shares. If you do not give your broker voting instructions and the broker does not vote your shares, this is referred to as a broker non-vote. Broker non-voting shall be treated as shares either not voted, or not entitled to vote, at the special meeting, and, therefore, will have no impact on the approval of the acquisition, the incentive compensation plan, the nomination or the adjournment proposal. However, a broker non-vote will have the same effect as a vote against the amendment.

To exercise your conversion rights, you must not only vote against the acquisition but also affirmatively elect to convert your shares by checking the appropriate box, or directing your broker to check the appropriate box, on the proxy card and ensure that the proxy card is delivered prior to the special meeting.

### **Solicitation Costs**

We will bear all expenses incurred in connection with the solicitation of proxies. We will, upon request, reimburse brokerage firms and other nominee holders for their reasonable expenses incurred in forwarding the proxy solicitation materials to the beneficial owners of our shares of common stock. Our officers and directors may solicit proxies by mail, personal contact, letter, telephone, facsimile or other electronic means. While our officers and directors will not receive any additional compensation for those activities, they may be reimbursed for their out-of-pocket-expenses. In addition, we have retained Advantage Proxy to aid in the solicitation of proxies. Advantage Proxy will receive a fee of approximately \$7,500, as well as reimbursement for certain costs and out-of-pocket expenses incurred by them in connection with their services, all of which will be paid by us.

### **Stock Ownership**

At the close of business on the record date, Messrs. McMillen, Weiss, Mitchell and Nickles, who collectively comprise all of our directors and executive officers, and Mr. Asa Hutchinson, together with their affiliates, beneficially owned and were entitled to vote 1,700,000 shares of our common stock, or approximately 17.8% of the

outstanding shares of our common stock. Such number does not include 600,000 shares of common stock issuable upon exercise of warrants held by our directors, affiliates and executive officers. As of October 31, 2006, these shares and warrants had a market value of approximately \$9,609,000. All of our initial stockholders have agreed to vote their shares of common stock in accordance with the vote of the majority of the shares of common stock voted by our public stockholders. For more information on beneficial ownership of our common stock by executive officers, directors and 5% stockholders, see Beneficial Ownership of Securities on page \_\_\_\_.

**APPROVAL OF THE ACQUISITION AND THE OTHER TRANSACTIONS  
CONTEMPLATED BY THE PURCHASE AGREEMENT**

The following describes the acquisition and the principal terms of the membership interest purchase agreement, and is subject to, and qualified in its entirety by reference to, the membership interest purchase agreement. A copy of the membership interest purchase agreement is attached as Annex A to this proxy statement and is incorporated into this proxy statement by reference.

It is possible that, prior to the closing of the acquisition, it may become necessary to amend the membership interest purchase agreement or related agreements in respects that our board of directors deems immaterial. Approval of this proposal will authorize our board of directors to proceed with the acquisition with such amendments. In the event it becomes necessary to amend the membership interest purchase agreement or related agreements in respects that our board of directors deems material, we will make public disclosure of such amendments prior to the stockholder vote on this proposal. The nature of the disclosure will be determined based on the facts and circumstances surrounding any such amendment to the purchase agreement, which is not currently contemplated. Such disclosure could, for example, take the form of the issuance of a press release and the filing of a Form 8-K, or a direct mailing to stockholders.

Our board of directors reserves the right to determine, in its sole discretion, not to consummate the acquisition even if this proposal is approved by our stockholders.

**General Description of the Acquisition**

On June 5, 2006, we entered into the membership interest purchase agreement with VTC, Vortech, the holders of all of the membership interests of VTC and Vortech and Thomas P. Rosato, as members representative, on June 26, 2006, we and each of the other parties entered into an amended and restated membership interest purchase agreement, and on July 31, 2006 we and each of the other parties entered into a second amended an restated membership interest purchase agreement (the purchase agreement ). Upon completion of the acquisition, we will own all of the membership interests of VTC and Vortech. Since VTC and Vortech and all of their respective members have approved and executed the second amended and restated membership interest purchase agreement, no further action needs be taken by VTC s and Vortech s members to approve the acquisition.

**Background of the Acquisition**

The terms of the purchase agreement are the result of arm-lengths negotiations between representatives of FAAC and VTC/Vortech. The following is a brief discussion of the background of these negotiations, the purchase agreement and related transactions.

FAAC was formed on December 20, 2004 to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business. FAAC completed its initial public offering, or IPO, on July 20, 2005. In addition, on August 24, 2005, the underwriters for the IPO exercised their over-allotment option, and together with the IPO raised net proceeds of \$43.2 million.

Of these net proceeds, \$42.0 million was placed in a trust account immediately following the IPO and, in accordance with FAAC s certificate of incorporation, will be released either upon the consummation of a business combination or upon the liquidation of FAAC. FAAC must liquidate unless it has consummated a business combination by January 20, 2007. As of November 30, 2006, approximately \$44,470,148 million was held in deposit in the trust account.

We had not, prior to the effectiveness of our registration statement, selected any acquisition target, contacted, directly or indirectly, any agents of any targets, or taken any action to identify possible targets. Promptly following the IPO,



we contacted several investment bankers, private equity firms, consulting firms, legal and accounting firms, as well as numerous other business relationships. We also engaged Focus Enterprises, Inc., an investment bank and registered broker-dealer, to extend our search capabilities and to provide certain financial advisory services. Through these efforts, we identified and reviewed information with respect to approximately 45 target companies. None of FAAC, TSS/Vortech or their respective officers, directors, insiders or material equity owners is affiliated with Focus Enterprises, Inc.

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In our search, we primarily sought target companies and transactions in the homeland security industry and with at least some of the following characteristics:

- experienced management willing to remain with the company post-acquisition and accept a significant portion of the purchase consideration in shares of our common stock;
- currently profitable and not reliant for profits upon speculative business plans;
- total purchase consideration representing a multiple of five to eight times trailing twelve months adjusted EBITDA;
- cash requirements for the acquisition leave significant cash post-closing for operations and additional acquisitions;
- target's business centered around critical infrastructure protection, a key and well funded homeland security priority;
- strong core competencies;
- personnel with securities clearances;
- target's business has significant information technology aspects, allowing us to use Mr. Weiss' substantial experience in this area for the benefit of the business after the acquisition;
- fragmented market with good consolidation opportunities;
- location in mainland U.S., ideally close to Washington, D.C.; and
- business has chemical, biological, radiological and nuclear (or CBRNE) ramifications.

The above characteristics were based on the criteria assembled in connection with our initial public offering but were refined and further developed by Messrs. McMillen and Weiss in the several week period following our initial public

offering. The above characteristics reflect, in part, the outcome of discussions by Messrs. McMillen and Weiss with investment bankers, consulting firms and other professional service providers and business contacts regarding our search.

By January 2006, we had entered into substantial discussions with several companies, including the type and amount of consideration to be provided relative to a potential transaction. Five of these companies were provided with a preliminary letter of intent or term sheet. After evaluation, none of these opportunities proved to be satisfactory candidates for an acquisition, primarily due to one or more of the following concerns: the company's EBITDA was too low; the purchase price sought was too high as a multiple of adjusted EBITDA; the purchase consideration sought included too much cash; the company's industry did not provide adequate consolidation opportunities; and company's business lacked significant information technology components.

In January 2006, FAAC was introduced to TSS/Vortech by Mr. Carl Sardegna, a member of the Board of Advisors of Evergreen Capital LLC ( Evergreen ), a consulting firm that had provided financial and consulting services to TSS/Vortech for the preceding three years. Evergreen is not a registered broker-dealer. Prior to this introduction, none of our directors or officers were familiar with TSS/Vortech. On January 13, Mr. McMillen, our chairman, Mr. Sardegna, and Mr. Richard Kohr, Jr., President of Evergreen, participated in a conference call to generally discuss the acquisition strategy of FAAC and provide background on TSS/Vortech. On January 16, 2006, a mutual nondisclosure agreement was executed. On January 26, we received a confidential executive summary prepared by TSS/Vortech. On January 31, Messrs. McMillen and Weiss met in Evergreen's offices with Mr. Thomas Rosato, Chairman of TSS, and Mr. Gerard Gallagher, CEO and President of TSS. Mr. Kohr and Messrs. Phil Gelso and Patrick Huddie, Managing Directors of Evergreen, participated in the meeting as well. Both FAAC and TSS described their respective companies and answered questions for each party. Following the meeting, Messrs. McMillen and Weiss had several telephone calls with Mr. Rosato and Mr. Kohr during which they gave an oral indication of interest in TSS/Vortech.

On February 6, Messrs. McMillen and Weiss, Sheldon Goldman, Senior Managing Director of Goldman Advisors (Goldman), and Messrs. Rosato and Gallagher held a dinner meeting. Goldman Advisors is a division of Sunrise Securities Corp., the lead underwriter for our IPO. During this meeting, Messrs. Rosato and Gallagher described TSS/Vortech's business and provided additional information regarding TSS/Vortech and its prospect as well as discussing other related affiliates controlled by Messrs. Rosato and Gallagher. Messrs. McMillen, Weiss and

Sheldon asked numerous questions regarding the business. FAAC and TSS/Vortech also discussed the valuation parameters of a potential transaction, entities to be included in a transaction and the type of consideration to be offered.

On February 13, Messrs. McMillen and Weiss met with Messrs. Rosato and Gallagher at TSS/Vortech's headquarters in Beltsville, Maryland to review the parameters of a possible transaction and continued their discussions regarding TSS/Vortech's prospects as well as its related affiliates. Subsequent to this meeting, on February 17, FAAC sent a preliminary letter of intent to Messrs. Rosato and Gallagher proposing the purchase of the equity interests of VTC, L.L.C. and Vortech, LLC and, in addition, CTS LLC and S3 Integration LLC, each of which is majority owned by and/or substantially controlled by Messrs. Rosato and Gallagher. This preliminary letter of intent proposed total consideration of \$52,000,000, comprised primarily of \$8,000,000 in cash and shares of our common stock.

On February 20, Messrs. McMillen, Weiss and Mr. Nickles, our director, met with Messrs. Rosato and Gallagher to brief Mr. Nickles on TSS/Vortech's business. On February 24, Mr. Weiss and Mr. Rosato had a telephonic conversation whereby Mr. Rosato indicated to Mr. Weiss that TSS/Vortech was going to accept a competing offer for the business.

On February 27, Messrs. McMillen, Weiss, Rosato, Gallagher and Kohr met to review a revision of the preliminary letter of intent. A revised preliminary letter of intent was submitted to Messrs. Rosato and Gallagher on February 28, 2006 that excluded CTS LLC from the proposed transaction, reduced the total purchase consideration to \$40,000,000, increased the cash portion of the transaction to \$23,000,000 and included a \$5,000,000 convertible promissory note. The balance of the consideration under the revised preliminary letter of intent was to consist primarily of our common stock. We excluded CTS LLC from the proposed transaction because its business differed significantly from the business of TSS/Vortech. The letter of intent also contemplated an earn-out, payable in shares of our common stock, of up to \$10,000,000 in additional consideration, subject to forfeiture by each of Messrs. Rosato and Gallagher, respectively, if he should cease to be employed by us for any reason other than termination for cause. The components of total purchase consideration changed, in part, because Messrs. Rosato and Gallagher had indicated that the competing offer included a larger cash component than our original offer and that they viewed a larger cash component as favorable. In response to the revised preliminary letter of intent, Messrs. Rosato and Gallagher informed us that the revised letter of intent set forth terms sufficiently attractive for them to continue negotiations in lieu of accepting the competing offer.

On March 1, 2006, we held a telephonic meeting of our board of directors to review FAAC's discussions with TSS/Vortech and its related affiliates and to discuss our revised offer. Messrs. McMillen, Weiss, Nickles and Mitchell, constituting all of our directors, were present at the meeting. Mr. Hutchinson, our special advisor, and representatives of Goldman Advisors were also present by invitation. Prior to the meeting, a revised letter of intent as well as financial, operational and descriptive information about TSS/Vortech was circulated to each member of our board of directors. During the meeting, Messrs. McMillen and Weiss described the potential transaction with TSS/Vortech and its affiliates in detail at this meeting. After the meeting, on March 1, 2006, we entered into a letter of intent with TSS/Vortech. The executed letter of intent provided that we would acquire the equity interests of VTC, L.L.C. and Vortech, LLC for total consideration of \$38,500,000, comprised of \$19,000,000 in cash, up to \$161,000 in assumed debt, \$8,000,000 in convertible debt and the balance, up to \$11,500,000, in shares of our common stock. The letter of intent also contemplated an earn-out, that was, as previously proposed, payable in shares of our common stock, of up to \$10,000,000 in additional consideration, subject to forfeiture by each of Messrs. Rosato and Gallagher, respectively, if he should cease to be employed by us for any reason other than termination for cause. The letter of intent excluded S3 Integration LLC from the acquisition because that company was owned only in part by Messrs. Rosato and Gallagher, and we and Messrs. Rosato and Gallagher concluded that including the company in the acquisition would create undesired negotiating and structuring complications.

Immediately after the letter of intent was executed, we delivered to TSS/Vortech a due diligence request list. We also hired Goldman Advisors to assist us with due diligence. Our attorneys began to compile and to review the due

diligence materials from TSS/Vortech. Simultaneously, we worked with our counsel to prepare a first draft of the membership interest purchase agreement. We also retained Business Valuation Center to render an opinion that the consideration to be paid in the merger is fair to our stockholders.

On March 15 and 16, Messrs. McMillen, Weiss, Goldman and other representatives from Goldman and our legal counsel spent the two days at TSS/Vortech headquarters to continue their due diligence. During those two days, we met with key senior managers of TSS/Vortech.

At our direction, our counsel delivered a first draft of the membership interest purchase agreement on April 26, 2006. After the delivery of the first draft of the membership interest purchase agreement, we were engaged in ongoing negotiations of the membership interest purchase agreement and related agreements.

Throughout our preliminary discussions with the selling members, we continued exploratory discussions with intermediaries such as investment bankers and business brokers and potential acquisition targets. However, as the pace of our discussions with the selling members quickened, our focus began to narrow on members, with the result that the level of our activities with respect to other potential acquisition candidates decreased.

During May, we completed additional detailed diligence, including meetings between Mr. Weiss and representatives of three major customers of TSS/Vortech. We viewed these customer meetings as successful because representatives for each of the three customers commented favorably on the quality of the business relationship with TSS/Vortech, the quality of the work that had been and was being delivered, the ability of TSS/Vortech to meet schedule commitments and the quality of TSS/Vortech's personnel. With the completion of these key elements of the diligence process, we were prepared to proceed with a definitive acquisition agreement.

Our board of directors met in person (except for one board member, who attended telephonically) on May 26, 2006 to discuss the proposed acquisition and held a telephonic conference on May 30, 2006 during which they voted unanimously to approve the acquisition. We completed negotiations with the selling members on June 5, 2006 and executed the membership interest purchase agreement and related agreements on that date. On June 6, 2006, we publicly announced our agreement with the companies through a joint press release.

On June 12, 2006, Messrs. McMillen, Weiss, Rosato and Gallagher met with representatives of Sunrise Securities Corp. to discuss the acquisition. We discussed the market for the services provided by TSS/Vortech, as evidenced by a positive article in *Business Week* on June 12, 2006. We then discussed with Messrs. Rosato and Gallagher amending the terms of the acquisition to reduce the cash consideration to be paid in exchange for increasing other components of the consideration to be paid. The representatives of Sunrise Securities Corp. stated their belief that such changes would be viewed favorably by our stockholders. A conference call was conducted between June 15, 2006 with the same participants to discuss various alternatives for amending the terms of the acquisition. On June 19, 2006, Messrs. McMillen, Weiss, Rosato, Kohr, Goldman and other representatives of Goldman Advisors met in New York and substantially finalized negotiations for amended acquisition terms. On June 22, 2006, our board of directors met telephonically, received a summary of the negotiations from Mr. Weiss and voted unanimously to approve the revised terms of the acquisition. We completed negotiations with the selling members on June 26, 2006 and executed the amended and restated membership interest purchase agreement on that date. The amended and restated membership interest purchase agreement decreased the cash component of the purchase consideration from \$19,000,000 to \$11,000,000, increased the convertible debt from \$8,000,000 to \$10,000,000, and increased the stock component from approximately \$11,500,000 in shares of our common stock to approximately \$17,500,000 in shares of our common stock. On June 27, 2006, we publicly announced the amended and restated agreement through a joint press release. On July 31, 2006, after further discussions with the selling members, we and the other parties to the purchase agreement entered into a second amended and restated membership interest purchase agreement. The second amended and restated membership interest purchase agreement primarily changed the purchase agreement by removing the earn-out portion of the acquisition consideration, which had been conditioned upon continued employment by each selling member, and adding a substantially identical bonus provision to the employment agreements to be entered into by each of Messrs. Rosato and Gallagher. This change was not intended to change the economic arrangements of the parties but was motivated principally by the desire to conform the transaction documentation more closely to the underlying economic arrangements.

**Factors Considered by Our Board of Directors in Approving the Acquisition**

In approving the membership interest purchase agreement, our board of directors, at the time comprised of Messrs. McMillen, Weiss, Nickles and Mitchell, relied on financial and other information relating to the companies. Our board of directors considered a wide variety of factors in connection with its evaluation of the acquisition. In light of the complexity of those factors, our board of directors did not consider it practical to, nor did it attempt to,

quantify or otherwise assign relative weights to the specific factors it considered in reaching its decision. In addition, individual members of our board of directors may have given different weight to different factors.

Our board of directors considered the factors below, in addition to the Risk Factors described starting on page \_\_\_\_ above, in reaching its conclusion to approve the acquisition and the membership interest purchase agreement.

FAAC's management, including members of our board of directors, has long and diverse experience both in operational management and investment analysis and, in its opinion, is suitably qualified to conduct the due diligence and other investigations and analyses required in connection with FAAC's search for a business to acquire. Mr. McMillen, our Chairman, has over 18 years of experience in finance and mergers and acquisitions and has served as chairman or chief executive officer of companies in the homeland security industry since 2003. Mr. Weiss, our Chief Executive Officer, has over 35 years of experience in the information technology and security marketplace. More detailed descriptions of the experience of Messrs. McMillen and Weiss are included under Directors and Executive Officers of Fortress America Acquisition Corporation Following the Acquisition .

In considering the merger, the FAAC board of directors gave considerable weight to the following factors:

***TSS/Vortech's record of growth and expansion and high potential for future growth***

Criteria important to FAAC's board of directors in identifying an acquisition target were that the company have established business operations, was generating current revenues, and has what the board believes to be a potential to experience rapid growth. FAAC's board of directors believes that TSS/Vortech has in place the infrastructure for strong business operations to achieve growth both organically and through acquisitions. In particular, the board believes that TSS/Vortech's recent investments in sales and marketing resources and activities should allow TSS/Vortech to increase its revenue without increasing overhead costs proportionately. The board's belief in TSS/Vortech's growth potential is based on TSS/Vortech's historical growth rate as well as TSS/Vortech's customer and sales activity growth. TSS/Vortech has grown net revenues from \$12.3 million in 2003 to \$58.6 million in 2005, an annualized growth rate of 118%. Furthermore, TSS/Vortech intends to continue its growth both organically and through additional acquisitions, and FAAC's significant cash resources could be used for such purpose. For a description of TSS/Vortech's post-merger plans for additional acquisitions, please see the section entitled Business of TSS/Vortech-Acquisitions.

***TSS/Vortech provides a strong homeland security platform***

Our board of directors believes that TSS/Vortech provides a solid U.S. homeland security platform focused on protection of the country's critical infrastructure from which we can grow both organically and through acquisitions for the following reasons:

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TSS/Vortech's business is centered around critical infrastructure protection, a large, well funded and growing portion of the homeland security industry;

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TSS/Vortech offers the specialized expertise and experience in designing, building and maintaining critical IT infrastructure and systems that companies and building owners and managers are increasingly demanding;

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TSS/Vortech has a reputation for quality service and a high customer satisfaction rate; and



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TSS/Vortech's business has significant information technology aspects, allowing us to use Mr. Weiss' substantial experience in this area.

***The experience of TSS/Vortech's management***

Another important criteria to FAAC's board of directors in identifying an acquisition target was that the company have a seasoned management team with specialized knowledge of the markets within which it operates and the ability to lead a company in a rapidly changing environment. FAAC's board of directors believes that TSS/Vortech's management has significant experience in the mission-critical facilities industry. Mr. Thomas Rosato and Mr. Gerard Gallagher have more than 30 years and 25 years, respectively, of experience in the mission-critical facilities marketplace. More than 15 of its operating managers have over 15 years of working experience with TSS/Vortech, working with Mr. Rosato and Mr. Gallagher, or otherwise in the mission-critical facilities industry.

### ***Reasonable Purchase Price***

In approving the membership purchase agreement with TSS/Vortech and the purchase price contemplated by the agreement, the board of directors relied on its views of standards generally accepted by the financial community, such as actual and potential sales, earnings, cash flow and book value as reflected in our due diligence of TSS/Vortech as reflected in the factors discussed above and below.

In connection with its deliberations the board considered the EBITDA (earnings before interest, taxes, depreciation and amortization) of TSS/Vortech as adjusted to remove from the calculation of EBITDA certain negotiated items most of which were either non-recurring or, for other reasons, would not be expected to be reflected in the performance of TSS/Vortech after the closing of the acquisition. These calculations suggested that the purchase price of \$38.5 million is approximately 5.7 times the 2005 adjusted EBITDA of TSS/Vortech. Based on the board's experience, publicly available general information concerning merger and acquisition multiples, the views of management, and the preliminary analysis, discussed below, of Business Valuation Center that, based on conditions and considerations described in its analysis, the TSS/Vortech acquisition is fair to FAAC's stockholders from a financial point of view, our board of directors believed this multiple was reasonable.

The board was aware that adjusted EBITDA is not a completely representative measure of either TSS/Vortech's historical performance or, necessarily, its future potential. The board of directors was aware that, for example, the calculation of adjusted EBITDA does not reflect all operating costs that we will incur following the closing; is different than EBITDA as defined and used by many other businesses; and will be different from the definition of EBITDA likely to be used in our future debt agreements. Thus, adjusted EBITDA is not necessarily an indicator of comparative value or the level of debt we will be able to take on following the closing of the acquisition.

### ***Favorable industry dynamics***

The board determined that positive long-term capital spending trends exist in TSS/Vortech's markets, such as the growing demand for mission-critical facilities, in part from companies that previously provided such services internally, and world events. Based on the growth in demand from the U.S. government and businesses for mission-critical services, our board of directors believes that the market in which TSS/Vortech operates is strong and growing. The U.S. federal government and business demands for mission-critical facilities has grown and continues to remain at high levels. According to InterUnity Group, a market research firm, U.S. government and business mission-critical information technology will grow from \$47.8 billion in 2007 to \$84.3 billion in 2011, for a compound annual growth rate of 15.3%.

### ***Competitive position and acceptance of its services***

TSS/Vortech's reputation in its industry and among its customers, as supported by the positive customer and reference checks reported to the board, and its work on high profile projects were considered by the board to be favorable factors in concluding that its competitive position was strong.

### ***High barriers to entry***

Entry into the mission-critical facilities industry requires a cadre of highly experienced personnel, which is not readily available to a potential entrant without the expenditure of significant time and money. In addition to the requisite experience and technical skill, a substantial portion of these personnel must also hold security clearances to compete for many homeland security or other government business. Approximately one-third of TSS/Vortech's workforce, including senior management, holds security clearances.

### ***Regulatory environment of the industry***

The board reviewed the regulatory environment of TSS/Vortech's business and concluded that no unusually burdensome regulatory requirements were involved and that TSS/Vortech had satisfactory compliance procedures in place.

*Costs associated with effecting the business combination*

The board determined that the costs associated with effecting the merger with TSS/Vortech would be of the same order of magnitude as would be encountered with most other business combinations. A favorable factor was

that TSS/Vortech's financial statements were audited (in accordance with practices applicable to private companies) by a reputable and experienced accounting firm and that TSS/Vortech had satisfactory procedures in place to obtain and prepare the financial information required for the preparation of the proxy statement.

***Potential negative factors***

Our board of directors also considered the following potentially negative factors, among others, in its deliberations concerning the acquisition:

*Potential changes in the government spending priorities could have an adverse effect on TSS/Vortech's business.*

Our board of directors considered the fact that changes in the U.S. government's spending priorities could adversely affect the business operations of TSS/Vortech. Among other things, our board of directors recognizes that the war on terror will likely receive priority allocations of available government spending during periods when the U.S. is experiencing significant budget deficits. However, our board of directors also believes that the U.S. government has no choice but to continue to spend on core mission-critical facility services, and was attracted to TSS/Vortech because it provides services to intelligence and law enforcement agencies with opportunities to potentially increase TSS/Vortech's services to such agencies.

*The risk that our public stockholders would vote against the acquisition and exercise their conversion rights.*

Our board of directors considered the risk that our public stockholders would vote against the acquisition and demand conversion their shares of our common stock into cash upon consummation of the acquisition, thereby depleting the amount of cash available to the combined company following the acquisition. Our board of directors deemed this risk to be no worse with regard to TSS/Vortech than it would be for other target companies and believes that TSS/Vortech will still be able to achieve growth even if the maximum number of public stockholders exercised their conversion rights and the combined company received only 80% of the funds deposited in the trust account.

*Certain of our officers and directors may have different interests in the merger than the public stockholders.*

Our board of directors considered the fact that certain of our officers and directors may have interests in the acquisition that are different from, or are in addition to, the interests of our public stockholders generally, including the matters described under "Interests of Our Directors and Officers in the Acquisition" below. However, this fact would exist with respect to the acquisition of any target company.

After deliberation, our board of directors determined that these potentially negative factors were outweighed by the potential benefits of the acquisition, including the opportunity for our stockholders to share in TSS/Vortech's future possible growth and anticipated profitability.

**Satisfaction of Fair Market Value Requirement**

Under our underwriting agreement with Sunrise Securities Corp., as the representative of the underwriters in our initial public offering, the initial target business that we acquire must have a fair market value equal to at least 80% of our net assets at the time of the acquisition. Neither the underwriting agreement with Sunrise Securities Corp. nor the prospectus for our initial public offering defines the term "net assets," which we interpret to mean assets minus liabilities computed in accordance with generally accepted accounting principles, as would be reflected on our balance sheet as of the date of, and immediately prior to the closing of, the acquisition.

As of September 30, 2006, our net assets were approximately \$43,860,261. Therefore, the fair market value of our initial target business must be equal to at least approximately \$35,088,209. In approving the acquisition, our board of directors determined that the fair market value of the companies exceeds the fair market value requirement. In general

terms, this determination was based upon our board members' views of standards generally accepted by the financial community, such as actual and potential sales, earnings, cash flow and book value, as reflected in our due diligence investigation of the companies and as discussed above. This conclusion was also based on the preliminary analysis, discussed below, of Business Valuation Center that, based on conditions and considerations described in its analysis, the TSS/Vortech acquisition is fair to FAAC's stockholders from a financial point of view.

If the acquisition proposal and the proposal to amend and restate our Amended and Restated Certificate of Incorporation are adopted, our Certificate of Incorporation will no longer include any requirements with respect to the completion of a business combination.

### **Fairness Opinion**

Prior to its approval of the transaction, our board of directors retained Business Valuation Center, Inc., or BVC, to render an opinion as to whether the consideration to be paid by FAAC in the acquisition is fair to our stockholders from a financial point of view. BVC delivered to us on May 24, 2006, its preliminary analysis that, as of that date and based upon and subject to the assumptions, factors, qualifications and limitations set forth in its preliminary analysis, the consideration to be paid by FAAC in the acquisition is fair to our stockholders from a financial point of view. BVC delivered its opinion on July 31, 2006 in connection with the negotiation and execution of the Second Amended and Restated Membership Interest Purchase Agreement that, subject to the assumptions, factors, qualifications and limitations set forth in the written opinion, the consideration to be paid by FAAC in the acquisition is fair to our stockholders from a financial point of view. A copy of BVC's opinion is attached to this proxy statement as Annex F and is incorporated into this proxy statement by reference. The description of the BVC opinion set forth below is qualified in its entirety by reference to the full text of the BVC opinion and associated valuation analysis set forth in Annex F.

None of FAAC, TSS/Vortech or their respective officers, directors, insiders or material equity owners is affiliated with BVC.

### **Valuation Overview**

Based upon a review of historical and projected financial data for TSS/Vortech and certain other qualitative data, BVC used several valuation methodologies and analyses to determine ranges of values. BVC used comparable public company, precedent private company acquisition and discounted cash flow analyses to determine ranges of values to derive ranges of equity value for TSS/Vortech. BVC calculated a fair value of TSS/Vortech as of the valuation date of December 31, 2005 as being reasonably represented in the range of \$41.4 million to \$58.2 million.

As described below, BVC made a number of assumptions in connection with formulating its opinion. These included, among others, assumptions as to future revenues of TSS/Vortech. Although it was aware of the projected drop in backlog for TSS/Vortech's major customer, BVC was advised by TSS/Vortech that the addition of new contracts with the major customer, extensions under that and other existing contracts, and new business would replace the revenue generated under the contracts included in backlog.

While BVC rendered its opinion and provided certain analyses to our board of directors, BVC was not requested to and did not make any recommendation to our board of directors or management as to the specific form or amount of the consideration to be paid by FAAC in the acquisition, which was determined through negotiations between FAAC and the selling members. BVC's written opinion, which was directed to our board of directors, addresses only the fairness, from a financial point of view, of the consideration to be paid by FAAC in the acquisition, does not address FAAC's underlying business decision to participate in the acquisition and does not constitute a recommendation to any FAAC stockholder as to how any stockholder should vote with respect to the acquisition.

In connection with rendering its opinion, BVC reviewed, among other things:

1.

the companies audited financial statements for the fiscal years ended December 31, 2005, December 2004 and December 2003;

2.

financial projections prepared by the companies' management;

3.

the March 1, 2006 letter of intent describing the terms and conditions of the acquisition;

4.

the value range associated with the acquisition consideration to be paid by FAAC;

5.

our public filings with Securities and Exchange Commission (including our annual report to stockholders on Form 10-K for the fiscal year ended December 31, 2005 and quarterly report to shareholders on Form 10-Q for the quarter ended March 31, 2006, which our management has identified as being the most current

financial statements then available) and certain publicly available information regarding the trading activity and marketplace for our stock;

6.

the unaudited financial statements of the companies for the first quarter 2006;

7.

the historical and present financial performance of both FAAC and the companies;

8.

an analysis of the project future cash flows of the companies and related discounted cash flow models;

9.

a valuation analysis of public companies which operate in similar industry segments to the companies and have comparable operating and financial characteristics;

10.

customer contract work in process reports prepared by the companies management and related contract backlog information;

11.

an analysis prepared by the companies and FAAC reflecting adjustments to normalize earnings before interest, taxes, depreciation and amortization for non-recurring expenses identified in the income statement for the year ending December 31, 2005;

12.

results of in-depth interviews with the officers and senior management of both FAAC and the companies regarding, FAAC s and the companies respective operations, including historical and forecasted financial performance; and

13.

other reviews and analyses as BVC deemed appropriate and necessary.

BVC advised our board of directors that, in evaluating the fairness of the consideration to be paid by FAAC, BVC performed a variety of financial analyses with respect to the companies. The following is a summary of the material analyses contained in the presentation.

### ***Consideration***

BVC assumed for purposes of its analysis that the consideration paid by FAAC in the acquisition will be \$38.5 million based on the following: a cash payment of \$11.0 million, the assumption of up to \$161,000 of the companies debt, FAAC common stock equal to \$17.5 million less the amount of the assumed debt and the value of the FAAC stock grant shares (defined as 576,559 shares at an average share value of \$5.46, or \$3,148,012), the stock grant shares totaling 576,559 shares of FAAC common stock and which will be designated by the selling members to be



distributed to certain employees of TSS/Vortech as consideration for the execution of employment agreements, and two convertible notes aggregating \$10.0 million.

*Analysis of comparables to the Companies*

BVC compared financial information and valuation ratios relating to the companies to corresponding data and ratios from five small capitalization publicly traded companies BVC deemed comparable to the companies. This group was:

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Dycom Industries, Inc.

- 

MasTec, Inc.

- 

Stantec, Inc.

- 

The Goldfield Corporation

- 

Wireless Facilities Inc.

BVC also compared financial information and valuation ratios relating to the companies to corresponding data and ratios from eight large capitalization publicly traded companies BVC deemed potentially comparable to the companies. This group was:

- 

Chicago Bridge & Iron Company

- 

Fluor Corporation

- 

Foster Wheeler Ltd.

- Jacobs Engineering Group, Inc.

- Quanta Service, Inc.

- The Shaw Group, Inc.

- URS Corporation

- Washington Group International, Inc.

No company utilized in the comparable company comparison analysis is identical to the companies. In evaluating the peer groups, BVC made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters. These other matters may include, but are not limited to, the impact of competition on the business of the companies and the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of the companies or in the industry or financial markets in general.

BVC calculated certain financial ratios of the comparable companies based on the most recent publicly available information, including multiples of: (1) enterprise value, or EV (which is defined as an entity's market value of equity, plus the book value of its existing debt and preferred stock, less cash and cash equivalents), to revenue; and (2) EV to latest twelve months earnings before interest, taxes, depreciation and amortization, or EBITDA. BVC calculated these multiples for the latest twelve months for which information was publicly available. A summary of results is shown below:

	<b>Comparable Small Public Companies</b>			
	<b>Low</b>	<b>Mean</b>	<b>Median</b>	<b>High</b>
Enterprise value to latest twelve months revenue	0.49 x	0.95 x	0.84 x	1.67 x
Enterprise value to latest twelve months EBITDA	4.73 x	9.05 x	9.66 x	11.38 x

	<b>Comparable Large Public Companies</b>			
	<b>Low</b>	<b>Mean</b>	<b>Median</b>	<b>High</b>
Enterprise value to latest twelve months revenue	0.42 x	0.71 x	0.61 x	1.28 x
Enterprise value to latest twelve months EBITDA	13.49 x	16.05 x	15.03 x	26.439 x

For its analysis of the companies, BVC derived EV indications by applying selected revenue and EBITDA multiples to estimated operating results provided by the companies and FAAC management for the twelve month period ended December 31, 2005. Based on the above, the resulting indication of equity value (EV as adjusted for cash of \$1,737,075 and debt of \$233,460) was approximately \$45.0 million using the applicable small public company EV ratios and approximately \$53.9 million using the applicable large public company EV ratios.

***Precedent Merger and Acquisition Analysis***

BVC reviewed eleven merger and acquisition transactions that it deemed comparable to the acquisition. It selected these transactions by searching SEC filings, public company disclosures, press releases, industry and popular press reports, databases and other sources and by applying the following criteria:

- transactions involving private companies with primary SIC codes similar to that of the companies;
- transactions involving private companies comparable to the companies that are identified above; and
- transactions in which the company being acquired had a business that BVC deemed similar to the companies.

The transactions reviewed by BVC fell into three distinct categories:

- public disclosure of private transactions;
- public company acquisitions; and
- BVC proprietary transactions.

The following are lists of the comparable transactions BVC used in its analysis:

**Private Transactions**

<b>Date Announced</b>	<b>Acquirer</b>	<b>Target</b>
12/5/2005	Arpeggio Acquisition Corp.	Hill International, Inc.
9/15/2005	Stantec, Inc.	Keith Cos., Inc.
1/6/2004	Wireless Facilities, Inc.	High Technology Solutions, Inc.
12/10/2003	CH2M Hill Cos. Ltd.	Lockwood Greene Engineers, Inc.
8/8/2003	NDA	Clearblue Technologies, Inc.
3/10/2003	Tetra Tech, Inc.	Foster Wheeler Environmental Corp.
7/2/2003	Tetra Tech, Inc.	Ardaman & Associates
8/22/2002	URS Corp.	Lear Siegler Services, Inc.
4/2/2002	Tetra Tech, Inc.	Hartman & Associates
2/7/2001	Chicago Bridge & Iron Co.	Pitt Des Moines, Inc.
12/29/2000	Chicago Bridge & Iron Co.	Howe Baker International, Inc.
4/26/2000	GPU, Inc.	MYR Group, Inc.

BVC calculated for each of the transactions the ratio of the EV to latest twelve month revenue and the EV to latest twelve month EBITDA. The median enterprise value of these 12 transactions was \$89.73 million. A summary of results is shown below:

**Private Company Transactions**

	<b>Mean</b>	<b>Median</b>
Enterprise value to latest twelve months revenue	0.75 x	0.67 x
Enterprise value to latest twelve months EBITDA	11.16 x	10.72 x

Based on the above, the resulting indication of equity value (EV as adjusted for cash of \$1,737,075 and debt of \$233,460) was approximately \$58.2 million using the applicable private company transactions EV ratios.

For its market comparables analysis of public and private guideline companies, BVC derived EV indications by applying selected revenue and EBITDA multiples to estimated operating results provided by the companies and FAAC management for the twelve month period ended December 31, 2005. Based on the above, the resulting indications of equity value ranged from approximately \$45.0 million to \$58.2 million with an average equity value of approximately \$52.4 million and a median equity value of \$53.9 million.

**Discounted Cash Flow Analysis**

In its analysis of the companies, BVC used a discounted cash flow analysis in which it calculated the present value of the projected future cash flows of the companies based on projections provided by the companies and FAAC management. BVC estimated a range of enterprise values for the companies based on the net present value of its implied future annual cash flows and a terminal value for the companies in 2010 that was calculated based upon a capitalization rate applied to debt free net cash flow. BVC applied discount rates of 13.2% and 15.4%. BVC used an annual revenue growth rate of 22.8% for 2006, which was based on the financial projections provided by TSS/Vortech, and used a historical industry growth rate of 9.6% for 2007 through 2010. Based on this analysis, the implied equity value ranged from a low of \$41.4 million to a high of \$50.4 million.

***Other Considerations***

The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and is therefore not readily susceptible to partial analysis or summary description. In reaching its conclusion as to the fairness of the consideration to be paid by FAAC and in its presentation to the board of directors of FAAC, BVC did not rely on any single analysis or factor described above, assign relative weights to the analyses or factors considered by it, or make any conclusion as to how the results of any given analysis, taken alone, supported its opinion. BVC believes that its analyses and summary set forth herein must be considered as a whole and that selection of portions of its analyses and of the factors considered by it, without considering all of the

analyses and factors, would create an incomplete, misleading and/or inaccurate view of the processes underlying the conclusions set forth in the BVC opinion.

The analyses of BVC are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by the analyses. No companies or transaction used in any analysis for purposes of comparison is identical to the companies. Accordingly, an analysis of the results of the comparisons is not mathematical; rather, it involves complex considerations and judgments about differences in the companies to which the companies were compared and other factors that could affect the public trading value of such companies.

