Bidder's Background

RFP §3.2.5

We are proud to propose Team CNSI — two firms offering an excellent blend of sophisticated technology, management savvy, and superb customer service. Led by CNSI with over 12 years of state Medicaid project management experience and a recognized leader in delivering proven 21st Century MMIS solutions that are aligned with Medicaid Information Technology Architecture (MITA) and Service-oriented Architecture (SOA) principles, Team CNSI includes Noridian Administrative Services LLC (Noridian) with over 70 years of experience in health care administration and the core contractor for the Iowa Medicaid Enterprise (IME). In its role with as the core contractor, Noridian provides claims processing, MMIS maintenance, EDMS administration, and services to support IME. Additionally, Noridian supported the initial implementation of the Iowa incentive payment program and brings this relevant experience and insight to the team.

Together CNSI and Noridian – Team CNSI -- will bring to the Agency the best EHR MIPP technology that the marketplace can offer, along with the combined strengths of our companies. CNSI will take full responsibility for leadership and service integration. We possess the necessary technology and solution, resources, project management expertise, flexibility, and subcontract management capabilities to successfully deliver the EHR Medicaid Incentive Payment Administration Tool for Iowa.

Experience

RFP §3.2.5.1

Level of Technical Expertise

RFP §3.2.5.1, bullet 1

- *Level of technical experience in providing the types of services sought by the RFP.*

CNSI delivers a broad portfolio of information technology (IT) and business process outsourcing (BPO) solutions to a diverse base of federal, state and local government agencies, and commercial enterprises. CNSI helps clients improve business performance and align IT with their mission and business objectives.

The company has established presence and strong domain expertise in prominent industries, including Defense, Energy, Financial Services, Healthcare, Homeland Security/Law Enforcement and Transportation. CNSI employs a world-class team of technologists, program managers, subject matter experts and other professionals, all of whom have experience with large scale mission-critical IT implementations.

Since its inception in 1994, CNSI has excelled at providing best value IT solutions by maintaining a passion for innovation. With a strong foundation of talented employees, CNSI has established a reputation as an effective partner in business transformation and in enhancing government agency business processes.

CNSI offers diverse capabilities on a high-value, state-of-the-art service delivery platform. We leverage our end-to-end solution offerings to establish ourselves as a viable and experienced technology partner for our clients. CNSI maintains strategic relationships with a number of product and services vendors to ensure that the company has the ability to design, implement, and maintain flexible, platform-independent solutions to effectively accommodate specified client requirements. We bring management maturity by virtue of well-established processes that are compliant with standards such as CMMI and the Project Management Institute's PMBOK, while our project methodologies ensure adherence to contract requirements and aid performance evaluation in the areas of quality, risk management, delivery, timeliness, cost, and customer satisfaction. Much of CNSI's success has been a direct result of the company's philosophy of continuous improvement, customer focus, and process maturity.

Medicaid Experience

Over the past 12 years, CNSI has focused on the DDI and maintenance of MMIS solutions, including the continuous development of the electronic Claims Administration Management System (eCAMS) solution. CNSI is an experienced contractor that has successfully designed, developed, and implemented this proven Medicaid claims processing system, eCAMS, in three states. eCAMS offers a MITA-aligned solution that also is compliant with CMS's Seven Conditions and Standards, featuring a modular design, service oriented architecture, HIPAA compliance, rules-engine based solution, reporting capabilities, and interoperability with health exchanges and provider organizations - a solution that has been leveraged across three states. With specific experience in Medicaid programs, CNSI knows how to manage an MMIS DDI project, understands the challenges of such an effort, and brings its lessons learned to each subsequent implementation. Additionally, eCAMS has been certified by CMS in Washington and Michigan - ensuring that states receive an MMIS solution that will fully meet all of its procurement objectives.

The following summaries highlight the scope of work associated with CNSI's MMIS DDI contracts.

Washington MMIS. In January 2005, CNSI was awarded a contract by the Washington Health Care Authority to design, develop, and implement an MMIS, replacing a legacy system that had been in operation for nearly 27 years. CNSI is responsible for DDI and maintenance of a modern MMIS, including client, provider, reference, prior authorization, claims processing, managed care, coordination of benefits (COB)/TPL, financial and drug rebate components, and fully functional pharmacy point of sale (POS) components. Provider and staff training, cultural and business process change management, risk mitigation, certification support, and system documentation are also included. Other functionality includes DDI of a separate data warehouse, including decision support system (DSS), management and administrative reporting (MAR), and surveillance and utilization review (SUR), as well as a state-of-the-art contact management system, electronic swipe card functionality supporting client eligibility, integrated voice response (IVR) component, and imaging and document management services. Post-implementation services include ongoing system maintenance, data center operations, and facilities management services. The system went live on May 9, 2010, and received CMS Certification in July 2011 - the first MMIS to receive certification with "no findings" based on the new toolkit.

