

## **Non-GAAP Financial Measures**

### **EBITDA**

EBITDA is defined as income (loss) from operations plus net interest expense, provision for income taxes, depreciation and amortization. The EBITDA measurement has certain material limitations, including:

- It does not include interest expense. Because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and ability to generate profits and cash flows. Therefore any measure that excludes interest expense has material limitations;
- It does not include depreciation and amortization expense. Because we use capital assets, depreciation is necessary element of our costs and ability to generate profits. In addition, because a significant portion of our assets consist of customer lists that were acquired in connection with our acquisitions of companies in the Lawn and Pest Control Services segment, amortization is necessary element of our costs and ability to generate profits. Therefore, any measure that excludes deprecation and amortization expense has material limitations; and
- It does not include provision for income taxes. Because the payment of income taxes is a necessary element of our costs, particularly in the future, any measure that excludes tax expense has material limitations.

### **Non Cash Equity and Stock Based Compensation**

We implemented the provisions of SFAS No. 123(R), Share-Based Payment, during the first quarter of fiscal 2006, which requires us to recognize expense related to the fair value of equity and stock based compensation awards. We elected the modified prospective transition method as permitted by SFAS No. 123(R), and therefore we have not restated our financial results for prior periods. Under the modified prospective method, equity based compensation is based on grant date fair value estimated in accordance with the provisions of SFAS No. 123(R), and compensation expense for all stock-based compensation awards granted subsequent to January 1, 2006, as well as for existing awards for which the requisite service has not been rendered as of the date of adoption, is based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123(R). For the purposes of performing the calculation of net income, we add back all equity and stock based compensation.

We have included these non-GAAP financial measures because we believe EBITDA plus Non Cash Equity and Stock Based Compensation is an indicator of the profitability and performance of our core operations and reflects the changes in our operating results. EBITDA plus Non Cash Equity and Stock Based Compensation is not intended to be an alternative measure of operating income or gross profit margin as determined in accordance with generally accepted accounting principles. We use EBITDA plus Non Cash Equity and Stock Based Compensation as only one of several comparative tools,

together with GAAP measurements, to assist in the evaluation of our profitability and operating results.

A reconciliation of EBITDA plus Non Cash Equity and Stock Based Compensation to the loss from continuing operations for the six months ended March 31, 2007 is shown below:

Loss from continuing operations	\$ (980,763)
Reconciliation Items:	
Interest Expense-Net	556,295
Income Tax Benefit	(528,484)
Depreciation and Amortization	<u>1,629,466</u>
EBITDA	676,514
Non Cash Equity and Stock Based Compensation expense	<u>285,808</u>
EBITDA plus Non Cash Equity and Stock Based Compensation	<u>\$ 962,322</u>

The above reconciliation excludes the tax affected income from discontinued operations of \$1,361,476 which includes a gain from the sale of real estate property associated with the previously sold and discontinued high frequency radio business. The Company's net income for the six months ended March 31, 2007, including the aforementioned income from discontinued operations was \$380,713.

A reconciliation of EBITDA to net income for the Lawn and Pest Control Services segment for the six months ended March 31, 2007 is shown below:

Net Income	\$ 2,474,670
Reconciliation Items:	
Interest Expense	91,557
Depreciation and Amortization	<u>433,615</u>
EBITDA	<u>\$ 2,999,842</u>