BVC's opinion was effective as of July 31, 2006 and was based on the financial statements, forecasts and projections previously provided to BVC. For purposes of its opinion, BVC relied upon and assumed the accuracy, completeness and fairness of the financial statements and other information provided to it by FAAC and the companies or otherwise made available to it and did not assume responsibility for the independent verification of that information. BVC relied upon the assurances of the management of FAAC and the companies that the information provided to it by FAAC and the companies was prepared on a reasonable basis in accordance with industry practice, and, with respect to financial planning, reflects the best currently available estimates and judgment of FAAC and the companies management and that they are not aware of any information or facts that would make the information provided to BVC incomplete, misleading and/or inaccurate. BVC expressed no opinion as to such financial planning or the assumptions on which it was based. BVC relied on assumptions of FAAC and the companies management regarding management's estimates.

Although BVC was aware of the projected drop in backlog for TSS/Vortech's major customer, based upon its review as described above, for purposes of its opinion BVC assumed that the addition of new contracts with the major customer, extensions under that or other existing contracts, and new business would replace the revenue growth generated under the contracts included in backlog. BVC believed that these growth assumptions were warranted in light of the historical growth experienced by TSS/Vortech, discussions with, and the experience levels of, the principals of TSS/Vortech, the plans of TSS/Vortech to enhance marketing efforts, and TSS/Vortech's projected 2006 revenues.

For purposes of its opinion, BVC further assumed that all governmental, regulatory, and other consents and approvals necessary for the consummation of the transaction will be obtained and that no delay, limitations, restrictions or conditions will be imposed that would have an adverse effect on the expected benefits of the transaction to FAAC.

In arriving at its opinion, BVC did not perform any appraisals or valuations of any specific assets or liabilities of the companies, and was not furnished with any such appraisals or valuations. BVC expressed no opinion as to the liquidation value of any entity. BVC expressed no opinion as to the price at which shares of FAAC common stock have traded or at which the shares of FAAC may trade at any future time. The opinion is based on information available to BVC and the facts and circumstances as they existed and were subject to evaluation on the date of the opinion. Events occurring after that date could materially affect the assumptions used in preparing the opinion. BVC has not undertaken to and is not obligated to affirm or revise its opinion or otherwise comment on any events occurring after the date it was given.

BVC expressed no view with respect to the tax treatment that will be required to be applied to the proposed acquisition. BVC relied on advice of outside counsel of FAAC and the independent accountants to FAAC and the companies, and on the assumptions of FAAC and the companies' management, as to all legal, tax and financial reporting matters with respect to FAAC, the companies and the membership interest purchase agreement.

BVC was not requested to opine as to, and the opinion does not address, the basic business decision to proceed with or effect the proposed acquisition. BVC expressed no opinion as to whether any alternative transaction might produce superior benefits to FAAC. BVC's opinion relates solely to the aggregate consideration payable by FAAC.

FAAC retained BVC based upon BVC experience in the valuation of businesses in connection with transactions such as the proposed acquisition.

BVC has no material prior relationship with FAAC or its affiliates. However, BVC , as a customary part of its investment banking business, evaluates businesses and their securities in connection with mergers and acquisitions, private placements and valuations for estate, corporate and other purposes. In addition, FAAC also engaged BVC to help allocate the purchase price of the acquisition across asset classes for accounting purposes. Under the terms of

BVC's engagements with FAA C, FAAC agreed to pay an aggregate fee of \$80,000 for its valuation and asset allocation services. No portion of BVC's fee is contingent upon the conclusions reached in its opinion.

### **U.S. Federal Income Tax Consequences of the Acquisition**

The following discusses the U.S. federal income tax consequences of our acquisition of TSS/Vortech. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code. The statements set forth in this section as to tax consequences of the transaction to our common stockholders are those of FAAC. We do not intend to obtain an opinion of counsel with respect to such matters. Accordingly, you should consult your personal tax advisor as to the tax consequences of the transaction.

Our common stockholders who do not exercise their conversion rights will continue to hold their common stock and as a result will not recognize any gain or loss from the acquisition.

Common stockholders who exercise their conversion rights will recognize gain or loss to the extent that the amount received by such common stockholders upon conversion is greater than or less than, respectively, such stockholder's tax basis in their shares. A stockholder's tax basis in the shares generally will equal the cost of the shares. A stockholder that purchased our units will have to allocate the cost between the shares and the warrants of the units based on their relative fair market values at the time of the purchase. Assuming the shares are held as a capital asset, the gain or loss will be capital gain or loss and will be long-term capital gain or loss if such stockholder's holding period in the shares is longer than one year.

### **Regulatory Matters**

The acquisition and the transactions contemplated by the purchase agreement are not subject to any federal, state or provincial regulatory requirement or approval.

### **Consequences If Acquisition Proposal Is Not Approved**

If the acquisition proposal is not approved by the stockholders, we will not acquire TSS/Vortech. However, our trust account in which a substantial portion of the net proceeds of our initial public offering are held will be liquidated if we do not consummate a business combination by January 20, 2007. In any liquidation, the net proceeds of our initial public offering held in the trust account, plus any interest earned thereon, will be distributed pro rata to our public stockholders.

### **Required Vote**

The acquisition does not require stockholder approval under Delaware law. However, under our Amended and Restated Certificate of Incorporation, the acquisition must be approved by a majority of the votes cast at the special meeting, in person or by proxy, in respect of shares of our common stock issued in our initial public offering or purchased in the aftermarket. Thus, votes in respect of shares issued other than in the public offering are not counted for this purpose. None of our directors or officers purchased shares in our initial public offering or in the aftermarket.

Additionally, notwithstanding the approval of the acquisition, we will not proceed with the acquisition if public stockholders owning 20% or more of the shares sold in our initial public offering (1,560,000 or more of such shares) exercise their conversion rights.

Approval of the acquisition is not conditioned upon the adoption of the amendment proposal, the incentive compensation plan proposal, the nomination proposal or the adjournment proposal.

### **Recommendation**



**AFTER CAREFUL CONSIDERATION, THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR APPROVAL OF THE ACQUISITION, SUBSTANTIALLY ON THE TERMS SET FORTH IN THE PURCHASE AGREEMENT, AND THE OTHER TRANSACTIONS CONTEMPLATED BY THE PURCHASE AGREEMENT.**

## Interest of Our Directors and Officers in the Acquisition

In considering the recommendation of our board of directors to vote for the proposal to adopt the acquisition, you should be aware that certain members of the our board of directors, and their affiliates and associates, have agreements or arrangements that provide them with interests in the acquisition that differ from, or are in addition to, those of stockholders generally. In particular:

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If the acquisition is not approved and we fail to consummate an alternative transaction within the time allotted pursuant to our Amended and Restated Certificate of Incorporation and we are therefore required to liquidate, the shares of common stock beneficially owned by our executive officers and directors, and their affiliates and associates, that were acquired prior to our initial public offering may be worthless because no portion of the net proceeds of our initial public offering that may be distributed upon our liquidation will be allocated to such shares. These shares collectively have a market value of approximately \$9,333,000 based on our share price of \$5.49 as of October 31, 2006. However, the 1,700,000 shares acquired prior to our initial public offering by these individuals cannot be sold prior to July 13, 2008, during which time the value of the shares may increase or decrease. Similarly, the warrants to purchase our common stock held by our executive officers and directors, and their affiliates and associates, with an aggregate market value of \$276,000 as of October 31, 2006, may become worthless if the acquisition is not approved and we fail to consummate an alternative transaction within the time allotted pursuant to its certificate of incorporation.

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After the completion of the acquisition, it is expected that the directors will continue to serve on our board of directors and will be compensated for such services in such manner, and in such amounts, as our board of directors may determine to be appropriate. The directors include our current senior executives, who will take a substantially reduced role with us, will be actively engaged in other business matters outside of FAAC, and will only work on FAAC-related matters on a part-time basis. See the description of these agreements under Directors and Executive Officers of Fortress America Acquisition Corporation Following the Acquisition Employment Agreements and Consulting Agreement with Washington Capital Advisors, LLC below. Mr. McMillen may have conflicts of interest due to his affiliation with Homeland Security Capital Corporation. See the discussion under Risk Factors Risks Related to the Acquisition of TSS/Vortech The current chairman of our board of directors may have conflicts of interest that could hinder our ability to make acquisitions and Certain Relationships and Related Transactions Homeland Security Capital Corporation.

Our board of directors was aware of these agreements and arrangements during its deliberations on the merits of the acquisition and in determining to recommend to our stockholders that they vote for the adoption of the acquisition proposal.

## THE PURCHASE AGREEMENT

The following description summarizes the material provisions of the membership interest purchase agreement. Stockholders should read carefully the membership interest purchase agreement, which is attached as Annex A to this proxy statement.

The membership interest purchase agreement has been included to provide you with information regarding its terms. It is not intended to provide any other factual information about us. Such information can be found elsewhere in this proxy statement and in the other public filings we make with the Securities and Exchange Commission, or SEC, which are available without charge at [www.sec.gov](http://www.sec.gov).

The membership interest purchase agreement contains representations and warranties which we, on the one hand, and VTC, Vortech and their respective members, on the other hand, have made to one another and are for the benefit of such parties only, and may not be relied upon by any other person. The assertions embodied in the representations and warranties contained in the membership interest purchase agreement are qualified by information in disclosure schedules to the membership interest purchase agreement. While we do not believe that the disclosure schedules contain information the securities laws require us to publicly disclose, the disclosure schedules contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the membership interest purchase agreement. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, since the representations and warranties are subject in important respects to the underlying disclosure schedules. The disclosure schedules contain nonpublic information.

Information concerning the subject matter of the representations and warranties may have changed since the date of the membership interest purchase agreement, and subsequent information may or may not be fully reflected in our public disclosures. Information concerning the subject matter of the representations and warranties contained in the membership interest purchase agreement may have changed since the date of the membership interest purchase agreement.

### **General; Structure of the Acquisition**

On June 5, 2006, we entered into the membership interest purchase agreement with VTC, Vortech and their respective members and Thomas P. Rosato as the members' representative, on June 26, 2006, we and each of the other parties entered into an amended and restated membership interest purchase agreement, and on July 31, 2006 we and each of the other parties entered into a second amended and restated membership interest purchase agreement (the "purchase agreement"). Upon completion of the acquisition, we will own all of the issued and outstanding membership interests in each of VTC and Vortech. VTC, Vortech and their respective members have approved the membership interest purchase agreement and, therefore, no further action need be taken by the members to approve the acquisition.

### **Purchase Price Payment**

The purchase price payable on the closing date for all the membership interests in VTC and Vortech consists of up to \$38.5 million (subject to certain working capital adjustments), payable as follows:

- \$11.0 million in cash (referred to herein as the cash consideration) payable at closing, subject to a working capital adjustment and the escrow provisions described below;
- the assumption of up to \$161,000 of the VTC's and Vortech's debt;
- up to 3,205,128 shares of our common stock (valued at \$5.46 per share), as reduced by the amount of any debt assumed by FAAC; and
- \$10.0 million in two convertible, interest-bearing promissory notes of \$5.0 million each.

None of the shares issuable in the acquisition or under the employment agreements will be registered, but the shares issued to the selling members will be the subject of a registration rights agreement entered into at the closing of the acquisition. See "Registration Rights Agreement".

Of the 3,205,128 shares of our common stock to be issued at closing, 576,559 shares will be issued to certain employees of the companies under restricted stock grants, up to 67,825 shares will be issued to Evergreen Capital LLC as partial payment of certain consulting fees and the remaining 2,628,569 shares (as reduced for the assumption of up to \$161,000 of debt and any shares issued to Evergreen Capital LLC) will be issued to the selling members of VTC and Vortech as consideration for their respective membership interests in the companies. All of the shares of our common stock issued to the selling members will be subject to a lock-up agreement restricting the sale or transfer of those shares through July 13, 2008 and will be held in escrows maintained by an escrow agent (up to 2,555,309 shares to be held in a general indemnity escrow and 73,260 shares to be held in a balance sheet escrow). The 576,559 shares

of our stock to be issued to certain employees as restricted stock grants will be subject to forfeiture if the receiving employee terminates his employment within three years of the closing of the acquisition, in which event the forfeited shares will be delivered to the selling members.

Each convertible promissory note bears interest at six percent per year and has a term of five years. Interest only is payable during the first two years of each note with principal payments commencing on the second anniversary of the note and continuing throughout the balance of the term of the note in equal quarterly installments of \$416,667. At any time after the sixth month following the closing of the acquisition, the notes are convertible by the selling members into shares of our common stock at a conversion price of \$7.50 per share. At any time after the sixth month following the closing of the acquisition, the notes are automatically convertible if the average closing price of our common stock for 20 consecutive trading days equals or exceeds \$7.50 per share.

In addition, at the closing of the acquisition, we will enter into employment agreements with each of the selling members. Under these agreements, each selling member will be entitled to initial annual base compensation of \$425,000, an annual bonus of up to 50% of his base compensation, and if during the period from the closing of the acquisition through July 13, 2008 the market price of our common stock reaches certain thresholds, up to

\$5.0 million in shares of our common stock. For a more detailed discussion of the employment agreements, please see Directors and Executive Officers of Fortress America Acquisition Corporation Following the Acquisition Employment Agreements on page \_\_\_\_.

### **Escrow Amounts**

At the closing of the acquisition, portions of the stock otherwise payable to the selling members will be being deposited into escrow accounts with an escrow agent as follows:

- 2,487,484 shares of our common stock to secure the selling members' indemnification obligations; and
- 73,260 shares of our common stock to secure post-closing adjustments to the purchase price in our favor.

See Escrow Agreements on page \_\_\_\_.

### **Working Capital - Purchase Price Adjustment**

At the closing of the acquisition, the share consideration will be increased to the extent that the companies' net working capital on the closing date exceeds \$1.0 million, and will be decreased to the extent that their net working capital is less than \$1.0 million. Net working capital is defined in the purchase agreement as the amount by which the companies' current assets (excluding cash and including accounts receivable, notes receivable, prepaid expenses, inventory and other current assets) exceeds their current liabilities (excluding certain types of indebtedness).

For purposes of the closing, the companies' net working capital preliminarily shall be determined to be as shown on a balance sheet and a calculation of the companies' net working capital to be prepared by the companies and provided to FAAC prior to closing. Following the closing, the preliminary closing balance sheet and calculation of net working capital shall be reviewed by Grant Thornton LLP (or equivalent firm selected by FAAC). To the extent that the post closing review of the closing balance sheet and calculation of closing net working capital results in suggested changes, the purchase agreement provides a mechanism by which disputes with respect to any such adjustments are to be handled. Post closing adjustments that reduce the companies' closing net working capital below the preliminary closing net working capital amount will result in cash being paid to FAAC from the closing balance sheet escrow established under the purchase agreement, to the extent of the escrow (with any amounts remaining in the balance sheet escrow payable to the selling members) and with any adjustment in excess of amount in the balance sheet escrow paid from the balance sheet escrow to the extent of the balance sheet escrow and then by the selling members (and if the selling members do not pay, then from the general indemnity escrow). Post closing adjustments that increase the companies' closing net working capital above the preliminary closing net working capital will result in additional cash being paid by FAAC to the selling members (and all amounts in the balance sheet escrow being paid to the selling members). There is no limit to the amount by which the cash consideration may be adjusted upward or downward to reflect the amount by which closing net working capital is greater or less than \$1.0 million. The \$1.0 million closing net working capital amount was negotiated in good faith by FAAC and the companies and represents what FAAC and the companies agree is the normalized net working capital of the companies based on their current operations. Since the \$1.0 million closing net working capital amount was negotiated and is normalized, it is not anticipated that (i) the closing net working capital will be substantially below the \$1.0 million amount, (ii) the closing cash will be significantly adjusted downward for a shortfall in closing net working capital, or (iii) any downward adjustment in the purchase price for a shortfall in closing net working capital will affect the FAAC's board's determination that the companies are worth at least 80% of FAAC's net assets. See Approval of the Acquisition and the Other Transactions Contemplated by the Purchase Agreement - Satisfaction of Fair Market Value Requirement on

page \_\_\_\_.

**Closing of the Acquisition**

The closing of the acquisition will take place on the third business day following the satisfaction of the conditions described below under Conditions to the Completion of the Acquisition, unless we agree to another date.

## Representations and Warranties

The membership interest purchase agreement contains a number of representations and warranties that the companies and the selling members made to us and which we made to the selling members. The representations and warranties made by the companies and the selling members relate to:

- proper corporate organization and power of the companies;
- authority of each to the companies to execute the purchase agreement and related documents and enforceability of the membership interest purchase agreement against TSS, Vortech and the members;
- absence of conflicts or violations under organizational documents of TSS and Vortech, certain agreements and applicable laws or decrees;
- absence of required consents or approvals related to the execution and delivery of the purchase agreement and related documents;
- financial information and absence of undisclosed liabilities;
- related party transactions;
- absence of indebtedness between TSS and Vortech and their respective officers, directors, shareholders and employees;
- absence of material adverse charges or events since December 31, 2005;
- absence of certain third-party business relationships (cooperative business arrangements, letters of intent, non-competition agreements and non-disclosure agreements);
- capital structure of TSS and Vortech;



- title to membership interests in TSS and Vortech;
- Articles of Organization, Operating Agreements and entity records for each of TSS and Vortech;
- sufficiency of, title to and condition of assets of TSS and Vortech;
- description of real property and leasehold interests of the companies and liens;
- description of personal property of the companies and security interests;
- intellectual property rights and matters of TSS and Vortech;
- status of contracts (other than government contracts);
- government contracts;
- retention of customers;
- contract backlog;
- compliance of TSS and Vortech with applicable laws;
- environmental matters;
- licenses and permits;

- absence of certain business practices (Foreign Corrupt Practices Act);

- litigation;

- personnel matters;

- labor matters;

- ERISA;

- tax matters;

- insurance;

- bank accounts of the companies;

- 

powers of attorney;

- 

absence of brokers or finders;

- 

sufficiency of security clearances;

- 

absence of various transactions since December 31, 2005; and

- 

completeness of disclosure.

The representations and warranties made by us relate to:

- 

proper organization and power of FAAC;

- 

authority and enforceability;

- 

absence of conflicts or violations under organizational documents, certain agreements and applicable laws or decrees;

- 

absence of consents and approvals;

- 

authorization of ability to pay portion of purchase price in shares of common stock;

- 

capitalization of FAAC;

- 

compliance of FAAC with securities laws;

-

litigation;

- 

absence of brokers or finders; and

- 

completeness of disclosure.

### **Materiality and Material Adverse Effect**

Several of the representations and warranties of the companies and the selling members are qualified by materiality or material adverse effect.

### **Interim Operations Relating to the Companies**

The selling members have agreed to cause the companies, prior to completion of the acquisition, to conduct its business in the ordinary course and to use reasonable efforts to preserve current relationships with customers, employees and suppliers.

### **No Solicitation**

The Companies and the selling members have agreed, from the date of the membership interest purchase agreement and until the closing of the acquisition, or if earlier, the termination of the membership interest purchase agreement, not to, directly or indirectly through any officer, director, employee, representative or agent, solicit, initiate, entertain or encourage any proposal or offer from, or engage in any negotiations with any person other than us, or agree to, approve or recommend, any proposal for a business combination other than with us.

### **Access to Information**

The selling members will cause the companies to afford us and our representatives, prior to completion of the acquisition, reasonable access during normal business hours to all of the companies' offices, facilities, books and records of the companies.

### **Reasonable Efforts; Notification**

We have agreed with the selling members and the companies to use best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable to consummate the acquisition and the transactions contemplated by the membership interest purchase agreement at the earliest possible date.

## **Indemnification**

The selling members have agreed to hold us and our representatives, successors and permitted assigns harmless for any damages, whether as a result of any third party or otherwise, and which arise from or in connection with any breach by either of the companies and/or the selling members of any representations, warranties, covenants or obligations under the membership interest purchase agreement and certain tax liabilities. We have agreed to hold harmless members for any breach of our representations, warranties or covenants under the membership interest purchase agreement, certain tax liabilities and post-closing liabilities of the companies (except for liabilities for which the selling members are indemnifying us). Subject to certain exceptions, claims made against the selling members may be asserted only if a claim exceeds \$8,000 and the aggregate amount of all claims exceeds \$175,000. In addition to the general indemnity escrow, the selling members in certain instances have personal liability for indemnification claims; provided that the aggregate indemnification liability of the selling members shall not exceed \$5 million. The representations and warranties of the parties under the membership interest purchase agreement will survive the closing until eighteen months following the closing of the acquisition; however, certain representations and warranties will survive for a longer period. Claims may be made against us only once the aggregate amount of claims exceeds \$100,000.

In addition to the general indemnification described above, the selling members have agreed to indemnify us for certain costs related to the termination of certain related party transactions; for the amount of certain medical claims and administrative costs incurred by us to the extent such amounts exceed reserves and are not covered by insurance; and for any costs or liability associated with certain threatened litigation.

## **Fees and Expenses**

Except as provided in the membership interest purchase agreement, each of the selling members, on the one hand, and we, on the other, shall be responsible for their own fees and expenses (including, without limitation, legal and accounting fees and expenses) in connection with the membership interest purchase agreement and the transactions contemplated thereby. The fees and expenses of the escrow agent shall be paid out of the funds to be escrowed, provided that the selling members, on the one hand, and we, on the other hand, will split equally any fees and expenses in excess of the funds to be escrowed.

## **Public Announcements**

We have agreed with the companies and the selling members that no public statement will be made prior to closing about the acquisition, the membership interest purchase agreement or any transactions contemplated by the membership interest purchase agreement, and, following closing, that no public statement shall be made without the prior consent of the other parties.

## **Conditions to the Completion of the Acquisition**

Each of our and the selling members obligations to effect the acquisition is subject to the satisfaction or waiver of specified conditions before completion of the acquisition, including the following:

### ***Conditions to All Parties Obligations***

The obligations of all parties to the acquisition are subject to the following conditions:

- 

no order or injunction enjoining the acquisition;

- no statute, rule, order or decree shall have been enacted or promulgated that would prohibit the acquisition or limit the ownership of the companies;
- receipt of certain consents;
- entering into the escrow agreements; and
- no litigation regarding the acquisition shall be pending or threatened.

***Conditions to Our Obligations***

Our obligations to effect the acquisition are further subject to the following conditions:

- representations and warranties of the companies and the selling members shall be true and correct in all material respects;
- the companies and the selling members shall have performed all of their respective obligations under the membership interest purchase agreement;
- no material adverse change in the business, operations, property, contracts, customer relations or condition, financial or otherwise, of the companies;
- delivery of certain documents as required in the membership interest purchase agreement;
- certain actions are taken as set forth in the disclosure schedules to the membership interest purchase agreement;
- approval of the acquisition by our stockholders;
- termination of the companies Phantom Membership Interest Plan and the delivery of signed releases from all participants;
- all indebtedness of the companies shall be paid in full;
- all costs of the selling members and the companies relating to the acquisition shall be paid in full;
- comfort letters shall have been delivered to us in customary form from McGladrey & Pullen;
- we shall have received a release from Evergreen Capital LLC stating that certain consulting fees owed as a result of the acquisition have been paid;
-

we shall have received Employment Agreements signed by each of Thomas P. Rosato and Gerard J. Gallagher;

- 

we shall have received Employment Agreements signed by not less than 50% of certain designated key employee;

- 

we shall have received certain documentation signed by the selling members relating to their receipt of our stock as partial consideration for the sale of the membership interests;

- 

we shall have received the Voting Agreement signed by the selling members;

- 

certain identified contracts with parties related to the companies and/or the selling members are terminated and the delivery to us of signed termination agreements, in form satisfactory to us, terminating those related party contracts; and

- 

we shall have received and approved both a fully signed lease between VTC and TPR Realty Group Re III, L.L.C. for the new headquarters for VTC and an appraisal indicating that the economic terms of the new headquarters lease are at or below market.

#### ***Conditions to Obligations of the Selling Members***

The obligation of the selling members to effect the acquisition is further subject to the following conditions:

- 

our representations and warranties shall be true and correct in all material respects;

- 

we shall have performed all of our obligations under the membership interest purchase agreement;

- 

the selling members shall have received certain documents as required in the membership interest purchase agreement;

- 

the selling members shall have received documents implementing the Voting Agreement; and

- 

Certain transfers of property required by the membership interest purchase agreement shall have occurred.



**Termination**

The membership interest purchase agreement may be terminated prior to the closing of the acquisition, as follows:

- 

at any time, by mutual written agreement;

- at any time after January 20, 2007, by either the selling members or us if the closing shall not have occurred for any reason other than a breach of the membership interest purchase agreement by the terminating party;

- by us, if there is a material breach of any agreement, representation or warranty by the selling members under the membership interest purchase agreement that renders the satisfaction of any condition to our obligations impossible and such breach is not waived by us;

- by the selling members, if there is a material breach by us of any agreement, representation or warranty under the membership interest purchase agreement that renders the satisfaction of any condition to the obligations of the selling members impossible and such breach is not waived by the selling members; and

- by either us or the selling members if a court of competent jurisdiction permanently restrains or prohibits the acquisition.

#### **Effect of Termination**

In the event the membership interest purchase agreement is terminated:

- we are obligated to return all documents and work papers obtained from the companies or the selling members;

- all filings with any government agencies shall be withdrawn, to the extent practicable;

- certain confidentiality obligations will survive closings; and

- no party shall be relieved of any liability for willful breach of the membership interest purchase agreement.

#### **Assignment**

Subject to certain exceptions, the membership interest purchase agreement may not be assigned by any party without prior written consent of the other party.

#### **Amendment**

The membership interest purchase agreement may not be amended or modified except by an instrument in writing signed on behalf of the party against whom enforcement of such change is sought.

## ESCROW AGREEMENTS

Pursuant to the membership interest purchase agreement, on the closing date of the acquisition the parties involved in the acquisition will enter into two separate escrow agreements (referred to in this proxy statement as the escrow agreements ) with the escrow agent to secure certain post-closing obligations of the selling members. The following descriptions summarize the material provisions of each escrow agreement. Stockholders should read carefully each escrow agreement, attached to this proxy statement as Annex B-1 and B-2 respectively.

### **Balance Sheet Escrow Agreement**

On the closing date of the acquisition, we will enter into a Balance Sheet Escrow Agreement with the selling members, represented by Thomas P. Rosato as the selling members representative, and the escrow agent. On the closing date, we will deposit with the escrow agent 73,260 shares of our common stock to secure any post-closing adjustments in the purchase price in our favor. The Balance Sheet Escrow Agreement is attached to this proxy statement as Annex B-1.

### **General Indemnity Escrow Agreement**

On the closing date of the acquisition, we will enter into a General Indemnity Escrow Agreement with members, represented by Thomas P. Rosato as the selling members representative, and the escrow agent. On the closing date, we will deposit with the escrow agent 2,560,744 shares of our common stock to secure certain indemnification obligations of the selling members under the membership interest purchase agreement. The General Indemnity Escrow Agreement is attached to this proxy statement as Annex B-2.

## **REGISTRATION RIGHTS AGREEMENT**

Upon the closing of the acquisition pursuant to the purchase agreement, we will enter into a registration rights agreement with the selling members. The following description of the registration rights agreement describes the material terms of the registration rights agreement but does not purport to describe all the terms of the agreement. The complete text of the registration rights agreement is attached as Exhibit C to this proxy statement and is incorporated by reference into this proxy statement. We encourage all stockholders to read the registration rights agreement in its entirety.

### **General**

Pursuant to the purchase agreement, the selling members will receive 2,560,744 shares of our common stock (referred to in this proxy statement, together with other shares issued to the selling members, as the registerable securities ). We agreed to provide the selling members certain registration rights in relation to the registerable securities.

### **Demand Registration Rights**

The holdings of a majority-in-interest of the registerable securities may make a written demand for registration under the Securities Act of all or part of their registerable securities. Additionally, if elected by a majority-in-interest of the demanding stockholders, the registration shall be made pursuant to an underwritten offering. We shall not be obligated to effect more than an aggregate of two demand registrations under the registration rights agreement.

### **Piggy-back Registration Rights**

If at any time after the date of the registration rights agreement we propose to file a registration statement under the Securities Act of 1933, as amended, with respect to an offering of equity securities, either for our own account or for the account of any of our stockholders, then the selling members shall have the right to include their shares of common stock in the registration statement, subject to specific limitations as set forth in the registration rights agreement.

### **Form S-3 Registration Rights**

The selling members shall have the right at any time to require on an unlimited number of occasions that we register any or all of their shares of our common stock on a Form S-3 or any similar short-form registration which is available to us at the time. In addition to any other limitations set forth in the registration rights agreement, the aggregate offering to the public must be at least \$0.5 million.

### **Indemnification**

We have agreed to indemnify the selling members from and against liabilities arising out of or based upon any untrue statement of a material fact, or any omission to state a material fact necessary to make statements in the registration statement not misleading, or any violation by us of the Securities Act of 1933, as amended, except if such statement or omission was made by us in reliance upon and in conformity with information furnished to us in writing by a selling member for use in a registration statement. The selling members have agreed to indemnify us from and against liabilities arising out of or based upon an untrue statement of a material fact contained in any registration statement, or any omission to state a material fact necessary to make statement in the registration statement not misleading, if the statement or omission was made by us in reliance upon and in conformity with information furnished in writing to us by the selling members for use in a registration statement.

## **LOCK-UP AGREEMENT**

Upon the closing of the acquisition pursuant to the purchase agreement, we will enter into a lock-up agreement with the selling members. The following description of the lock-up agreement describes the material terms of the lock-up agreement but does not purport to describe all the terms of the agreement. The complete text of the lock-up agreement is attached as Annex B-3 to this proxy statement and is incorporated by reference into this proxy statement. We encourage all stockholders to read the lock-up agreement in its entirety.

Under the terms of the lock-up agreement, the selling members agree that they will not sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, or file (or participate in the filing of) a registration statement with the Securities Exchange Commission or enter into any arrangement that transfers to another any of the economic consequences of ownership of the registerable securities until July 13, 2008. Our founding stockholders previously agreed to a substantially similar lock-up agreement.

### **UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The following unaudited pro forma condensed consolidated balance sheet combines our historical balance sheets and those of TSS/Vortech as of September 30, 2006, giving effect to the transactions described in the purchase agreement as if they had occurred on September 30, 2006. The following unaudited pro forma condensed consolidated statements of operations combine (i) our historical statement of operations for the nine months ended September 30, 2006 with those of TSS/Vortech and (ii) our historical statement of operations for the 12 months ended December 31, 2005 with those of TSS/Vortech, in each case giving effect to the acquisition as if it had occurred on January 1, 2005.

The unaudited pro forma condensed balance sheet has been prepared using two different levels of approval of the transaction by the FAAC stockholders, as follows:

- 

Assuming Maximum Approval: This presentation assumes 100% of FAAC stockholders approve the acquisition; and

- 

Assuming Minimum Approval: This presentation assumes that only 80.01% of FAAC stockholders approve the acquisition.

Under the purchase method of accounting, the preliminary purchase price has been allocated to the net tangible and intangible assets acquired and liabilities assumed, based upon preliminary estimates, which assume that historical cost approximates fair value of the assets and liabilities of TSS/Vortech. As such management estimates that a substantial portion of the excess purchase price will be allocated to non-amortizable intangible assets. These estimates are subject to change upon the finalization of the valuation of certain assets and liabilities and may be adjusted in accordance with the provisions of Statement of Financial Accounting Standard ( SFAS ) No. 141, *Business Combinations*.

We are providing this information to aid you in your analysis of the financial aspects of the acquisition. The unaudited pro forma condensed consolidated financial statements described above should be read in conjunction with our historical financial statements and those of TSS/Vortech and the related notes thereto. The pro forma adjustments are preliminary and the unaudited pro forma information is not necessarily indicative of the financial position or results of operations that may have actually occurred had the acquisition taken place on the dates noted, or our future financial position or operating results.

**FORTRESS AMERICA ACQUISITION CORPORATION****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET****September 30, 2006****Assuming Maximum Approval**

	<b>FAAC</b>	<b>TSS/ Vortech</b>	<b>Pro Forma Adjustments</b>		<b>Pro Forma Combined</b>
<b>ASSETS</b>					
Cash	\$ 74,854	\$ 913,573	\$ 44,112,431	a	\$ 31,528,590
			(10,804,974)	b	
			(2,030,475)	b	
			(16,488)	b	
			(178,538)	b	
			(541,793)	b	
Investments held in Trust Fund	44,112,431		(44,112,431)	a	
Accounts receivable		11,525,906			11,525,906
Costs in excess of billings		597,771			597,771
Prepaid expenses		511,690			511,690
Due from affiliated entities		104,846			104,846
Total current assets	44,187,285	13,653,786	(13,572,268)		44,268,803
Deferred acquisition costs	508,592		(508,592)	b	
Deferred tax asset	364,936				364,936
Property and equipment net		455,645			455,645
Customer relationships			21,000,000	b	21,000,000
Other assets Goodwill		55,256	16,999,471	b	16,999,471
			(55,256)	b	
Total assets	\$ 45,060,813	\$ 14,164,687	\$ 23,863,355		\$ 83,088,855
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>					
Accounts payable and accrued expenses	\$ 374,469	\$ 8,405,107			\$ 8,779,576
Income taxes payable	396,604				396,604
Deferred interest on investments	429,479		(429,479)	c1	
Billings in excess of costs		2,218,204			2,218,204
Total current liabilities	1,200,552	10,623,311	(429,479)		11,394,384
Notes payable including current portion		177,488	10,000,000	b	10,161,000

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			(16,488 )	b	
Deferred compensation		178,538	(178,538 )	b	
Total liabilities	1,200,552	10,979,337	9,375,495		21,555,384
Common stock subject to possible conversion	8,388,604		(8,388,604 )	c1	
Stockholders /members equity					
Common Stock, \$.0001 par value	955		318	b	1,273
Additional paid in capital	34,819,062		17,243,413	b	60,451,079
			8,388,604	c1	
Members equity		3,185,350	(3,185,350 )	b	
Income accumulated during the development stage	651,640		429,479	c1	1,081,119
Total stockholders equity	35,471,657	3,185,350	22,876,464		61,533,471
Total liabilities and stockholders equity	\$ 45,060,813	\$ 14,164,687	\$ 23,863,355		\$ 83,088,855

*See notes to unaudited pro form condensed consolidated financial statements.*



**FORTRESS AMERICA ACQUISITION CORPORATION****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET****September 30, 2006****Assuming Minimum Approval**

	<b>FAAC</b>	<b>TSS/ Vortech</b>	<b>Pro Forma Adjustments</b>		<b>Pro Forma Combined</b>
<b>ASSETS</b>					
Cash	\$ 74,854	\$ 913,573	\$ 44,112,431	a	\$ 22,710,507
			(10,804,974)	b	
			(2,030,475)	b	
			(16,488)	b	
			(178,538)	b	
			(8,388,604)	c2	
			(429,479)	c2	
			(541,793)	b	
Investments held in Trust Fund	44,112,431		(44,112,431)	a	
Accounts receivable		11,525,906			11,525,906
Costs in excess of billings		597,771			597,771
Prepaid expenses		511,690			511,690
Due from affiliated entities		104,846			104,846
Total current assets	44,187,285	13,653,786	(22,390,351)		35,450,720
Deferred acquisition costs	508,592		(508,592)	b	
Deferred tax asset	364,936				364,936
Property and equipment net		455,645			455,645
Customer relationships			21,000,000	b	21,000,000
Other assets Goodwill		55,256	16,999,471	b	16,999,471
			(55,256)	b	
Total assets	\$ 45,060,813	\$ 14,164,687	\$ 15,045,272		\$ 74,270,772
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>					
Accounts payable and accrued expenses	\$ 374,469	\$ 8,405,107			\$ 8,779,576
Income taxes payable	396,604				396,604
Deferred interest on investments	429,479		(429,479)	c2	
Billings in excess of costs		2,218,204			2,218,204

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Total current liabilities	1,200,552	10,623,311	(429,479 )		11,394,384
Notes payable including current portion		177,488	10,000,000	b	10,161,000
			(16,488 )	b	
Deferred compensation		178,538	(178,538 )	b	
Total liabilities	1,200,552	10,979,337	9,375,495		21,555,384
Common stock subject to possible conversion	8,388,604		(8,388,604 )	c2	
Stockholders' /members equity					
Common Stock, \$.0001 par value	955		318	b	1,118
			(155 )	c2	
Additional paid in capital	34,819,062		17,243,413	b	52,062,630
Members' equity		3,185,350	(3,185,350 )	b	
Income accumulated during the development stage	651,640				651,640
Total stockholders' equity	35,471,657	3,185,350	14,058,381		52,715,388
Total liabilities and stockholders' equity	\$ 45,060,813	\$ 14,164,687	\$ 15,045,272		\$ 74,270,772

*See notes to unaudited pro form condensed consolidated financial statements.*

**FORTRESS AMERICA ACQUISITION CORPORATION**

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**Nine Months Ended September 30, 2006**  
**Assuming Maximum Approval**

	<b>FAAC</b>	<b>TSS/ Vortech</b>	<b>Pro Forma Adjustments</b>		<b>Pro Forma Combined</b>
Sales	\$	\$ 47,300,017			\$ 47,300,017
Cost of sales		(38,938,582 )			(38,938,582 )
Gross profit		8,361,435			8,361,435
Selling, general and administrative expenses		(4,953,778 )	(1,246,307 )	d1	(6,200,085 )
Depreciation and amortization		(193,467 )	(1,575,000 )	f	1,768,467 )
Formation and operating costs	(427,778 )				(427,778 )
Operating income (loss)	(427,778 )	3,214,190	(2,821,307 )		(34,895 )
Interest expense		(14,122 )	(450,000 )	g	(464,122 )
Interest income	1,217,406		301,575	c1	1,124,046
			(394,935 )	h	
Net income before taxes	789,628	3,200,068	(3,364,667 )		625,029
State and federal income taxes	(268,474 )		18,462	i1	(250,012 )
Net income	\$ 521,154	\$ 3,200,068	\$ (3,346,205 )		\$ 375,017
Weighted average number of shares outstanding:					
Basic	9,550,000			j	12,725,641
Diluted	9,550,000			j	13,971,967
Net income per share					
Basic	\$ 0.05				\$ 0.03 *
Diluted	\$ 0.05				\$ 0.03 *

\*

Includes charges of \$0.04 per share related to stock-based compensation expense under the purchase agreement.

*See notes to unaudited pro form condensed consolidated financial statements.*

**FORTRESS AMERICA ACQUISITION CORPORATION****UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS****Nine Months Ended September 30, 2006****Assuming Minimum Approval**

	<b>FAAC</b>	<b>TSS/ Vortech</b>	<b>Pro Forma Adjustments</b>		<b>Pro Forma Combined</b>
Sales	\$	\$ 47,300,017			\$ 47,300,017
Cost of sales		(38,938,582 )			(38,938,582 )
Gross profit		8,361,435			8,361,435
Selling, general and administrative expenses		(4,953,778 )	(1,246,307 )	d1	(6,200,085 )
Depreciation and amortization		(193,467 )	(1,575,000 )	f	(1,768,467 )
Formation and operating costs	(427,778 )				(427,778 )
Operating income (loss)	(427,778 )	3,214,190	(2,821,307 )		(34,895 )
Interest expense		(14,122 )	(450,000 )	g	(464,122 )
Interest income	1,217,406		(316,526 )	c1	900,880
Net income (loss) before taxes	789,628	3,200,068	(3,587,833 )		401,863
State and federal income taxes	(268,474 )		(107,729 )	i1	(160,745 )
Net income	\$ 521,154	\$ 3,200,068	\$ (3,480,104 )		\$ 241,118
Weighted average number of shares outstanding:					
Basic	9,550,000			j	11,166,421
Diluted	9,550,000			j	12,412,747
Net income per share					
Basic	\$ 0.05				\$ 0.02 *
Diluted	\$ 0.05				\$ 0.02 *

\*

Includes charges of \$0.04 per share related to stock-based compensation expense under the purchase agreement.