Michigan MMIS. In April 2006 CNSI was awarded a contract by the Michigan Department of Community Health (DCH) to design, develop, and implement the Community Health Automated Medicaid Payment System (CHAMPS) for processing state Medicaid claims. A full legacy system replacement, CHAMPS, with eCAMS at its foundation, includes client, provider, reference, prior authorization, claims processing, managed care, TPL, financial, and drug rebate components. Other functionality includes a state-of-the-art Contact Center management system including case management and tracking, and imaging/document management services for paper claims and attachments. Risk mitigation, certification support, and system documentation are included, as well as support for Medicaid document storage, indexing, and retrieval services. Although various components, such as provider enrollment, have been in production since 2008, the system went live in September 2009, and received CMS certification in August 2011. CNSI is now providing operations and maintenance (O&M) support, as well as implementation services and server monitoring, for state requested enhancements. CNSI is also working on the state's HIPAA 5010 upgrade project, which started on April 28, 2010.

Maine Claims Management System MECAMS. In September 2001, CNSI was awarded a contract by the Maine Department of Health and Human Services (DHHS) to design, develop, and implement an MMIS for processing state Medicaid claims. The Maine MMIS was the first Web-centric solution that was successfully implemented in production (January 2005) in the Medicaid environment. The application architecture allowed for the scalability of the components to meet or exceed the state's expected processing volumes, offering a lower cost of ownership and more flexibility for operations to manage the daily cycles. In February 2007, CNSI entered into a new O&M contract with the state, during which CNSI implemented 10 significant enhancements to MECMS. These development initiatives were based on specified functional areas of the MECMS — all intended to bring significant improvements to system operations, functionality, and usability. CNSI developed detailed technical design plans, comprehensive software, and data analysis check sheets, inclusive and detailed Quality Assurance Plans, a complete Work Breakdown Structure and Project Plan, and implementation metrics to manage and execute the effort as a 17-month software development project. As a direct result of these development initiatives, MECMS processed freshly loaded claims with an average adjudication rate at or above 95 percent – the legacy equivalent was 70 percent. In July 2008, CNSI was awarded another 2-year contract extension with the Maine DHHS to provide ongoing operations and maintenance services through June 30, 2011.

CNSI's experience in the public health care sector, and specifically in Medicaid, provides several advantages to the Agency and the Iowa MIPP project. As a mature health care business technology company, CNSI brings a thorough understanding of the requirements under federally mandated standards, such as the Health Insurance Portability and Accountability Act (HIPAA), MITA, American Recovery & Reinvestment Act (ARRA), as well as the key technical and business-related areas that must be addressed for a successful deployment and operations.

Maryland MMIS. CNSI is the subcontractor to CSC for the operations and maintenance of the state of Maryland's current MMIS, a mainframe legacy system. Since 1999, CNSI has been providing personnel in support of mainframe programming, database administration, network administration, and technical support.

North Carolina MMIS. CNSI is a subcontractor to CSC for the design, development, and implementation of the web portal for the replacement MMIS for the state of North Carolina. As the subcontractor, CNSI provides personnel in support of development and testing of the web portal solution.

Figure 122 summarizes CNSI's impressive portfolio of MMIS solution implementations.

CNSI Offers Iowa a Tradition of Success in MMIS Implementations	
Year	**MMIS and Related Solution History**
1998	Initiated legacy MMIS operations and maintenance contract for State of Maryland
2000	State of Maine contract for Behavioral Health Case Management System initiated
2001	State of Maine MMIS contract initiated
2003	New Hampshire Vital Records contract initiated
2003	Maine Behavioral Health Case Management System goes live
2004	New Hampshire Vital Records goes live
2005	Maine MMIS goes live
2005	Washington MMIS contract initiated
2006	Michigan MMIS contract initiated
2007	eCAMS 2.0 released
2007	Ongoing operations and maintenance services on Maine's MMIS
2008	2 year extension of Maine MMIS contract awarded
2008	ProviderOne Pharmacy POS component of goes live in Washington State
2008	3 year contract extension of Maine Behavioral Health Case Management System contract
2009	CHAMPS (MMIS) goes live in Michigan
2009	Contract awarded for operational support on Michigan MMIS

CNSI Offers Iowa a Tradition of Success in MMIS Implementations	
2010	ProviderOne (MMIS) goes live in Washington State
2010	Work started to incorporate the new 5010 standard for EDI transactions in Michigan
2011	1 year contract extension of Maine Behavioral Health Case Management System contract
2011	Work started to incorporate the new 5010 standard for EDI transactions in Washington
2011	First major release of Social Services Billing and Payment in Washington State

Figure 122. CNSI brings over a decade of Medicaid solution successes and experience to the Iowa MIPP project.

Electronic Health Record Medicaid Incentive Payment Program Experience

CNSI's successful and proven solution, eMIPP, is taking the Medicaid program into the new age of a connected healthcare infrastructure. eMIPP is a modular solution to manage the EHR Medicaid Incentive Payment Program (MIPP). It offers a comprehensive and configurable solution to measure and demonstrate the EHR superior outcomes as outlined by CMS guidelines. This solution is built on the MITA principles and uses a services-based framework, thus enabling the solution modules to leverage and re-use existing state systems and quickly comply with CMS defined timeline.