*See notes to unaudited pro form condensed consolidated financial statements.*

**FORTRESS AMERICA ACQUISITION CORPORATION**

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**

**Twelve Months Ended December 31, 2005**

**Assuming Maximum Approval**

	<b>FAAC</b>	<b>TSS/ Vortech</b>	<b>Pro Forma Adjustments</b>		<b>Pro Forma Combined</b>
Sales	\$	\$ 58,632,293			\$ 58,632,293
Cost of sales		(50,056,924 )		e	(50,056,924 )
Gross profit		8,575,369			8,575,369
Selling, general and administrative expenses		(5,420,618 )	(1,449,337 )	d2, e	(6,869,955 )
Depreciation and amortization		(227,279 )	(2,100,000 )	f	(2,327,279 )
Formation and operating costs	(319,694 )				(319,694 )
Operating income (loss)	(319,694 )	2,927,472	(3,549,337 )		(941,559 )
Interest expense		(35,184 )	(600,000 )	g	(635,184 )
Interest income	525,430		127,904	c1	483,467
			(169,867 )	h	
Net income (loss) before taxes	205,736	2,892,288	(4,191,300 )		(1,093,276 )
State and federal income taxes	(74,194 )		74,194	i2	
Net income (loss)	\$ 131,542	\$ 2,892,288	\$ (4,117,106 )		\$ (1,093,276 )
Weighted average number of shares outstanding:					
Basic	5,107,534			j	12,725,641
Diluted	5,107,534			j	12,725,641
Net income (loss) per share					
Basic	\$ 0.03				) (\$0.09 *
Diluted	\$ 0.03				) (\$0.09 *

\*

Includes charges of \$0.05 per share related to stock-based compensation expense under the purchase agreement.

*See notes to unaudited pro form condensed consolidated financial statements.*



**FORTRESS AMERICA ACQUISITION CORPORATION**

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**

**Twelve Months Ended December 31, 2005**

**Assuming Minimum Approval**

	<b>FAAC</b>	<b>TSS/ Vortech</b>	<b>Pro Forma Adjustments</b>		<b>Pro Forma Combined</b>
Sales	\$	\$ 58,632,293			\$ 58,632,293
Cost of sales		(50,056,924 )		e	(50,056,924 )
Gross profit		8,575,369			8,575,369
Selling, general and administrative expenses		(5,420,618 )	(1,449,337 )	d2, e	(6,869,955 )
Depreciation and amortization		(227,279 )	(2,100,000 )	f	(2,327,279 )
Formation and operating costs	(319,694 )				(319,694 )
Operating income (loss)	(375,122 )	2,927,472	(3,549,337 )		(941,559 )
Interest expense		(35,184 )	(600,000 )	g	(635,184 )
Interest income	525,430		(136,612 )	h	388,818
Net income (loss) before taxes	205,736	2,892,288	(4,285,949 )		(1,187,925 )
State and federal income taxes	(74,194 )		74,194	i2	
Net income (loss)	\$ 131,542	\$ 2,892,288	\$ (4,211,755 )		\$ (1,187,925 )
Weighted average number of shares outstanding:					
Basic	5,107,534			j	11,166,421
Diluted	5,107,534			j	11,166,421
Net income (loss) per share					
Basic	\$ 0.03				) (\$0.11 *
Diluted	\$ 0.03				) (\$0.11 *

\*

Includes charges of \$0.06 per share related to stock-based compensation expense under the purchase agreement.

*See notes to unaudited pro form condensed consolidated financial statements.*

**FORTRESS AMERICA ACQUISITION CORPORATION****NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

a.

To record release of funds held in trust fund.

b.

To record the purchase of all of the members' equity of TSS/Vortech and the allocation of the purchase price to assets acquired and liabilities assumed as follows:

Calculation of allocable purchase price:	
Cash	11,000,000
Convertible promissory notes	10,000,000 *
Stock	17,404,731 **
Purchase price	38,404,731
Adjustments to purchase price:	
Less:	
\$16,488 to pay off debt not assumed	(16,488 )
\$178,538 to eliminate deferred compensation liability	(178,538 )
Adjustment to stock related to assumption of debt	(161,000 )**
Plus:	
Payment for working capital adjustment	2,030,475
Estimated direct costs of acquisition	1,050,385
Total allocable purchase price	41,129,565
Estimated allocation of purchase price:	
TSS net tangible assets acquired (book value)	3,185,350
Fair value adjustments to assets acquired:	
TSS goodwill	(55,256 )
Fair value of tangible assets acquired	3,130,094
Intangible assets:	
Customer relationships	21,000,000
Goodwill	16,999,471
Total allocable purchase price	41,129,565

\*

Each convertible promissory note bears interest at six percent per year and has a term of five years. At any time after the sixth month following the closing of the acquisition, the notes are convertible by the selling members into shares of our common stock at a conversion price of \$7.50 per share. At any time after the sixth month following the closing of the acquisition, the notes are automatically convertible if the average closing price of our common stock for 20

consecutive trading days equals or exceeds \$7.50 per share.

\*\*

The stock portion of the acquisition (\$17,243,731) consists of 3,175,641 shares at a price per share of \$5.43, which was the average closing price of a share of FAAC common stock on the OTC market for a period consisting of ten consecutive trading days prior to public announcement by FAAC of the contemplated purchase of the members' equity of TSS/Vortech and ten consecutive trading days after the announcement. The 3,175,641 shares were calculated assuming that the shares otherwise issuable in the acquisition will be reduced by the assumption of the maximum permissible amount of debt (\$161,000).

c1.

Assuming maximum approval, to reclassify common stock subject to possible conversion as permanent equity (\$8,388,604) and to record related deferred interest as income (\$127,904 for the twelve months ended December 31, 2005 and \$301,575 for the nine months ended September 30, 2006).

c2.

Assuming minimum approval, to record refund of funds (\$8,388,604) to dissenting shareholders along with related deferred interest (\$429,479), and to reclassify common stock (\$155) as additional paid in capital.

**FORTRESS AMERICA ACQUISITION CORPORATION****NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

d1.

Adjustments to selling, general and administrative expenses for the nine month period ended September 30, 2006 are as follows:

Increased base salaries payable to selling members under employment agreements entered into in conjunction with the acquisition:	159,305
Salary to be paid to a director under an employment agreement entered into in conjunction with the acquisition:	150,000
Consulting payments to be made to Washington Capital Advisors, LLC under a consulting agreement entered into in conjunction with the acquisition:	150,000
Increased compensation expense related to 576,559 shares granted to key employees under restricted share grants issued in conjunction with the acquisition:	787,002
Total selling, general and administrative expense adjustments for the nine month period ended September 30, 2006:	1,246,307

d2.

Adjustments to selling, general and administrative expenses for the twelve month period ended December 31, 2005 are as follows:

Salary to be paid to a director under an employment agreement entered into in conjunction with the acquisition:	200,000
Consulting payments to be made to Washington Capital Advisors, LLC under a consulting agreement entered into in conjunction with the acquisition:	200,000
Increased compensation expense related to 576,559 shares granted to key employees under restricted share grants issued in conjunction with the acquisition:	1,049,337
Total selling, general and administrative expense adjustments for the twelve month period ended December 31, 2006:	1,449,337

e ..

Although not included as pro forma adjustments, certain costs incurred by TSS/Vortech will not be incurred going forward. For the twelve months ended December 31, 2005, these costs were as follows:

Consulting fees paid to selling members in 2005:	\$ 3,436,095
Bonus compensation paid to key employees in excess of maximum bonus available	297,641

under bonus plan adopted in conjunction with the acquisition:

Management fees paid to selling members	170,000
Less:	
Increased salaries payable to selling members under employment agreements entered into in conjunction with the acquisition:	(266,400 )
	3,637,336

f.

To record increased amortization of customer relationships (\$2,100,000 for the twelve months ended December 31, 2005 and \$1,575,000 for the nine months ended September 30, 2006). The value assigned to customer relationships (\$21,000,000) will be recorded as an intangible asset and will be amortized on a straight line basis over an estimated useful lifetime of ten years.

g.

To record increased interest expense on convertible promissory notes issued in conjunction with the acquisition (\$450,000 for the nine months ended September 30, 2006 and \$600,000 for the twelve months ended December 31, 2005).

h.

To reverse interest income to reflect the payment of \$11,000,000 as the cash portion of the acquisition.

**FORTRESS AMERICA ACQUISITION CORPORATION****NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

i1.

To record increased state and federal income taxes (6% and 34% of pro forma combined net income for the period, less amounts recorded by FAAC for the period).

i2.

To reverse state and federal income taxes paid by FAAC.

j.

Pro forma net income per share was calculated by dividing pro forma net income by the weighted average number of shares outstanding as follows:

	<b>Maximum Approval</b>	<b>Minimum Approval</b>
Nine months ended September 30, 2006:		
Basic assuming initial public offering as of January 1, 2005	9,550,000	7,990,780
Shares issued in conjunction with the Transaction*	3,175,641	3,175,641
Basic total	12,725,641	11,166,421
Incremental shares on exercise of warrants**	1,246,326	1,246,326
Diluted	13,971,967	12,412,747

\*

The stock portion of the acquisition (\$17,243,731) consists of 3,175,641 shares at a price per share of \$5.43, which was the average closing price of a share of FAAC common stock on the OTC market for a period consisting of ten consecutive trading days prior to public announcement by FAAC of the contemplated purchase of the members' equity of TSS/Vortech and ten consecutive trading days after the announcement.

\*\*

Assumes exercise price of \$5.00 per share, 15,600,000 warrants outstanding and an average stock price for the nine months ended September 30, 2006 of approximately \$5.43.

	<b>Maximum Approval</b>	<b>Minimum Approval</b>
Twelve months ended December 31, 2005:		
Basic assuming initial public offering as of January 1, 2005	9,550,000	7,990,780

Shares issued in conjunction with the acquisition*	3,175,641	3,175,641
Basic total	12,725,641	11,166,421
Incremental shares on exercise of warrants**		
Diluted	12,725,641	11,166,421

\*

The stock portion of the acquisition (\$17,243,731) consists of 3,175,641 shares at a price per share of \$5.43, which was the average closing price of a share of FAAC common stock on the OTC market for a period consisting of ten consecutive trading days prior to public announcement by FAAC of the contemplated purchase of the members equity of TSS/Vortech and ten consecutive trading days after the announcement.

\*\*

No incremental shares included since the effect would be anti-dilutive ..



**APPROVAL OF THE PROPOSAL TO AMEND AND RESTATE  
OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION**

**General Description of the Amendment Proposal**

We are proposing to amend and restate our Amended and Restated Certificate of Incorporation, upon consummation of the acquisition, to change our name from Fortress America Acquisition Corporation to Fortress International Group, Inc. and to eliminate certain provisions which are applicable to us only prior to our completion of a business combination. If this proposal is approved, after the completion of the acquisition, our name will be Fortress International Group, Inc. and Article Fifth of our Amended and Restated Certificate of Incorporation will be deleted. Additionally, the Second Amended and Restated Certificate of Incorporation will make certain technical corrections to our Amended and Restated Certificate of Incorporation. If the acquisition is not approved, the amendment proposal will not be presented at the special meeting. The complete text of the Second Amended and Restated Certificate of Incorporation is attached as Annex D to this proxy statement and is incorporated by reference into this proxy statement. We encourage all stockholders to read the Second Amended and Restated Certificate of Incorporation in its entirety. If the acquisition is not approved, then the amendment will not be presented for approval.

**Consequences If the Amendment Proposal Is Not Approved**

If the amendment proposal is not approved by the stockholders, our name will continue to be Fortress America Acquisition Corporation and our Amended and Restated Certificate of Incorporation will include provisions that are not applicable to us after completion of the acquisition.

**Required Vote**

The amendment proposal must be approved by the affirmative vote of the majority of shares of our common stock outstanding on the record date.

**Recommendation**

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE  
FOR THE AMENDMENT PROPOSAL.**

## **APPROVAL OF THE 2006 OMNIBUS INCENTIVE COMPENSATION PLAN**

The 2006 Omnibus Incentive Compensation Plan has been approved by our board of directors and will take effect upon consummation of the acquisition, subject to stockholder approval.

The following description of the 2006 Omnibus Incentive Compensation Plan describes the material terms of the plan, but does not purport to describe all the terms of the plan. The complete text of the 2006 Omnibus Incentive Compensation Plan is attached as Annex E to this proxy statement and is incorporated by reference into this proxy statement. We encourage all stockholders to read the 2006 Omnibus Incentive Compensation Plan in its entirety. If the acquisition is not approved, then the incentive compensation plan proposal will not be presented for approval.

### **General Description of the Incentive Compensation Proposal**

The incentive compensation plan reserves 2,100,000 shares of our common stock (of which 576,559 shares are to be issued to certain employees of TSS/Vortech at the closing) for issuance in accordance with the plan's terms. The purpose of the incentive compensation plan is to optimize the profitability and growth of the company through incentives consistent with the company's goals and which align the personal interests of plan participants with an incentive for individual performance. The plan is further intended to assist the company in motivating, attracting and retaining plan participants and allowing them to share in company successes.

### **Summary of the 2006 Omnibus Incentive Compensation Proposal**

*Administration.* The incentive compensation plan will be administered by the compensation committee. The compensation committee will determine who participates in the plan, the size and type of awards under the plan and the conditions applicable to the awards.

*Eligibility.* Those persons eligible to participate in the incentive compensation plan are officers and other key employees of FAAC and our subsidiaries and our non-employee directors. In the event the acquisition is approved, there will be approximately four directors, six officers and twenty-five employees eligible to receive grants under the plan.

*Shares Subject to the Incentive Compensation Plan.* Upon completion of the acquisition, 576,559 shares of the 2,100,000 shares of our common stock reserved for issuance under the incentive compensation plan will be issued to certain employees of TSS/Vortech. After those closing date grants, 1,523,441 shares of our common stock, or approximately 12% of the shares expected to then be outstanding, will be available for future grants under the incentive compensation plan.

*Stock Options.* Stock option awards may be granted in the form of non-statutory stock options or incentive stock options. Options are exercisable in whole or in such installments as may be determined by the compensation committee. The compensation committee establishes the exercise price of stock options, which exercise price may not be less than the per share fair market value of our common stock on the date of the grant. The exercise price is payable in cash, shares of common stock or a combination of cash and common stock.

Stock options granted in the form of incentive stock options are also subject to certain additional limitations, as provided in Section 422 of the Internal Revenue Code of 1986, as amended. Incentive stock options may be made only to employees, and the aggregate fair market value of common stock with respect to which incentive stock options may become exercisable by an employee in any calendar year may not exceed \$100,000. In addition, incentive stock options may not be exercised after ten years from the grant date and any incentive stock option granted to an employee who owns shares of our common stock possessing more than 10% of the combined voting power of all classes of our shares must have an option price that is at least 110% of the fair market value of the shares and may not be exercisable after five years from the date of grant.

*Stock Appreciation Rights.* Stock appreciation rights are granted pursuant to stock appreciation rights awards on terms set by the compensation committee. The compensation committee determines the grant price for a stock appreciation right, except that unless otherwise designated by the compensation committee, the strike price of a stock appreciation right granted as a freestanding award will not be less than 100% of the fair market value of a share of common stock on the date of grant. Upon exercise of a stock appreciation right, we will pay the participant an amount equal to the excess of the aggregate fair market value of our common stock on the date of exercise, over the grant price. The compensation committee determines the term of stock appreciation rights granted under the

incentive compensation plan, but unless otherwise designated by the compensation committee stock appreciation rights are not exercisable after the expiration of ten years from the date of grant. For each award of stock appreciation rights, the compensation committee will determine the extent to which the award recipient may exercise the stock appreciation rights after that recipient's service relationship with us ceases.

*Restricted Stock Awards.* The compensation committee may grant restricted stock awards, which will be subject to such terms, conditions, restrictions or limitations as the compensation committee may determine are appropriate, including restrictions on transferability, requirements of continued employment or individual performance, or our financial performance. During the period in which any shares of common stock are subject to restrictions, the compensation committee may, in its discretion, grant to the recipient of the restricted shares the rights of a stockholder with respect to such shares, including the right to vote such shares and to receive dividends paid on shares of common stock.

*Performance Shares/Units.* The compensation committee may grant performance shares or units subject to such terms, conditions, restrictions or limitations as the compensation committee may determine are appropriate. Performance units will be assigned an initial value established by the compensation committee and performance shares will be assigned an initial value equal to the per share fair market value of our common stock on the date of the grant. The compensation committee will set performance goals in its discretion and the number and value of the payout for the performance shares/units will be determined based on the extent to which those performance goals are met. Payouts for performance shares/units may be payable in cash, shares of common stock or a combination of cash and common stock. The compensation committee may assign rights to performance shares/units that entitle the recipient to receive any dividends declared with respect to shares of common stock earned in connection with grants of performance shares/units.

*Other Awards.* The compensation committee may grant other awards to employees or non-employee directors in amounts and on terms determined by the compensation committee.

*Change in Control.* In the event of a change in control of FAAC:

- 

stock options and/or stock appreciation rights not otherwise exercisable will become fully exercisable;

- 

all restrictions previously established with respect to restricted stock awards will lapse; and

- 

all performance shares/units or other awards will be deemed to be fully earned for the entire performance period applicable to them.

The vesting of all of these awards will be accelerated as of the effective date of the change in control.

*Transferability.* Except as explicitly set forth in an award agreement, the rights and interests of a participant under the incentive compensation plan may not be transferred, except by will or the applicable laws of descent and distribution in the event of the death of the participant.

*Adjustments upon Changes in Capitalization.* The number of shares of our common stock as to which awards may be granted under the incentive compensation plan and shares of common stock subject to outstanding awards will be appropriately adjusted to reflect changes in our capitalization, including stock splits, stock dividends, mergers,

reorganizations, consolidations and recapitalizations.

*Amendments.* The board of directors may suspend or terminate the incentive compensation plan at any time. In addition, the incentive compensation plan may be amended from time to time in any manner without stockholder approval, except that no modification or termination of the incentive compensation plan may adversely affect in any material way any award previously granted under the incentive compensation plan without the written consent of the person holding such award.

*Estimate of Benefits.* Until and unless approved by our stockholders, no grants will be made under the incentive compensation plan. We cannot determine the benefits to be received by our directors or officers under the incentive compensation plan or the benefits that would have been received by our directors and officers in 2005 had the plan been in effect in 2005.

**Required Vote**

The incentive compensation plan proposal must be approved by the affirmative vote of the majority of shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote on the proposal.

**Recommendation**

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE INCENTIVE COMPENSATION PLAN PROPOSAL.**

**APPROVAL OF THE ELECTION OF A NOMINEE TO OUR BOARD OF DIRECTORS**

**General Description of the Nomination Proposal**

Our board of directors presently is comprised of four directors divided into three classes of one or two directors each. Each class will generally serve for a term of three years with only one class of directors being directed in each year. At the special meeting, one director is to be elected to serve for a three-year term expiring in 2009 and until his successor is duly elected and qualified.

Our board of directors has approved the nomination of David J. Mitchell to serve for a three-year term expiring in 2009. Unless a stockholder requests that voting of the proxy be withheld for a nominee in accordance with the instructions set forth on the proxy card, it presently is intended that shares represented by proxies will be voted for the election of this nominee for the class to which the nominee was nominated. This nominee has consented to being named in this proxy statement and to serve if elected.

The term of office of our Class I directors, presently consisting of David J. Mitchell, will expire at the special meeting. The term of office of our Class II directors, presently consisting of Harvey L. Weiss and Donald L. Nickles, will expire in 2007. The term of office of our Class III directors, presently consisting of C. Thomas McMillen, will expire in 2008. In addition, we expect that Thomas P. Rosato and Gerard J. Gallagher will, pursuant to the terms of the voting agreement, join our board of directors as a Class III director and a Class II director, respectively, promptly following the consummation of the acquisition.

**Required Vote**

For election as a director, a nominee must receive the affirmative vote of a plurality of the shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote on the election of directors.

**Additional Information**

For additional information about our board of directors and committees thereof, please see Directors and Executive Officers at Fortress America Acquisition Corporation Following the Acquisition on page \_\_\_.

**Recommendation**

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE ELECTION OF DAVID J. MITCHELL AS CLASS I DIRECTORS.**

**APPROVAL OF PROPOSAL TO ADJOURN THE SPECIAL MEETING**

**General Description of the Adjournment Proposal**

The adjournment proposal allows our board of directors to submit a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve the acquisition.

**Consequences if Adjournment Proposal is Not Approved**

If the adjournment proposal is not approved by the stockholders, our board of directors may not be able to adjourn the special meeting to a later date in the event there are not sufficient votes at the time of the special meeting to approve the acquisition.

**Required Vote**

Adoption of the adjournment proposal requires the affirmative vote of a majority of the shares of our common stock present in person or by proxy at the special meeting and entitled to vote on the proposal. No vote of the warrant holders is necessary to adopt the adjournment proposal, and we are not asking the warrant holders to vote on the adjournment proposal. Adoption of the adjournment proposal is not conditioned upon the adoption of the acquisition proposal, the nomination proposal or the amendment proposal.

**Recommendation**

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE ADJOURNMENT PROPOSAL.**



## INFORMATION ABOUT TSS/VORTECH

### Overview

TSS/Vortech provides a single source solution for highly technical mission-critical facilities such as data centers, operation centers, network facilities, server rooms, security operations centers, communications facilities and the infrastructure systems that are critical to their function. The companies' services include technology consulting, engineering and design management, construction management, system installations, operations management, and facilities management and maintenance. The companies are privately owned.

During the past three years, TSS/Vortech's revenue growth has been driven mainly by government spending on homeland security initiatives spurred by the events of September 11, 2001. These events have also affected businesses, which are increasing spending on data security and privacy. These homeland security initiatives include projects that required the hardening, relocation, renovation and upgrade of mission-critical facilities to protect critical government information networks and data processing centers against attacks. With respect to these critical infrastructure systems, the companies focus on physical security, network security, redundancies for uninterruptible power supply systems, electrical switch gear, stand-by power generators, heat rejection and cooling systems, fire protection systems, monitoring and control systems, security systems, as well as the physical environment that houses critical operations. TSS/Vortech helps its customers plan for, prevent or mitigate against the consequences of attacks, power outages and natural disasters. It has provided its services, directly and indirectly, to both government customers and private sector customers.

The companies have obtained a facility clearance from the U.S. Department of Defense. This clearance enables the companies to access and service restricted government projects. In addition to the facility clearance, TSS/Vortech has successfully cleared over one-third of its employees, allowing them individual access to restricted projects and facilities. Several additional employees are currently in the process for clearance.

Following the completion of the acquisition, TSS/Vortech expects to use its enhanced resources to expand geographically through internal growth initiatives as well as through potential acquisitions of specialized mission critical engineering or IT services firms (primarily in the U.S.).

The companies were founded in 2002 and operated as divisions of a predecessor limited liability company, although they trace their history to companies operated by current owners Thomas Rosato and Gerard Gallagher in the 1980s. Effective in August 2005, the companies were organized into separate private commonly owned Maryland limited liability companies that operate as an integrated business. See Note 1 of the Notes to the Combined Financial Statements of Vortech, LLC and VTC, L.L.C. for the year ended December 31, 2005. Both VTC, L.L.C. and Vortech, LLC provide design and construction services to a similar customer base and use similar methods to provide these services to their customers. The two entities share assets, technology tools and personnel interchangeably, serve many of the same customers and are managed as a single business. On December 31, 2006, Vortech, LLC is expected to merge with and into VTC, L.L.C.

### Mission-Critical IT Industry

IT facilities and other high technology environments are much more complex than standard facilities and require a larger capital investment. Errors and delays in the planning, design, construction or installation of such facilities can involve significant costs. As a result, companies and building owners and managers are increasingly seeking project managers and construction firms with specialized expertise and experience in designing, building and maintaining critical IT infrastructure and systems.

Market research indicates growth in overall IT spending and in the mission-critical business arena in particular. According to a 2006 report by the InterUnity Group, an industry market research firm based in Concord,

Massachusetts, total information technology spending by the U.S. Government and the private sector is expected to grow from \$1.02 trillion in 2007 to \$1.24 trillion in 2011. The mission-critical IT market in particular is growing rapidly. InterUnity Group estimates that total mission-critical IT spending by the U.S. Government and the private sector will grow from \$51.5 billion in 2007 to \$91.1 billion in 2011, for an annual compound growth rate of 15.3%. InterUnity Group also estimates that mission-critical IT spending will grow from 5.0% of total IT spending in 2007 to 7.4% in 2011.

TSS/Vortech intends to pursue opportunities in the growing mission-critical IT market in both the government and private sectors through its single source solution offerings. The companies believe there are significant barriers to entry for new competitors in the mission-critical IT market, including customer requirements for firms with substantial IT project experience, deep and broad professional and IT construction management offerings and, for homeland defense and intelligence agency work, facility and security clearances. Through its facilities integration services, TSS/Vortech has the ability, directly and through subcontractor relationships, to provide all services and coordinate the efforts of all personnel involved in a mission-critical project, to meet crucial occupancy deadlines, and to complete all required services with minimal disruption.

### **Service Offerings**

The companies focus on becoming involved in facilities integration projects that are in their planning stages. When involved in the initial planning stages of a facilities integration project, the companies develop a comprehensive project Solutions Path that meets rigorous design and scheduling requirements for the timely delivery of high technology facilities that are critical to the customer's continuous operations. When involved in later project stages, services are provided on an integrated or individual basis.

### ***Project Solutions Path***

The companies have developed a five-step project Solutions Path for mission-critical environments. The integrated Solutions Path provides a simple, yet comprehensive, process for program roll-out, and also serves to align project requirements with TSS/Vortech's capabilities. This Solutions Path incorporates each major phase of a design and construction project, from initial planning and programming, through maintenance and service of equipment. Descriptions of the five phases shown in the Solutions Path are provided below.

*Planning and Programming.* This phase represents the initiation of project development and typically includes establishing project goals and a preliminary budget and schedules; setting technical parameters and requirements; and determining project team members and the overall level of effort required of the team. When developing mission-critical facilities, the planning and programming phase is often considered the most important, because this is where the project receives its initial emphasis, motivation and direction.

Various services are performed during the planning and programming phase, with selection depending upon project mission and scope. Typical planning and programming services include requirements analyses; site selections and comparisons; facility and system reliability assessments and audits; space planning; computer hardware planning and configurations; security risk assessment; disaster avoidance and recovery planning; and project budgeting and scheduling.

*Design and Engineering.* During this second phase of the Solutions Path, design and engineering experts on the TSS/Vortech team apply vital, real-life experience in the engineering of critical environmental, power,

communications and security systems. This expertise is the source of precise engineering solutions that directly impact the unique function, reliability and cost of the customer's specialized facility.

Design and engineering service offerings typically include critical power and mechanical load calculations; schematic design of electrical, mechanical, communications, fire protection and security systems; mechanical design and engineering; high and medium voltage electrical design and engineering; communications and security systems

design and engineering; physical vulnerability assessments; force protection design and bomb blast analyses; fire protection system design and engineering; facility systems equipment selection; and facility commissioning and testing.

*Construction Management.* Activities during this phase include detailed preparations required for a successful construction process. Work performed during the construction management phase includes project management; value engineering and design management; bid negotiation; subcontractor pre-qualification and negotiation; long-lead equipment procurement; issuance of equipment and construction contracts; and refinement of project budget and schedule.

*Installation Management:* The fourth phase of the Solution Path model involves the on-site construction work. During this phase, TSS/Vortech project managers mobilize the required expertise for the project, utilizing in-house superintendents and quality control and safety professionals, as well as qualified subcontractors and support personnel, some of which have historically been provided by affiliated entities. See Certain Relationships and Related Party Transactions-Relating to TSS/Vortech beginning on page \_\_. TSS/Vortech project managers supervise work by project team members, including all aspects of: architecture and construction; electric power systems; heat rejection and cooling; energy management and controls; cooling tower systems; security systems; voice, data and network cabling; fire and life safety systems; and process piping and plumbing systems. The TSS/Vortech project managers remain responsible for all aspects of the project until project completion and satisfactory turn over to the customer.

The installation portion of the project is typically the longest duration when compared to other project phases. In addition, this portion has the largest number of outside influences that can impact project goals and objectives, such as weather, non-performance of sub-contractors, equipment deliveries, unexpected project changes from the owner, and influence from local authorities and utility providers. Therefore, experience, skill and mission focus are critical during the project installation period.

*Facilities Maintenance and Service:* TSS/Vortech provides a comprehensive maintenance and service contract designed to insure that the multiple systems critical to sustaining on-line applications in technologically intensive facilities remain operational and functional. Typical services during the facilities maintenance and service phase include overall management of facility maintenance program; on-site staffing of technical engineering positions (including, electricians, HVAC mechanics, control technicians and voice/data technicians); and management of non-technical subcontracted services (landscaping, janitorial, pest control, snow removal, carpentry, painting and general maintenance services). TSS/Vortech seeks to provide on-site maintenance services, not only to gain additional project revenue, but also to obtain on-hands involvement in any new facility planning, design and construction initiatives that the customer undertakes.

## **Strategy**

TSS/Vortech's strategies for growth include the following:

- 

*Focus on the Solutions Path.* The companies' past experience in selling project-related services has demonstrated the importance of focusing on selling consulting business at the top of the Solutions Path. Focusing on the top of the Solutions Path offers the following advantages applicable to government, government related and commercial customers:

- 

Develops a customer relationship at the initiation of a project, therefore maximizing the sales opportunity

- 

Because consulting engagements are less expansive than project-wide engagements, purchase authority often resides at lower levels of management, which increases probability of closure

- 

Limits exposure to competition since the fee is relatively low and services are in specialized areas where we can demonstrate our technical depth and expertise in mission critical facilities to the customer

- 

Increases the probability of conversion (selling subsequent phases) because the customer is comfortable with performance and price of initial services

- Positions TSS/Vortech on the customer's side of the table, which teams TSS/Vortech and the customer on a consolidated mission and distinguishes the companies from typical contractors and firms associated with equipment suppliers

- *Growing Professional Sales Staff.* To drive growth in revenues TSS/Vortech intends to continue to expand its sales staff to include account executives for existing and future regional sales offices. TSS/Vortech is currently pursuing account executives and additional sales staff and has developed an educational program built around its project execution model. Each sales professional will be responsible to achieve specific objectives and will be managed closely.

- *Maintaining and Enhancing Key Alliances.* Maintaining key alliances is also crucial to sales development and growth and often provides TSS/Vortech with introductions to the customers of our alliance partners. These alliances reside with IT consulting firms, specialty mission critical engineering firms, application service providers and internet service providers. Key alliance opportunities also reside in other firms within the market sector such as equipment manufacturers, product suppliers, property management firms, developers, IT system integrators, and firmware providers. In addition, we seek to maintain alliances and enter into teaming or partnering relationships with minority contracting firms and hub zone companies. These firms are natural alliance partners and can provide us with valuable entrees into government contracting relationships. In turn, we can provide these contractors and hub zone companies with valuable mission critical design, engineering, contracting experience to which they might not otherwise have access.

- *Geographic Expansion and Strategic Acquisitions.* TSS/Vortech believes that expanding its presence in additional markets through establishing regional offices is a key to its future success. TSS/Vortech established its IT consulting services business through an acquisition in the Washington, D.C. area in early 2005, has recently established regional sales offices in San Francisco and Atlanta, and has targeted additional growth opportunities in other major U.S. markets based on sales potential and strategic geographic location. TSS/Vortech's acquisition of the technology consulting firm has expanded its customer base, allowed it to offer a broader scope of services and supported its current growth in technology consulting projects. Following the Fortress acquisition, the companies intend to pursue strategic acquisitions that cost-effectively add new customers, regional coverage, specific federal agency contracting experience, or complementary expertise to accelerate their access to existing or new markets.

- *Establishing a National Operations Center.* A significant part of TSS/Vortech's strategy for growth in its facilities management services business is to establish and maintain a National Operations Center (NOC) to service customers on a nationwide basis. A NOC is a central location for monitoring the customer's critical infrastructure systems, addressing alarm conditions within these systems, and controlling certain systems via remote interface. Following the acquisition, a portion of available cash will be used to build or purchase a NOC, hire and train staff, and market the NOC to large companies with sophisticated IT needs including government customers, such as those with Tier 3 and 4 facilities, and to companies with multiple mission critical locations.

*Marketing Initiatives.* The companies intend to expand their current localized marketing campaign to a regional and national level. This will involve intensifying the marketing of TSS/Vortech's consulting and engineering services to private sector end users, major government contractors, and existing and potential alliance partners on regional and national basis through a focused marketing program involving:

- 

Selected media advertising

- 

Trade show attendance

- 

Conducting technical seminars in local target markets

- 

Producing a marketing campaign for distribution at a national level

### **Competition**

The mission-critical IT solutions market is large, fragmented and highly competitive. TSS/Vortech competes for contracts based on its strong customer relationships, successful past performance record, significant technical expertise, specialized knowledge and broad service offerings. TSS/Vortech often competes against divisions of both the large design contractors and construction contractors, as well as against numerous small to medium sized specialized information technology consulting firms. Some of these competitors are large, well-established



companies that have broader geographic scope and greater financial and other resources than TSS/Vortech. These larger, more established, competitors include EYP Mission Critical Facilities, Inc., Holder Construction Company, Whiting Turner and Clark Construction. Although these large construction and engineering companies have greater financial and other resources, TSS/Vortech does not believe they offer as complete a line of mission critical IT services as TSS/Vortech offers. TSS/Vortech expects competition in the mission-critical IT technology services sector to increase in the future.

### **Contracts and Customers**

TSS/Vortech's customers include U.S. government and homeland defense agencies and private sector businesses that in some cases are the end user of the facility or in other cases, such as the case with our major Real Estate Investment Trust, or REIT, customer, are providing a facility to a government end user. We categorize contracts where a government agency is the ultimate end user of the facility as government-related contracts.

The price provisions of the contracts TSS/Vortech undertakes can be grouped into three broad categories: fixed-price, guaranteed maximum price and time and materials. The majority of TSS/Vortech's contracts are of the guaranteed maximum price type.

In a fixed-price contract, TSS/Vortech must fully absorb cost overruns, notwithstanding the difficulty of estimating all of the costs it will incur in performing these contracts and in projecting the ultimate level of revenues that it may achieve. TSS/Vortech's failure to anticipate technical problems, estimate costs accurately or control costs during performance of a fixed-price contract may reduce the profitability of a fixed-price contract or cause a loss.

In a guaranteed maximum price contract, TSS/Vortech shares its cost information with the customer and earns a negotiated fee; in addition, a contingency fee is included for changes and errors in pricing. As the project progresses to the point where both the customer and TSS/Vortech are comfortable with final pricing of the project, a maximum price is agreed to with savings reverting back to the customer. Due to the fact that the risk is shared with the customer on these projects, the profit margins are less than those earned on other contract types.

In a time and material contracts, TSS/Vortech is reimbursed for labor at fixed hourly rates, and for materials used at an agreed upon mark up on cost. Profit margins are dependent upon TSS/Vortech paying labor rates and benefits less than the billable rate negotiated with the customer.

For the year ended December 31, 2005, revenues from guaranteed maximum price contracts represented approximately 76% of TSS/Vortech's revenues. Most government contracts, including TSS/Vortech's contracts with the federal government, are subject to termination by the government, to government audits and to continued appropriations.

TSS/Vortech is not subject to any significant regulation by state, federal or foreign governments.

A discussion of TSS/Vortech's historical contract base and backlog, as well as information on revenues by customer and contract type, can be found under Management's Discussion and Analysis of Financial Condition and Results of Operations of TSS/Vortech.

### **Sales and Marketing**

The marketing approach employed by the companies emphasizes expertise in IT hardware systems and facilities programming and planning, which enables involvement at the critical early stages in projects where a full range of services are needed. This marketing approach utilizes the Solutions Path and allows the customer to contract for comprehensive facilities integration services or to contract separately for each individual project phase. TSS/Vortech's marketing program seeks to capitalize on its standing in its industry, including its existing relationships and its

reputation based on its performance on completed projects. TSS/Vortech also seeks to enhance its name recognition through the use of trade shows, technical seminars, direct mailings, and the media.

To drive growth in revenues, TSS/Vortech has expanded its sales staff to include regional account executives and intends to continue to hire and train sales professionals responsible for defined geographic regions in the U.S. The companies have developed an educational program for account executives and other sales staff built around their project execution model. TSS/Vortech is pursuing this regional expansion with emphasis placed on geographic areas that have the greatest amount of local mission critical project potential. In conjunction with these efforts,

TSS/Vortech is expanding its marketing program from a local to a regional/national level to support its expanded sales efforts and increase name recognition and market penetration.

The process for acquiring business may require the companies to participate in a competitive request-for-proposal process, with the primary difference among potential customers being that the process for direct government and government related customers is significantly more formal and complex than for private sector customers as a result of government procurement rules and regulations that govern the contracting process.

### **Facilities**

TSS/Vortech's current headquarters is located at 11850 Baltimore Avenue, in Beltsville, Maryland, a suburb of Washington, D.C. The facility consists of approximately 14,800 square feet, and is occupied under a sublease with a related party at a cost of approximately \$179,000 per year, which terminates on October 31, 2008. See Certain Relationships and Related Party Transactions-Relating to TSS/Vortech on page \_\_. TSS/Vortech also leased a facility in Columbia, Maryland, under which it occupied approximately 2,600 square feet at an approximate annual rent of \$50,000. TSS/Vortech exited this space on October 31, 2006.

TSS/Vortech entered into a five year lease for approximately 14,500 square feet at annual cost of \$355,000 effective November 1, 2006 to consolidate its administrative staff and technology consulting group. The Vortech division will remain in the existing leased facility and reduce its square footage to 12,000 square feet in January 2007 under the existing lease at an annual cost of \$132,000 per year.

These changes will provide TSS/Vortech with a total of 26,500 square feet of space in 2007 at an estimated annual cost in 2007 of \$487,000 versus \$229,000 in 2006. These lease changes are expected to provide sufficient space to handle TSS/Vortech's anticipated growth over the next three years. TSS/Vortech does not own any real property.

### **Management**

The companies' founders and current owners, Thomas Rosato and Gerard Gallagher, each have over 25 years in experience in providing design, installation and maintenance services to mission-critical facilities. See Directors and Executive Officers of Fortress America Acquisition Corporation Following the Acquisition.

### **Employees**

At September 30, 2006, TSS/Vortech had 120 full-time employees and one independent contractor. TSS/Vortech's future success will depend significantly on its ability to attract, retain and motivate qualified personnel. TSS/Vortech is not a party to any collective bargaining agreement and it has not experienced any strikes or work stoppages. TSS/Vortech considers its relationship with its employees to be satisfactory.

### **Legal Proceedings**

TSS/Vortech is not presently subject to any material litigation and TSS/Vortech is not aware of any threatened material litigation. TSS/Vortech is a party to routine litigation and administration proceedings that arise from time to time in the ordinary course of business, none of which, individually or in the aggregate, is expected to have a material effect on TSS/Vortech.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF TSS/VORTECH

Some of the statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations of TSS/Vortech, other than purely historical information, including estimates, projections, statements relating to TSS/Vortech's business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are forward-looking statements within the meaning of the United States Private Securities Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. TSS/Vortech identifies these forward-looking statements by the words believes, project, expects, anticipates, estimates, intends, strategy, plan, may, will, would, will be, will continue, will likely result, and so forth. Forward-looking statements are based on TSS/Vortech management's current expectations and are subject to risks, uncertainty and changes in circumstances, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. All statements contained herein that are not clearly historical in nature are forward looking. The forward-looking statements include statements regarding the cash requirements, the amount of backlog, TSS/Vortech's strategies to diversify its customer base and opportunities and ability to expand sales and develop its engineering, design and project management services, TSS/Vortech's expected continuation of revenues from its project with its major REIT customer, expectations regarding government spending, future demand for its services and other statements that are predictions of or indicate future events, trends, plans or objectives are also forward looking statements.

### Overview

TSS/Vortech is in the midst of a transition from a company that has been heavily reliant on a single long-term project to a company with a more diversified base of customers and revenue sources. Historically, the majority of TSS/Vortech's revenue and cash flows has come from a series of contracts with its major customer, a REIT that is providing critical space to a U.S. government agency. This relationship was established in late 2003 and, most recently, these contracts accounted for \$31.1 million, or 65.8%, of TSS/Vortech's revenue during the nine months ended September 30, 2006. See Risk Factors - Risks Related to Our Business and Operations Following the Acquisition. The work under these contracts is in the process of winding down, and TSS/Vortech currently expects that it will not recognize significant revenue under these contracts after the second quarter of 2007, although it is possible that additional change orders and other modification work under the contracts will continue later into 2007. Moreover, TSS/Vortech continues to maintain a strong relationship with this customer and is working with the customer on opportunities to provide consulting, engineering and construction management in connection with other projects.

TSS/Vortech has anticipated the eventual completion of the project for its major REIT customer and the significant reduction in revenue and cash flows that would occur if it is not successful in developing significant new business from both existing and new customers on a timely basis. As a result, in early 2005, TSS/Vortech began implementing an aggressive marketing and sales strategy to develop new sources of work, focusing on the top end of its Solutions Path. The key to this strategy is developing technology consulting relationships through increased sales efforts and the addition of sales offices and technical sales personnel as described elsewhere herein. (See Information About TSS/Vortech on pages \_\_ through \_\_). These focused new business development efforts have resulted in the generation of a substantial increase in new consulting proposals during the nine months ended September 30, 2006 compared to the same period in 2005. The dollar value of total proposal activity for the nine months ended September 30, 2006 increased to over \$65 million from approximately \$24 million during the same period in 2005. Although there can be no assurance that TSS/Vortech will close a significant portion of outstanding or future proposals, during the nine months ended September 30, 2006, TSS/Vortech closed \$25.3 million in new business, consisting of \$8.5 million in contracts on its project with its major REIT customer and \$16.8 million in contracts with other existing customers and new customers. TSS/Vortech is also increasing its backlog of technology consulting projects, which stands at \$1.7 million at September 30, 2006. Backlog on projects for customers other than the company's major REIT customer increased from \$6.1 million, or 15.4% of total backlog, to \$6.6 million, or 37.6% of total backlog, at

December 31, 2005 and September 30, 2006, respectively.

TSS/Vortech's backlog has declined from \$39.7 million at December 31, 2005 to \$17.6 million at September 30, 2006. The decline in backlog is the result of the winding down of work on TSS/Vortech's project for its major REIT customer, discussed above, as well as the company's transition to a business model consisting of more numerous smaller contracts of shorter duration, which generate smaller amounts of backlog. Therefore, TSS/Vortech anticipates that its backlog will neither grow nor be as reliable an indicator of future revenue levels as has been the

case in the past. In order to maintain revenue in future years at levels equal to or greater than those achieved in 2005 and at the current estimated run rate for calendar 2006, TSS/Vortech will need to generate approximately \$18.0 million in new business per quarter beginning in the second quarter of 2007. TSS/Vortech has not yet reached the level of new business development necessary to replace the runoff of revenue from its major project, although it has made progress in that regard. In this connection, during the third quarter of 2006, TSS/Vortech generated approximately \$7.8 million in new business, of which \$4.7 million, or 60%, was on its project with its major REIT customer. In addition, during October and November of 2006, TSS/Vortech generated approximately \$9.5 million in new business other than on its project with its major REIT customer. Based on this new business generation, its increased technology consulting backlog and outstanding proposal volume discussed above, TSS/Vortech believes that it is making progress toward replacing the revenue from the runoff of its major project by mid-2007. However, there are a number of risks and uncertainties associated with the companies' transition and, therefore, TSS/Vortech cannot assure you that its strategy will be successful or that it will not experience decreased revenues in the future. See **Risks Related to Our Business and Operations Following the Acquisition** on pages \_\_\_ and \_\_\_.

## **Our Business**

TSS/Vortech provides a single source solution for highly technical mission-critical facilities such as data centers, operation centers, network facilities, server rooms, security operations centers, communications facilities and the infrastructure systems that are critical to their function. The companies' services include technology consulting, engineering and design management, construction management, system installations, operations management and facilities management and maintenance.

TSS/Vortech's revenue growth has mainly been driven by government spending on homeland security initiatives spurred by the events of September 11, 2001. These events have also affected private companies, which are increasing spending on data security and privacy. During the past three years, TSS/Vortech has derived a majority of its revenues from a series of contracts with its major customer, a REIT that provides mission critical space to a U.S. intelligence agency. See **Contract Base and Backlog** below. TSS/Vortech's management began a number of initiatives in early 2005 to diversify and expand its customer base and its penetration into the private sector and other government customers. These initiatives are described under **Information About TSS/Vortech**.

TSS/Vortech's revenue is driven by its ability to attract and retain qualified and productive employees, identify business opportunities, secure new and renew existing customer contracts, provide outstanding services to its customers and execute projects successfully. TSS/Vortech's operating income is derived from its ability to generate revenue and collect cash under its contracts in excess of cost of earned revenues and selling, general and administrative expenses. TSS/Vortech's business has benefited from its facility clearance from the U.S. Department of Defense, which enables the companies to access and service restricted government projects, and from the clearances obtained for over one third of its employees, allowing them individual access to restricted projects and facilities.

TSS/Vortech's most significant expenses are cost of earned revenues, which consist primarily of direct labor and associated costs for program personnel and direct expenses incurred to complete projects, including the cost of materials and equipment and amounts paid or accrued to subcontractors. TSS/Vortech's ability to accurately predict personnel requirements, salaries and other costs, as well as to manage personnel levels and utilize its personnel versus subcontracting the work, can have a significant impact on its cost of earned revenues. Utilizing TSS/Vortech's own employees on projects results in higher gross margins compared to utilizing subcontracted employees for the same work. As a result, TSS/Vortech seeks to maximize its internal labor content on its contract awards where practicable. Selling, general and administrative expenses consist primarily of costs associated with TSS/Vortech's management, facilities, finance and administrative groups and business development expenses, which include bid and proposal efforts, and occupancy, travel and other corporate costs.

## **Contract Base and Backlog**

In late 2003, TSS/Vortech established a relationship with its major customer, a REIT that is providing mission critical space to a U.S. government agency. This relationship has grown into a total of nine separate contracts that accounted for \$46.0 million, \$10.5 million, \$2.5 million and \$31.1 million of TSS/Vortech's revenues in 2005, 2004, 2003, and the nine months ended September 30, 2006, respectively. These amounts represented 78.4%, 49.1%, 20.3% and 65.8% of TSS/Vortech's revenues in 2005, 2004, 2003 and the nine months ended September 30, 2006, respectively. TSS/Vortech expects work under these contracts, including any modifications to these contracts, to be substantially complete by the second quarter of 2007. Accordingly, TSS/Vortech expects that it will not recognize significant revenues under these contracts after the second quarter of 2007.



In early 2005, TSS/Vortech implemented a strategy to increase its business opportunities from additional sources. This strategy has primarily involved the acquisition by TSS/Vortech of a technology consulting business and an increased focus on securing technology consulting engagements at the front end of a customer's facility enhancement or build out cycle. TSS/Vortech believes that such engagements will position it well to secure follow on implementation engagements. TSS/Vortech is implementing this strategy by hiring and supporting additional sales and business development personnel and through the growth of its acquired technology consulting business. These additional personnel have resulted in an increase of selling, general and administrative expenses.

This increase in sales and business development activity has resulted in an increase in TSS/Vortech's backlog for technology consulting projects from \$0 as of December 31, 2004 to approximately \$0.6 million as of December 31, 2005 and approximately \$1.7 million as of September 30, 2006. Consistent with its strategy, TSS/Vortech believes that these increases in technology consulting backlog are significant because they reflect an increase in TSS/Vortech's ability to sell significant follow on construction management, facility management and network and power projects in 2007 and future periods. The likelihood, timing, size and profitability of any such follow on projects are, however, very difficult for TSS/Vortech to predict due to the untested nature of its strategy and its limited history in pursuing it.

In large part due to its increased sales and business development efforts, TSS/Vortech's customer base has grown from 68 customers as of December 31, 2003 to 226 customers as of September 30, 2006. For the nine months ended September 30, 2006, TSS/Vortech's top 10 customers generated 86.3% of its revenue, compared to the 94.6% of its revenues generated by its top 10 customers for the year ended December 31, 2005.

*Backlog.* TSS/Vortech defines backlog as the expected revenue under executed and awarded contracts less revenue earned to date under the contracts, as determined based upon the percentage of completion method of accounting for all of its contracts except for time and material contracts. TSS/Vortech generally calculates expected revenue under a contract as the revenue expected from projects or other work specified by the contract, subject to any fee caps or other limitations imposed by the contract. With respect to each government contract, TSS/Vortech includes in backlog only the value of the contract that has been funded and does not include in backlog the amount of an indefinite delivery/indefinite quantity ( ID/IQ ), or task order, contracts except to the extent a funded task order has been received.

The following table sets forth backlog, as of the dates indicated:

<b>December 31, 2003</b>	<b>December 31, 2004</b>	<b>December 31, 2005</b>	<b>September 30, 2006</b>
(in thousands)			
\$ 20,921	\$ 52,816	\$ 39,706	\$ 17,644

As of December 31, 2005 and September 30, 2006, the backlog attributable to open contracts with TSS/Vortech's major customer totaled \$33.6 million and \$11.0 million, respectively.

As discussed above, under Overview, TSS/Vortech's business model is in transition and TSS/Vortech anticipates that its backlog will neither grow nor be as reliable an indicator of future revenue levels as has been the case in the past.

## Revenues

The following table shows TSS/Vortech's revenues by customer type for each of the last three years ended December 31 and for the nine months ended September 30, 2006:

<b>Year Ended December 31,</b>	<b>Nine Months Ended</b>
--------------------------------	------------------------------

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>September 30, 2006</b>
	(in thousands)			
Government and government-related(1)	\$ 0,136	\$ 17,997	\$ 52,809	\$ 37,193
Private enterprise	2,195	3,306	5,823	10,107
Total	\$ 12,331	\$ 21,303	\$ 58,632	\$ 47,300

(1)

Includes contracts with TSS/Vortech's major customer, contracts that TSS/Vortech holds directly with a government agency and subcontracts under which TSS/Vortech acts as a subcontractor for a prime government contractor.

During 2005, approximately 73% of TSS/Vortech's revenues were derived from design build construction services provided to its customers under either guaranteed maximum price contracts or fixed price contracts. The majority of these services are outsourced to subcontractors performing engineering and construction activities on the projects and our cost of earned revenues reflects our payments to subcontractors on these projects. The remaining revenues for 2005 were derived from services performed by TSS/Vortech's employees at various stages of the project under time and material contracts, fixed price contracts or guaranteed maximum price contracts.

The level of construction that is subcontracted, equipment purchases made for the projects, and other outsourced service purchases TSS/Vortech makes for its customers may vary from period to period depending on specific contract arrangements and customer requirements. Since TSS/Vortech usually earns higher margins from services that its employees provide, compared with subcontracted efforts and other services such as long lead equipment purchases for customers, TSS/Vortech seeks to maximize its labor services on all of its engagements where practicable.

TSS/Vortech's three major contract types are described below:

*Fixed price.* Under fixed price contracts, TSS/Vortech performs specific tasks for a predetermined price. Fixed price contracts generally offer a higher profit margin but involve greater financial risk because TSS/Vortech bears the impact of potential cost overruns in return for the full benefit of any cost savings.

*Guaranteed maximum price.* Under guaranteed maximum price contracts, TSS/Vortech shares its cost information and estimates with the customer. A profit fee is negotiated along with the establishment of a contingency fee for changes and errors in pricing. Once the project progresses to the point where both customer and TSS/Vortech are comfortable with the final pricing of the project, a maximum price is agreed to with savings reverting back to the customer. Due to the fact that the risk is shared with the customer on these projects, the profit margins are less than those earned on fixed price contracts.

*Time and materials.* Under time and material contracts, TSS/Vortech is reimbursed for labor at fixed hourly rates, and for materials used at an agreed upon mark up on cost. Profit margins are dependent upon TSS/Vortech paying labor rates and benefits less than the billable rate negotiated with the customer.

The following table sets forth revenues by contract type for each of the last three years ended December 31 and for the nine months ended September 30, 2006:

	Year Ended December 31,			Nine Months Ended September 30,
	2003	2004	2005	2006
	(in thousands)			
Fixed price	\$ 2,301	\$ 7,131	\$ 10,508	\$ 9,360
Guaranteed maximum price	9,841	12,848	44,688	33,711
Time and materials	189	1,324	3,436	4,229
Total	\$ 12,331	\$ 21,303	\$ 58,632	\$ 47,300
<b>Expenses</b>				

*Cost of earned revenues.* Cost of earned revenues includes direct costs incurred by TSS/Vortech to deliver its facility integration and other services to its customers. The largest portion of these costs includes the cost of subcontractors, major mission critical support equipment, and outside consultants. These costs also include the cost of employee

salaries and wages, including the employee fringe benefits for employees that are directly serving customers on projects. TSS/Vortech expects the ratio of direct labor to other direct costs to increase over time as it further expands its services in engineering and technology consulting projects.

*Selling, general and administrative ( SG&A ) expenses.* SG&A expenses include the cost of salaries for officers, administrative and sales personnel and non-project related wages. It also includes the cost of facilities and infrastructure that are directly attributable to supporting those employees. Among the functions that are covered by these costs are corporate business development, marketing, estimating and proposal generation costs, finance and accounting, legal, corporate governance, and executive and senior management.

*Interest expense.* Interest expense is primarily related to interest paid on term debt utilized to purchase corporate assets such as computer systems, trucks and leasehold improvements to facilities.

*Income taxes.* Each of VTC, L.L.C. and Vortech, LLC is a limited liability company that is taxed as a partnership and thus does not pay federal or state income taxes. Accordingly, no income tax items appear in the financial statements.

### **Critical Accounting Policies and Estimates**

The companies' accounting policies are more fully described in the Notes to Combined Financial Statements of Vortech, LLC and VTC, LLC. As disclosed in the Notes to Combined Financial Statements, the preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events. These estimates and assumptions affect the amounts of assets, liabilities, revenues, and expenses and the disclosure of gain and loss contingencies at the date of the Combined Financial Statements. The companies' estimates are subject to change if different assumptions as to the outcome of future events were made. TSS/Vortech evaluates its estimates and judgments on an ongoing basis and predicates those estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Management makes adjustments to its assumptions and judgments when facts and circumstances dictate. Since future events and their effects cannot be determined with absolute certainty, actual results may differ from the estimates used by TSS/Vortech in preparing the accompanying Combined Financial Statements. Management believes the following critical accounting policies encompass the more significant judgments and estimates used in the preparation of its consolidated financial statements.

*Revenue Recognition:* Revenues from contracts other than time and materials contracts are recognized on the percentage of completion method, measured by the percentage of total costs incurred to date to estimated total costs for each contract. This method is used because management considers cost incurred and costs to complete to be the best available measure of progress in the contracts. Revenues from time and materials contracts are recognized as work is performed.

Contract costs include all direct materials, subcontract and labor costs and those indirect costs related to contract performance, such as indirect labor, payroll taxes and supplies. General and administrative expenses are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which losses are determined.

The asset, Costs and estimated earnings in excess of billings on uncompleted contracts, represents revenue recognized in excess of amounts billed. The liability, Billings in excess of costs and estimated earnings on uncompleted contracts, represented billings in excess of revenue recognized. As these long-term contracts extend over one or more years, revisions in cost and profit estimates during the course of the contract are reflected in the accounting period in which the facts which require the revisions are determined.

*Contract Receivables:* Contract receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of contract receivables previously written off are recorded when received. An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is not recorded on any past due balances.

*Income Taxes:* Each of the companies is treated as a partnership for federal income tax purposes and their respective members are taxed individually on their pro-rata share of each company's earnings. The companies' net income or loss is allocated among their respective members in accordance with the companies' operating agreements. Each company intends to make distributions to its members subsequent to year-end sufficient to pay personal income taxes on taxable

income, if any, from the company.

*Credit Risk:* The companies may from time to time have cash in banking institutions in excess of the amount insured by the Federal Deposit Insurance Corporation. The companies have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk on cash. The companies grant credit to their customers in the normal course of business on an unsecured basis. The companies' accounts receivable are

derived from customers primarily in the metropolitan Washington, D.C. and Baltimore, Maryland areas and are made on an unsecured basis.

*Estimates:* The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used when accounting for estimated costs to complete long-term contracts in progress, allowance for doubtful accounts and depreciation, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financials statements in the period they are determined to be necessary.

### **Recent Accounting Pronouncements**

In December 2004, the FASB issued SFAS No. 123 (revised 2004) Share-Based Payment ( SFAS No. 123R ). SFAS No. 123R addresses the accounting for transactions in which an enterprise exchanges its equity instruments for employee services. It also addresses transactions in which an enterprise incurs liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of those equity instruments in exchange for employee services. For public entities, the cost of employee services received in exchange for equity instruments, including employee stock options, is to be measured on the grant-date fair value of those instruments. The cost will be recognized as compensation expense over the service period, which would normally be the vesting period. SFAS No. 123R became effective on January 1, 2006 for TSS/Vortech. TSS/Vortech adopted SFAS No. 123R on January 1, 2006, and its adoption did not materially affect TSS/Vortech's results of operations.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections ( SFAS No. 154 ). SFAS No. 154 replaces ABP Opinion No. 20, Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements. SFAS No. 154 requires that a voluntary change in an accounting principle be applied retrospectively with all prior period financial statements presented using the new accounting principle. SFAS No. 154 also requires that a change in method of depreciating or amortizing a long-lived non-financial asset be accounted for prospectively as a change in estimate and correction of errors in previously issued financial statements should be termed a restatement. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The implementation of SFAS No. 154 is not expected to have a material impact on TSS/Vortech's combined financial statements.

In March 2005, the FASB issued FASB Interpretation No. 47 ( FIN 47 ), Accounting for Conditional Asset Retirement Obligations, which is an interpretation of SFAS No. 143, Accounting for Asset Retirement Obligations. FIN No. 47 clarifies terminology within SFAS No. 143 and requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. A conditional asset retirement is a legal obligation to perform an asset retirement activity in which the timing and method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN No. 47 became effective for fiscal years ending after December 15, 2005. Adopting FIN No. 47 is not expected to have a material impact on TSS/Vortech's financial position, results of operations or cash flows.

In July 2006, the FASB issued FASB Interpretation No. 48 ( FIN 48 ), Accounting for Uncertainty in Income Taxes, which is an interpretation of SFAS No. 109, Accounting for Income Taxes. FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. Under FIN No. 48, the financial statements will reflect expected future tax consequences of such positions presuming the taxing authorities' full knowledge of the position and all relevant facts, but without considering time values. FIN No. 48 substantially changes the applicable accounting model and is likely to cause greater volatility in income statements as more items are recognized discretely within income tax expense. FIN No. 48 also revises disclosure requirements and introduces a prescriptive, annual, tabular roll-forward of the unrecognized tax benefits. The new accounting model for uncertain tax positions is effective for

annual periods beginning after December 15, 2006. Companies need to assess all material open positions in all tax jurisdictions as of the adoption date and determine the appropriate amount of tax benefits that are recognizable under FIN No. 48. Any difference between the amounts previously recognized and the benefit determined under the new guidance, including changes in accrued interest and penalties, has to be recorded on the date of adoption. For certain types of income tax uncertainties, existing generally accepted



accounting principles provide specific guidance on the accounting for modifications of the recognized benefit. Any differences in recognized tax benefits on the date of adoption that are not subject to specific guidance would be an adjustment to retained earnings as of the beginning of the adoption period. TSS/Vortech is currently evaluating the impact the adoption of FIN No. 48 will have on its combined financial statements.

## Results of Operations

The following table sets forth certain items from TSS/Vortech's combined statements of operations as a percentage of revenues for the periods indicated.

	Year Ended December 31,			Unaudited Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
Revenues	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cost of earned revenues	68.1	74.0	85.4	84.7	82.4
Gross margin	31.9	26.0	14.6	15.3	17.6
Selling, general and administrative expenses	17.2	21.2	9.6	8.6	10.8
Operating income	14.7	4.8	5.0	6.7	6.8
Interest income (expense), net	(0.1 )	(0.1 )	(0.1 )	(0.1 )	
Net income from continuing operations	14.6	4.7	4.9	6.6	6.8
Gain (loss) from discontinued operations		(1.2 )	0.4	0.6	
Net income	14.6 %	3.5 %	5.4 %	7.2 %	6.8 %

### *Nine Months Ended September 30, 2006 and 2005*

*Revenues.* Revenues for the nine months ended September 30, 2006 were \$47.3 million, compared to \$43.4 million for the nine months ended September 30, 2005, representing an increase of approximately \$3.9 million, or 9% .. The increase in revenues for the nine months ended September 30, 2006 was primarily due to growth in network and power projects of \$1.3 million, growth in construction management revenue of \$1.5 million net of a decrease in 2006 of the realization of revenue on a percentage of completion method of accounting on homeland security related contracts for its major REIT customer over the same period in the prior year of \$6.4 million, and an increase of technology consulting revenue of \$1.0 million over the same period in 2006.

*Cost of earned revenues.* Costs of earned revenues for the nine months ended September 30, 2006 were \$38.9 million, or 82% of revenues, compared to \$36.8 million, or 85% of revenues, for the nine months ended September 30, 2005. The increase in cost of earned revenues was driven by approximately \$2.1 million in additional direct employee, subcontractor and equipment purchase expenses to support the increase in new service work orders and an increase in construction management contracts to support the increase in revenue. The decrease in cost of earned revenues as a percentage of revenues was due to the increase of direct service work performed for TSS/Vortech's customers that generate higher margins, savings from economies of scale on some larger projects and refining of project estimates as they neared completion.

*SG&A expenses.* SG&A expenses for the nine months ended September 30, 2006 were \$5.1 million, or 10.9% of revenues, as compared to \$3.7 million, or 8.6%, of revenues for the nine months ended September 30, 2005. The increase in SG&A expenses was primarily due to the addition of new sales professionals, increased marketing expenses as a part of TSS/Vortech's business development and geographic expansion strategy and to the addition of

administrative personnel to support the increase in business and professional fees related to the potential acquisition by Fortress America. Overall compensation cost increased by \$0.6 million, marketing expenses increased by \$0.4 million and professional fees increased by \$0.2 million.

*Operating income.* For the nine months ended September 30, 2006, operating income was \$3.2 million, or 6.8% of revenues, compared to operating income of \$2.9 million, or 6.7%, of revenues for the nine months ended September 30, 2005. For the nine months ended September 30, 2006, the increase in operating income as a percentage of revenues was primarily due to higher profit margins on the mix of work performed compared to the same period in 2005 and an increase in revenues compared to the same period in 2005.

*Interest expense (net).* Net interest expense decreased by \$12,000 to \$14,000 in the first nine months of 2006 as compared with \$26,000 in the first nine months of 2005, primarily due to lower debt as the result of the repayment of a term loan in December 2005.

*Discontinued Operations.* Effective September 1, 2005, TSS/Vortech transferred all the assets of its S3 Integration division to a separate limited liability company, S3 Integration, LLC (S3I) (the S3I Transfer). As part of the transaction, S3I assumed all the liabilities of the division and entered into a term loan agreement with VTC, LLC.

On the date of the S3I Transfer, TSS/Vortech had a balance due from the division of \$0.6 million, of which \$0.4 million was converted to a Note receivable from S3I and \$0.2 million was recorded as a member distribution in 2005.

TSS/Vortech has no significant continued involvement in S3I. Accordingly, the S3I division's operations are accounted for as a discontinued operation and the results of operations of the S3I division have been removed from TSS/Vortech's continuing operations for 2004 and 2005 and presented as a separate line item in the statement of income as discontinued operations.

For the nine months ended September 30, 2005 TSS/Vortech recorded a gain from discontinued operations of approximately \$0.3 million. The gain is comprised of revenue of \$1.5 million less costs and expenses of \$1.8 million and a gain recorded on the transfer of assets of \$0.6 million.

#### ***Years Ended December 31, 2005 and 2004***

*Revenues.* TSS/Vortech revenues for the year ended December 31, 2005 were \$58.6 million, compared to \$21.3 million for the year ended December 31, 2004, representing an increase of \$37.3 million, or 175%. The increase in revenues was partially the result of an increase in network and power service revenue of \$3.5 million, revenues earned from new customers for construction management services of \$3.5 million, and the completion of an additional \$25.0 million of work with its major REIT customer.

*Cost of earned revenues.* TSS/Vortech costs of earned revenues for the year ended December 31, 2005 were \$50.1 million, or 85.4% of revenues, compared to \$15.8 million, or 74.0% of revenues, for the year ended December 31, 2004. The increase in cost of earned revenues and the increase in cost of earned revenues as a percentage of revenues were primarily due to the increased amount of outsourced work performed on TSS/Vortech's contracts with its major customer, which have somewhat lower margins. Additionally, included in cost of earned revenues is member consulting compensation of \$2.9 million in 2005 compared to \$0 in 2004.

*SG&A expenses.* TSS/Vortech's SG&A expenses for the year ended December 31, 2005 were \$5.6 million, or 9.6% of revenues, compared to \$4.5 million, or 21.2% of revenues, for the year ended December 31, 2004. SG&A expenses were lower as a percentage of revenues in 2005 due to payment of one time consulting commission fees of \$0.7 million in 2004, partially offset by the SG&A expenses of \$0.4 million associated with the addition of sales professionals and technology consulting personnel in 2005 to support the increase in proposal activity and new customer sales.

*Operating income.* For the year ended December 31, 2005, TSS/Vortech's operating income was \$2.9 million or 5.0% of revenues, as compared to \$1.0 million, or 4.8% of revenues, for the prior year. The increase in operating income as a percentage of revenues was due primarily to economies of scale realized as a result of the large increase in revenues while SG&A expenses remained essentially flat.

*Interest expense (net).* Net interest expense increased \$6,000 to \$35,000 in 2005, as compared with \$29,000 in 2004, primarily due to an increase in average debt outstanding of \$100,000 during 2005 compared to 2004.

*Discontinued Operations.* On the effective date of the S3I Transfer, TSS/Vortech had a balance due from the division in the amount of \$0.6 million, of which \$0.4 million was converted to a Note receivable from S3I and \$0.2 million was recorded as a member distribution in 2005.

The S3I division's operations are accounted for as a discontinued operation and the results of operations of the S3I division have been removed from TSS/Vortech's continuing operations for 2004 and 2005 and presented as a separate line item in the statements of income as discontinued operations.

For the year ended December 31, 2005, TSS/Vortech recorded a gain from discontinued operations of approximately \$0.3 million related to the S3I Transfer. The gain is comprised of revenue of \$1.5 million, costs and expenses of \$1.8 million and a gain recorded on the transfer of assets of \$0.6 million.

### ***Years Ended December 31, 2004 and 2003***

*Revenues.* TSS/Vortech's revenues for the year ended December 31, 2004 were \$21.3 million, compared to \$12.3 million for the year ended December 31, 2003, representing an increase of \$9 million, or 73%. The increase was due to a \$2.5 million increase in TSS/Vortech's network and power project revenues, \$1.0 million in revenues on a facility management contract with its major REIT customer, and a \$5.5 million increase in revenues earned on construction management contracts in 2004.

*Cost of earned revenues.* TSS/Vortech's cost of earned revenue for the year ended December 31, 2004 was \$15.8 million, or 74.0% of revenues, as compared to \$8.4 million, or 68.1% of revenues, for the year ended December 31, 2003. The increase in cost of earned revenues and the increase in cost of earned revenues as a percentage of revenues was primarily the result of completing larger projects for TSS/Vortech's major customer, which required more outsourced work than in 2003.

*SG&A expenses.* TSS/Vortech's SG&A expenses for the year ended December 31, 2004 were \$4.5 million, or 21.2% of revenues, as compared to \$2.1 million, or 17.2% of revenues, for the year ended December 31, 2003. The increase in SG&A expenses as a percentage of revenues was primarily related to payment of one time consulting commission fees of \$0.7 million in 2004, \$0.7 million in costs incurred in 2004 as a result of support personnel hired by TSS/Vortech in connection with new contracts entered in 2004 on which no revenue was recognized during 2004.

*Operating income.* For the year ended December 31, 2004, operating income was \$1.0 million, or 4.8% of revenues, as compared to \$1.8 million, or 14.7% of revenues, for the year ended December 31, 2003. The decrease in operating income resulted primarily due to the increase in SG&A expenses in 2004 described above.

*Interest expense (net).* Net interest expense increased \$25,000 to \$29,000 in 2004 as compared with \$4,000 in 2003, principally due to an increase in term loans to finance leasehold improvements and work vans and other equipment purchases.

*Discontinued Operations.* For the year ended December 31, 2004, TSS/Vortech recorded a loss from discontinued operations of approximately \$0.3 million related to the S3I Transfer. The loss is comprised of revenue of \$0.7 million less costs and expenses of \$1.0 million.

### **Effects of Inflation**

TSS/Vortech generally has been able to price its services and contracts in a manner to accommodate the rates of inflation experienced in recent years. All proposals issued by TSS/Vortech guarantee prices for only thirty days. On contracts awarded on proposals outstanding in excess of thirty days, TSS/Vortech has the right to reprice the services if inflation has caused a change in TSS/Vortech's cost to perform the work. TSS/Vortech also seeks to minimize the effects of inflation by identifying, to extent practicable, the required equipment and outsourced services at the time of a contract award, which allows it to acquire the equipment and outsourced services immediately after award to minimize the effects of inflation on TSS/Vortech's profitability. TSS/Vortech is also exposed to inflation in the prices of commodities, such as steel, copper and concrete, in connection with construction projects, which it seeks to minimize through contract provisions that limit its exposure to price increases.

### **Liquidity and Capital Resources**

TSS/Vortech's primary liquidity needs are for financing working capital and for the purchase of fixed assets related to office equipment, vans and tools for the network and power projects division of TSS/Vortech. TSS/Vortech has primarily relied on its cash flows from operations and on a credit facility to fund its capital and liquidity needs. TSS/Vortech expects the combination of profits from operations and cash available from FAAC after the acquisition to meet its normal working capital and capital expenditure needs for at least the next twelve months. Following completion of the FAAC acquisition, TSS/Vortech expects to terminate its existing credit facility and seek to enter into a larger credit facility that could be used for potential future acquisitions, as well as for working capital and capital expenditure needs. However, TSS/Vortech cannot assure you that such a credit facility will be available on terms acceptable to it or at all.

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*Cash and networking capital.* The following table sets forth TSS/Vortech's cash and networking capital, defined as current assets less current liabilities, as of December 31, 2004 and 2005 and September 30, 2006, respectively:

	<b>December 31, 2004</b>	<b>December 31, 2005</b>	<b>September 30, 2006</b>
		(amounts in millions)	
Cash and cash equivalents	\$1.5	\$1.7	\$0.9
Net working capital	\$0.3	\$2.3	\$3.0

TSS/Vortech considers cash and time deposits of less than six months to be cash and cash equivalents. Net working capital increases from year to year are the result of profitable operations over the last three years and the first nine months of 2006. TSS/Vortech's net working capital is reduced by tax distributions to its members, who are required to pay their proportionate share of TSS/Vortech's income on their personal returns. Following the acquisition, the companies will be wholly owned by FAAC, which will be subject to all applicable federal and state income taxes.

*Credit facility.* In December 2005, TSS/Vortech obtained a revolving credit facility with a bank that allows for maximum borrowings of \$1.0 million. Interest accrues daily on the outstanding balance at one-month LIBOR plus 2.25%. The credit facility is collateralized by substantially all of TSS/Vortech's assets and is personally guaranteed by one of TSS/Vortech's members. Following the consummation of the acquisition and the termination of the credit facility, the member will no longer guarantee any of the companies' indebtedness. TSS/Vortech did not draw any amounts under the credit facility during the nine months ended September 30, 2006.

*Operating cash flows.* Net cash provided by operating activities was \$1.2 million and \$1.9 million for the year ended December 31, 2005 and nine months ended September 30, 2006, respectively. Net cash provided by operations is attributable to net income of \$3.1 million and \$3.2 million for the year ended December 31, 2005 and the nine months ended September 30, 2006, respectively, adjusted by the following non-cash items included in net income and the following working capital changes:

	<b>Year Ended December 31, 2005</b>	<b>Nine Months Ended September 30, 2006</b>
		(in thousands)
Depreciation and amortization	\$ 228	\$ 194
Allowance for doubtful accounts	(27)	
Gain from discontinued operations	(252)	

Working capital changes which contributed to cash flow from operations included the following:

	<b>Year Ended December 31, 2005</b>	<b>Nine Months Ended September 30, 2006</b>
		(in thousands)
(Increase) decrease in assets:		
Contract and other receivables	\$ (8,441)	\$ (389)
	476	(69)

Costs and estimated earnings in excess of billings on uncompleted contracts

Prepaid expenses	(2 )	(505 )
Due from affiliated entities	(285 )	(35 )
Deposits	(147 )	1
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(5,066 )	159
Billings in excess of costs and estimated earnings on uncompleted contracts	1,320	(681 )
Deferred compensation payable	103	50

*Investing activities.* Net cash used in investing activities was \$59,521 and \$67,011 for the year ended December 31, 2005 and the nine months ended September 30, 2006, respectively. Net cash used in investing activities primarily related to equipment purchases.



*Financing activities.* Net cash used in financing activities was \$891,130 and \$2.7 million for the year ended December 31, 2005 and the nine months ended September 30, 2006, respectively. Cash used in financing activities primarily related to debt repayments and member distributions.

*FAAC acquisition.* The acquisition is expected to be consummated in January 2007, after the required approval by the stockholders of FAAC and the fulfillment of certain other conditions. If the acquisition is consummated, and TSS/Vortech can provide no assurance that the acquisition will be consummated, the combined company is expected to receive from a trust account not less than \$44 million, plus accrued interest after September 30, 2006, less amounts paid to FAAC stockholders who have elected to convert their shares to cash in accordance with FAAC's certificate of incorporation.

### Off-Balance Sheet Arrangements

TSS/Vortech may enter into certain contracts which require a performance bond to be issued by a bank or surety company in favor of the customer for a portion of the value of the contract. These bonds may be exercised by the customer in instances where TSS/Vortech fails to provide the contracted services. As of December 31, 2005 and September 30, 2006, TSS/Vortech had one outstanding bond in the amount of \$168,811 and did not have any other off-balance sheet arrangements.

### Contractual Obligations

The following table summarizes TSS/Vortech's contractual obligations as of September 30, 2006 that require TSS/Vortech to make future cash payments.

	Total	Payments Due by Period			
		Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			(in thousands)		
Vehicle loans	\$ 177	\$ 73	\$ 71	\$ 33	\$
Rent on facilities(1)	2,160	399	904	709	148
Other(2)	428	428			
Total	\$ 2,765	\$ 900	\$ 975	\$ 742	\$ 148

(1)

Includes obligations under current leases, including obligations under a five year lease that commenced in the fourth quarter of 2006 to consolidate its administrative staff and technology consulting group described under Information About TSS/Vortech-Facilities.

(2)

Relates to deferred compensation obligations, obligations under an earnout in connection with an acquisition of a consulting business and a performance and payment bond in connection with a project.



## INFORMATION ABOUT FORTRESS AMERICA ACQUISITION CORPORATION

### **Our Business**

We are a blank check company organized under the laws of the State of Delaware on December 20, 2004 and were formed for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition, stock purchase or other similar business combination, an operating business in the homeland security industry. We intend to use cash derived from the net proceeds of our initial public offering, together with any additional financing arrangements that we undertake, to effect a business combination with a target whose fair market value is at least equal to 80% of our net assets at the time of such acquisition. Our principal executive offices are located at 4100 North Fairfax Drive, Suite 1150, Arlington, Virginia 22203.

A registration statement for our initial public offering was declared effective on July 13, 2005. On July 20, 2005, we sold 7,000,000 units and consummated our initial public offering, and on August 24, 2005 we sold 800,000 units upon exercise by our underwriters of the over-allotment option. Each of our units consists of one share of our common stock, \$0.0001 par value per share, and two redeemable common stock purchase warrants. Each warrant entitles the holder to purchase from us one share of common stock at an exercise price of \$5.00. The net proceeds from our initial public offering were approximately \$43.2 million, after deducting offering expenses of approximately \$808,479 and underwriting discounts of \$2.8 million. Of this amount, \$42.0 million was deposited into a trust account and the remaining proceeds (approximately \$1.2 million) were made available to be used to provide for business, legal and accounting due diligence on prospective business combinations and continuing general and administrative expenses. Through September 30, 2006, we have used approximately \$1.1 million of the available funds for start up costs representing general and administrative expenses, travel expenses, professional services, insurance and taxes based on capital. In addition, as of September 30, 2006, we had accumulated \$508,592 in deferred costs relating to the proposed acquisition of TSS/Vortech. These charges will be capitalized, contingent upon the completion of the acquisition following the required approval by our stockholders and the fulfillment of certain other conditions. If the acquisition is not completed, these charges will be recorded as expenses. The trust account funds remain on deposit in the trust account earning interest. As of September 30, 2006, the trust account funds were held in the form of U.S. treasury securities with a market value of \$44.1 million.