Immediately after the American Recovery and Reinvestment Act of 2009 was passed, creating the EHR Medicaid Incentive Payment Program, CNSI began designing and developing a solution to support the program's needs. eMIPP is designed to offer customers a core set of functionality that can be integrated with any MMIS platform through standard interfaces.

eMIPP is a web-based stand-alone system with a service-based framework for interoperability to support:

- MIPP provider registration and payments for years 1 through 6 (currently supports year 1 and year 2 "Stage 1 – Meaningful Use" CMS requirements)
- State review of registration and attestation and to generate state authorized payments
- CMS data receipt and payment information exchange using a federally defined set of seven interfaces
- Efficient use of and interfaces with current MMIS functionality to make use of existing provider information and assure secure payment processes.

The online eMIPP portal allows EPs and EHs to register for a state's EHR MIPP program to receive the yearly payment, after first registering with CMS at the federal level. EHR Provider Registration Approval (State) functionality allows state staff to review information given by the providers as part of the registration process, including their MIPP attestation. State administrators have the flexibility to approve, deny, or ask for additional information (reject) for every registration. eMIPP automatically conveys final eligibility determination - approval or denial - to CMS via another interface.

When a provider is approved for payment by the state, in addition to automatically notifying CMS of the eligibility decision, the eMIPP solution initiates an additional process to confirm with CMS that the provider continues to be eligible and has not been paid by another state. Upon CMS confirmation of continued eligibility the eMIPP solution automatically sends the relevant payment information to the MMIS system and notifies the identified worker that payment has been approved.

State of Michigan eMIPP Implementation. In June 2010, CNSI was awarded a contract by the Michigan Department of Community Health to design, develop, and implement the Medicaid EHR incentive payment program (MIPP) for year 1 of the program, with extensions to meet anticipated program requirements.

CNSI's solution, eMIPP, is designed to manage and administer the program throughout its ten year life. The initial implementation meets the requirements for year 1 of the program. The year 2 enhancements, currently under development, will increase administrative oversight and provide functionality for "Stage 1 – Meaningful Use" data collection. CNSI's solution is designed to allow for future requirements, such as integration with health information exchanges (HIEs). In Michigan, the solution was successfully rolled out in phases beginning with provider registration web services and federal CMS interface services in January 2011. Michigan was in the first group of states to process CMS registration information that allows providers to submit their registration and complete their attestation for MIPP. The final phase for Michigan was deployed in May 2011.

As of August 2011, approximately 900 providers in Michigan have registered with CMS and 500 have submitted their applications for state review. The state has approved 49 providers for payment, and all 49 were paid on the next weekly payment cycle following final federal approval.

CNSI applies the processes, and lessons learned with the Michigan eMIPP implementation to its delivery approach, thereby streamlining the implementation for Iowa.

State of Washington eMIPP Implementation. In April 2011, CNSI was awarded a contract by the Washington Health Care Authority to design, develop, and implement the Medicaid EHR incentive payment program (MIPP). CNSI implemented its eMIPP product offering a comprehensive and configurable solution to measure and demonstrate the EHR superior outcomes, as outlined by CMS guidelines for Stage 1's year 1 payment.

The Washington implementation was divided into releases. The first release of eMIPP for Washington was successfully rolled out in July 2011, and allows providers to register into the EHR program and submit attestation request for year 1 payment. September 2011 marked the implementation of the final year 1 release, which automates the trigger of payments from eMIPP to the MMIS based on approved registrations in eMIPP. The CNSI and state project teams have created a highly collaborative work environment with effective project management processes, helping to make this one of the most successfully run projects in the state. CNSI will build on the model of collaborative partnerships developed in Washington as the foundation for the collaborative nature of working with the Agency.

State of Maryland eMIPP Implementation. CNSI is a subcontractor to Computer Sciences Corporation (CSC) for configuration, integration, and implementation of the state of Maryland's Medicaid incentive payment program (MIPP). CNSI's eMIPP product is being implemented as the solution for Maryland. The contract was initiated in June 2011 and production is scheduled for December 2011. CNSI is currently in the configuration phase of the 6-month implementation.

State of New York eMIPP Implementation. CNSI is a subcontractor to Computer Sciences Corporation (CSC) for implementation of the state of New York's Medicaid incentive payment program (MIPP). CNSI is providing eMIPP software as an off the shelf offering that will be configured and integrated by CSC. In addition, CNSI is providing CSC with technical expertise and resources for this project. The contract was initiated in June 2011 and the MIPP system is scheduled to go into production in December 2011.

Figure 123 summarizes CNSI's history implementing its eMIPP solution.

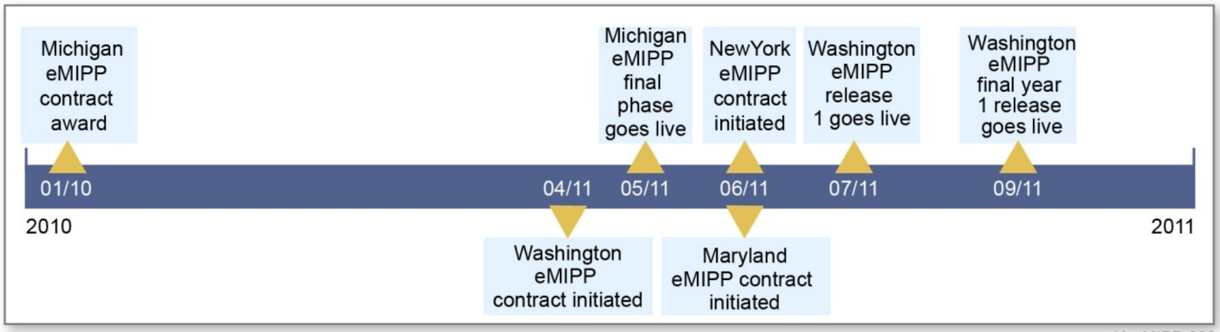

Figure 123. CNSI's Record of Successful eMIPP Implementations. CNSI is at the forefront of developing and implementing solutions for the EHR Medicaid Incentive Payment Program.

CNSI's Center of Excellence

The entire eMIPP infrastructure will be managed and monitored from CNSI's Center of Excellence (COE) facility in Gaithersburg, MD. One of the key components of CNSI's COE facility is the Shared Services, which is comprised of the Network Operations Center (NOC), Security Operations Center (SOC), and Help Desk. These Shared Services are used by CNSI to support our managed services or hosting contracts such as the states of Washington and Michigan MMIS and Georgia Vital Records. Integral to the success of this Shared Services model is the built-in security measures with each "center" Network, Security, or Help Desk that are both physically and logically "walled-off" from the other and by customer (each with their own dedicated IT infrastructure). This model has inherent cost efficiencies by sharing labor resources that can be increased or decreased based on a project's need.

CNSI's COE enables us to provide best-value to our customers by controlling our ability to improve service delivery quality, meet or exceed Service Level Agreements (SLAs), and introduce cost efficiencies through access to leading edge technology solutions, and leverage experience and lessons learned to ensure improved contract performance and support. The COE-NOC, SOC, and Help Desk provide 24x7x365 support to all CNSI managed services customers.

Other Health Care Related Experience

In addition to its Medicaid experience, CNSI has extensive experience with the design, development and implementation of other large-scale systems. CNSI's health care experience has extended into case management, Health Information Exchanges, ICD-10, clinical data, and electronic health records with the success of projects such as the web-based Enterprise Information System (EIS) for managing health care case records for the Maine Department of Behavioral and Developmental Services and the South East Michigan Health Information Exchange (SEMHIE). CNSI has also maintained a legacy MMIS for Maryland Department of Health and Mental Hygiene; developed and implemented the Provider Consumer Information System (PCIS2) for the Maryland Developmental Disabilities Administration; developed and implemented the Vital Records Information Network for the New Hampshire Department of Health and Human Services; and developed, implemented, and maintained the Vital Event Information System for the Georgia Department of Human Resources. These initiatives represent a broad array of services provided, from system DDI to operations and maintenance support. With this experience, CNSI brings a thorough understanding of the requirements under federally mandated standards, such as the medical record coding, DRG validation, sampling coordination, admission necessity screening, and validation of hospital data.

CNSI has assisted many state agencies with planning, designing, and implementing efficient data-centric solutions through its in-depth knowledge of Oracle, Sybase, and Microsoft SQL Server products and key business processes. CNSI's offerings included application implementation, data warehousing/decision support, performance tuning and capacity planning strategies for database management, training, maintenance, security support, and enterprise-scalable solutions. Its highly skilled people work collaboratively with clients in developing and implementing solutions that will allow the client to manage its health care programs in the most efficient and cost-effective fashion.

Level of Technical Expertise – Noridian

With more than four decades of fiscal agent experience for satisfied governmental and commercial clients, Noridian's experience features seven years of fiscal agent service to the Iowa Department of Human Services, who in 2004 selected Noridian as its Core MMIS contractor. DHS entrusted to Noridian the operation and maintenance of the core features of its Iowa Medicaid Enterprise: the Medicaid Management Information System (MMIS) claims processing system, Electronic Document Management System (EDMS), claims adjudication, and mailroom.

Noridian's experience in Medicaid rests on a solid corporate foundation of excellent administrative service to the Centers for Medicare & Medicaid Services (CMS). After administering the Medicare Part A and B programs in multiple states for decades, Noridian was awarded the first ever A/B Medicare Administrative Contractor (MAC) contract. Around that same time, CMS also awarded Noridian the first ever MAC contract for durable medical equipment (DME). Either one of those awards alone is a huge testament to CMS' confidence in Noridian's ability to administer a program through an unprecedented re-organization. The fact that CMS chose Noridian as the first to implement two new organizations, at essentially the same time, speaks volumes about CMS' respect for Noridian. Since those implementations, CMS has selected Noridian for additional workload including the administration of the Pricing Data Analysis & Coding Contract, as well as several pilot projects. Just recently CMS announced the award of a second A/B MAC jurisdiction, Jurisdiction F, to Noridian. In addition to those programs, Noridian continues to administer legacy Medicare contracts for six Part A states and three Part B states.