### ***Fair market value of target business***

Pursuant to our Amended and Restated Certificate of Incorporation, the initial target business that we acquire must have a fair market value equal to at least 80% of our net assets at the time of such acquisition. Our board of directors determined that this test was met in connection with our acquisition of TSS/Vortech. Further, we received a written opinion from BVC that, as of the date therein, and based upon and subject to the assumptions, factors, qualifications and limitations set forth therein, the consideration to be paid by FAAC in the proposed acquisition is fair to FAAC from a financial point of view. See Approval of the Acquisition and the Other Transactions Contemplated by the Purchase agreement Satisfaction of Fair Market Value Requirement .

### ***Stockholder approval of business combination***

As required by our Amended and Restated Certificate of Incorporation, we will proceed with the acquisition only if a majority of the shares of our common stock voted by public stockholders are voted in favor of the acquisition and public stockholders owning less than 20% of our shares sold in our initial public offering exercise their conversion rights.

### ***Conversion rights***

Each public stockholder who votes against the acquisition has the right to have such stockholder's shares of common stock converted to cash if the acquisition is approved and completed. The actual per-share conversion price will be

equal to the amount in the trust account, inclusive of any interest (calculated as of two business days prior to the consummation of the acquisition), divided by the number of shares sold in our initial public offering. As of November 30, 2006, the per-share conversion price was approximately \$5.70, or \$0.30 less than the price (\$6.00 per unit) that we sold each unit for in our initial public offering. An eligible stockholder may request conversion at any time after receipt of this proxy statement and prior to the vote taken on the acquisition at the special meeting but the request will not be granted unless the stockholder votes against the acquisition and the acquisition is approved and completed. Any request for conversion, once made, may be withdrawn at any time up to

the date of the special meeting. It is anticipated that the funds to be distributed to stockholders who are entitled to convert their shares and who elect conversion will be distributed promptly after completion of the acquisition. Public stockholders who convert their stock into their share of the trust account will retain the right to exercise the warrants they received as part of the units. We will not complete any business combination if public stockholders owning 20% or more of the shares sold in our initial public offering both vote against the acquisition and exercise their conversion rights.

***Liquidation if no business combination***

Our Amended and Restated Certificate of Incorporation requires us to liquidate if we have not completed a business combination by July 20, 2006, or January 20, 2007 if we entered into a letter of intent, an agreement in principle or a definitive agreement to complete a business combination prior to July 20, 2006, but were unable to complete such business combination by such date. We signed a definitive agreement with TSS/Vortech on June 5, 2006, and therefore have until January 20, 2007 to complete the acquisition of TSS/Vortech.

*Liquidation.* If we fail to consummate a business combination prior the date discussed above, we will be dissolved pursuant to Section 275 of the Delaware General Corporation Law, or DGCL. At such time, we anticipate that the following will occur:

- our board of directors will convene and adopt a specific plan of dissolution and liquidation, which it will then vote to recommend to our stockholders; at such time it will also cause to be prepared a preliminary proxy statement setting out such plan of dissolution and liquidation as well as our board of director s recommendation of such plan;

- we will promptly file a preliminary proxy statement with the Securities and Exchange Commission;

- if the Securities and Exchange Commission does not review the preliminary proxy statement, then shortly after the expiration of ten days following the filing of such preliminary proxy statement, we will mail the definitive proxy statement to our stockholders, and 10-20 days following the mailing of such definitive proxy statement, convene a meeting of our stockholders, at which our stockholders will vote on the plan of dissolution and liquidation;

- if the Securities and Exchange Commission does review the preliminary proxy statement, we currently estimate that we will receive their comments approximately 30 days after the filing of such proxy statement. We would then mail the definitive proxy statement to our stockholders following the conclusion of the comment and review process (the length of which we cannot predict with any certainty, and which may be substantial) and will convene a meeting of our stockholders at which our stockholders will vote on the plan of dissolution and liquidation; and

- upon notice from us, the trustee will commence liquidating the investment constituting the trust account and will turn over the proceeds to the transfer agent for distribution to our public stockholders in accordance with the approved plan of dissolution and liquidation.

We will not liquidate the trust account unless and until our stockholders approve the plan of dissolution and liquidation. Accordingly, the foregoing procedures may result in substantial delays in our liquidation and the distribution to our public stockholders of the funds in the trust account and any remaining net assets as part of the plan of dissolution and liquidation.

As of November 30, 2006, and assuming we had expended all of the funds not in the trust account, the per share liquidation price was approximately \$5.70, or \$0.30 less than the price (\$6.00 per unit) that we sold each unit for in our initial public offering. The proceeds deposited in the trust account could, however, become subject to the claims of our creditors which could be prior to the claims of our public stockholders. We cannot assure you that the actual per-share liquidation price will not be less than \$5.70, plus interest, due to claims of creditors. Messrs. McMillen and Weiss have agreed pursuant to an agreement with us and Sunrise Securities Corp., the underwriter of our initial public offering, that, if we liquidate prior to the consummation of a business combination, they may be personally liable to ensure that the proceeds of the trust account are not reduced by the claims of vendors or other entities that are owed money by us for services rendered or products sold to us or the claims of prospective target businesses. We cannot assure you, however, that they will be able to satisfy those obligations.

As of September 30, 2006, we had liabilities of approximately \$1,201,000. Creditors with claims in the amount of approximately \$350,000 have executed agreements with us waiving their rights, if any, to any funds

held in the trust account. We have not received a waiver letter from Continental Stock Transfer and Trust Company, our escrow agent and warrant agent, the State of Delaware and certain miscellaneous service providers, with aggregate claims in the amount of approximately \$25,000. As a result of obtaining the waiver letters, we believe the claims that could be made against the trust account are limited. To the extent that creditors, even those who have executed a waiver of claims against the trust account, or TSS/Vortech bring a claim and attempt to have it satisfied out of the trust account, the proceeds available to our stockholders from the trust account could be reduced.

Messrs. McMillen and Weiss have agreed pursuant to an agreement with us and Sunrise Securities Corp., the representative of the underwriters of our initial public offering, that, if we liquidate prior to the consummation of a business combination, they may be personally liable to ensure that the proceeds of the trust account are not reduced by the claims of vendors or other entities that are owed money by us for services rendered or products sold to us or the claims of prospective target businesses. We cannot assure you, however, that they will be able to satisfy those obligations.

Additionally, if we are forced to file a bankruptcy case or an involuntary bankruptcy case is filed against us which is not dismissed, the proceeds held in the trust account could be subject to applicable bankruptcy law, and may be included in our bankruptcy estate and subject to the claims of third parties with priority over the claims of our stockholders. To the extent any bankruptcy claims deplete the trust account, we cannot assure you we will be able to return to our public stockholders at least \$5.70 per share, which is the approximate liquidation value per share amount held in our trust account as of November 30, 2006.

Our public stockholders will be entitled to receive funds from the trust account only in the event of our liquidation or if a public stockholder seeks to convert his respective shares into cash upon a business combination which the public stockholder voted against and which is actually completed by us. In no other circumstances will a public stockholder have any right or interest of any kind to or in the trust account.

Under Section 282 of the DGCL, stockholders may be held liable for claims by third parties against a corporation to the extent of distributions received by them in a dissolution. Pursuant to Sections 280 through 282, if the corporation complies with certain procedures intended to ensure that it makes reasonable provision for all claims against it, including a 60-day notice period during which any third-party claims can be brought against the corporation, a 90-day period during which the corporation may reject any claims brought, and a 150-day waiting period before any liquidating distributions are made to stockholders, any liability of stockholders with respect to a liquidating distribution is limited to the lesser of such stockholder's pro rata share of the claim or the amount distributed to the stockholder, and any liability of the stockholder would be barred after the third anniversary of the dissolution. Although we will seek stockholder approval to liquidate the trust account to our public stockholders as part of the plan of dissolution and liquidation, we will seek to conclude this process as soon as possible and as a result do not intend to comply with those procedures. Because we do not anticipate complying with the foregoing provisions, Section 281(b) of the DGCL requires us to adopt a plan that will provide for our payment, based on facts known to us at such time, of (i) all existing claims, (ii) all pending claims and (iii) all claims that may be potentially brought against us within the subsequent 10 years. However, because we are not an operating company, and our operations have been limited to searching for prospective target businesses to acquire, the only likely claims to arise would be from our vendors or service providers, a majority of whom executed agreements waiving their rights, if any, to any funds held in the trust account. As a result, the claims that could be made against us should be limited. Nevertheless, such agreements may or may not be enforceable, and those parties that have not entered into such agreements may have claims they will attempt to assert. As such, our stockholders could potentially be liable for any claims to the extent of distributions received by them in a dissolution and any liability of our stockholders may extend beyond the third anniversary of such dissolution.

*Bankruptcy.* The board of directors may determine it is in our best interest to file a petition for bankruptcy or we may be forced into bankruptcy by our creditors. A voluntary or involuntary bankruptcy proceeding would most likely be filed under Chapter 7 of the United States Bankruptcy Code, which governs liquidations of corporations. At the time

of the filing, we would cease operations and a bankruptcy trustee would be appointed to liquidate our assets and distribute our assets in the following order of priority: (i) to secured creditors, (ii) for the cost of the administration of our bankruptcy, (iii) to unsecured creditors, and (iv) to our stockholders.

If we are forced to file a bankruptcy case or an involuntary bankruptcy case is filed against us which is not dismissed, any distributions received by our stockholders in our dissolution could be viewed under applicable



debtor/creditor and/or bankruptcy laws as either a preferential transfer or a fraudulent conveyance. As a result, a bankruptcy court could seek to recover all amounts received by our stockholders in our dissolution.

### ***FAAC strategy if the acquisition is completed***

If we are able to complete the acquisition of TSS/Vortech, we plan to pursue a balanced but aggressive strategy of organic growth and complementary acquisitions. We believe TSS/Vortech's current customer base has enjoyed excellent service from TSS/Vortech, and that TSS/Vortech is well positioned to continue to expand its current contractual assignments. We plan for TSS/Vortech to expand its revenues by adding new business from current customers and by securing new business in its current geographic regions. At the same time, we intend to accelerate this growth plan by finding and acquiring businesses with complementary skills in customer relationships. In this way, we believe we will be able to improve our revenue growth and achieve economies of scale that will further enhance our profitability. Although we are often engaged in preliminary discussions with acquisition candidates, as of the date of this proxy statement we have no binding commitments or agreements to enter into any acquisition.

Following the completion of the acquisition of TSS/Vortech, depending on how many stockholders opt to convert their shares of common stock into cash, we currently expect to have between approximately \$24 million and \$32 million of the trust fund available for working capital needs and to be applied to future acquisitions.

### **Dividends**

We have never declared or paid any cash dividends on our common stock. We currently intend to retain all future earnings, if any, for use in the operations and expansion of our business. As a result, we do not anticipate paying cash dividends in the foreseeable future. Any future determination as to the declaration and payment of cash dividends will be at the discretion of our board of directors and will depend on factors our board of directors deems relevant, including among others, our results of operations, financial condition and cash requirements, business prospects, and the terms of any credit facilities and other financing arrangements into which we enter.

### **Employees**

We currently have two part-time officers, each of whom is also a member of our board of directors. We have no employees. Our officers are not obligated to devote any specific number of hours to our matters and intend to devote only as much time as they deem necessary to our affairs. We do not intend to have any full time employees prior to the consummation of a business combination.

### **Periodic Reporting and Audited Financial Statements**

We have registered our securities under the Exchange Act and have reporting obligations, including the requirement to file annual and quarterly reports with the SEC. In accordance with the requirements of the Exchange Act, our annual reports will contain financial statements audited and reported on by its independent accountants. We have filed a Form 10-KSB with the SEC covering the fiscal year ended December 31, 2005, a Form 10-QSB covering the quarterly period ended March 31, 2006, a Form 10-QSB and Form 10-QSB/A covering the quarterly period ended June 30, 2006 and a Form 10-QSB covering the quarterly period ended September 30, 2006, and each of those filings have been amended as described in Management's Discussion and Analysis of Financial Condition and Results of Operations Fortress America Acquisition Corporation .

### **Legal Proceedings**

We are not involved in any legal proceeding which may have, or have had a significant effect on our business, financial positions, results of operations or liquidity, nor are we aware of any proceedings that are pending or threatened which may have a significant effect on our business, financial position, results of operations or liquidity.



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FORTRESS AMERICA ACQUISITION CORPORATION**

We are a blank check company organized under the laws of the State of Delaware on December 20, 2004 and were formed for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition, stock purchase or other similar business combination, an operating business in the federal services and defense industries. We intend to use the trust account funds, together with any additional financing arrangements that we undertake, to effect a business combination.

We have neither engaged in any operations nor generated any revenues nor incurred any debt or expenses during the period ended September 30, 2006, other than in connection with our public offering and, thereafter, certain legal and other expenses related to pursuing acquisitions of target businesses. Our entire activity since inception has been to prepare for and consummate our initial public offering and, following the completion of our initial public offering, to identify and investigate target businesses for a business combination.

Our net proceeds from the sale of our units, after deducting offering expenses of approximately \$808,479 and underwriting discounts of \$2,808,000, were approximately \$43,183,521. Of this amount, \$41,964,000 was placed in trust and the remaining \$1,219,521 was not placed in trust. We will use substantially all of the net proceeds of our offering to acquire a target business, including identifying and evaluating prospective acquisition candidates, selecting the target business, and structuring, negotiating and consummating the business combination. To the extent that our capital stock is used in whole or in part as consideration to effect a business combination, the proceeds held in the trust account as well as any other net proceeds not expended will be used to finance the operations of the target business. We believe that the funds available to us outside of the trust account will be sufficient to allow us to operate for at least the next five months, assuming that a business combination is not consummated during that time. Since our inception and until September 30, 2006, we have incurred the following expenses:

- \$320,999 for legal, accounting, travel and other expenses attendant to the due diligence investigations, structuring, and negotiating of a business combination;
- \$106,362 for rent and administrative services and support (approximately \$7,500 per month);
- \$114,151 of expenses for legal and accounting fees relating to our SEC reporting obligations;
- \$102,778 for franchise and capital taxes;
- \$342,668 for federal and state income taxes;
- \$52,500 for director and officer liability insurance premiums; and

- \$51,738 for miscellaneous expenses and reserves.

In addition, we will owe a fee for financial advisory services to Goldman Associates, a division of Sunrise Securities Corp., the lead underwriter in our initial public offering, upon the closing of the acquisition. Under our agreement with Goldman Advisors, we have agreed to pay a fee equal to the greater of 1.25% of the aggregate consideration paid in the acquisition (or other potential transaction) and \$750,000. Under the terms of the purchase agreement, we expect the fee we owe at the closing of the acquisition to be \$750,000. We do not believe we will need to raise additional funds in order to meet the expenditures required for operating our business. However, we may need to raise additional funds through a private offering of debt or equity securities if such funds are required to consummate a business combination that is presented to us. We would only consummate such a fundraising simultaneously with the consummation of a business combination.

On July 20, 2005, we used \$45,000 of our general working capital to pay premiums associated with our directors and officers liability insurance. On July 20, 2006, we renewed that policy for a six month period expiring January 20, 2006 and paid the \$22,500 in premiums associated with this renewal on November 1, 2006.

Washington Capital Advisors, Mr. Weiss and Mr. Mitchell advanced a total of \$70,000 to us to cover costs related to our initial public offering. These loans were repaid on July 20 and September 1, 2005 from the proceeds of our initial public offering not placed in trust.

We have agreed to pay, through the date of our acquisition of a target business, Washington Capital Advisors, LLC, an affiliate of Mr. McMillen, \$7,500 per month for office space and certain office and secretarial services. The

\$7,500 per month is reimbursement for office space and the office and secretarial services provided to us by Washington Capital Advisors, LLC and not as compensation to Mr. McMillen.

As of September 30, 2006, approximately \$44,112,431 was held in trust, and we had approximately \$74,854 of the available funds remaining and available to us for our activities in connection with identifying and conducting due diligence of a suitable business combination, and for general corporate matters.

### **Critical Accounting Policies**

We believe the following critical accounting policies involved the most significant judgments and estimates used in the preparation of our financial statements.

*Cash and Cash Equivalents.* We consider all highly liquid investments with original maturities of three months or less to be cash equivalents. We did not have cash deposits in excess of the federally insured limits at September 30, 2006.

*Earnings per common share.* Basic income per share is based on the weighted average number of common shares outstanding during the period. Diluted income per share reflects the potential dilution assuming common shares were issued upon the exercise of outstanding in-the-money warrants and the proceeds thereof were used to purchase treasury shares at the average market price during the period.

*Use of estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

*Fair value of financial instruments.* The carrying amounts of our financial assets, including cash and cash equivalents and short term investments, approximate fair value because of their short term maturities.

*Income Taxes.* Deferred income taxes are provided for the differences between the bases of assets and liabilities for financial reporting and income tax purposes. Deferred tax assets and liabilities are measured using tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

*New Accounting Pronouncement.* The Financial Accounting Standards Board ( FASB ) has issued interpretation No. 48, Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109 ( FIN 48 ), regarding accounting for, and disclosure of, uncertain tax positions. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We are currently evaluating the impact FIN 48 will have on its results of operations and financial position. The cumulative effect of applying the provisions of FIN 48, if any, will be reported as an adjustment to the opening balance of retained earnings accumulated during the development stage on January 1, 2007.



**DIRECTORS AND EXECUTIVE OFFICERS OF FORTRESS AMERICA  
ACQUISITION CORPORATION FOLLOWING THE ACQUISITION**

At the effective time of the acquisition, Mr. McMillen, who has served as our Chairman, and Mr. Weiss, who has served as our Chief Executive Officer, President and Secretary, in each case since inception, will resign from those offices, although each will remain a member of the board of directors. At the time of the acquisition, Mr. McMillen will become our Vice Chairman and Mr. Weiss will become our Chairman. Also at that time, Mr. Rosato will become our Chief Executive Officer and will also become the Chairman of TSS/Vortech. Mr. Gallagher will become our President and Chief Operating Officer and will become the Chief Executive Officer and President of TSS/Vortech.

At the effective time of the acquisition and provided the nomination are approved by our stockholders, our directors and executive officers will be:

Name	Age	Position
Harvey L. Weiss	63	Director and Chairman of FAAC
C. Thomas McMillen	54	Director and Vice Chairman of FAAC
Thomas P. Rosato	54	Director and Chief Executive Officer of FAAC and Chairman of each of VTC and Vortech
Gerard J. Gallagher	49	Director and President and Chief Operating Officer of FAAC and Chief Executive Officer and President of each of VTC and Vortech
David J. Mitchell	45	Director
Donald L. Nickles	57	Director

**Directors**

**Harvey L. Weiss** has served as our Chief Executive Officer, President and a member of our Board since inception and has over 35 years of experience in the information technology and security market place. From 2002 to August 1, 2004, Mr. Weiss was the Chief Executive Officer and President of System Detection, Inc., a software security company and is presently serving as a consultant. From 2000 to 2002, he served as President of Engineering Systems Solutions, Inc., a security and biometrics integration firm. During 1999, Mr. Weiss was the Chief Executive Officer and President of Global Integrity Corporation, a SAIC subsidiary specializing in information security and served as a Director until the company was sold in 2002. From 1996 to 1998, until sold to Network Associates, Inc, Mr. Weiss was President of the Commercial Division, Secretary and Director of Trusted Information Systems, Inc., a NASDAQ-listed security network company. Prior to that time, from 1994 to 1996, Mr. Weiss served as President of Public Sector Worldwide Division for Unisys Corporation. From 1991 to 1993, Mr. Weiss was the Vice President of Sales and the President and Chief Operating Officer of Thinking Machines Corporation, a massively parallel processing company. Prior to that time, he served in various senior capacities in Digital Equipment Corporation. Mr. Weiss serves on the Board of Forterra Systems, Inc., a simulation company, is a member of the Brookings Institution Council, and is a trustee of Capitol College. Mr. Weiss received a Bachelor of Science in Mathematics from the University of Pittsburgh.

**C. Thomas McMillen** has served as our Chairman of the Board since inception and has over 18 years of experience in government, finance and mergers and acquisitions. Mr. McMillen has also served, since August 2005, as the President, Chief Executive Officer and Chairman of the Board of Homeland Security Capital Corporation, a consolidator of homeland security companies that provides capital, management advice and investments for developing companies. Mr. McMillen co-founded Global Secure Corp., a homeland security company providing critical infrastructure services, in 2003, and served as its Chief Executive Officer until February 2004. From February 2004 until February 2005, Mr. McMillen served as a consultant to Global Secure Corp. In addition, from

October 2004 through July 2005, he served as a Chairman of the Board of Global Defense Corporation, a development stage company focused on acquiring companies in critical infrastructure security. From December 2003 to February 2004, Mr. McMillen served as Vice Chairman and Director of Sky Capital Enterprises, Inc., a venture firm, and until February 2005 served as a consultant. From March 2003 to February 2004, Mr. McMillen served as Chairman of Sky Capital Holdings, Ltd, Sky Capital Enterprises London stock exchange-



listed brokerage affiliate. Mr. McMillen has also been Chief Executive Officer of Washington Capital Advisors, LLC, a merchant bank and one of our stockholders, since 2003. He also served as Chairman of TPF Capital, its predecessor company, from 2001 through 2002. Mr. McMillen has also been an independent consultant throughout his career. From 1994 through February 1999, Mr. McMillen served as the Founder, Chief Executive Officer and Director of NASDAQ-listed Complete Wellness Centers, Inc., a medical multi-disciplinary clinic management company. Mr. McMillen was appointed by President Clinton to Co-Chair the President's Council on Physical Fitness and Sports from 1993 to 1997. From 1987 through 1993, he served three consecutive terms in the United States House of Representatives from the 4th Congressional District of Maryland. Prior to that, Mr. McMillen played 11 years in the National Basketball Association. Mr. McMillen received a Bachelor of Science in chemistry from the University of Maryland, and a Bachelor and Master of Arts from Oxford University as a Rhodes Scholar.

**David J. Mitchell** has served as a member of our Board since its inception and has over 20 years of investment, finance and mergers and acquisition experience. Mr. Mitchell is President of Mitchell Holdings LLC, a New York-based merchant banking company he founded in January of 1991, and since June 2004, Managing Partner of Las Vegas Land Partners LLC, a real estate development firm. From 1996 until the business was sold to American Express in August 1998, Mr. Mitchell was the Founder and Co-Chief Executive Officer of Americash LLC. Mr. Mitchell served as a Director of Kellstrom Industries from its inception until January 2002. Kellstrom Industries filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware on February 20, 2002. Kellstrom Industries completed the U.S. Bankruptcy Court-approved sale of substantially all of its assets to Kellstrom Aerospace, LLC, an entity controlled by Inverness Management LLC on July 17, 2002. From October 1999 until February 2001, Mr. Mitchell was a director of Direct Furniture Inc. An involuntary petition under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (Manhattan) was filed against Direct Furniture on March 18, 2002. On March 20, 2002, the Court appointed a Chapter 11 trustee who continues to manage Direct Furniture's assets. Mr. Mitchell served as a director of Centerpoint Corporation (including its predecessor companies) from October 1996 until January 2003. Prior to 1991, Mr. Mitchell held various senior positions at New York Stock Exchange member firms. From 1988 to 1990, he was a Managing Director and Principal of Rodman & Renshaw, Inc., and from 1985 to 1988, he was a Managing Director of Laidlaw Adams & Peck, Inc. Previous to 1985, Mr. Mitchell was with Bear Stearns and Oppenheimer & Co.

**Donald L. Nickles** has been a member of our board of directors since February 2005 and currently serves as a member of the board of directors of Chesapeake Energy Corporation and Valero Energy Corporation. In 2005 after his retirement from the United States Senate, Senator Nickles founded and is currently Chairman and Chief Executive Officer of The Nickles Group, LLC, a consulting and business venture firm headquartered in Washington, D.C. Senator Nickles was elected to the United States Senate in 1980 where he represented the state of Oklahoma and held numerous leadership positions, including Assistant Republican Leader from 1996 to 2002 and Chairman of the Senate Budget Committee from 2003 to 2004. Senator Nickles also served on the Energy and Natural Resources Committee and the Finance Committee. While serving in the United States Senate, Senator Nickles was instrumental in several key areas of legislation including securing Senate passage of the Homeland Security Act of 2002, the legislation creating the Department of Homeland Security and the 2003 Tax Relief Act. Prior to his service in the United States Senate, Senator Nickles served in the Oklahoma State Senate from 1979 to 1980 and worked at Nickles Machine Corporation in Ponca City, Oklahoma becoming vice president and general manager. Senator Nickles served in the National Guard from 1970 to 1976 and graduated from Oklahoma State University in 1971.

**Thomas P. Rosato** will join us as a Director and as our Chief Executive Officer and will become the Chairman of each of VTC and Vortech effective when we close the acquisition of TSS/Vortech. Mr. Rosato has over 25 years of experience in mission-critical service businesses. Since 2002, he has served as the co-founder and chairman of TSS and the co-founder and chairman of Vortech. From 1998 to 2001, Mr. Rosato served as the President Group Maintenance of America/Encompass Services Corporation, National Accounts Division. From 1995 to 1998, he served as the founder and President of Commercial Air, Power & Cable, Inc. From 1980 to 1995, he served in various capacities at Com-Site Enterprises, most recently as Chief Financial Officer and Chief Operating Officer. Mr. Rosato

started his career in 1973 as a certified public accountant at Coopers & Lybrand. Mr. Rosato received a Bachelor of Science in Accounting from Temple University.

**Gerard J. Gallagher** will join us as a Director and as our President and Chief Operating Officer and will become the Chief Executive Officer and President of each of VTC and Vortech effective when we close the acquisition of TSS/Vortech. Mr. Gallagher has more than 25 years of experience in mission critical fields. Since 2002, he has served as the co-founder and President of TSS and the co-founder and President of Vortech. From 1998

to 2001, Mr. Gallagher served as the President of the Total Site Solutions division of Encompass Services Corp. From 1997 to 1998, he served as the President of the Total Site Solutions division of Commercial Air, Power & Cable, Inc. From 1991 to 1997, he served as the Chief Facilities Operations and Security Officer of the International Monetary Fund. From 1980 to 1991, Mr. Gallagher served in various capacities at Com Site International, most recently as Senior Vice President of Engineering and Sales. Mr. Gallagher received a Bachelor of Science in Fire Science from the University of Maryland and a Bachelor of Science in Organizational Management (Summa Cum Laude) from Columbia Union College.

### **Board of Directors and Committees of the Board**

Our board of directors is divided into three classes, which are required to be as nearly equal in number as possible, with each director serving a three-year term and one class being elected at each year's annual meeting of stockholders. At each annual meeting of our stockholders, successors to the class of directors whose term expires at such meeting will be elected to serve for three-year terms or until their respective successors are elected and qualified. At the effective time of the acquisition and provided the nomination are approved by our stockholders, our directors in each class will be:

<b>Class</b>	<b>Name</b>
Term expiring at the 2009 annual meeting of our stockholders	David J. Mitchell Gerard J. Gallagher
Term expiring at the 2007 annual meeting of our stockholders	Harvey L. Weiss Donald L. Nickles
Term expiring at the 2008 annual meeting of our stockholders	C. Thomas McMillen Thomas P. Rosato

In anticipation of being listed on NASDAQ, we will adhere to the rules of NASDAQ in determining whether a director is independent. Our board of directors will consult with counsel to ensure that the board of directors determinations are consistent with those rules and all relevant securities laws and regulations regarding the independence of directors. The NASDAQ listing standards define an independent director generally as a person, other than an officer of a company, who does not have a relationship with the company that would interfere with the director's exercise of independent judgment. Consistent with these standards, the board of directors has determined that David J. Mitchell and Donald L. Nickles are independent.

### **Compensation and Audit Committees**

Upon closing of the acquisition, we will establish compensation and audit committees composed entirely of independent directors. The compensation committee's purpose will be to review and approve compensation paid to our officers and directors and to administer the incentive compensation plan, if approved by our stockholders.

The Audit Committee will have oversight responsibility relating to our financial statements and the financial reporting process, our systems of internal accounting and financial controls, the internal audit function, the annual independent audit of our financial statements and report on internal control over financial reporting, and the legal compliance and ethics programs as established by management and our board of directors.

### **Code of Ethics**

Our board of directors has adopted a code of ethics for our officers and directors. A copy of our code of ethics was filed as an exhibit to our Annual Report on Form 10-KSB for the year ended December 31, 2005.

**Board and Committee Meetings**

During the fiscal year ended December 31, 2005, our board of directors held six meetings. During the fiscal quarter ended September 30, 2006, our board of directors did not hold a meeting. Although we do not have any formal policy regarding director attendance at our annual meetings, we will attempt to schedule our annual meetings so that all of our directors can attend. During the fiscal year ended December 31, 2005, all of our directors attended at least 75% of the meetings of the board of directors and committees on which they served.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers, directors and persons who beneficially own more than ten percent of our common stock to file reports of ownership and changes in ownership with the SEC. These reporting persons are also required to furnish us with copies of all Section 16(a) forms they file. All of these reports were filed in a timely manner.

## **Compensation of Directors**

It is anticipated that at or prior to the closing of the acquisition, the compensation to be paid to members of our board of directors will be established and such compensation will be reasonable and customary for the industry.

## **Executive Compensation**

No executive officer or director has received any cash or non-cash compensation for services rendered. We will not pay any finders or consulting fees to our founders, or any of their respective affiliates, for services rendered to or in connection with the consummation of the acquisition. However, our founders will receive reimbursement for any out-of-pocket expenses incurred by them in connection with activities on our behalf such as identifying potential target businesses and performing due diligence on suitable business combinations. There is no limit on the amount of these out-of-pocket expenses and there will be no review of the reasonableness of the expenses or fees by anyone other than our board of directors, which includes persons who may be entitled to reimbursement or a court of competent jurisdiction if such expenses are challenged. If all of our directors are not deemed independent, we will not have the benefit of independent directors examining the propriety of expenses incurred on our behalf and subject to reimbursement or monitoring our compliance with the terms of our initial public offering. We have agreed to pay Washington Capital Advisors, LLC, an affiliate of Mr. McMillen, a monthly fee of \$7,500 for general and administrative services including office space, utilities and secretarial support. These arrangements will be modified following the closing of the acquisition as described under **Employment Agreements** below.

## **Employment Agreements**

### ***Employment Agreement with Thomas P. Rosato***

Effective as of the date of closing date, FAAC will enter an Employment Agreement with Thomas P. Rosato whereby Mr. Rosato will be engaged to serve as FAAC's chief executive officer for a period of three years. Under the terms of the Employment Agreement, Mr. Rosato's base compensation will be \$425,000 per year (subject to a minimum annual increase of 5% per year), Mr. Rosato will be eligible to receive an annual bonus of up to 50% of his then applicable base compensation (the amount of the bonus and the criteria for the bonus to be determined by the Board of Directors) with the bonus for 2006 to be prorated for the number of months remaining in 2006 following the closing date, and Mr. Rosato will be eligible for the share performance bonus described below. In addition to base compensation and bonus eligibility, (i) FAAC will pay the premiums on the life insurance policies currently paid by VTC and Vortech, (ii) Mr. Rosato will be entitled to an office allowance of \$3,000 and (iii) Mr. Rosato will otherwise be entitled to receive vacation, health insurance and other benefits as generally made available to other FAAC executives. Pursuant to the terms of the Employment Agreement, if FAAC terminates Mr. Rosato's employment for reasons other than Cause or Mr. Rosato terminates his employment for Good Reason (as those terms are defined in the Employment Agreement), Mr. Rosato is entitled to receive his base compensation as and when it would otherwise be payable if his employment had not been terminated (provided, however that if termination occurs during the last twelve months of Mr. Rosato's employment, then Mr. Rosato shall be entitled to receive amounts equal to base compensation (as and on the terms otherwise payable) for twelve months from the date of termination). Under the terms of the Employment Agreement, Mr. Rosato is subject to covenants not to solicit customers or employees of FAAC or its subsidiaries and to not otherwise compete against FAAC or its subsidiaries. In connection with signing the Employment Agreement (and as a condition of his employment), Mr. Rosato is required to sign an Invention Assignment, Non-Compete and

Confidentiality Agreement.

*Share performance bonus.* Up to \$5.0 million in additional shares of our common stock will be issuable to Mr. Rosato if during the period from the closing of the acquisition through July 13, 2008, certain share performance thresholds (alternative and not cumulative) set forth below are satisfied:

- if the highest average share price of FAAC's common stock during any 60 consecutive trading day period between the closing of the acquisition and July 13, 2008 exceeds \$9.00 per share but is no more than \$10.00 per share, he will be entitled to \$0.5 million worth of additional shares; or

- if the highest average share price of FAAC's common stock during any 60 consecutive trading day period between the closing of the acquisition and July 13, 2008 exceeds \$10.00 per share but is no more than \$12.00 per share, he will be entitled to \$1.5 million worth of additional shares; or

- if the highest average share price of FAAC's common stock during any 60 consecutive trading day period between the closing of the acquisition and July 13, 2008 exceeds \$12.00 per share but is no more than \$14.00 per share, he will be entitled to \$3.0 million worth of additional shares; or

- if the highest average share price of FAAC's common stock during any 60 consecutive trading day period between the closing of the acquisition and July 13, 2008 exceeds \$14.00 per share, he will be entitled to \$5.0 million worth of additional shares.

***Employment Agreement with Gerard J. Gallagher***

Effective as of the date of closing date, FAAC will enter an Employment Agreement with Gerard J. Gallagher whereby Mr. Gallagher will be engaged to serve as FAAC's president and chief operating officer for a period of three years. Under the terms of the Employment Agreement, Mr. Gallagher's base compensation will be \$425,000 per year (subject to a minimum annual increase of 5% per year), Mr. Gallagher will be eligible to receive an annual bonus of up to 50% of his then applicable base compensation (the amount of the bonus and the criteria for the bonus to be determined by the Board of Directors) with the bonus for 2006 to be prorated for the number of months remaining in 2006 following the closing date, and Mr. Gallagher will be eligible to receive a share performance bonus on terms identical to those described above under Employment Agreement with Thomas P. Rosato. In addition to base compensation and eligibility for a bonus, (i) FAAC will pay the premiums on the life insurance policies currently paid by VTC and Vortech, and (ii) Mr. Gallagher will otherwise be entitled to receive vacation, health insurance and other benefits as generally made available to other FAAC executives. Pursuant to the terms of the Employment Agreement, if FAAC terminates Mr. Gallagher's employment for reasons other than Cause or Mr. Gallagher terminates his employment for Good Reason (as those terms are defined in the Employment Agreement), Mr. Gallagher is entitled to receive his base compensation as and when it would otherwise be payable if his employment had not been terminated (provided, however that if termination occurs during the last twelve months of Mr. Gallagher's employment, then Mr. Gallagher shall be entitled to receive amounts equal to base compensation (as and on the terms otherwise payable) for twelve months from the date of termination). Under the terms of the Employment Agreement, Mr. Gallagher is subject to covenants not to solicit customers or employees of FAAC or its subsidiaries and to not otherwise compete against FAAC or its subsidiaries. In connection with signing the Employment Agreement (and as a condition of his employment), Mr. Gallagher is required to sign an Invention Assignment, Non-Compete and Confidentiality Agreement.

***Employment Agreement with Harvey L. Weiss***

Effective as of the date of closing date, FAAC will enter an Employment Agreement with Harvey L. Weiss whereby Mr. Weiss shall be engaged to serve as FAAC's chairman for a period of three years. Under the terms of the Employment Agreement, Mr. Weiss' base compensation is \$200,000 per year (subject to a minimum annual increase of 5% per year) and Mr. Weiss is eligible to receive an annual bonus of up to 50% of his then applicable base compensation (the amount of the bonus and the criteria for the bonus to be determined by the Board of Directors) with the bonus for 2006 to be prorated for the number of months remaining in 2006 following the closing date. In addition to base compensation and eligibility for a bonus, (i) Mr. Weiss will be entitled to a referral fee equal to 5% of the Gross Profits (as defined in the Employment Agreement) attributable to any client or customer (other than the federal government, or any agency or subdivision thereof) identified by Mr. Weiss to FAAC or its subsidiaries, (ii) Mr. Weiss will be entitled to an office allowance of \$3,000 per month and (iii) Mr. Weiss will otherwise be entitled to receive vacation, health insurance and other benefits as generally made available to other FAAC executives. Pursuant to the terms of the Employment Agreement, if FAAC terminates Mr. Weiss' employment for reasons other than Cause or Mr. Weiss terminates his employment for Good Reason (as those terms are defined in the Employment Agreement), Mr. Weiss is entitled to receive his base compensation as and when it would otherwise be payable if his employment had not been terminated (provided, however that if termination occurs during the last twelve months of Mr. Weiss' employment, then Mr. Weiss shall be entitled to receive amounts equal to base compensation (as and on the terms otherwise payable) for twelve months from the



date of termination). Under the terms of the Employment Agreement, Mr. Weiss is subject to covenants not to solicit customers or employees of FAAC or its subsidiaries and to not otherwise compete against FAAC or its subsidiaries. In connection with signing the Employment Agreement (and as a condition of his employment), Mr. Weiss is required to sign an Invention Assignment, Non-Compete and Confidentiality Agreement.

### **Consulting Agreement with Washington Capital Advisors, LLC**

Effective as of the date of closing date, FAAC will enter a Consulting Agreement with Washington Capital Advisors, LLC ( Washington Capital Advisors ) whereby Washington Capital Advisors will be engaged to serve as a consultant to FAAC for a period of three years. Under the terms of the Consulting Agreement, Washington Capital Advisors will provide advisory services relating to strategic, financial, marketing and business development matters and will also provide mergers and acquisitions assistance. Under the terms of the Consulting Agreement, Washington Capital Advisors base compensation is \$200,000 per year (subject to a minimum annual increase of 5% per year) and Washington Capital Advisors is eligible to receive an annual bonus of up to 50% of its then applicable base compensation (the amount of the bonus and the criteria for the bonus to be determined by the Board of Directors) with the bonus for 2006 to be prorated for the number of months remaining in 2006 following the closing date. In addition to base compensation and eligibility for a bonus Washington Capital Advisors will be entitled to a referral fee equal to 5% of the Gross Profits (as defined in the Consulting Agreement) attributable to any client or customer (other than the federal government, or any agency or subdivision thereof) identified by Washington Capital Advisors to FAAC or its subsidiaries. Pursuant to the terms of the Consulting Agreement, if FAAC terminates the Consulting Agreement for reasons other than Cause or Washington Capital Advisors terminates the Consulting Agreement for Good Reason (as those terms are defined in the Consulting Agreement), Washington Capital Advisors is entitled to receive its base compensation as and when it would otherwise be payable if the Consulting Agreement had not been terminated (provided, however that if termination occurs during the last twelve months of the Consulting Agreement, then Washington Capital Advisors shall be entitled to receive amounts equal to base compensation (as and on the terms otherwise payable) for twelve months from the date of termination). Under the terms of the Consulting Agreement, Washington Capital Advisors is subject to covenants not to solicit customers or employees of FAAC or its subsidiaries and to not otherwise compete against FAAC or its subsidiaries. In connection with signing the Consulting Agreement (and as a condition of its engagement), Washington Capital Advisors is required to sign an Invention Assignment, Non-Compete and Confidentiality Agreement. Washington Capital Advisors is not affiliated with us, TSS/Vortech or any of their respective officers, directors or material equity holders, except that Washington Capital Advisors principal equity owner and officer is Mr. McMillen, our Chairman.