With more than 70 total years of experience in the health care industry, Noridian consistently receives high performance marks from its clients across all areas of performance criteria including contract administration, customer service, financial management, and innovation. Noridian is a contractor who works to improve customer service and trend costs downward through identifying and implementing efficiencies—a corporate philosophy that serves its clients, and their constituents, well.

Noridian's origin, longevity, and growth is a testament to its commitment to health care and its customers, as well as proof that its clients view Noridian as a trusted contractor--a contractor who works well with others and listens to its customers, putting the customer's needs first. With decades of experience administering government health programs, Noridian is a prime contractor that offers the Agency its full attention, complete dedication, and respected work ethic.

Similar Services Provided in Past 24 Months

RFP §3.2.5.1, bullet 2

Description of all services similar to those sought by this RFP that the bidder has provided to other businesses or governmental entities within the last twenty-four (24) months.

For each similar service, provide a matrix detailing:

- *Project title;*
- *Project role (primary contractor or subcontractor);*
- *Name of client agency or business;*
- *Start and end dates of service;*
- *Contract value;*
- *General description of the scope of work;*
- *Whether the services were provided timely and within budget; and*

- *Contact information for the client's project manager including address, telephone number, and electronic mail address.*

In the past two years CNSI has designed, developed, and implemented and is currently operating and maintaining its eMIPP solution for two clients. CNSI is in the process of implementing eMIPP for the State of Maryland. The implementation is on schedule with production scheduled for year end 2010.

For each of these contracts CNSI provides the full software development life cycle (SDLC), project management services, comprehensive project plans, thorough application test plans, and training.

Noridian, CNSI's subcontractor for the Iowa EHR MIP Administration Tool project, has also provided similar services in the past 24 months.

The RFP-required details about each contract are provided in the tables below.

Project Title:	Washington MMIS (including eMIPP implementation)
Project Role:	☒ Prime ☐ Subcontractor
Client Agency:	Washington State Health Care Authority
Project/Contract Start Date:	The amendment that brought eMIPP into scope was executed on April 15, 2011.
Project/Contract End Date:	Operations support for eMIPP is through December 2012 which is the term date of the master contract.
Project/Contract Value:	DDI= $2,603,980 Operations=$741,360
Scope of Work:	Initial contract included replacement of two of the state's legacy provider payment systems (MMIS and SSPS, the latter being Social Service Payment System) followed by operations and maintenance support, and support for enhancements into system. Amendment to the contract brought into scope the implementation of a system solution for administration of year 1 of the Electronic Health Records Medicaid Incentive Payment Program. CNSI completed design, development and implementation of eMIPP in Washington, and modifications to the State's MMIS, ProviderOne, to integrate with eMIPP and support EHR MIPP payments. The effort included design, development, testing, implementation, operations, communications support, and project management. Implementation was divided into releases. In July 2011, eMIPP was put into production to support state level provider registration, and state staff review and approval of those registrations. September 4, 2011 was implementation of the final year 1 release which will automate the trigger of payments from eMIPP to ProviderOne based on approved registrations in eMIPP. CNSI is now providing operations and maintenance support.
Were services provided timely and within budget?	Yes

Contact Information:	Rich Campbell 626 8th Avenue SE Olympia, WA 98504 (360) 725-1146 campbrk@hca.wa.gov

Project Title:	Michigan MMIS (including eMIPP implementation)
Project Role:	☒ Prime ☐ Subcontractor
Client Agency:	State of Michigan Department of Community Health
Project/Contract Start Date:	Approx 06-01-2010
Project/Contract End Date:	09-30-2011
Project/Contract Value:	Approx $1.5 M
Scope of Work:	CNSI is the prime contractor for the design, development, and implementation of the state of Michigan's Medicaid incentive payment program (MIPP), which provides financial incentives for eligible professionals (EPs) and hospitals (EHs) that adopt, implement or upgrade certified electronic health record (EHR) technology, demonstrating “meaningful use.” Michigan eMIPP was fully implemented and went into production in May 2011. CNSI is now providing operations and maintenance support.
Were services provided timely and within budget?	Yes
Contact Information:	Cynthia Green-Edwards 400 S. Pine St. – 5th Floor Lansing, MI 48933 (517) 241-9998 edwardsc@michigan.gov

Project Title:	Maryland eMIPP Implementation
Project Role:	☐ Prime ☒ Subcontractor
Client Agency:	State of Maryland Department of Health and Mental Hygiene
Project/Contract Start Date:	6/1/11
Project/Contract End Date:	12/31/11
Project/Contract Value:	$705,000
Scope of Work:	CNSI is a subcontractor to Computer Sciences Corporation (CSC) for design, development, and implementation of the state of Maryland Department of Health and Mental Hygiene's Medicaid incentive payment program (MIPP), which provides financial incentives for eligible professionals and hospitals that implement the use of electronic health records (EHRs) and thereby demonstrate "meaningful use" of the technology. CNSI is currently in the design phase, and the system will move into production in December 2011.
Were services provided	Project is on schedule to go live in December 2011. Project is on

timely and within budget?	schedule and on budget.
Contact Information:	Vince Mashek CSC Program Manager 201 W. Preston Street Baltimore, MD 21201-2301 (410) 767-1095 vmashek@csc.com