### **Independent Registered Public Accounting Firm**

Goldstein Golub Kessler LLP, or GGK, is currently our independent registered public accounting firm. Representatives of GGK will not be present at the special meeting.

### ***Fees of the Independent Registered Public Accounting Firm***

The firm of GGK acts as our principal accountant. Through September 30, 2005, GGK had a continuing relationship with American Express Tax and Business Services Inc., or TBS, from which it leased auditing staff who were full time, permanent employees of TBS and through which its partners provide non-audit services. Subsequent to September 30, 2005, this relationship ceased and the firm established a similar relationship with RSM McGladrey, Inc., or RSM. GGK has no full time employees and therefore, none of the audit services performed were provided by permanent full-time employees of GGK. GGK manages and supervises the audit and audit staff, and is exclusively responsible for the opinion rendered in connection with its examination. The following is a summary of fees paid or to be paid to GGK and RSM for services rendered.

### ***Audit Fees***

Fees incurred in connection with our initial public offering, the review of our quarterly financial statements, and services provided in connection with the our statutory and regulatory filings in respect of year ended December 31, 2005 were in the amount of \$69,153.

***Pre-Approval of Fees***

All the services and fees described above were approved by our full board of directors which considered whether the provision of non-audit related services was compatible with maintaining the independence of GGK. The Audit Committee of the Board of Directors, when formed, will be granted the authority to pre-approve all auditing services and all non-audit services (including the fees and terms thereof) to be performed by the independent auditors.

**Stockholder Communications with the Board of Directors**

Stockholders may send communications to our board of directors by mail or courier delivery addressed as follows: Fortress America Acquisition Corporation, c/o Corporate Secretary, 4100 North Fairfax Drive, Suite 1150, Arlington, Virginia 22203. In general, the Corporate Secretary will forward all such communications to the board of directors. However, for communications addressed to a particular member of the board of directors or the Chairman of a particular committee, the Corporate Secretary forwards those communications directly to the board member so addressed.

**Promoters**

Messrs. McMillen, Weiss, Mitchell and Nickles may be our promoters, as that term is defined under Federal securities laws.

**HISTORICAL COMPENSATION OF TSS/VORTECH OFFICERS**

The following table sets forth the aggregate cash compensation paid for services rendered during each of the last three fiscal years to TSS/Vortech's Chief Executive Officer and its President and Chief Operating Officer. Other than the Chief Executive Officer and our President and Chief Operating Officer, no executive officer earned total annual salary and bonus in excess of \$100,000 during any of the last three completed fiscal years.

Name and Principal Position(s)	Year	Annual Compensation			All Other Compensation
		Salary	Bonus	Other Annual Compensation(1)	
Thomas P. Rosato Chief Executive Officer	2005	\$ 2,145,814	\$ 20,000	\$ 145,000	\$1,185
	2004	<a href="#">313,610</a>		707,726	
	2003	336,805			\$
Gerard J. Gallagher President and Chief Operating Officer	2005	2,209,974		179,609	646
	2004	552,507		718,956	6,661
	2003	380,348			6,464

1.

The amounts disclosed in the Other Annual Compensation column consist of (i) tax reimbursement payments to Mr.

Rosato and Mr. Gallagher of \$707,726 each in 2004 and \$145,000 each in 2005, and (ii) with respect to Mr. Gallagher, club dues and a car allowance in each of 2004 and 2005.

2.

The amount reported for Mr. Rosato in 2005 consists of premiums on executive life insurance. Amounts for Mr. Gallagher consist of \$1,630 in premiums on executive life insurance in each of 2004 and 2005, and employer 401(k) Plan matching contributions of \$646, \$5,031 and \$4,834 in 2003, 2004 and 2005, respectively.

**BENEFICIAL OWNERSHIP OF SECURITIES**

The following table sets forth information regarding the beneficial ownership of our common stock as of November 30, 2006, by each of our officers and directors, all of our officers and directors as a group and each person known by us, as a result of such person's public filings with the SEC and the information contained therein, to be the beneficial owner of more than 5% of our outstanding shares of common stock.

Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them. The address of each of the below, unless otherwise indicated, is 4100 North Fairfax Dr., Suite 1150, Arlington, Virginia 22203-1664.

<b>Name and Address of Beneficial Owner(1)</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percentage of Outstanding Common Stock</b>
C. Thomas McMillen	575,000 (1)	6.0 %
Harvey L. Weiss	575,000 (2)	6.0 %
David J. Mitchell	150,000	1.6 %
Donald L. Nickles	200,000	2.1 %
All directors and executive officers as a group (four individuals)	1,500,000	15.7 %
Satellite Advisors, L.L.C. Satellite Asset Management, L.P.*	740,947 (3)	7.8 %
Hummingbird Management, LLC**	894,000 (4)	9.4 %

\*

623 Fifth Avenue, 19th Floor, New York, New York 10022

\*\*

460 Park Avenue, 12th Floor, New York, New York 10022

(1)

Includes 575,000 shares held by Washington Capital Advisors, LLC, of which Mr. McMillen is the Chief Executive Officer.

(2)

Does not include warrants to purchase 452,000 shares of our common stock, which are exercisable upon the later of July 13, 2006 or the completion of a business combination.

(3)

As reported in a Schedule 13G dated September 12, 2005, and filed with the SEC on September 12, 2005.

(4)

As reported in a Schedule 13D dated August 17, 2006, and filed with the SEC on August 30, 2006.

All of the shares of our outstanding common stock owned by our initial stockholders prior to our initial public offering have been placed in escrow with Continental Stock Transfer & Trust Company, as escrow agent, pursuant to an escrow agreement described in Certain Relationships and Related Party Transactions on page \_\_\_.

As a result of the acquisition and assuming that no FAAC stockholder exercises such stockholder's conversion rights and assuming that FAAC does not assume any debt of TSS/Vortech, immediately after the consummation of the acquisition, the selling members will own approximately 20.1% of the outstanding FAAC common stock and the present stockholders of FAAC (or their transferees) will own approximately 74.9% of the outstanding FAAC common stock. The percentage ownership of the selling members will be increased and that of FAAC's stockholders will be decreased upon issuances of the contingent shares to be issued pursuant to the purchase agreement or upon the issuances of shares upon conversion of the convertible promissory notes to be delivered to the selling members at the consummation of the acquisition.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### Relating to FAAC

*Escrow.* All of the shares of our common stock outstanding prior to our initial public offering ( initial shares ) and held by the above stockholders ( initial stockholders ) have been placed in escrow with Continental Transfer & Trust Company, as escrow agent, until the earliest of:

- 

July 13, 2008;

- 

our dissolution and liquidation; or

- 

the consummation of a liquidation, merger, stock exchange or other similar transaction which results in all of our stockholders having the right to exchange their shares of common stock for cash, securities or other property subsequent to our consummating a business combination with a target business.

During the escrow period, the initial stockholders will not be able to sell or transfer their securities except to their spouses and children or trusts established for their benefit or otherwise as provided in the stock escrow agreement, but will retain all other rights as our stockholders, including, without limitation, the right to vote their shares of common stock and the right to receive cash dividends, if declared. If dividends are declared and payable in shares of common stock, such dividends will also be placed in escrow. If we are unable to effect a business combination and liquidate, none of our existing stockholders will receive any portion of the liquidation proceeds with respect to common stock owned by them prior to our initial public offering.

*Purchase of Warrants.* Pursuant to an agreement with the underwriters of our initial public offering, C. Thomas McMillen, our Chairman, and Harvey Weiss, our Chief Executive Officer, President, Secretary and a member of our Board of Directors, or certain of their affiliates or designees, have collectively purchased 600,000 warrants in the public marketplace at prices not exceeding \$0.70 per warrant. Messrs. McMillen and Weiss further agreed that any warrants purchased by them or their affiliates or designees will not be sold or transferred until the completion of a business combination.

*Registration Rights.* The holders of the majority of the initial shares are entitled to make up to two demands that we register the initial shares. The holders of the majority of the initial shares may elect to exercise these registration rights at any time after the date on which the initial shares are released from escrow, which, except in limited circumstances, is not before July 13, 2008. In addition, the initial stockholders have certain piggyback registration rights on registration statements filed subsequent to the date on which these shares of common stock are released from escrow. We will bear the expenses incurred in connection with the filing of any such registration statements.

*Washington Capital Advisors, LLC.* We are paying Washington Capital Advisors, LLC, an affiliate of Mr. McMillen, \$7,500 per month for office space and general administrative services. This arrangement was agreed to by Washington Capital Advisors, LLC, the successor-in-interest to Global Defense Corporation, also an affiliate of Mr. McMillen, for our benefit and is not intended to provide Mr. McMillen compensation in lieu of salary. We believe, based on rents and fees for similar services in the Washington, D.C. metropolitan area, that the fee charged by Washington Capital Advisors, LLC is at least as favorable as we could have obtained from an unaffiliated person. However, as our directors may not be deemed independent, we did not have the benefit of disinterested directors approving this

transaction. Upon completion of a business combination or our liquidation, we will no longer be required to pay this monthly fee.

*Advancement of Certain Costs.* Washington Capital Advisors, Mr. Weiss and Mr. Mitchell advanced a total of \$70,000 to us to cover costs related to our initial public offering. These loans were repaid from the proceeds of our initial public offering not placed in trust.

*Goldman Advisors.* Goldman Advisors, a division of Sunrise Securities Corp., the lead underwriter in our initial public offering, has provided financial advisory services to us in connection with the proposed acquisition of TSS/Vortech. Goldman will receive reimbursement of its reasonable expenses and a fee of approximately \$750,000 upon the consummation of the acquisition.

*Certain Reimbursements.* We have agreed to reimburse the initial stockholders, officers and directors for any reasonable out-of-pocket business expenses incurred by them in connection with certain activities on our behalf, such as identifying and investigating possible target businesses and business combinations. There is no limit on the



amount of out-of-pocket expenses reimbursable by us, which will be reviewed only by our board or a court of competent jurisdiction if such reimbursement is challenged.

*General.* Other than the \$7,500 per month administrative fee and reimbursable out-of-pocket expenses payable to our officers and directors, no compensation or fees of any kind, including finders and consulting fees, will be paid to any of our initial stockholders or to any of their respective affiliates for services rendered to us prior to or with respect to the business combination.

### **Relating to TSS/Vortech**

*CSI Engineering, Inc.* CSI Engineering, Inc. ( CSI ), which is 9% owned by Mr. Gallagher, acts as an engineering services subcontractor to TSS/Vortech, and TSS/Vortech acts as an electrical subcontractor to CSI. Amounts paid by TSS/Vortech to CSI for the years ended December 31, 2003, 2004 and 2005 were \$1,549,493, \$1,824,017, and \$380,586, respectively. Amounts paid by CSI to TSS/Vortech for the years ended December 31, 2003, 2004 and 2005 were \$1,574, \$68,166 and \$3,627,743, respectively.

*TPR Group LLC.* As of January 1, 2006, TPR Group LLC ( TPR Group ), which is wholly-owned by Mr. Rosato, has provided human resources, administrative support and insurance and employee benefit plan administration services to TSS/Vortech. As of September 30, 2006, TSS/Vortech has paid TPR Group \$627,300. This arrangement will be terminated effective upon the closing of the acquisition.

*S3 Integration LLC.* S3 Integration LLC ( S3 Integration ), which is owned 15% by Mr. Rosato and 15% by Mr. Gallagher, provides commercial and government security systems design and installation services as a subcontractor to TSS. In addition, S3 Integration utilizes Vortech as subcontractor. There is an oral agreement between S3 Integration and Vortech that provides for labor sharing of one or two field employees who bill at approximately \$40 per hour. In addition, S3 Integration reimburses TSS/Vortech for services provided by certain TSS/Vortech employees. As of June 16, 2006, S3 Integration had been charged approximately \$9,284 under this arrangement, which will be terminated at the closing. All engagements between S3 and TSS/Vortech have been on a project-by-project basis. Amounts paid by TSS/Vortech to S3 Integration under the arrangement for the years ended December 31, 2003, 2004 and 2005 were \$0, \$1,333 and \$6,628, respectively. Amounts paid by S3 Integration to TSS/Vortech under the arrangement for the years ended December 31, 2003, 2004 and 2005 were \$3,480, \$0 and \$18,204, respectively.

There is also a promissory note, dated September 5, 2005, owed by S3 Integration to TSS in the principal amount of \$350,000, evidencing amounts loaned to S3 as start-up capital. This note will be distributed to the members of TSS effective upon the closing of the acquisition.

*GR Partners.* GR Partners, which is owned 50% by Mr. Rosato and 50% by Mr. Gallagher, leases office equipment to TSS/Vortech and also leases field equipment to Vortech under the terms of an equipment lease by and between TSS and GR Partners. Lease expenses of TSS/Vortech under the lease for the years ended December 31, 2003, 2004 and 2005 were \$19,158, \$29,619 and \$33,066, respectively. Effective upon the closing of the acquisition, the lease will be terminated and TSS/Vortech will purchase its leased equipment from GR Partners for approximately \$106,000. During 2005, TSS/Vortech paid GR Partners \$508,234 for services, which is included in cost of sales; no such costs were incurred in 2003 or 2004. In addition, GR Partners has provided certain management services to TSS/Vortech. Management fees paid by TSS/Vortech for management services (which is included in general and administrative expenses) for the years ended December 31, 2003, 2004 and 2005 were \$0, \$0 and \$275,000, respectively.

*Equipment Reseller and Subcontractor.* Chesapeake Tower Systems, Inc. ( Chesapeake ), which is 60% owned by Mr. Rosato, is a manufacturer's representative of APC equipment and other mechanical and electrical products, which Chesapeake sells to TSS. In addition, Vortech is a reseller of APC equipment, which it obtains directly from APC and on which APC pays Chesapeake a commission. Vortech is also a reseller of Chesapeake equipment and acts as a

subcontractor to Chesapeake for APC equipment installation on project-by-project basis. Amounts paid by TSS/Vortech for equipment purchases for the years ended December 31, 2003, 2004 and 2005 were \$71,158, \$652,630 and \$7,387,225, respectively. Amounts paid by Chesapeake to TSS/Vortech under the reseller and installation arrangement for the years ended December 31, 2003, 2004 and 2005 were \$189, \$187,083 and \$7,729, respectively.

*Real Property Leases.* There is a Sublease Agreement, dated October 1, 2003, by and between Chesapeake, as sublandlord, and Vortech and TSS, as subtenants, for office and warehouse space located at 11850 Baltimore Avenue, Beltsville, Maryland - Unit H. The sublease expires in October 2008. Rent expense of Vortech under the sublease for the years ended December 31, 2003, 2004 and 2005 were \$108,121, \$152,425 and \$190,727, respectively.

TPR Group Re Three, LLC, which is 50% owned by Mr. Rosato and 50% by Mr. Gallagher, is a real estate partnership which intends, as landlord, to lease to TSS/Vortech the space located at 7226 Lee DeForest Drive, Columbia, Maryland, Units 104, 105 and 209 under the terms of a lease agreement, subject to the prior written consent of FAAC in accordance with the terms of the purchase agreement.

*CTS Services LLC.* CTS Services LLC ( CTS ), which is 55% owned by Mr. Rosato, is a mechanical contractor and acts as subcontractor to TSS for certain projects in the Washington, DC area on a project-by-project basis. In addition, CTS and Vortech utilize each other as subcontractors on a project-by-project basis. Amounts paid by TSS/Vortech under the arrangement for the years ended December 31, 2003, 2004 and 2005 were \$232,875, \$2,213,227 and \$3,425,784, respectively. Amounts paid by CTS to TSS/Vortech under the arrangement for the years ended December 31, 2003, 2004 and 2005 were \$1,517,850, \$201,178 and \$189,743, respectively. CTS also provided human resources, administrative support and insurance and employee benefit plan administration services to TSS /Vortech through December 31, 2005. Amounts paid by TSS/Vortech to CTS for such services for the years ended December 31, 2003, 2004 and 2005 were \$71,650, \$400,400 and \$534,700, respectively.

*L.H. Cranston Acquisition Group, Inc.* L.H. Cranston Acquisition Group, Inc., 25% of which was acquired by Mr. Rosato in July 2005, is a mechanical, electrical and plumbing contractor that acts, directly or through its subsidiary L.H. Cranston and Sons, Inc., as subcontractor to TSS on a project-by-project basis in the Baltimore area. Amounts paid by TSS/Vortech under the subcontracting arrangement for the year ended December 31, 2005 was \$2,001,354.

*Telco P&C, LLC.* Telco P&C, LLC ( Telco ), which is 55% owned by Mr. Rosato, is a three person specialty electrical installation company that acts as a subcontractor to TSS by purchase order. There are no current ongoing contracts. Amounts paid by TSS/Vortech under the subcontracting arrangement for the years ended December 31, 2003, 2004 and 2005 were \$6,606, \$77,521 and \$0, respectively. Telco paid Vortech \$6,606 for the year ended December 31, 2003 for work performed during a single engagement as a subcontractor to Telco.

*Automotive Technologies, Inc.* Automotive Technologies, Inc., which is 60% owned by Mr. Rosato, services vehicles used by Vortech on a project-by-project basis using standard purchase orders. Amounts paid by TSS/Vortech for these services for the years ended December 31, 2003, 2004 and 2005 were \$6,113, \$12,895 and \$26,165, respectively. There are no current ongoing contracts.

### **Homeland Security Capital Corporation**

C. Thomas McMillen, our Chairman, is also President, Chief Executive Officer and Chairman of the Board of Homeland Security Capital Corporation ( HSCC ), a consolidator of small and mid-sized homeland security companies that provides capital and management advice for developing companies.

Mr. McMillen first learned of HSCC in mid-May, 2005, when he discussed telephonically with a principal of Cornell Capital Partners, LP ( Cornell ) the possibility of combining HSCC, which then had no business operations but was a reporting company under the Securities Exchange Act of 1934, with Global Defense Corporation ( GDC ), of which Mr. McMillen was then Chairman. At that time, HSCC was named Celerity Systems, Inc. and was a business development company. Cornell had made significant investments and was a significant equity holder in HSCC and had also made an investment in GDC. On May 23, 2005, Mr. McMillen met with principals of Cornell to begin exploratory discussions regarding a potential combination. Mr. McMillen and representatives of Cornell continued preliminary discussions relating to a potential combination and Mr. McMillen's role as chief executive officer of the

new venture through August, 2005. Cornell engaged counsel in July 2005 to investigate regulatory and other issues relating to Celerity's status as a business development company and the impact of that status on a proposed transaction. In late July, 2005, it was determined that the proposed combination with GDC was not viable. On August 9, 2005, Cornell and Mr. McMillen determined, based upon counsel's recommendation, that the business development company status of HSCC would not be practical as part of a proposed transaction and, further, that any contemplated transaction would need to eliminate the business development company status based upon procedures outlined by counsel. Mr. McMillen and a representative of Cornell began discussing the possibility of Mr. McMillen

becoming chief executive officer of HSCC without GDC's participation. Mr. McMillen and Cornell negotiated the potential terms of such an arrangement through August 29, 2005, on which date HSCC and Mr. McMillen executed an employment agreement. The employment agreement requires Mr. McMillen to devote at least 25 hours per week to HSCC. On August 30, 2005, HSCC filed a report on Form 8-K announcing the employment agreement with Mr. McMillen, the purchase by Mr. McMillen of 1.25 billion shares of HSCC, HSCC's intention to change its name from Celerity Systems, Inc. to Homeland Security Capital Corporation and HSCC's intention to pursue a new strategic direction in which it would focus on owning and operating small and mid-sized growth businesses that provide homeland security solutions.

We believe that Mr. McMillen's role and interests in HSCC enhance Mr. McMillen's understanding of the homeland security industry without conflicting with his role as our Chairman. Further, the transaction with HSCC was initially contemplated as part of GDC and was not deemed probable until the issues surrounding HSCC's status as a business development company could be resolved based upon advice of counsel which occurred after our initial public offering. In addition, we understand from Mr. McMillen and from HSCC's filings with the SEC that HSCC's focus for acquisition candidates is primarily on companies with market values less than \$20 million, which is significantly below the fair market value of the acquisition we must satisfy under our certificate of incorporation. HSCC's announced acquisitions to date have involved investments, and companies with market values, that are each below \$10 million. None of those announced acquisitions involve companies with businesses similar to those of TSS/Vortech. In addition, Washington Capital Advisors, LLC, of which Mr. McMillen is the principal equity owner and officer, has entered into a consulting agreement with us and a separate non-compete agreement that include covenants not to solicit customers or employees of FAAC or its subsidiaries and to not otherwise compete against FAAC or its subsidiaries.

### **Ongoing and Future Transactions**

All ongoing and future transactions between us and any of our officers and directors or their respective affiliates, will be on terms believed by us to be no less favorable than are available from unaffiliated third parties and will require prior approval in each instance by a majority of the members of our board of directors who do not have an interest in the transaction.

**PRICE RANGE OF SECURITIES AND DIVIDENDS****Fortress America Acquisition Corporation**

The shares of our common stock, warrants and units are currently quoted on the Over-the-Counter Bulletin Board under the symbols FAAC, FAACW and FAACU, respectively. On June 5, 2006, the last day for which information was available prior to the date of the public announcement of the proposed acquisition, the last quoted sale prices of FAAC, FAACW and FAACU were \$5.39, \$0.58 and \$6.665, respectively.

Each of our units sold in our initial public offering consists of one share of our common stock and two redeemable common stock purchase warrants. Our warrants became separable from our common stock on September 26, 2005. Each warrant entitles the holder to purchase from us one share of common stock at an exercise price of \$5.00 commencing the later of the completion of the acquisition or July 13, 2006. Our warrants will expire at 5:00 p.m., New York City time, on July 13, 2009, or earlier upon redemption. Prior to July 20, 2005, there was no established public trading market for our common stock.

We do not currently have any authorized or outstanding equity compensation plans.

The following table sets forth, for the calendar quarter indicated, the quarterly high and low bid information of our common stock, warrants and units as reported on the OTC Bulletin Board. The quotations listed below reflect interdealer prices, without retail markup, markdown or commission, and may not necessarily represent actual transactions:

Quarter Ended	Common Stock (FAAC)		Warrants (FAACW)		Units (FAACU)	
	High	Low	High	Low	High	Low
December 31, 2005	\$ 5.24	\$ 5.02	\$ 0.52	\$ 0.38	\$ 6.10	\$ 5.76
March 31, 2006	\$ 5.60	\$ 5.22	\$ 0.78	\$ 0.36	\$ 7.15	\$ 5.95
June 30, 2006	\$ 5.57	\$ 5.37	\$ 0.83	\$ 0.49	\$ 7.20	\$ 6.25
September 30, 2006	\$ 5.48	\$ 5.35	\$ 0.55	\$ 0.41	\$ 6.50	\$ 6.12

Holders of our common stock, warrants and units should obtain current market quotations for their securities. The market price of our common stock, warrants and units could vary at any time before the acquisition.

**Holder of Common Stock**

As of December \_\_, 2006, the record date for the special meeting, there were \_\_\_\_\_ holders of record of our common stock.

**Dividends**

We have not paid any dividends on our common stock to date and do not intend to pay dividends prior to the completion of the acquisition.

Upon completion of the acquisition of TSS/Vortech, we do not intend to pay dividends. We currently intend to retain all future earnings, if any, for use in the operations and expansion of our business. As a result, we do not anticipate paying cash dividends in the foreseeable future. Any future determination as to the declaration and payment of cash dividends will be at the discretion of our board of directors and will depend on factors our board of directors deems

relevant, including among others, our results of operations, financial condition and cash requirements, business prospects, and the terms of our credit facilities and other financing arrangements.

There is no established public trading market for the membership interests of VTC or Vortech because it is a private company. There are currently two holders of the membership interests of each of VTC and Vortech.

## DESCRIPTION OF OUR SECURITIES

### General

We are authorized to issue 50.0 million shares of common stock, par value \$0.0001, and 1.0 million shares of preferred stock, par value \$0.0001. As of December \_\_, 2006, the record date for the special meeting, 9,550,000 shares of common stock were outstanding. No shares of preferred stock are currently outstanding. We also have outstanding warrants to purchase 15,600,000 shares of common stock, and 700,000 shares and warrants to purchase 1,400,000 shares of common stock may be issued upon exercise of the unit purchase option issued to Sunrise Securities Corp., the representative of the underwriters in our initial public offering.

### Units

Each unit sold in our initial public offering consists of one share of common stock and two warrants. Each warrant entitles the holder to purchase one share of common stock.

### Common Stock

Our stockholders are entitled to one vote for each share held of record on all matters to be voted on by stockholders. In connection with the vote required for any business combination, all of our initial stockholders have agreed to vote their respective shares of common stock owned by them immediately prior to our initial public offering in accordance with the public stockholders. This voting arrangement does not apply to shares included in units purchased in the initial public offering or purchased following the initial public offering in the open market by any of our initial stockholders. Additionally, our initial stockholders may vote all of their shares in any manner they determine, in their sole discretion, with respect to any other items that come before a vote of our stockholders.

We will proceed with the business combination only if a majority of the shares of common stock voted by the public stockholders are voted in favor of the business combination and public stockholders owning less than 20% of the shares sold in our initial public offering (less than 1,560,000 of such shares) exercise their conversion rights.

Our board of directors is divided into three classes, each of which will generally serve for a term of three years with only one class of directors being elected in each year. There is no cumulative voting with respect to the election of directors, with the result that a plurality of the vote entitled to be cast in the election of directors shall be sufficient to elect directors. Article Eighth of our amended and restated certificate of incorporation provides for the classified board of directors. These provisions could prevent or delay a holder of shares representing a majority of the voting power from obtaining control of the board of directors because the holder would not be able to replace a majority of the directors prior to at least the second annual meeting of stockholders after it acquired a majority position.

If we are forced to dissolve and liquidate prior to a business combination, our public stockholders are entitled to share ratably in the trust fund, inclusive of any interest, and any net assets remaining available for distribution to them after payment of liabilities. Our existing stockholders have agreed to waive their rights to share in any distribution with respect to common stock owned by them prior to the offering if we are forced to dissolve and liquidate.

Our stockholders have no conversion, preemptive or other subscription rights and there are no sinking fund or redemption provisions applicable to the common stock, except that public stockholders have the right to have their shares of common stock converted to cash equal to their pro rata share of the trust fund if they vote against the business combination and the business combination is approved and completed. Public stockholders who convert their stock into their share of the trust fund still have the right to exercise the warrants that they received as part of the units.

### Preferred Stock



Our amended and restated certificate of incorporation authorizes the issuance of 1.0 million shares of blank check preferred stock with such designation, rights and preferences as may be determined from time to time by our board of directors. No shares of preferred stock have been issued. Accordingly, our board of directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of common stock, although the underwriting agreement prohibits us, prior to a business combination, from issuing preferred stock which

participates in any manner in the proceeds of the trust fund, or which votes as a class with the common stock on a business combination. We may issue some or all of the preferred stock to effect a business combination. In addition, the preferred stock could be utilized as a method of discouraging, delaying or preventing a change in control of us. Although we do not currently intend to issue any shares of preferred stock, we cannot assure you that we will not do so in the future.

### **Warrants**

There are outstanding warrants to purchase an aggregate of 15,600,000 shares of common stock at a price of \$5.00 per share, subject to adjustment as discussed below. In addition, Sunrise Securities Corp., the representative of the underwriters in our initial public offering, holds an option to purchase up to a total of 700,000 units, each comprised of one share of our common stock and two warrants. Each warrant covered by the unit purchase option granted to Sunrise Securities Corp. entitles the holder to purchase one share of our common stock at a price of \$6.25 per share, subject to adjustment as discussed below.

Each warrant may be exercised at any time commencing on the later of:

- 

the completion of a business combination; or

- 

July 13, 2006.

The warrants will expire at 5:00 p.m., New York City time on the earlier of:

- 

July 11, 2009; or

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if the Company elects to redeem all of the warrants, the date fixed for redemption.

We may call the warrants for redemption:

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in whole and not in part;

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with the prior consent of Sunrise Securities Corp.;

- 

at a price of \$0.01 per warrant at any time after the warrants become exercisable and prior to their expiration;

-

upon not less than 30 days prior written notice of redemption to each warrant holder;

•

if, and only if, the last sale price of the common stock equals or exceeds \$8.50 per share, on each of 20 trading days within any 30 trading day period ending on the third business day before we send notice of redemption to warrant holders; and

•

if, and only if, the weekly trading volume for the common stock has been at least 200,000 shares for each of the two calendar weeks before the notice of redemption is given.

The right to exercise the warrants will be forfeited unless they are exercised before the date specified in the notice of redemption. On and after the redemption date, the record holder of a warrant will have no further rights except to receive, upon surrender of the warrants, the redemption price.

The warrants are issued in registered form under a warrant agreement between Continental Stock Transfer & Trust Company, as warrant agent, and us.

The exercise price and number of shares of common stock issuable on exercise of the warrants may be adjusted in certain circumstances, including in the event of a stock dividend, or our recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuances of common stock at a price below their respective exercise prices.

The warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price by cash, certified check or bank draft payable to us, for the number of warrants being exercised. The warrant holders do not have the rights or privileges of holders of common stock or any voting rights until they exercise their warrants and receive shares of common stock. After the issuance of shares of common stock upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

No warrants will be exercisable unless at the time of exercise a prospectus relating to common stock issuable upon exercise of the warrants is current and the common stock has been registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of the warrants. Under the terms of the warrant agreement, we have agreed to meet these conditions and use our best efforts to maintain a current prospectus relating to common stock issuable upon exercise of the warrants until the expiration of the warrants. However, we cannot assure warrant holders that we will be able to do so. The warrants may be deprived of any value, and the market for the warrants may be limited if the prospectus relating to the common stock issuable upon the exercise of the warrants is not current or if the common stock is not qualified or exempt from qualifications in the jurisdictions in which the holders of the warrants reside. Accordingly, the warrants may expire unexercised and unredeemed if there is no effective registration statement. In addition, there are no circumstances under which we will be required to net cash settle the warrants.

As described under Risk Factors Risks Related to Our Capital Structure and Our Experience as a Public Company :

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If we are unable to maintain a current prospectus relating to the common stock underlying our warrants, our warrants may be worthless.

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The warrant agreement governing our warrants permits us to redeem the warrants after they become exercisable, and it is possible that we could redeem the warrants at a time when a prospectus is not current, resulting in the warrant holder receiving less than fair value of the warrant or the underlying common stock.

No fractional shares will be issued upon exercise of the warrants. If, upon exercise of the warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, round up to the nearest whole number the number of shares of common stock to be issued to the warrant holder.

### **Purchase Option**

We have sold to Sunrise Securities Corp., as the representative of the underwriters in our initial public offering, an option to purchase up to a total of 700,000 units at a per unit price of \$7.50. The units issuable upon exercise of this option are identical to those offered by us in our initial public offering except that the warrants included in the option have an exercise price of \$6.25 (125% of the exercise price of the warrants included in the units sold in the offering). Under the terms of the purchase option, we are obligated, upon the request of the holders, to file a registration statement covering the securities issuable upon exercise of the purchase option and to use our best efforts to have it declared effective. However, we cannot give any assurances that we will be able to do so. The holders of the option will not be entitled to exercise it or the warrants underlying the option unless a registration statement covering the securities issuable upon exercise of the option is effective or an exemption from registration is available. Accordingly, the purchase option may expire unexercised and unredeemed if there is no effective registration statement. In addition, there are no circumstances under which we will be required to net cash settle the purchase option.

### **Dividends**

We have not paid any dividends on our common stock to date and do not intend to pay dividends prior to the completion of a business combination. The payment of dividends in the future will be contingent upon our revenues and earnings, if any, capital requirements and general financial condition subsequent to completion of a business combination. The payment of any dividends subsequent to a business combination will be within the discretion of our then board of directors. It is the present intention of our board of directors to retain all earnings, if any, for use in our business operations and, accordingly, our board of directors does not anticipate declaring any dividends in the

foreseeable future.

**Restrictive Provisions of our Amended and Restated Certificate of Incorporation and By-Laws**

Our Amended and Restated Certificate of Incorporation, and, if approved, our Second Amended and Restated Certificate of Incorporation, and by-laws contain certain provisions that may make it more difficult, expensive or otherwise discourage, a tender offer or a change in control or takeover attempt by a third-party, even if such a transaction would be beneficial to our stockholders. The existence of these provisions may have a negative impact

on the price of our common stock by discouraging third-party investors from purchasing our common stock. In particular, our Amended and Restated Certificate of Incorporation and by-laws include provisions that:

- classify our board of directors into three groups, each of which serve for staggered three-year terms;
- permit our directors to fill vacancies on our board of directors;
- require stockholders to give us advance notice to nominate candidates for election to our board of directors or to make stockholder proposals at a stockholders meeting;
- permit a special meeting of our stockholders be called only by the board of directors and not by any other person or persons;
- permit our board of directors to issue, without approval of our stockholders, preferred stock with such terms as our board of directors may determine;
- permit the authorized number of directors to be changed only by the board of directors or at a meeting of the stockholders called for the purpose of electing directors at which a quorum is present, by the affirmative vote of 66 2/3% of the shares represented at the meeting and entitled to vote generally in the election of directors; and
- require the vote of the holders of 66 2/3% of the shares of our common stock for amendments by the stockholders of certain provisions of our by-laws, including some of the provisions described above.

Our by-laws require that, subject to certain exceptions, any stockholder desiring to propose business or nominate a person to the board of directors at a stockholders meeting must give notice of any proposals or nominations within a specified time frame. These provisions may have the effect of precluding a nomination for the election of directors or the conduct of business at a particular annual meeting if the proper procedures are not followed or may discourage or deter a third-party from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of us, even if the conduct of such solicitation or such attempt might be beneficial to us and our stockholders. For us to include a proposal in our annual proxy statement, the proponent and the proposal must comply with the proxy proposal submission rules of the SEC.

Our Amended and Restated Certificate of Incorporation has established that we will have a classified board of directors. A classified board of directors is one in which a group or class of directors is elected on a rotating basis each year. This method of electing directors makes changes in the composition of the board of directors lengthier, which consequently would make a change in control of a corporation a lengthier and more difficult process.

### **STOCKHOLDER PROPOSALS**

If you are a stockholder and you want to include a proposal in the proxy statement for the year 2007 annual meeting, presently scheduled for June 2007, under our by-laws you must give timely notice of the proposal, in writing, along with any supporting materials to our secretary at our principal office in Arlington, Virginia. Under normal circumstances, to be timely (a) under our bylaws, a stockholder proposal must be delivered to or mailed and received at our principal executive offices not less than 60 days nor more than 90 days prior to the meeting and (b) under applicable rules of the Securities and Exchange Commission, a stockholder proposal must be received not less than 120 days before the date of our proxy statement released in connection with the previous year's annual meeting. However, since less than 75 days' notice or prior public disclosure of the date of the meeting was given to stockholders, to be timely under our bylaws, a stockholder proposal must be received not later than the close of business on the 15th day following the day on which notice of the date of the meeting or public disclosure thereof is given or made.

### **MULTIPLE STOCKHOLDERS SHARING ONE ADDRESS**

In accordance with Rule 14a-3(e)(1) under the Exchange Act, one proxy statement will be delivered to two or more stockholders who share an address, unless we have received contrary instructions from one or more of the shareholders. We will deliver promptly upon written or oral request a separate copy of the proxy statement to a stockholder at a shared address to which a single copy of the proxy statement was delivered. Requests for additional copies of the proxy statement, and requests that in the future separate proxy statements be sent to stockholders who share an address, should be directed to Fortress America Acquisition Corporation, 4100 North Fairfax Drive, Suite

1150, Arlington, Virginia 22203, Attn: Secretary, telephone: (703) 528-7073. In addition, stockholders who share a single address but receive multiple copies of the proxy statement may request that in the future they receive a single copy by contacting us at the address and phone number set forth in the prior sentence.

#### **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The consolidated financial statements of TSS/Vortech as of and for the years ended December 31, 2003, 2004 and 2005 included in this proxy statement have been audited by McGladrey & Pullen, LLP, independent registered public accounting firm.

The financial statements of FAAC as of December 31, 2005 and for the periods ended December 31, 2004 and 2005 included in this proxy statement have been audited by Goldstein Golub Kessler LLP, independent registered public accounting firm. Goldstein Golub Kessler LLP has acted as the independent auditor for FAAC since its inception.

#### **WHERE YOU CAN FIND MORE INFORMATION**

We file reports, proxy statements and other information with the SEC as required by the Exchange Act. You may access this information at the SEC website at <http://www.sec.gov>.

You may read and copy reports, proxy statements and other information filed by us with the SEC at their public reference room located at Headquarters Office, 100 F Street, N.E., Room 1580, Washington, D.C. 20549.

You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. You may also obtain copies of the materials described above at prescribed rates by writing to the Securities and Exchange Commission, Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549.



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**VORTECH, LLC AND VTC, LLC**  
**COMBINED FINANCIAL REPORT**  
**December 31, 2005, 2004 and 2003**

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McGladrey & Pullen  
Certified Public Accountants

### INDEPENDENT AUDITOR S REPORT

To the Members  
Vortech, LLC and VTC, LLC  
Beltsville, Maryland

We have audited the accompanying combined balance sheets of Vortech, LLC and VTC, LLC (the Company ) as described in Note 1 to the financial statements, as of December 31, 2005, 2004 and 2003, and the related combined statements of income, changes in members equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company 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, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Vortech, LLC and VTC, LLC as of December 31, 2005, 2004 and 2003 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13, the 2005 and 2004 financial statements have been restated to include the assets, liabilities and gain (loss) of a discontinued operation.

/s/ McGladrey & Pullen, LLP

Bethesda, Maryland  
May 12, 2006, except for Note 13, as to which the date is October 27, 2006.

McGladrey & Pullen, LLP is a member firm of RSM International,  
an affiliation of separate and independent legal entities.