Project Title:	Iowa EHR Meaningful Use Incentive Payments
Project Role:	☒ Prime ☐ Subcontractor
Client Agency:	Iowa Medicaid Enterprise
Project/Contract Start Date:	September 15, 2010
Project/Contract End Date:	Present
Project/Contract Value:	Implemented as part of Noridian's Core MMIS contract
Scope of Work:	Developed a workflow process to create efficiencies for the Electronic Health Records Incentive program, including interfacing real-time with the provider web portal • Foster communication between the OnBase team and the Data Warehouse staff • Develop an OnBase solution that will communicate with the IMPA tool • Provide a mechanism to review incentive applications electronically through a custom form and provide a quality control review for the management staff • Deliver a reporting solution to track payments made and payments in process • Provide ongoing support for the OnBase solution, as well as make continued enhancements as the program moves forward
Were services provided timely and within budget?	Yes
Contact Information:	Jody Holmes Iowa Medicaid Enterprise 100 Army Post Road Des Moines, IA. 50315 515-256-4616

All Contracts and Projects Currently Undertaken

RFP §3.2.5.1, bullet 3

- *Description of all contracts and projects currently undertaken by the bidder. Descriptions provided for the immediately preceding requirement do not need to be repeated again.*

This requirement was removed per Amendment 2.

Letters of Reference

RFP §3.2.5.1, bullet 4

- *Letters of reference or detailed contract information from three (3) previous clients knowledgeable of the bidder's performance in providing services similar to those sought in this RFP, including a contact person, telephone number, and electronic mail address for each reference. It is preferred that letters of reference are provided for services that were procured in a competitive environment.*

CNSI is pleased to present letters of reference from three previous clients with knowledge of its performance in providing services similar to those sought in this RFP:

- Rich Campbell, Chief Information Officer, Health Care Authority (State of Washington MMIS, including eMIPP implementation)
    - (360) 725-1146
    - campbrk@hca.wa.gov
- Cynthia Green-Edwards, Director, Office of Medicaid Health Information Technology, Michigan Department of Community Heath (State of Michigan MMIS, including eMIPP implementation)
    - (571) 241-9998
    - edwardsc@michigan.gov
- Vince Mashek, CSC Program Manager (State of Maryland MMIS and eMIPP Implementation)
    - (410) 767-1095
    - vmashek@csc.com

The letters of reference are presented in the following pages.

STATE OF WASHINGTON
HEALTH CARE AUTHORITY
626 8th Avenue, SE • P.O. Box 45502 • Olympia, Washington 98504-5502

September 7, 2011

JoAnn Cowger, Issuing Officer
Iowa Medicaid Enterprise
100 Army Post Road
Des Moines, Iowa 50315

Dear Ms. Cowger:

SUBJECT: Letter of Reference for CNSI for RFP MED-12-003
Electronic Health Records Medicaid Incentive Payment Administration Tool

This letter provides a client reference for CNSI. CNSI is contracted with the State of Washington Health Care Authority to implement an Electronic Health Records Medicaid Incentive Payment Administration Tool.

I am currently the CIO for the Health Care Authority and have operational responsibility for the state Medicaid Management Information System (MMIS) and the Incentive Payment systems component.

The Washington solution, Medicaid Incentive Payment Program (eMIPP) had its grand opening on July 26, 2011, following a two week "soft opening" with a small set of providers. The grand opening included functionality to allow eligible providers and eligible hospitals to complete state level registration, and state staff to review and approve those registrations. In September 2011 we will be implementing the final release of the year, which will automate payments from the eMIPP to Washington's MMIS, ProviderOne, using the gross adjustment functionality. CNSI provides operations support for eMIPP, its interfaces with National Level Repository, and its integration with ProviderOne.

The timelines we have had to operate within have been short and CNSI has been very responsive. We have been very happy with the product.

Sincerely,

Rich Campbell
Chief Information Officer

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
LANSING

RICK SNYDER
GOVERNOR

OLGA DAZZO
DIRECTOR

September 6, 2011

JoAnn Cowger, Issuing Officer
Iowa Medicaid Enterprise
100 Army Post Road
Des Moines, IA 50315

RE: Letter of Reference for CNSI for RFP # MED-012-003
Electronic Health Records (EHR) Medicaid Incentive Payment Administration Tool

It is my pleasure to write this letter of recommendation on behalf of CNSI. The State of Michigan and CNSI have established a successful partnership. CNSI is the vendor for Michigan's CMS Certified MMIS system which went live in September of 2009. When the Medicaid EHR Incentive Program opportunities became available, Michigan wanted a permanent solution for the administration of the program that would take advantage of as much of the existing MMIS functionality as possible. We began working with CNSI in mid-2010 on our Medicaid EHR Incentive Program registration and attestation solution and successfully launched the *e-MIPP* solution on January 21, 2011 - one of the first fully integrated solutions in the nation.