**VORTECH, LLC AND VTC, LLC****COMBINED BALANCE SHEET  
December 31, 2005, 2004 and 2003**

	<b>2005</b> (restated)	<b>2004</b> (restated)	<b>2003</b>
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 1,737,075	\$ 1,503,338	\$ 1,071,940
Contract and other receivables, net including \$869,131, \$162,342 and \$395,640 from related parties in 2005, 2004 and 2003	11,136,833	2,669,370	3,592,924
Costs and estimated earnings in excess of billings on uncompleted contracts	528,494	963,089	202,017
Prepaid expenses	6,197	3,961	
Due from affiliated entities	51,773	21,317	17,177
Assets of discontinued operation		258,734	
<b>Total current assets</b>	13,460,372	5,419,809	4,884,058
Property and Equipment, net	532,452	554,967	557,375
Deposits and Other Assets	106,486	27,177	7,041
	\$ 14,099,310	\$ 6,001,953	\$ 5,448,474
<b>LIABILITIES AND MEMBERS EQUITY</b>			
Current Liabilities			
Notes payable, current portion	\$ 72,808	\$ 116,654	\$ 48,726
Accounts payable, including \$1,388,347, \$605,458 and \$1,075,630 to related parties in 2005, 2004 and 2003	6,360,959	2,011,561	1,710,333
Accrued bonuses	745,247	461,000	344,348
Other accrued expenses	1,140,244	707,589	167,183
Billings in excess of costs and estimated earnings on uncompleted contracts	2,899,728	1,538,462	1,734,432
Liabilities of discontinued operations		416,425	
<b>Total current liabilities</b>	11,218,986	5,251,691	4,005,022
Long-Term Liabilities			
Notes payable, less current portion	160,652	369,579	167,015
Deferred compensation payable	128,038	24,566	
	288,690	394,145	167,015
Commitments and Contingencies (Notes 5, 6, 7, 8, 9, and 12)			

Members Equity	2,941,634	356,117	1,276,437
Note receivable from affiliate	(350,000 )		
	2,591,634	356,117	1,276,437
	\$ 14,099,310	\$ 6,001,953	\$ 5,448,474

*See Notes To Combined Financial Statements.*

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**VORTECH, LLC AND VTC, LLC****COMBINED STATEMENT OF INCOME**  
**Years Ended December 31, 2005, 2004 and 2003**

	<b>2005</b> (restated)	<b>2004</b> (restated)	<b>2003</b>
Earned Revenues, including \$3,852,227, \$1,324,188 and \$1,842,081 with related parties in 2005, 2004 and 2003	\$ 58,632,293	\$ 21,302,997	\$ 12,330,785
Cost of earned revenues, including \$13,709,811, \$4,814,302 and \$342,670 with related parties in 2005, 2004 and 2003	50,056,924	15,769,341	8,392,786
<b>Gross profit</b>	8,575,369	5,533,656	3,937,999
General and administrative expenses, including \$1,033,493, \$582,444, and \$342,670 with related parties in 2005, 2004 and 2003	5,647,897	4,514,475	2,131,908
<b>Operating income</b>	2,927,472	1,019,181	1,806,091
Interest expense	(35,184 )	(29,139 )	(3,957 )
<b>Income from continuing operations</b>	2,892,288	990,042	1,802,134
Gain (loss) from discontinued operations (Note 13)	252,845	(252,845 )	
<b>Net income</b>	\$ 3,145,133	\$ 737,197	\$ 1,802,134

*See Notes To Combined Financial Statements.*

**VORTECH, LLC AND VTC, LLC**

**COMBINED STATEMENT OF CHANGES IN MEMBERS EQUITY**  
**Years Ended December 31, 2005, 2004 and 2003**

	<b>2005</b>	<b>2004</b>	<b>2003</b>
	(restated)	(restated)	
Balance, Beginning of year	\$ 356,117	1,276,437	29,303
Capital Contributions			45,000
Distributions	(559,616 )	(1,657,517 )	(600,000 )
Net income	3,145,133	737,197	1,802,134
Balance, End of year	\$ 2,941,634	\$ 356,117	\$ 1,276,437

*See Notes To Combined Financial Statements.*

## VORTECH, LLC AND VTC, LLC

**COMBINED STATEMENT OF CASH FLOWS**  
**Years Ended December 31, 2005, 2004 and 2003**

	2005	2004	2003
	(restated)	(restated)	
Cash Flows From Operating Activities			
Net income	\$ 3,145,133	\$ 737,197	\$ 1,802,134
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	228,279	136,203	48,019
Allowance for doubtful accounts	(26,876 )	(1,544 )	35,500
(Gain) loss from discontinued operations	(252,845 )	252,845	
Changes in assets and liabilities:			
(Increase) decrease in:			
Contract and other receivables	(8,440,587 )	925,098	(3,628,424 )
Costs and estimated earnings in excess of billings on uncompleted contracts	475,857	(625,777 )	(202,017 )
Prepaid expenses	(2,236 )	(3,961 )	(7,041 )
Due from affiliated entities	(285,303 )	(95,153 )	
Deposits and other assets	(146,809 )	(20,136 )	
Increase (decrease) in:			
Accounts payable and accrued expenses	5,066,299	958,286	2,221,864
Billings in excess of costs and estimated earnings on uncompleted contracts	1,320,004	(331,265 )	1,734,432
Deferred compensation payable	103,472	24,566	
<b>Net cash provided by operating activities</b>	<b>1,184,388</b>	<b>1,956,359</b>	<b>2,004,467</b>
Cash Flows From Investing Activities			
Purchases of property and equipment	(59,521 )	(133,796 )	(605,394 )
Increase in due from affiliated entities		(4,140 )	(17,177 )
<b>Net cash used in investing activities</b>	<b>(59,521 )</b>	<b>(137,936 )</b>	<b>(622,571 )</b>
Cash Flows From Financing Activities			
Proceeds from notes payable		320,794	247,864
Principal payments on notes payable	(331,514 )	(50,302 )	(32,123 )
Capital contributions			45,000
Member distributions	(559,616 )	(1,657,517 )	(600,000 )
<b>Net cash used in financing activities</b>	<b>(891,130 )</b>	<b>(1,387,025 )</b>	<b>(339,259 )</b>
<b>Net increase in cash and cash equivalents</b>	<b>233,737</b>	<b>431,398</b>	<b>1,042,637</b>



Cash and Cash Equivalents

Beginning	1,503,338	1,071,940	29,303
Ending	\$ 1,737,075	\$ 1,503,338	\$ 1,071,940

Supplemental Disclosure of Cash Flow Information

Cash paid for interest	\$ 35,184	\$ 29,139	\$ 3,957
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*See Notes To Combined Financial Statements.*

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**VORTECH, LLC AND VTC, LLC**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**Note 1. Nature of Business and Significant Accounting Policies**

*The Companies and nature of businesses:* Vortech Consulting, LLC was organized in the State of Maryland on May 31, 2002 and previously operated under three separate divisions, Vortech, Total Site Solutions (TSS) and S3 Integration.

Effective August 15, 2005, Vortech Consulting, LLC changed its name to VTC, LLC and the Vortech division began operating as a separate LLC named Vortech, LLC. The 2005 financial statements include the combined financial position and results of operations of both VTC, LLC and Vortech, LLC and S3 Integration (collectively, the Company).

S3 Integration was in operation from July 1, 2004 to August 31, 2005 as a division of Vortech Consulting, LLC. S3 Integration is a provider of turnkey electronic security integration services. The operations of S3 Integration have been included in the 2005 Statement of Income as a discontinued operation (see Note 13).

Vortech provides cable and electrical plan design, installation and service. TSS provides a variety of services to the mission critical and high-tech industry, including planning and programming, engineering and design, project and construction manager, field installation, and facilities management. Operations of both divisions commenced effective January 1, 2003.

A summary of the Company's significant accounting policies follows:

*Principles of combination:* The combined financial statements include Vortech, LLC and VTC, LLC for December 31, 2005, and Vortech Consulting, LLC for December 31, 2004 and 2003. All intercompany accounts and transactions have been eliminated in combination.

*Personal assets and liabilities and member salaries:* In accordance with the generally accepted method of presenting financial statements for a limited liability company, the financial statements do not include the personal assets and liabilities of the members, including their obligation for income taxes on their distributive shares of the Company's net income or their rights to refunds on the Company's net loss, nor any provision for income tax expense or an income tax refund. The expenses shown on the statement of income include salaries paid to members.

*Revenue recognition:* Revenue from contracts is recognized on the percentage-of-completion method, measured by the percentage of total costs incurred to date to estimated total costs for each contract. This method is used because management considers cost incurred and costs to complete to be the best available measure of progress in the contracts.

Contract costs include all direct materials, subcontract and labor costs and those indirect costs related to contract performance, such as indirect labor, payroll taxes, and supplies. General and administrative expenses are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which losses are determined.

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

As these long-term contracts extend over one or more years, revisions in cost and profit estimates during the course of the contract are reflected in the accounting period in which the facts which require the revisions are determined.

*Cash and cash equivalents:* For purposes of reporting cash flows, the Company considers all highly-liquid debt instruments with original maturities of three months or less to be cash equivalents.

**VORTECH, LLC AND VTC, LLC**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**Note 1. Nature of Business and Significant Accounting Policies (continued)**

*Contract receivables:* Contract receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of contract receivables previously written off are recorded when received. An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is not recorded on any past due balances.

*Property and equipment:* Property and equipment are recorded at cost and depreciated using the straight-line method of depreciation over their estimated useful lives, ranging from 3 to 7 years. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the remaining lease term. Normal repairs and maintenance are charged against income.

*Valuation of long-lived assets:* The Company accounts for the valuation of long-lived assets under Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

*Advertising costs:* The Company expenses all advertising costs as incurred. Advertising expense was \$384,409, \$14,082 and \$24,311 for the years ended December 31, 2005, 2004 and 2003 respectively.

*Income taxes:* The Company is treated as a partnership for Federal income tax purposes, and members are taxed individually on their pro-rata share of the Company's earnings. The Company's net income or loss is allocated among the members in accordance with the Company's operating agreement. The Company intends to make distributions to its members subsequent to year-end sufficient to pay personal income taxes on taxable income, if any, from the Company.

*Credit risk:* The Company may from time to time, have cash in banking institutions in excess of the amount insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Company grants credit to its customers in the normal course of business on an unsecured basis. The Company's accounts receivable are derived from customers throughout the metropolitan Washington, D.C. and Baltimore, Maryland areas, and are made on an unsecured basis.

*Estimates:* The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used when accounting for estimated costs to complete long-term contracts in progress, allowance for doubtful accounts, and depreciation, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are

determined to be necessary.

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**VORTECH, LLC AND VTC, LLC****NOTES TO COMBINED FINANCIAL STATEMENTS****Note 2. Uncompleted Contracts**

Information regarding uncompleted contracts as of December 31, 2005, 2004 and 2003 is as follows:

	<b>2005</b>	<b>2004</b>	<b>2003</b>
Costs incurred on uncompleted contracts	\$ 52,493,306	\$ 14,350,725	\$ 3,096,016
Estimated earnings	8,274,479	3,423,709	1,072,013
	60,767,785	17,774,434	4,168,029
Less billings to date	63,139,019	18,347,807	5,700,444
	\$ (2,371,234 )	\$ (573,373 )	\$ (1,532,415 )

The foregoing balances are included in the accompanying balance sheets under the following captions:

	<b>2005</b>	<b>2004</b>	<b>2003</b>
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 528,494	\$ 963,089	\$ 202,017
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,899,728 )	(1,538,462 )	(1,734,432 )
	\$ (2,371,234 )	\$ (575,373 )	\$ (1,532,415 )

**Note 3. Contract and Other Receivables**

	<b>2005</b>	<b>2004</b>	<b>2003</b>
Completed contracts, including retentions	\$ 620,403	\$ 645,416	\$ 755,144
Contracts in progress			
Current	10,309,204	1,991,753	2,835,871
Retention	198,391	7,659	15,018
Other miscellaneous receivables	33,835	56,720	22,391
	11,161,833	2,701,548	3,628,424
Less allowance for doubtful accounts	(25,000 )	(32,178 )	(35,500 )
	\$ 11,136,833	\$ 2,669,370	\$ 3,592,924

**Note 4. Property and Equipment**

Property and equipment as of December 31, 2005, 2004 and 2003 consists of the following:

<b>2005</b>	<b>2004</b>	<b>2003</b>
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Vehicles	\$ 395,006	\$ 313,760	\$ 261,199
Leasehold improvements	375,638	366,334	329,937
Furniture and fixtures	14,732	5,130	
Office equipment	92,076	53,965	14,258
	877,452	739,189	605,394
Less accumulated depreciation	345,000	184,222	48,019
	\$ 532,452	\$ 554,967	\$ 557,375

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**VORTECH, LLC AND VTC, LLC****NOTES TO COMBINED FINANCIAL STATEMENTS****Note 5. Notes Payable**

The Company has entered into multiple notes payable arrangements, certain of which were secured by vehicles, that require monthly payments ranging from \$273 to \$789, including interest at the rate of 0% to 5.92% through October 2010. Future principal payments on these notes payable are as follows:

**Years Ending December 31,**

2006	\$ 72,808
2007	76,934
2008	50,525
2009	22,990
2010	10,203
	\$ 233,460

**Note 6. Line of Credit**

VTC, LLC has a revolving demand line of credit agreement with a bank that allows for maximum borrowings of up to \$1,000,000. Interest accrues daily on the outstanding balance at the one month LIBOR rate plus 225 basis points. The line is personally guaranteed by a 50% member of the Company, and is collateralized by substantially all Company assets. There were no borrowings under the line of credit as of December 31, 2005.

As of December 31, 2004 and 2003 the Vortech Consulting, LLC had a revolving line of credit with a bank that allowed for maximum borrowings for the lesser of \$500,000 or 80% of eligible receivables. Interest accrues daily on the outstanding balance at the bank's prime rate, plus 1% (effective rate of 6% at December 31, 2004). The line is personally guaranteed by certain members of the Company, and is collateralized by substantially all Division assets. The agreement requires the Company to maintain certain tangible net worth. There were no borrowings by the Company as of December 31, 2004, and 2003 however, the S3 Integration division had borrowings under this line of credit of \$140,000 as of December 31, 2004, which is included in liabilities from discontinued operations.

**Note 7. Leasing Arrangements**

Chesapeake Tower Systems, Inc. (Chesapeake) and affiliated entity, entered into a six-year lease for office and warehouse space expiring in October 2008. The Company is subleasing a portion of the space under a similar arrangement, however Chesapeake remains ultimately obligated. The Company is also leasing office equipment under operating lease arrangements. Rent expense under the above arrangements was \$190,727, \$152,425 and \$108,121 for the years ended December 31, 2005, 2004 and 2003, respectively.

Future minimum payments under leasing arrangements as of December 31, 2005, are as follows:

**Years Ending December 31,**

2006	\$ 198,597
2007	179,300



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2008	146,101
2009	107
	\$ 524,105

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**VORTECH, LLC AND VTC, LLC**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**Note 8. Profit Sharing Plan**

The Company provides retirement benefits to its employees through its participation in the Chesapeake Tower Systems and Affiliates 401(k) Plan in which it is an adopting employer. Substantially all employees who meet certain eligibility requirements are eligible to participate. Participants may elect to defer a percentage of their annual compensation, subject to certain limitations, in accordance with Section 401(k) of the Internal Revenue Code. The Company makes matching contributions of 40% (35% for 2003) of the first 6% of compensation deferred by each participant. Employer matching contributions were \$70,709, \$54,036 and \$16,985 for the years ended December 31, 2005, 2004 and 2003, respectively.

**Note 9. Phantom Unit Plan**

The Company signed agreements with certain key employees to provide incentive compensation for enhancement of Company and shareholder value and to share in the future economic success of the Company. Under these agreements, the Company had issued 30,250 phantom units as of December 31, 2005 and 2004. The phantom units vest over a three-year period from the grant date and realize value based on a formula provided in the agreements. The deferred compensation is to be paid to the individuals or their beneficiaries over a period of five years commencing with the termination of employment, death or date of closing if the Company is sold or merged. The Company records periodic accruals for the cost of providing such benefits by charges to income. Compensation expense recorded under these agreements was \$103,472 and \$24,566 for the years ended December 31, 2005 and 2004 respectively. As of December 31, 2005, 20,167 units were vested.

**Note 10. Related Party Transactions**

The Company participates in transactions with the following entities affiliated through common ownership and management.

*CSI Engineering, Inc.* CSI Engineering, Inc. ( CSI ), which is 9% owned by a 50% partner in the Company, acts as an engineering services subcontractor to the Company, and the Company acts as an electrical subcontractor to CSI.

*TPR Group LLC.* As of January 1, 2006, TPR Group LLC ( TPR Group ), which is wholly-owned by a 50% partner in the Company, has provided human resources, administrative support and insurance and employee benefit plan administration services to TSS/Vortech.

*S3 Integration LLC.* S3 Integration LLC ( S3 Integration ), which is owned 15% by each of the partners, provides commercial and government security systems design and installation services as a subcontractor to the Company. In addition, S3 Integration utilizes the Company as subcontractor.

*GR Partners.* GR Partners, which is owned 50% by each of the partners, leases office and field equipment to the Company under the terms of an equipment lease. In addition the Company has paid fees for management services (which is included in general and administrative expenses) for the years ended December 31, 2003, 2004 and 2005.

*Chesapeake Tower Systems, Inc.* Chesapeake Tower Systems, Inc. ( Chesapeake ), which is 60% owned by one of the partners, is a manufacturer's representative and distributor of mechanical and electrical equipment, which Chesapeake sells to the Company. In addition, the Company acts as a subcontractor to Chesapeake for certain equipment installation on project-by-project basis.

*CTS Services, LLC*. CTS Services, LLC ( CTS ), which is 55% owned by a partner, is a mechanical contractor and acts as subcontractor to the Company for certain projects. In addition, CTS utilizes the Company as a subcontractor on projects as needed.

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## VORTECH, LLC AND VTC, LLC

## NOTES TO COMBINED FINANCIAL STATEMENTS

## Note 10. Related Party Transactions (continued)

*L.H. Cranston Acquisition Group, Inc.* L.H. Cranston Acquisition Group, Inc., 25% of which was acquired by a partner in July 2005, is a mechanical, electrical and plumbing contractor that acts, directly or through its subsidiary L.H. Cranston and Sons, Inc., as subcontractor to the Company on a project-by-project basis.

*Telco P&C, LLC.* Telco P&C, LLC, which is 55% owned by a partner, is a specialty electrical installation company that acts as a subcontractor to the Company. The Company has also acted as a subcontractor to Telco as needed.

*Automotive Technologies, Inc.* Automotive Technologies, Inc., which is 60% owned by a partner, provides vehicle maintenance and repair services to the Company.

*Jet Facilities Group, Inc.* Jet Facilities Group, Inc. ( Jet ) which was 50% owned by a partner provides facilities management services to commercial customers. As of January 1, 2005 the partner has divested himself of his ownership interest in Jet.

A summary of such transactions for the years ended December 31, 2005, 2004 and 2003 and the amounts due from and to these related parties as of December 31, 2005, 2004 and 2003 are listed below:

	2005	2004	2003
Sales/Contract Revenue:			
CTS Services, LLC	\$ 189,743	\$ 201,178	\$ 1,517,850
CSI Engineering, Inc.	3,627,743	68,166	1,574
S3 Integration, LLC	18,204		
Chesapeake Tower Systems, Inc.	7,729	187,083	189
TPR Group, LLC	8,808		
Jet Facilities Group, Inc.		867,761	315,862
Telco P&C, LLC			6,606
Purchases/Contract Costs:			
Chesapeake Tower Systems, Inc.	7,387,225	652,630	76,558
CTS Services, LLC	3,425,784	2,213,227	232,875
S3 Integration, LLC	6,628		
CSI Engineering, Inc.	380,586	1,824,017	1,549,493
GR Partners	508,234	46,907	19,158
LH Cranston & Sons, Inc.	2,001,354		
Telco P&C, LLC		77,521	
Management/Consulting Fees:			

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CTS Services, LLC	534,700	400,400	71,650
GR Partners	275,000		
Office rent paid to Chesapeake Tower Systems, Inc.	190,727	152,425	108,121
Equipment rent paid to GR Partners	33,066	29,619	19,158

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**VORTECH, LLC AND VTC, LLC****NOTES TO COMBINED FINANCIAL STATEMENTS****Note 10. Related Party Transactions (continued)**

	<b>2005</b>	<b>2004</b>	<b>2003</b>
Accounts receivable/(payable):			
CTS Services, LLC	4,669	108,409	197,606
CSI Engineering, Inc.	854,455	38,964	
S3 Integration, LLC	9,381	614	
TPR Group	532		
Chesapeake Tower Systems, Inc.	94	14,805	214
CTS Services, LLC	(275,553 )	(322,626 )	(80,115 )
Chesapeake Tower Systems, Inc.	(469,418 )	(31,570 )	(845 )
Telco P&C, LLC	(4,174 )	(52,834 )	
GR Partners	(14,785 )	(3,299 )	(3,019 )
CSI Engineering, Inc.	(8,795 )	(195,129 )	(913,710 )
LH Cranston & Sons, Inc.	(615,622 )		
Jet Facilities Group, Inc.			225,080

**Note 11. Major Customers**

The Company earned approximately 78% of its revenue under several different contracts and locations from one major customer for the year ended December 31, 2005. Accounts receivable from this customer was \$7,824,600 at December 31, 2005. For the year ended December 31, 2004 the Company earned approximately 60% of its revenue from three customers. Accounts receivable from these customers was \$1,446,183 at December 31, 2004. For the year ended December 31, 2003 the Company earned approximately 77% of its revenue from three major customers under several different contracts for the year ended December 31, 2003. Accounts receivable from these major customers was \$2,180,769 at December 31, 2003.

**Note 12. Litigation**

From time to time, the Company has certain pending claims and legal proceedings that generally involve contract claims and disputes. These proceedings are, in the opinion of management, ordinary routine matters incidental to the construction business. In the opinion of management, the ultimate disposition of such proceedings are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

**Note 13. Restatement and Discontinued Operations**

The 2005 and 2004 financial statements have been restated to include the assets, liabilities and gains and (losses) of the S3 Integration Division, which was transferred into a separate LLC, S3 Integration, LLC (S3I) on September 1, 2005. As part of the transaction, S3I assumed all the liabilities of the division and entered into a term loan agreement

with VTC, LLC.

On the date of the transaction the Company had a balance due from the Division in the amount of \$558,955 as follows:

Note receivable	\$ 350,000
Distribution to members	200,000
Amount remaining in due from affiliated entities	8,955
	\$ 558,955

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**VORTECH, LLC AND VTC, LLC****NOTES TO COMBINED FINANCIAL STATEMENTS****Note 13. Discontinued Operations (continued)**

The note receivable from S3 Integration is to be repaid over seven years in monthly principal and interest payments \$5,282 beginning in February 2006 with interest at 7%. It has been classified as contra equity on the December 31, 2005 combined balance sheet as it is the intention of the Company to distribute the balance of the loan to its members in 2006.

A summary of the assets and liabilities of discontinued operations as of December 31, 2004 were as follows:

**Assets of Discontinued Operations**

Current assets	\$ 157,414
Property and equipment	101,320
	<b>\$ 258,734</b>

**Liabilities of Discontinued Operations**

Current liabilities	\$ 400,172
Notes payable, net of current portion	16,253
	<b>\$ 416,425</b>

The following results of the Division have been presented as gain (loss) from discontinued operations in the accompanying statements of income for the years ended December 31, 2005 and 2004 as follows:

	<b>2005</b>	<b>2004</b>
Earned revenues	<b>\$ 1,525,897</b>	\$ 738,905
Costs and expenses	<b>1,832,007</b>	991,750
Operating loss	<b>(306,110 )</b>	(252,845 )
Gain on transfer of the Division	<b>558,955</b>	
Gain (loss) from discontinued operations	<b>\$ 252,845</b>	\$ (252,845 )



**VORTECH, LLC AND VTC, LLC**

**COMBINED FINANCIAL REPORT**

**September 30, 2006**

**(unaudited)**

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**VORTECH, LLC AND VTC, LLC****COMBINED BALANCE SHEET**  
**September 30, 2006 and December 31, 2005**

	<b>September 30, 2006</b>	<b>December 31, 2005</b>
	(unaudited)	
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 913,573	\$ 1,737,075
Contract and other receivables, net including \$239,523 and \$869,131 from related parties in 2006 and 2005	<b>11,525,906</b>	11,136,833
Costs and estimated earnings in excess of billings on uncompleted contracts	<b>597,771</b>	528,494
Prepaid expenses	<b>511,690</b>	6,197
Due from affiliated entities	<b>104,846</b>	51,773
<b>Total current assets</b>	<b>13,653,786</b>	13,460,372
Property and Equipment, net	<b>455,645</b>	532,452
Deposits and Other Assets	<b>55,256</b>	106,486
	<b>\$ 14,164,687</b>	\$ 14,099,310
<b>LIABILITIES AND MEMBERS EQUITY</b>		
Current Liabilities		
Notes payable, current portion	\$ 72,808	\$ 72,808
Accounts payable, including \$883,651 and \$1,388,347 to related parties in 2006 and 2005	<b>6,695,102</b>	6,360,959
Accrued bonuses	<b>49,647</b>	745,247
Other accrued expenses	<b>1,660,358</b>	1,140,244
Billings in excess of costs and estimated earnings on uncompleted contracts	<b>2,218,204</b>	2,899,728
<b>Total current liabilities</b>	<b>10,696,119</b>	11,218,986
Long-Term Liabilities		
Notes payable, less current portion	<b>104,680</b>	160,652
Deferred compensation payable	<b>178,538</b>	128,038
	<b>283,218</b>	288,690
Commitments (Note 5)		
Members Equity	<b>3,517,255</b>	2,941,634

Note receivable from affiliate	(331,905 )	(350,000 )
	<b>3,185,350</b>	2,591,634
	<b>\$ 14,164,687</b>	<b>\$ 14,099,310</b>

*See Notes to Combined Financial Statements.*

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**VORTECH, LLC AND VTC, LLC****COMBINED STATEMENT OF INCOME****Nine Months Ending September 30, 2006 and September 30, 2005**

	<b>September 30, 2006</b>	<b>September 30, 2005</b>
	(unaudited)	
Earned Revenues, including \$1,729,928 and \$2,947,915 with related parties in 2006 and 2005	<b>\$ 47,300,017</b>	\$ 43,427,459
Cost of earned revenues, including \$5,851,261 and \$9,368,404 with related parties in 2006 and 2005	<b>38,938,582</b>	36,802,943
<b>Gross profit</b>	<b>8,361,435</b>	6,624,516
General and administrative expenses, including \$971,249 and \$715,034 with related parties in 2006 and 2005	<b>5,147,245</b>	3,727,689
<b>Operating income</b>	<b>3,214,190</b>	2,896,827
Interest expense	<b>(14,122 )</b>	(26,118 )
<b>Net income from continuing operations</b>	<b>\$ 3,200,068</b>	\$ 2,870,709
Gain from discontinued operations (Note 11)		(252,845 )
<b>Net income</b>	<b>\$ 3,200,068</b>	\$ 3,123,554

*See Notes to Combined Financial Statements.*

**VORTECH, LLC AND VTC, LLC**

**COMBINED STATEMENT OF CHANGES IN MEMBERS EQUITY**  
**Nine Months Ending September 30, 2006**

	<b>Six Months</b> <b>Ending June 30,</b> <b>2006</b> (unaudited)
Balance, December 31, 2005	\$ 2,941,634
Distributions	2,624,447
Net income	3,200,068
<b>Balance, September 30, 2006</b>	<b>\$ 3,517,255</b>

*See Notes to Combined Financial Statements.*

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## VORTECH, LLC AND VTC, LLC

## COMBINED STATEMENT OF CASH FLOWS

Nine Months Ending September 30, 2006 and September 30, 2005

	September 30, 2006	September 30, 2005
	(unaudited)	
Cash Flows From Operating Activities		
Net income	\$ 3,200,068	\$ 3,123,554
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	194,318	120,246
Allowance for doubtful accounts		
Gain from discontinued operation		(252,845 )
Changes in assets and liabilities:		
(Increase) decrease in:		
Contract and other receivables	(389,073 )	(5,578,379 )
Costs and estimated earnings in excess of billings on uncompleted contracts	(69,277 )	775,804
Prepaid expenses	(505,493 )	(85,437 )
Due from affiliated entities	(34,978 )	(499,116 )
Deposits	730	(146,841 )
Increase (decrease) in:		
Accounts payable and accrued expenses	158,657	4,637,331
Billings in excess of costs and estimated earnings on uncompleted contracts	(681,524 )	280,414
Deferred compensation payable	50,500	
<b>Net cash provided by operating activities</b>	<b>1,923,928</b>	<b>2,374,731</b>
Cash Flows From Investing Activities		
Purchases of property and equipment	(67,011 )	(94,615 )
<b>Net cash used in investing activities</b>	<b>(67,011 )</b>	<b>(94,615 )</b>
Cash Flows From Financing Activities		
Principal payments on notes payable	(55,972 )	(66,355 )
Member distributions	(2,624,447 )	(350,000 )
<b>Net cash used in financing activities</b>	<b>(2,680,419 )</b>	<b>(416,355 )</b>
<b>Net increase in cash and cash equivalents</b>	<b>(823,502 )</b>	<b>1,863,761</b>

Cash and Cash Equivalents

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Beginning	\$	<b>1,737,075</b>	\$	1,503,338
Ending	\$	<b>913,573</b>	\$	3,367,099
Supplemental Disclosure of Cash Flow Information				
Cash paid for interest	\$	<b>(14,122 )</b>	\$	(26,118 )

*See Notes to Combined Financial Statements.*

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**VORTECH, LLC AND VTC, LLC**

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**(unaudited)**

**Note 1. Interim Financial Statements**

This document includes unaudited interim financial statements that should be read in conjunction with the Company's latest audited annual financial statements. However, in the opinion of management, these financial statements contain all adjustments, consisting only of normal recurring items, necessary for a fair presentation of the Company's financial position as of September 30, 2006 and 2005, the results of its operations for the nine months ended September 30, 2006 and 2005, and its cash flows for the nine months ended September 30, 2006 and 2005. Operating results for the nine months ended September 30, 2006 are not necessarily indicative of the results expected for the full fiscal year.

**Note 2. Nature of Business and Significant Accounting Policies**

*The Companies and nature of businesses:* Vortech Consulting, LLC was organized in the State of Maryland on May 31, 2002. The Company previously operated under three separate divisions, Vortech, Total Site Solutions (TSS) and S3 Integration.

Effective August 15, 2005, Vortech Consulting, LLC changed its name to VTC, LLC and the Vortech division began operating as a separate LLC named Vortech, LLC. The 2005 financial statements include the combined financial position and results of operations of both VTC, LLC and Vortech, LLC and S3 Integration (collectively, the Company).

S3 Integration was in operation from July 1, 2004 to August 31, 2005 as a division of Vortech Consulting, LLC. S3 Integration is a provider of turnkey electronic security integration services. The operations of S3 Integration have been included in the 2005 Statement of Income as a discontinued operation (see Note 11).

Vortech provides cable and electrical plan design, installation and service. TSS provides a variety of services to the mission critical and high-tech industry, including planning and programming, engineering and design, project and construction manager, field installation, and facilities management. Operations of both divisions commenced effective January 1, 2003.

A summary of the Company's significant accounting policies follows:

*Principles of combination:* The combined financial statements include Vortech, LLC and VTC, LLC. for September 30, 2006 and December 31, 2005 and the results of operations and cash flows of Vortech Consulting, LLC for the nine months ending September 30, 2005. All intercompany accounts and transactions have been eliminated in combination.

*Personal assets and liabilities and member salaries:* In accordance with the generally accepted method of presenting financial statements for a limited liability company, the financial statements do not include the personal assets and liabilities of the members, including their obligation for income taxes on their distributive shares of the Company's net income or their rights to refunds on the Company's net loss, nor any provision for income tax expense or an income tax refund. The expenses shown on the statement of income include salaries paid to members.

*Revenue recognition:* Revenue from contracts is recognized on the percentage-of-completion method, measured by the percentage of total costs incurred to date to estimated total costs for each contract. This method is used because management considers cost incurred and costs to complete to be the best available measure of progress in the contracts.



Contract costs include all direct materials, subcontract and labor costs and those indirect costs related to contract performance, such as indirect labor, payroll taxes, and supplies. General and administrative expenses are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which losses are determined.

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**VORTECH, LLC AND VTC, LLC**

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**(unaudited)**

**Note 2. Nature of Business and Significant Accounting Policies (continued)**

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

As these long-term contracts extend over one or more years, revisions in cost and profit estimates during the course of the contract are reflected in the accounting period in which the facts which require the revisions are determined.

*Cash and cash equivalents:* For purposes of reporting cash flows, the Company considers all highly-liquid debt instruments with original maturities of three months or less to be cash equivalents.

*Contract receivables:* Contract receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of contract receivables previously written off are recorded when received. An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is not recorded on any past due balances.

*Property and equipment:* Property and equipment are recorded at cost and depreciated using the straight-line method of depreciation over their estimated useful lives, ranging from 3 to 7 years. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the remaining lease term. Normal repairs and maintenance are charged against income.

*Valuation of long-lived assets:* The Company accounts for the valuation of long-lived assets under Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

*Advertising costs:* The Company expenses all advertising costs as incurred. Advertising expense was \$384,409 for the year ended December 31, 2005.

*Income taxes:* The Company is treated as a partnership for Federal income tax purposes, and members are taxed individually on their pro-rata share of the Company's earnings. The Company's net income or loss is allocated among the members in accordance with the Company's operating agreement. The Company intends to make distributions to its members subsequent to year-end sufficient to pay personal income taxes on taxable income, if any, from the Company.

*Credit risk:* The Company may from time to time, have cash in banking institutions in excess of the amount insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Company grants credit to its customers in the normal course of business on an unsecured basis. The Company's accounts receivable are derived from customers throughout the metropolitan Washington, D.C. and Baltimore, Maryland areas, and are made on an unsecured basis.

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**VORTECH, LLC AND VTC, LLC****NOTES TO COMBINED FINANCIAL STATEMENTS  
(unaudited)****Note 2. Nature of Business and Significant Accounting Policies (continued)**

*Estimates:* The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used when accounting for estimated costs to complete long-term contracts in progress, allowance for doubtful accounts, and depreciation, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary.

**Note 3. Property and Equipment**

Property and equipment as of September 30, 2006 and December 31, 2005, consist of the following:

	<b>2006</b>	<b>2005</b>
	(unaudited)	
Vehicles	<b>\$ 393,185</b>	\$ 395,006
Leasehold improvements	<b>375,638</b>	375,638
Furniture and fixtures	<b>14,732</b>	14,732
Office equipment	<b>160,908</b>	92,076
	<b>944,463</b>	877,452
Less accumulated depreciation	<b>488,818</b>	345,000
	<b>\$ 455,645</b>	\$ 532,452

**Note 4. Line of Credit**

VTC, LLC has a revolving demand line of credit agreement with a bank that allows for maximum borrowings of up to \$1,000,000. Interest accrues daily on the outstanding balance at the one month LIBOR rate plus 225 basis points. The line is personally guaranteed by a 50% member of the Company, and is collateralized by substantially all Company assets. There were no borrowings under the line of credit as of September 30, 2006 and December 31, 2005.

**Note 5. Leasing Arrangements**

Chesapeake Tower Systems, Inc. (Chesapeake) and affiliated entity, entered into a six-year lease for office and warehouse space expiring in October 2008. The Company is subleasing a portion of the space under a similar arrangement, however Chesapeake remains ultimately obligated. The Company has also entered into a five year lease for office space effective November 1, 2006 with TPR Group Re Three, LLC which is 100% owned by the members of the Company. The Company is also leasing office equipment under operating lease arrangements.

Future minimum payments under leasing arrangements as of September 30, 2006, are as follows:

**Years Ending December 31,**

**Unaudited**

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2007	\$	555,754
2008		555,754
2009		376,644
2010		376,454
2011		282,341
	\$	2,146,757

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**VORTECH, LLC AND VTC, LLC**

**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**(unaudited)**

**Note 6. Profit Sharing Plan**

The Company provides retirement benefits to its employees through its participation in the Chesapeake Tower Systems and Affiliates 401(k) Plan in which it is an adopting employer. Substantially all employees who meet certain eligibility requirements are eligible to participate. Participants may elect to defer a percentage of their annual compensation, subject to certain limitations, in accordance with Section 401(k) of the Internal Revenue Code. The Company makes matching contributions of 40% of the first 6% of compensation deferred by each participant.

**Note 7. Phantom Unit Plan**

The Company signed agreements with certain key employees to provide incentive compensation for enhancement of Company and shareholder value and to share in the future economic success of the Company. Under these agreements, the Company had issued 30,250 phantom units as of September 30, 2006. The phantom units vest over a three-year period from the grant date and realize value based on a formula provided in the agreements. The deferred compensation is to be paid to the individuals or their beneficiaries over a period of five years commencing with the termination of employment, death or date of closing if the Company is sold or merged. The Company records periodic accruals for the cost of providing such benefits by charges to income.

**Note 8. Related Party Transactions**

The Company participates in transactions with entities affiliated through common ownership and management.

*CSI Engineering, Inc.* CSI Engineering, Inc. ( CSI ), which was 9% owned by a 50% partner in the Company, acts as an engineering services subcontractor to the Company, and the Company acts as an electrical subcontractor to CSI.

*TPR Group LLC.* As of January 1, 2006, TPR Group LLC ( TPR Group ), which is wholly-owned by a 50% partner in the Company, has provided human resources, administrative support and insurance and employee benefit plan administration services to TSS/Vortech.

*S3 Integration LLC.* S3 Integration LLC ( S3 Integration ), which is owned 15% by each of the partners, provides commercial and government security systems design and installation services as a subcontractor to the Company. In addition, S3 Integration utilizes the Company as subcontractor.

*GR Partners.* GR Partners, which is owned 50% by each of the partners, leases office and field equipment to the Company under the terms of an equipment lease. In addition the Company has paid fees for management services (which is included in general and administrative expenses) for the years ended December 31, 2003, 2004 and 2005.

*Chesapeake Tower Systems, Inc.* Chesapeake Tower Systems, Inc. ( Chesapeake ), which is 60% owned by one of the partners, is a manufacturer's representative and distributor of mechanical and electrical equipment, which Chesapeake sells to the Company. In addition, the Company acts as a subcontractor to Chesapeake for certain equipment installation on project-by-project basis.

*CTS Services, LLC.* ( CTS ), which is 55% owned by a partner, is a mechanical contractor and acts as subcontractor to the Company for certain projects. In addition, CTS utilizes the Company as a subcontractor on projects as needed.

*L.H. Cranston Acquisition Group, Inc.* L.H. Cranston Acquisition Group, Inc., 25% of which was acquired by a partner in July 2005, is a mechanical, electrical and plumbing contractor that acts, directly or through its subsidiary L.H. Cranston and Sons, Inc., as subcontractor to the Company on a project-by-project basis.

*Telco P&C, LLC.* Telco P&C, LLC, which is 55% owned by a partner, is a specialty electrical installation company that acts as a subcontractor to the Company. The Company has also acted as a subcontractor to Telco as needed.

*Automotive Technologies, Inc.* Automotive Technologies, Inc., which is 60% owned by a partner, provides vehicle maintenance and repair services to the Company.

## VORTECH, LLC AND VTC, LLC

## NOTES TO COMBINED FINANCIAL STATEMENTS

(unaudited)

**Note 8. Related Party Transactions (continued)**

*Jet Facilities Group, Inc.* Jet Facilities Group, Inc. ( Jet ) which was 50% owned by a partner provides facilities management services to commercial customers. As of January 1, 2005 the partner has divested himself of his ownership interest in Jet.

A summary of the entities and such transactions for the nine months ended and year ended September 30, 2006 and December 31, 2005, and the amount due from and to these related parties as of September 30, 2006 and December 31, 2005, are listed below:

	September 30, 2006	December 31, 2005
	(unaudited)	
Sales/Contract Revenue:		
CTS Services, LLC	\$ 80,232	\$ 189,743
CSI Engineering, Inc.	1,632,365	3,627,743
S3 Integration, LLC	1,618	18,204
Chesapeake Tower Systems, Inc.	13,941	7,729
TPR Group, LLC	1,772	8,808
Purchases/Contract Costs:		
Chesapeake Tower Systems, Inc.	576,818	7,387,225
CTS Services, LLC	3,923,741	3,425,784
S3 Integration, LLC	114,007	6,628
CSI Engineering, Inc.	461,287	380,586
GR Partners		508,234
LH Cranston & Sons, Inc.	758,140	2,001,354
Telco P&C, LLC	17,268	
Management/Consulting Fees:		
CTS Services, LLC		534,700
GR Partners	50,935	275,000
TPR Group, LLC	726,300	
Office rent paid to Chesapeake Tower Systems, Inc.	120,668	190,727
Equipment rent paid to GR Partners	55,550	33,066



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Vehicle repairs to Automotive Technologies, Inc.	17,796	26,165
Accounts receivable/(payable):		
CTS Services, LLC	4,275	4,669
CSI Engineering, Inc.	228,859	854,455
S3 Integration, LLC	150	9,381
TPR Group		532
Chesapeake Tower Systems, Inc.	6,239	94
CTS Services, LLC	(669,269 )	(275,553 )
Chesapeake Tower Systems, Inc.	(39,003 )	(469,418 )
Telco P&C, LLC	(12,412 )	(4,174 )
GR Partners	(2,801 )	(14,785 )
CSI Engineering, Inc.	(81,299 )	(8,795 )
LH Cranston & Sons, Inc.	(78,867 )	(615,622 )
TPR Group, LLC		

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**VORTECH, LLC AND VTC, LLC****NOTES TO COMBINED FINANCIAL STATEMENTS  
(unaudited)****Note 9. Major Customer**

The Company earned approximately 66% of its revenue under several different contracts and locations from one major customer for the six months ended September 30, 2006. Accounts receivable from this customer was \$7,117,404 at September 30, 2006.

**Note 10. Litigation**

From time to time, the Company has certain pending claims and legal proceedings that generally involve contract claims and disputes. These proceedings are, in the opinion of management, ordinary routine matters incidental to the construction business. In the opinion of management, the ultimate disposition of such proceedings are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

**Note 11. Discontinued Operations**

Effective September 1, 2005 VTC, LLC transferred all the assets of the S3 Integration division (Division) of the Company to a separate LLC, S3 Integration, LLC (S3I), as part of the transaction S3I assumed all the liabilities of the division and entered into a term loan agreement with VTC, LLC.

The following results of the Company have been presented as gain from discontinued operations in the accompanying statements of income for the nine months ended September 30, 2005:

	<b>(Unaudited)</b>
Earned Revenues	\$ 1,525,897
Costs and Expenses	(1,832,007 )
Operating (loss)	(306,110 )
Gain on Transfer of the Division	558,955
Gain from discontinued operations	\$ 252,845

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors  
Fortress America Acquisition Corporation

We have audited the accompanying balance sheet of Fortress America Acquisition Corporation (a corporation in the development stage) as of December 31, 2005 and the related statements of operations, stockholders' equity and cash flows for the year ended December 31, 2005, the period from December 20, 2004 (inception) to December 31, 2004, and the cumulative period from December 20, 2004 (inception) to December 31, 2005. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 Fortress America Acquisition Corporation as of December 31, 2005, and the results of its operations and its cash flows for the year ended December 31, 2005, the period from December 20, 2004 (inception) to December 31, 2004 and the cumulative period from December 20, 2004 (inception) to December 31, 2005 in conformity with United States generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that Fortress America Acquisition Corporation will continue as a going concern. As discussed in Note 1 to the financial statements, the Company may face a mandatory liquidation by July 20, 2006 if a business combination is not consummated, unless certain extension criteria are met, which raises substantial doubt its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

GOLDSTEIN GOLUB KESSLER LLP

New York, New York  
March 27, 2006

**FORTRESS AMERICA ACQUISITION CORPORATION**  
**(a corporation in the development stage)**

**BALANCE SHEET**

**December 31,  
2005**

**ASSETS**

Current assets:

Cash	\$ 992,547
Investments held in Trust Fund	42,603,801
Prepaid expenses	50,165
Total current assets	43,646,513
Deferred tax asset	132,000
Total assets	\$ 43,778,513

**LIABILITIES AND STOCKHOLDERS EQUITY**

Current liabilities:

Accounts payable and accrued expenses	\$ 105,308
Income taxes payable	206,194
Deferred interest on investments	127,904
Total current liabilities	439,406
Common stock, subject to possible conversion, 1,559,220 shares at conversion value	8,388,604

**Commitment**

**Stockholders equity**

Preferred stock, \$.0001 par value, Authorized 1,000,000 shares; none issued

Common stock, \$.0001 par value

Authorized 50,000,000 shares. Issued and outstanding 9,550,000 shares (which includes 1,559,220 subject to possible conversion)

Additional paid-in capital	955
Income (deficit) accumulated during the development stage	34,819,062
	130,486

**Total stockholders equity** 34,950,503

**Total liabilities and stockholders equity** \$ 43,778,513

*The accompanying notes should be read in conjunction with the financial statements.*



**FORTRESS AMERICA ACQUISITION CORPORATION**  
**(a corporation in the development stage)**

**STATEMENT OF OPERATIONS**

	<b>For the Year Ended December 31, 2005</b>	<b>For the Period December 20, 2004 (inception) to December 31, 2004</b>	<b>For the Period December 20, 2004 (inception) to December 31, 2005</b>
Income:			
Net interest income	\$ 525,430	\$	\$ 525,430
Total income	525,430		525,430
Expenses:			
Formation and operating costs	319,694	1,056	320,750
Net income (loss) for the period before income taxes	205,736	(1,056 )	204,680
State and federal income taxes	74,194		74,194
Net income (loss) for the period	\$ 131,542	\$ (1,056 )	\$ 130,486
Weighted average number of shares outstanding basic and diluted	5,107,534	1,250,000	4,984,748
Net income (loss) per share basic and diluted	\$ .03	\$ (.00 )	\$ .03

*The accompanying notes should be read in conjunction with the financial statements.*

**FORTRESS AMERICA ACQUISITION CORPORATION**  
**(a corporation in the development stage)**

**STATEMENT OF STOCKHOLDERS EQUITY**  
**For the period from December 20, 2004 (inception) to December 31, 2005**

	<b>Common Stock</b>		<b>Addition</b>	<b>Income</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>	<b>Paid-in</b>	<b>(Deficit)</b>	<b>Stockholders</b>
			<b>Capital</b>	<b>Accumulated</b>	<b>Equity</b>
				<b>During the</b>	
				<b>Development</b>	
				<b>Stage</b>	
Common shares issued December 20, 2004 at \$.02 per share	1,250,000	\$ 125	\$ 24,875		\$ 25,000
Net loss for the period				\$ (1,056 )	(1,056 )
Balance at December 31, 2004	1,250,000	125	24,875	(1,056 )	23,944
Redemption of common stock	(1,250,000 )	(125 )	(24,875 )		(25,000 )
Common shares issued March 9, 2005 at \$.01429 per share	1,750,000	175	24,825		25,000
Common shares issued July 20, 2005, net of underwriters discount and offering expenses (includes 1,399,300 shares subject to possible conversion)	7,000,000	700	38,687,329		38,688,029
Common shares issued August 24, 2005, net of underwriters discount and offering expenses (includes 159,920 shares subject to possible conversion)	800,000	80	4,495,412		4,495,492
Proceeds subject to possible conversion of 1,559,220 shares			(8,388,604 )		(8,388,604 )
Proceeds from issuance of option			100		100

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Net income for the period					131,542		131,452		
Balance at December 31, 2005	9,550,000	\$	955	\$	34,819,062	\$	130,486	\$	34,950,503

*The accompanying notes should be read in conjunction with the financial statements.*

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**FORTRESS AMERICA ACQUISITION CORPORATION**  
**(a corporation in the development stage)**

**STATEMENT OF CASH FLOWS**

	<b>For the Year Ended December 31, 2005</b>	<b>For the period December 20, 2004 (inception) to December 31, 2004</b>	<b>For the period December 20, 2004 (inception) to December 31, 2005</b>
<b>Cash flow from operating activities</b>			
Net income (loss)	\$ 131,542	\$ (1,056)	130,486
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Deferred income taxes	(132,000 )		(132,000 )
Interest income on treasury bills	(639,801 )		(639,801 )
Increase in prepaid expenses	(50,165 )		(50,165 )
Increase in accounts payable and accrued expenses	104,252	1,056	105,308
Increase in income taxes payable	206,194		206,194
Increase in deferred interest	127,904		127,904
<b>Net cash used in operating activities</b>	<b>(252,074 )</b>		<b>(252,074 )</b>
<b>Cash flows from investing activities</b>			
Investments placed in Trust Fund	(41,964,000 )		(41,964,000 )
<b>Net cash used in investing activities</b>	<b>(41,964,000 )</b>		<b>(41,964,000 )</b>
<b>Cash flows from financing activities</b>			
Gross proceeds of public offering, including over-allotment option exercise	46,800,000		46,800,000
Proceeds of issuance of option	100		100
Proceeds of notes payable, stockholders	57,500	12,500	70,000
Payment of notes payable, stockholders	(70,000 )		(70,000 )
Proceeds from sales of shares of common stock	25,000	25,000	50,000
Redemption of common stock	(25,000 )		(25,000 )
Payment of costs of public offering, including over-allotment option exercise	(3,603,979 )	(12,500 )	(3,616,479 )
<b>Net cash provided by financing activities</b>	<b>43,183,621</b>	<b>25,000</b>	<b>43,208,621</b>
<b>Net increase in cash</b>	<b>967,547</b>	<b>25,000</b>	<b>992,547</b>
<b>Cash at beginning of the period</b>	<b>25,000</b>	<b>0</b>	

<b>Cash at the end of the period</b>	\$	992,547	25,000	\$	992,547
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*The accompanying notes should be read in conjunction with the financial statements.*

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**FORTRESS AMERICA ACQUISITION CORPORATION**  
**(a corporation in the development stage)**

**NOTES TO FINANCIAL STATEMENTS**

**1. Organization and Proposed Business Operations**

Fortress America Acquisition Corporation (the Company) was incorporated in Delaware on December 20, 2004 as a blank check company, the objective of which is to acquire one or more operating businesses in the homeland security industry.

The Company was formed on December 20, 2004 and consummated an initial public offering (IPO) on July 20, 2005. In addition, on August 24, 2005 the underwriters for the IPO exercised their over-allotment option (the

Over-Allotment Option Exercise and, together with the IPO, the Offering), generating total net proceeds of \$43,183,521. The Company's management has broad discretion with respect to the specific application of the net proceeds of this Offering, although substantially all the net proceeds of this Offering are intended to be generally applied toward consummating a business combination with (or acquisition of) one or more operating businesses in the homeland security industry (Business Combination). Furthermore, there is no assurance that the Company will be able to successfully effect a Business Combination. Upon the closing of the Offering, approximately \$41,964,000 of the net proceeds was deposited in a trust fund account (Trust Fund) and has been invested in Treasury Bills until the earlier of (i) the consummation of its first Business Combination; or (ii) the liquidation of the Company. The Treasury Bills have been accounted for as trading securities and are recorded at their market value of approximately \$42,603,801 at December 31, 2005. The excess of market value over cost, exclusive of the deferred interest described further below, is included in interest income in the accompanying statement of operations. The remaining proceeds may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. The Company, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. All of the Company stockholders prior to the Offering, including all of the officers and directors of the Company (Initial Stockholders), have agreed to vote their 1,750,000 founding shares of common stock in accordance with the vote of the majority in interest of all other stockholders of the Company (Public Stockholders) with respect to any Business Combination. After consummation of the Company's first Business Combination, all of these voting safeguards will no longer be applicable.

In the event (i) the Business Combination is not approved by a majority of the shares of common stock held by the Public Stockholders or (ii) 20% or more of the shares of common stock held by the Public Stockholders vote against the Business Combination and exercise their conversion rights described below, the Business Combination will not be consummated.

With respect to the first Business Combination which is approved and consummated, any Public Stockholder who voted against the Business Combination may demand that the Company convert his or her shares. The per share conversion price will equal the amount in the Trust Fund, calculated as of two business days prior to the proposed Business Combination, divided by the number of shares of common stock held by Public Stockholders at the consummation of the Offering. Accordingly, Public Stockholders holding approximately 19.99% of the aggregate number of shares owned by all Public Stockholders may seek conversion of their shares in the event of a Business Combination. Such Public Stockholders are entitled to receive their per share interest in the Trust Fund computed without regard to the shares held by the Initial Stockholders. Accordingly, a portion of the net proceeds of the Offering (19.99% of the amount originally held in the Trust Fund) has been classified as common stock subject to possible conversion in the accompanying December 31, 2005 balance sheet and 19.99% of the related interest earned has been recorded as deferred interest.

The Company's Certificate of Incorporation, as amended, provides for the mandatory liquidation of the Company in the event that the Company does not consummate a Business Combination within 12 months from the date of the

consummation of the Offering, or 18 months from the consummation of the Offering if certain extension criteria have been satisfied. There is no assurance that the Company will be able to successfully effect a Business Combination during this period. This factor raises substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements are prepared assuming the Company will continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Fund assets) will be less than the initial public offering price per share in the Offering.

**FORTRESS AMERICA ACQUISITION CORPORATION**  
**(a corporation in the development stage)**

**NOTES TO FINANCIAL STATEMENTS**

**1. Organization and Proposed Business Operations (continued)**

The Company maintains cash in bank deposit accounts which, at times, exceed federally insured limits. The Company has not experienced any losses on these accounts.

Deferred income taxes are provided for the differences between the bases of assets and liabilities for financial reporting and income tax purposes. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

Basic income (loss) per share is computed by dividing net income (loss) by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share gives effect to dilutive options, warrants and other potential common stock outstanding during the period. Potential common stock (consisting of 15,600,000 warrants included in the units issued in the initial public offering and 700,000 units issued to the underwriters as described in Note 4) has not been included in the computations for all periods as the effect would be antidilutive.

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

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004) ( SFAS 123(R) ), Share Based Payment . SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The Company is required to adopt SFAS 123(R) effective January 1, 2006. The Company does not believe that the adoption of SFAS No. 123(R) will have a significant impact on its financial condition or results of operations.

Management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

**2. Notes Payable Stockholders**

The Company had unsecured promissory notes to the Initial Stockholders, who are officers and directors of the Company, of \$12,500 at December 31, 2004. The loans were non-interest bearing and were payable the earlier of March 9, 2006 or the consummation of the Offering. Due to the short-term nature of the notes, the fair value of the notes approximated its carrying amount. The notes were paid in full subsequent to the consummation of the Offering.

**3. Commitment**

Commencing January 1, 2005, the Company occupied office space from, and had certain office and secretarial services made available to it by, an unaffiliated third party. Rent expense under this agreement for each of the periods from December 20, 2004 (inception) to December 31, 2005 and for the year ended December 31, 2005 was \$1,362. The rental agreement expired June 30, 2005.

Commencing on the consummation of the Offering, the Company occupies office space provided by an affiliate of an Initial Stockholder. Such affiliate has agreed that, until the acquisition or a target business by the Company, it will make such office space, as well as certain office and secretarial services, available to the Company, as may be

required by the Company from time to time. The Company has agreed to pay such affiliate \$7,500 per month for such services. Rent expense under this agreement amounted to \$37,500 during the periods ended December 31, 2005.

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**FORTRESS AMERICA ACQUISITION CORPORATION**  
**(a corporation in the development stage)**

**NOTES TO FINANCIAL STATEMENTS**

**4. Initial Public Offering**

On July 20, 2005, the Company sold 7,000,000 units ( Units ) in the IPO. On August 24, 2005 the Company sold an additional 800,000 Units pursuant to the Over-Allotment Option Exercise. Each Unit consists of one share of the Company's common stock, \$0.0001 par value, and two Redeemable Common Stock Purchase Warrants ( Warrants ). Each Warrant entitles the holder to purchase from the Company one share of common stock at an exercise price of \$5.00 (which such Warrant may be exercised on a cashless basis) commencing the later of (a) one year from the effective date of the IPO; or (b) the completion of a Business Combination with a target business and expiring four years from the date of the prospectus (unless earlier redeemed). The Warrant will be redeemable, upon written consent of the representative of the underwriters, at a price of \$0.01 per Warrant upon 30 days notice after the Warrant becomes exercisable, only in the event that (a) the last sales price of the common stock is at least \$8.50 per share for any 20 trading days within a 30-trading-day period ending on the third day prior to date on which notice of redemption is given and (b) the weekly trading volume of our common stock has been at least 200,000 shares for each of the 2 calendar weeks before the Company sends the notice of redemption.

In addition, the Company sold to Sunrise Securities Corporation, for \$100, an option to purchase up to a total of 700,000 units. The units issuable upon exercise of this option are identical to those offered in the Offering, except that each of the warrants underlying this option entitles the holder to purchase one share of our common stock at a price of \$6.25. This option is exercisable at \$7.50 per unit commencing on the later of the consummation of a business combination and one year from the date of the prospectus and expiring five years from the date of the prospectus. In lieu of exercise, the option maybe converted into units (i.e., a cashless exercise ) to the extent that the market value of the units at the time of conversion exceeds the exercise price of the option. The option may only be exercised or converted by the option holder.

The sale of the option is accounted for as an equity transaction. Accordingly, there is no net impact on the Company's financial position or results of operations, except for the recording of the \$100 proceeds from the sale. The Company determined, based upon a Black-Scholes model, that the fair value of the option on the date of sale was approximately \$3.075 per unit, or \$2,152,500 total, using an expected life of four years, volatility of 75.19% and a risk-free interest rate of 3.922%.

The volatility calculation of 75.19% is based upon the 365-day average volatility of a representative sample of seven (7) companies with market capitalizations under \$250 million that management believes could be considered to be engaged in a business in the homeland security industry (the Sample Companies ). Because the Company does not have a trading history, the Company needed to estimate the potential volatility of its common stock price, which will depend on a number of factors which cannot be ascertained at this time. The Company referred to the 365-day average volatility of the Sample Companies because management believes that the average volatility of such companies is a reasonable benchmark to use in estimating the expected volatility of the Company's common stock post-business combination. Although an expected life of four years was taken into account for purposes of assigning a fair value to the option, if the Company does not consummate a business combination within the prescribed time period and liquidates, the option would become worthless.

Although the purchase option and its underlying securities have been registered, the purchase option grants to holders demand and piggyback rights for periods of five and seven years, respectively, from the date of the prospectus with respect to the registration under the Securities Act of 1933 of the securities directly and indirectly issuable upon exercise of the purchase option. The Company will bear all fees and expenses attendant to registering the securities, other than underwriting commissions which will be paid for by the holders themselves. The exercise price and number

of units issuable upon exercise of the purchase option may be adjusted in certain circumstances including in the event of a stock dividend, or the Company's recapitalization, reorganization, merger or consolidation. However, the purchase option will not be adjusted for issuances of common stock at a price below its exercise price.

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**FORTRESS AMERICA ACQUISITION CORPORATION**  
**(a corporation in the development stage)**

**NOTES TO FINANCIAL STATEMENTS**

**5. Common Stock**

On December 20, 2004, the Company issued 1,250,000 shares of Common Stock. On March 8, 2005, the Company authorized the redemption of the 1,250,000 shares of common stock at the original subscription price. On March 9, 2005, the Company issued 1,750,000 shares of common stock to the original stockholders along with new stockholders (in the aggregate, these stockholders are the Initial Stockholders).

At August 24, 2005, 17,700,000 shares of Common Stock were reserved for issuance upon exercise of redeemable warrants and underwriters unit purchase option.

**6. Preferred Stock**

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

**7. Income Taxes**

The provision for income taxes consists of the following:

	<b>For the Period Ended December 31,</b>	
	<b>2005</b>	<b>2004</b>
Current:		
Federal	\$ 202,163	\$
State	4,031	
Deferred:		
Federal	(132,000 )	
	\$ 74,194	\$

The total provision for income taxes differs from that amount which would be computed by applying the U.S. federal income tax rate to income before provision for income taxes due to the following:

	<b>For the Period Ended December 31,</b>	
	<b>2005</b>	<b>2004</b>
Federal statutory rate	34 %	(34 )%
State tax, net of income tax benefit	2	
	36	(34 )
Valuation allowance		34

36 %

The tax effect of temporary differences that give rise to the net deferred tax asset is as follows:

	<b>December 31, 2005</b>
Interest income deferred for reporting purposes	43,000
Expenses deferred for income tax purposes	89,000
Subtotal	132,000
Valuation allowance	
Net deferred tax asset	\$ 132,000

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**FORTRESS AMERICA ACQUISITION CORPORATION**

**FINANCIAL REPORT**

**September 30, 2006**

**(unaudited)**

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**FORTRESS AMERICA ACQUISITION CORPORATION**  
**(a corporation in the development stage)**

**CONDENSED BALANCE SHEET**

	<b>September 30, 2006</b>	<b>December 31, 2005</b>
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash	\$ 74,854	\$ 992,547
Investments held in Trust Fund	44,112,431	42,603,801
Prepaid expenses		50,165
Total current assets	44,187,285	43,646,513
Deferred acquisition costs	508,592	
Deferred tax asset	364,936	132,000
Total assets	\$ 45,060,813	\$ 43,778,513
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 374,469	\$ 105,308
Income taxes payable	396,604	206,194
Deferred interest on investments	429,479	127,904
Total current liabilities	1,200,552	439,406
Common stock, subject to possible conversion, 1,559,220 shares at conversion value	8,388,604	8,388,604
<b>Commitment</b>		
<b>Stockholders equity</b>		
Preferred stock, \$.0001 par value, Authorized 1,000,000 shares; none issued		
Common stock, \$.0001 par value		
Authorized 50,000,000 shares		
Issued and outstanding 9,550,000 shares (which includes 1,559,220 subject to possible conversion) and 1,250,000 shares respectively	955	955
Additional paid-in capital	34,819,062	34,819,062
Income accumulated during the development stage	651,640	130,486
<b>Total stockholders equity</b>	35,471,657	34,950,503
<b>Total liabilities and stockholders equity</b>	\$ 45,060,813	\$ 43,778,513

*See Notes to Unaudited Condensed Financial Statements.*

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**FORTRESS AMERICA ACQUISITION CORPORATION**  
**(a corporation in the development stage)**

**CONDENSED STATEMENT OF OPERATIONS**

	<b>For the Three Months Ended September 30, 2006</b>	<b>For the Nine Months Ended September 30, 2006</b>	<b>For the Three Months Ended September 30, 2005</b>	<b>For the Nine Months Ended September 30, 2005</b>	<b>For the Period December 20, 2004 (inception) to September 30, 2006</b>
			(unaudited)		
Income:					
Net interest income	\$ 444,941	\$ 1,217,406	\$ 213,897	\$ 213,897	\$ 1,742,836
Total income	444,941	1,217,406	213,897	213,897	1,742,836
Expenses:					
Formation and operating costs	129,823	427,778	133,219	134,865	748,528
Net income for the period before income taxes	315,118	789,628	80,678	79,032	994,308
State and federal income taxes	107,140	268,474	31,613	31,613	342,668
Net income for the period	\$ 207,978	\$ 521,154	\$ 49,065	\$ 47,419	\$ 651,640
Weighted average number of shares outstanding basic and diluted	9,550,000	9,550,000	7,634,783	3,610,440	6,910,863
Net income per share basic and diluted	\$ .02	\$ .05	\$ .01	\$ .01	\$ .08

*See Notes to Unaudited Condensed Financial Statements.*

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**FORTRESS AMERICA ACQUISITION CORPORATION**  
(a corporation in the development stage)

**CONDENSED STATEMENT OF STOCKHOLDERS EQUITY**  
For the period from December 20, 2004 (inception) to September 30, 2006

	Common Stock		Additional	Income	Total
	Shares	Amount	Paid-In	(deficit)	
			Capital	Accumulated	
				During the	
				Development	
				Stage	
Common shares issued December 20, 2004 at \$.02 per share	1,250,000	\$ 125	\$ 24,875		\$ 25,000
Net Loss				\$ (1,056 )	(1,056 )
Balance at December 31, 2004	1,250,000	125	24,875	(1,056 )	23,944
Redemption of common stock	(1,250,000 )	(125 )	(24,875 )		(25,000 )
Common shares issued March 9, 2005 at \$0.01429 per share	1,750,000	175	24,825		25,000
Common shares issued July 20, 2005, net of underwriters discount and offering expenses (includes 1,399,300 shares subject to possible conversion)	7,000,000	700	38,687,329		38,688,029
Common shares issued August 24, 2005, net of underwriters discount and offering expenses (includes 159,920 shares subject to possible conversion)	800,000	80	4,495,412		4,495,492
Proceeds subject to possible conversion of 1,559,220 shares			(8,388,604 )		(8,388,604 )
Proceeds from issuance of option			100		100
Net Income				131,542	131,542



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Balance at December 31, 2005	9,550,000	955	34,819,062	130,486	34,950,503
Unaudited:					
Net income				521,154	521,154
Balance at September 30, 2006	9,550,000	\$ 955	\$ 34,819,062	\$ 651,640	\$ 35,471,657

*See Notes to Unaudited Condensed Financial Statements.*

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**FORTRESS AMERICA ACQUISITION CORPORATION**  
(a corporation in the development stage)

**CONDENSED STATEMENT OF CASH FLOWS**

	<b>For the Nine Months Ended September 30, 2006</b>	<b>For the Nine Months Ended September 30, 2005 (unaudited)</b>	<b>For the Period December 20, 2004 (inception) to September 30, 2006</b>
<b>Cash flow from operating activities</b>			
Net income	\$ 521,154	\$ 47,419	\$ 651,640
Adjustments to reconcile net income to net cash used in operating activities:			
Deferred income taxes	(232,936 )		(364,936 )
Interest income on treasury bills	(1,508,630 )	(259,569 )	(2,148,431 )
Decrease (Increase) in prepaid expenses	50,165	(54,166 )	
(Decrease) Increase in accounts payable and accrued expenses	(19,227 )	60,687	86,081
Increase in income taxes payable	190,410	31,613	396,604
Increase in deferred interest	301,575	51,896	429,479
<b>Net cash used in operating activities</b>	<b>(697,489 )</b>	<b>(122,120 )</b>	<b>(949,563 )</b>
<b>Cash flows from investing activities</b>			
Payment of deferred acquisition costs	(220,204 )		(220,204 )
Investments placed in Trust Fund		(41,964,000 )	(41,964,000 )
<b>Net cash used in investing activities</b>	<b>(220,204 )</b>	<b>(41,964,000 )</b>	<b>(42,184,204 )</b>
<b>Cash flows from financing activities</b>			
Gross proceeds of public offering, including over-allotment option exercise		46,800,000	46,800,000
Proceeds of issuance of option		100	100
Proceeds from notes payable, stockholders		57,500	70,000
Payment of notes payable, stockholders		(70,000 )	(70,000 )
Proceeds from sale of shares of common stock		25,000	50,000
Redemption of common stock		(25,000 )	(25,000 )
Payment of costs of public offering, including over-allotment option exercise		(3,596,979 )	(3,616,479 )
Advances from stockholder		10,600	
<b>Net cash provided by financing activities</b>		<b>43,201,221</b>	<b>43,208,621</b>

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<b>Net (decrease) increase in cash</b>	(917,693 )	1,115,101	74,854
<b>Cash at beginning of the period</b>	992,547	25,000	
<b>Cash at the end of the period</b>	\$ 74,854	\$ 1,140,101	\$ 74,854
Non cash investing activity:			
Accrual of acquisition costs	288,388		288,388
Non cash financing activity:			
Accrual of costs of public offering		12,000	

*See Notes to Unaudited Condensed Financial Statements.*

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**FORTRESS AMERICA ACQUISITION CORPORATION**  
**(a corporation in the development stage)**

**NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS**

**1. Organization and Proposed Business Operations**

Fortress America Acquisition Corporation (the Company) was incorporated in Delaware on December 20, 2004 as a blank check company, the objective of which is to acquire one or more operating businesses in the homeland security industry. The Company has elected December 31 as its fiscal year-end.

The financial statements at September 30, 2006 and for the periods from inception to September 30, 2006 and the three and nine month periods ended September 30, 2006 are unaudited. In the opinion of management, all adjustments (consisting of normal adjustments) have been made that are necessary to present fairly the financial position of the Company as of September 30, 2006, the results of its operations for the three and nine month periods ended September 30, 2006 and 2005 and for the period from December 20, 2004 (inception) through September 30, 2006, and its cash flows for the nine month period ended September 30, 2006 and for the period from December 20, 2004 (inception) through September 30, 2006. Operating results for the interim period presented are not necessarily indicative of the results to be expected for a full year. The condensed balance sheet at December 31, 2005 has been derived from the audited financial statements.

The Company was formed on December 20, 2004 and consummated an initial public offering (IPO) on July 20, 2005. In addition, on August 24, 2005 the underwriters for the IPO exercised their over-allotment option (the Over-Allotment Option Exercise and, together with the IPO, the Offering). The Offering generated total net proceeds of \$43,183,521. The Company's management has broad discretion with respect to the specific application of the net proceeds of the Offering, although substantially all the net proceeds of the Offering are intended to be generally applied toward consummating a business combination with (or acquisition of) one or more operating businesses in the homeland security industry (Business Combination). Furthermore, there is no assurance that the Company will be able to successfully effect a Business Combination. Upon the closing of the Offering, approximately \$41,964,000 of the net proceeds was deposited in a trust fund account (Trust Fund) and has been invested in Treasury Bills until the earlier of (i) the consummation of its first Business Combination; or (ii) the liquidation of the Company. The Treasury Bills have been accounted for as trading securities and are recorded at their market value of approximately \$44,112,431 at September 30, 2006. The excess of market value over cost, exclusive of the deferred interest described further below, is included in interest income in the accompanying statement of operations. The proceeds not deposited into the Trust Fund may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. The Company, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. All of the Company stockholders prior to the Offering, including all of the officers and directors of the Company (Initial Stockholders), have agreed to vote their 1,750,000 founding shares of common stock in accordance with the vote of the majority in interest of all other stockholders of the Company (Public Stockholders) with respect to any Business Combination. After consummation of the Company's first Business Combination, all of these voting safeguards will no longer be applicable.

In the event (i) the Business Combination is not approved by a majority of the shares of common stock held by the Public Stockholders or (ii) 20% or more of the shares of common stock held by the Public Stockholders vote against the Business Combination and exercise their conversion rights described below, the Business Combination will not be consummated.

With respect to the first Business Combination which is approved and consummated, any Public Stockholder who voted against the Business Combination may demand that the Company convert his or her shares into cash. The per share conversion price will equal the amount in the Trust Fund, calculated as of two business days prior to the

proposed Business Combination, divided by the number of shares of common stock held by Public Stockholders at the consummation of the Offering. Accordingly, Public Stockholders holding approximately 19.99% of the aggregate number of shares owned by all Public Stockholders may seek conversion of their shares in the event of a Business Combination. Such Public Stockholders are entitled to receive their per share interest in the Trust Fund computed without regard to the shares held by the Initial Stockholders. Accordingly, a portion of the net proceeds of the Offering (19.99% of the amount originally held in the Trust Fund) has been classified as common stock subject to possible conversion in the accompanying balance sheets and 19.99% of the related interest earned has been recorded as deferred interest.

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**FORTRESS AMERICA ACQUISITION CORPORATION**  
**(a corporation in the development stage)**

**NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS**

**1. Organization and Proposed Business Operations (continued)**

The Company's Amended and Restated Certificate of Incorporation provides for the mandatory liquidation of the Company in the event that the Company does not consummate a Business Combination within 12 months from the date of the consummation of the Offering, or 18 months from the consummation of the Offering if certain extension criteria have been satisfied. There is no assurance that the Company will be able to successfully effect a Business Combination during this period. This factor raises substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements are prepared assuming the Company will continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Fund assets) will be less than the initial public offering price per share in the Offering.

On July 20, 2005, the Company sold 7,000,000 units ( Units ) in the IPO. On August 24, 2005 the Company sold an additional 800,000 Units pursuant to the Over-Allotment Option Exercise. Each Unit consists of one share of the Company's common stock, \$0.0001 par value, and two Redeemable Common Stock Purchase Warrants ( Warrants ). Each Warrant entitles the holder to purchase from the Company one share of common stock at an exercise price of \$5.00 (which such Warrant may be exercised on a cashless basis) commencing the later of (a) one year from the effective date of the IPO or (b) the completion of a Business Combination with a target business and expiring July 11, 2009 (unless earlier redeemed). The Warrant will be redeemable, upon written consent of the representative of the underwriters, at a price of \$0.01 per Warrant upon 30 days notice after the Warrant becomes exercisable, only in the event that (a) the last sales price of the common stock is at least \$8.50 per share for any 20 trading days within a 30-trading-day period ending on the third day prior to the date on which notice of redemption is given and (b) the weekly trading volume of our common stock has been at least 200,000 shares for each of the two calendar weeks before the Company sends the notice of redemption.

Under the terms of the Warrants, the Company is required to use its best efforts to maintain the effectiveness of the registration statement covering the Warrants. The Company will not be obligated to deliver securities, and there are no contractual penalties for failure to deliver securities, if a registration statement is not effective at the time of exercise. Additionally, in the event that a registration is not effective at the time of exercise, the holder of such Warrant shall not be entitled to exercise such Warrant and in no event (whether in the case of a registration statement not being effective or otherwise) will the Company be required to net cash settle the warrant exercise. Consequently, the Warrants may expire unexercised and unredeemed if there is no effective registration statement covering the shares of the Company's common stock issuable upon exercise of the Warrants.

In addition, the Company sold to Sunrise Securities Corporation, for \$100, an option to purchase up to a total of 700,000 units. The units issuable upon exercise of this purchase option are identical to those offered in the Offering, except that each of the warrants underlying this purchase option entitles the holder to purchase one share of our common stock at a price of \$6.25. This purchase option is exercisable at \$7.50 per unit commencing on the later of the consummation of a business combination and one year from the date of the prospectus and expiring five years from the date of the prospectus.

The holder of the unit purchase option will not be entitled to exercise the unit purchase option or the Warrants underlying the unit purchase option unless a registration statement covering the securities underlying the unit purchase option is effective or an exemption from registration is available. Accordingly, the option and underlying Warrants may expire unexercised and unredeemed if there is no effective registration statement covering the securities issuable

upon exercise. In addition, there are no circumstances under which the Company will be required to net cash settle the purchase option or the underlying Warrants.

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**FORTRESS AMERICA ACQUISITION CORPORATION**  
**(a corporation in the development stage)**

**NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS**

**1. Organization and Proposed Business Operations (continued)**

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004) ( SFAS 123(R) ), Share Based Payment . SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The Company is required to adopt SFAS 123(R) effective January 1, 2006. The Company does not believe that the adoption of SFAS No. 123(R) will have a significant impact on its financial condition or results of operations.

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109 ( FIN 48 ). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company s financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently reviewing this new standard to determine the effects, if any, on its results of operations or financial position.

Management does not believe that any other recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

**2. Commitment**

Commencing January 1, 2005, the Company occupied office space from, and had certain office and secretarial services made available to it by, an unaffiliated third party. Rent expense under this agreement for each of the periods from December 20, 2004 (inception) to September 30, 2006 and from January 1, 2006 to September 30, 2006 amounted to \$1,362 and \$0, respectively. The rental agreement expired June 30, 2005.

Commencing on the consummation of the Offering, the Company occupies office space provided by an affiliate of an Initial Stockholder. Such affiliate has agreed that, until the acquisition or a target business by the Company, it will make such office space, as well as certain office and secretarial services, available to the Company, as may be required by the Company from time to time. The Company has agreed to pay such affiliate \$7,500 per month for such services. Rent expense under this agreement for each of the periods from December 20, 2004 (inception) to September 30, 2006 and from January 1, 2006 to September 30, 2006 amounted to \$105,000 and \$67,500, respectively.

**3. Proposed Acquisition**

On June 5, 2006, Fortress America Acquisition Corporation ( FAAC ) entered into a Membership Interest Purchase Agreement (the Purchase Agreement ) with VTC, L.L.C. ( VTC ), Vortech, LLC (together with VTC, the Acquisition Companies ), Thomas P. Rosato ( Rosato ) and Gerard J. Gallagher (together with Rosato, the Members ), pursuant to which FAAC will acquire (the Acquisition ) all of the issued and outstanding membership units of the Acquisition Companies from the Members.





**FORTRESS AMERICA ACQUISITION CORPORATION**  
**(a corporation in the development stage)**

**NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS**

**3. Proposed Acquisition (continued)**

On June 26, 2006, ( FAAC ) and the other parties to the Purchase Agreement entered into an Amended and Restated Membership Interest Purchase Agreement, pursuant to which the cash portion of the initial purchase consideration was reduced from \$19.0 million to \$11.0 million, the portion the initial purchase consideration consisting of convertible promissory notes was increased from \$8.0 million to \$10.0 million and the portion of the initial purchase consideration consisting of FAAC common stock was increased from approximately \$11.5 million to approximately \$17.5 million (subject, in both cases, to a dollar for dollar reduction for assumed debt up to a maximum of \$161,000). As a result of the increase in value of the initial purchase consideration consisting of FAAC common stock, the maximum number of shares of FAAC common stock issuable at closing has increased from 2,107,385 to 3,205,128. The aggregate initial purchase consideration, before adjustments for assumption of debt and working capital adjustments, remained unchanged at \$38.5 million. Through September 30, 2006, the Company incurred \$508,592 of costs in connection with the acquisition which have been recorded as deferred acquisition costs on the accompanying September 30, 2006 balance sheet.

**4. Common Stock**

On December 20, 2004, the Company issued 1,250,000 shares of common stock. On March 8, 2005, the Company authorized the redemption of the 1,250,000 shares of common stock at the original subscription price. On March 9, 2005, the Company issued 1,750,000 shares of common stock to the original stockholders along with new stockholders (in the aggregate, these stockholders are the Initial Stockholders).

On July 20, 2005, the Company issued 7,000,000 shares of Common Stock in connection with the IPO. On August 24, 2005, the Company issued 800,000 share of Common Stock pursuant to the Over-Allotment Option Exercise.

**5. Preferred Stock**

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

**SECOND AMENDED AND RESTATED**  
**MEMBERSHIP INTEREST PURCHASE AGREEMENT**  
**BY AND AMONG**  
**FORTRESS AMERICA ACQUISITION CORPORATION,**  
**VTC, L.L.C.,**  
**VORTECH, LLC,**  
**THOMAS P. ROSATO**  
**AND**  
**GERARD J. GALLAGHER**  
**Effective July 31, 2006**

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This Table of Contents is for convenience of reference only and is not intended to define, limit or describe the scope, intent or meaning of any provision of this Agreement.

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