With the fully integrated *e-MIPP* solution, all administrative aspects of the program are functions within the MMIS system from interfacing with CMS, Provider Enrollment, EHR Program Registration & Attestation and Incentive Payments. Additionally with a fully integrated system, duplicative processes are avoided and stronger program internal controls exist because of the automation of many of the registration and verification processes.

We have also partnered with the State of Washington to launch the same solution, thus creating cost savings, knowledge and idea sharing and economies of scale for both states – a concept that is easily adaptable to other interested states. As we move forward into Meaningful Use, we are again collaborating with CNSI to develop a permanent enterprise solution.

We have received very positive feedback from the provider community regarding the ease of use of the *e-MIPP* registration and attestation system. The program eligibility rules can be very confusing, but the e-MIPP solution is built dynamically - information is collected for eligibility determination based on provider type, thus making it very easy for the provider to complete the state level registration for the program.

CNSI has demonstrated the ability to 1) understand and interpret federal regulations; and 2) translate Michigan business needs into an automated, fully integrated administrative tool. Michigan has had a very positive experience with CNSI and looks forward to continuing to partner with them.

Sincerely,

Cynthia Green-Edwards

Cynthia Green-Edwards, Director
Office of Medicaid Health Information Technology
Michigan Department of Community Heath
517-241-9998
edwardsc@michigan.gov

CSC

September 15, 2011

JoAnn Cowger, Issuing Officer
Iowa Medicaid Enterprise
100 Army Post Road
Des Moines, IA 50315

RE: Letter of Reference for CNSI for RFP # MED-012-003
Electronic Health Records Medicaid Incentive Payment Administration Tool

Dear Ms. Cowger,

I am a Program Manager for CSC in Baltimore, MD, and I have partnered with CNSI since August of 2006 supporting the State of Maryland's MMIS. Prior to my involvement on the contract, CNSI supported CSC's MMIS effort with Maryland since 2002. During my time working with CNSI, I have found them to be a very reliable, responsive, and knowledgeable company. They have provided CSC with health analysts, programmers, and database engineers that have excelled both technically and with client relations. Starting July 2011, CSC and CNSI have partnered to implement eMIPPS as a solution for Maryland's EHR Incentive Project. We are currently finishing the Design Phase of the project, and we are on schedule and within the allotted budget.

CNSI is providing the EHR Incentive Project with the following services: project management; interface development with Maryland and CMS; workflow management; implementation planning; and requirements validation. Through the remainder of the project, CNSI is also tasked to perform: Web portal development; generate automated reporting; develop the application; and provide hosting and application support for eMIPPS. I have the utmost confidence that they will perform these tasks to the highest professional standards that I have known of them over the past five years.

CSC and CNSI recently were announced as the selected vendors to replace Maryland's MMIS application with eCAMS. Our partnership will have CNSI developing and maintaining eCAMS, while CSC will take over fiscal operations for the State of Maryland. Please feel free to contact me if you have any questions.

Sincerely,

Vincent Mashek
CSC Program Manager, 410-767-1095, vmashek@csc.com

Experience Managing Subcontractors

RFP §3.2.5.1, bullet 5

- *Description of experience managing subcontractors, if the bidder proposes to use subcontractors.*

One of CNSI's core strengths is our ability to manage subcontractors, varying in size and number. CNSI has mature management practices that are driven by our adherence to the Project Management Institute (PMI) and its Project Management Book of Knowledge (PMBOK) methodology, as well as our commitment to the Software Engineering Institute's Capability Maturity Management Integration (CMMI) Level 2 and Level 3 processes. With these mature management practices in place, we are well prepared to manage subcontractors for this EHR MIPP project. For example, on our $34M contract with Los Alamos National Laboratory, CNSI manages one of the largest telecommunications companies, Verizon, which we also managed on our $81M federal contract for the Department of Energy's National Nuclear Security Administration. Similarly, for the large, highly complex Medicaid Management Information System (MMIS) implementation for the state of Washington, CNSI managed six subcontractors, including Oracle Corp. CNSI will be able to bring the expertise and experience gained from these and other similar contracts to this effort, and function as a strong prime contractor that knows how to hold our subcontractors to the necessary performance levels and bind them to their agreements.

The responsibility for managing subcontractors is a shared effort, with the project manager taking a primary role. There are two major elements to CNSI's subcontractor management, which are based upon Key Process Areas (KPAs) of the Software Engineering Institute's (SEI's) Capability Maturity Model (CMM) Level 2.

The first element is for the project manager to coordinate and interface with the designated subcontractor representatives to monitor results and actual performance against agreed upon commitments and provide technical or project oversight. The project manager ensures that all project changes affecting the subcontractor are expeditiously communicated to each subcontractor and tracked to closure.

The second element includes the legal aspects of the commitment, where our Corporate Counsel works with CNSI's project manager, prepares and reviews all contracts, works closely with each project team concerning contractual matters, and monitors subcontract results and performance with respect to the negotiated contract.

The foundation of our CMMI approach involves establishing a documented contractual agreement and Statement of Work (SOW) with each subcontractor covering technical and non-technical requirements (e.g., description of deliverable completion requirements, delivery dates, and performance criteria). This agreement is subsequently used as the basis for managing the subcontractor. The work to be completed by the subcontractor and the plans for the work are documented and continuously monitored for compliance during the project's life cycle. The standards that are to be followed by the subcontractor are the same as CNSI's standards and our commitment to the success of this project.

Regarding our approach for resolving issues and disputes with subcontractors, CNSI views each subcontractor as part of an integrated team with company roles transparent to our customer. This relationship is cultivated from the beginning of the project, establishing an effective dialog that is maintained throughout the project life cycle. Additionally, periodic technical and quality reviews are conducted with each subcontractor to ensure actual results and accomplishments agree with the Subcontract Statement of Work.

For this project, CNSI is proposing one subcontractor, Noridian Administrative Services, LLC (Noridian), a large, proven provider of health care administrative services, to provide testing and implementation support services for the EHR MIPP project. CNSI has worked with Noridian since 2008 to develop a cohesive and collaborative solution to meet a number of states' health care requirements. In August 2011, CNSI, with Noridian as subcontractor, received a letter of intent to award from the state of Louisiana to provide MMIS Replacement and Fiscal Intermediary Services – recognizing the team's innovative and valuable solution. This working relationship has yielded insight into the other's processes and procedures, enabling us to align with each other to create a successful partner to the state.

Personnel

RFP §3.2.5.2

The Team CNSI approach to organization and staffing of the Iowa EHR Medicaid Incentive Payment Administration Tool project is based on our experience with projects of similar size and complexity (specifically, the eMIPP projects for Michigan, Washington ,and Maryland) and has taken into account all of the requirements for this contract as defined in the RFP. Because we are acutely aware of the importance of structured project planning and project management to the overall success of a project, we fully appreciate the need for having the right staff, in the right place, at the right time to minimize risk, and ensure successful planning and execution. Team CNSI selected the individuals assigned to the key positions based on their thorough knowledge of eMIPP, the proposed solution, extensive experience in the Medicaid environment, and first-hand experience in successfully planning for systems implementations under similar timeframes. We further staff the project with personnel experienced in previous eMIPP implementations, leveraging resources across the multi-state solution and providing the most flexible, cost effective staffing approach for the Iowa MIPP project.

To create the strongest, most knowledgeable team to implement eMIPP with the lowest possible risk for the Agency, CNSI will subcontract the services of Noridian Administrative Services, LLC (Noridian). CNSI’s goal in selecting Noridian as our subcontractor was to secure the highest quality of performance and depth of Iowa expertise in the marketplace. CNSI brings to the Agency the eMIPP solution and personnel that have previously implemented this solution. Noridian brings personnel that have knowledge of the Agency and its specific legacy implementation of the incentive payments. Together we bring real life implementation experience of the solution being bid and real life experience of the implementation and administration of the program to date, existing workflow, and knowledge of the Agency.

On this project, Noridian will provide the following services:

- Implementation Lead
- Conversion of year 1 attestation data for EP and EH records
- Local operations support in Iowa during the operations period, serving as liaison with the Agency and the Provider Services vendor

The following sections describe the corporate and project organizational structure, identify key corporate personnel and the key project personnel, present resumes for key personnel, discuss the project manager’s experience managing subcontractor staff, and include the time key personnel will be devoted to the project.

Tables of Organization

RFP §3.2.5.2.1

Team CNSI presents its overall operations and project specific organizations in the following subsections. Each organization chart illustrates clear lines of authority.

Overall Operations

RFP §3.2.5.2.1, bullet 1

- *Illustrate the lines of authority in two tables:*
- *One showing overall operations*

Incorporated in 1994 and headquartered in Rockville, Maryland, CNSI is a leading provider of Information Technology (IT) based business transformation services to federal, state and local governments, and to commercial entities. In 2010, CNSI earned more than $124 million in revenue. CNSI has received recognition through formal industry and customer awards, including repeated listings in Inc. 500, VARBusiness 500, Regional Fast 50, and Fast 500. Recently, Health care Informatics recognized CNSI as being among the “Top 10 Health care Consulting Companies" in the United States. CNSI has a strong foundation of over 1,000 employees located in 8 regional offices across the country that provide support to over a hundred project locations.

CNSI’s has a mature executive management team with over 60 years of corporate management experience. The executive management team consists of a President, Chief Financial Officer, Chief Strategy Officer, and Chief Administrative Officer. The corporation consists of three primary business units, Federal, Health and Human Services (HHS), and State and Commercial. The Iowa MIPP project will reside within CNSI's HHS strategic business unit for the life of the contract.

CNSI understands the importance of placing implementation and operations projects properly within the organizational structure to ensure clear lines of authority and sufficient direct and indirect oversight. CNSI’s organizational structure shown in Figure 124 facilitates accountability, and the delivery of relevant expertise across our company. CNSI has the resources and capability to fully meet and exceed the Agency’s project needs and expectations.

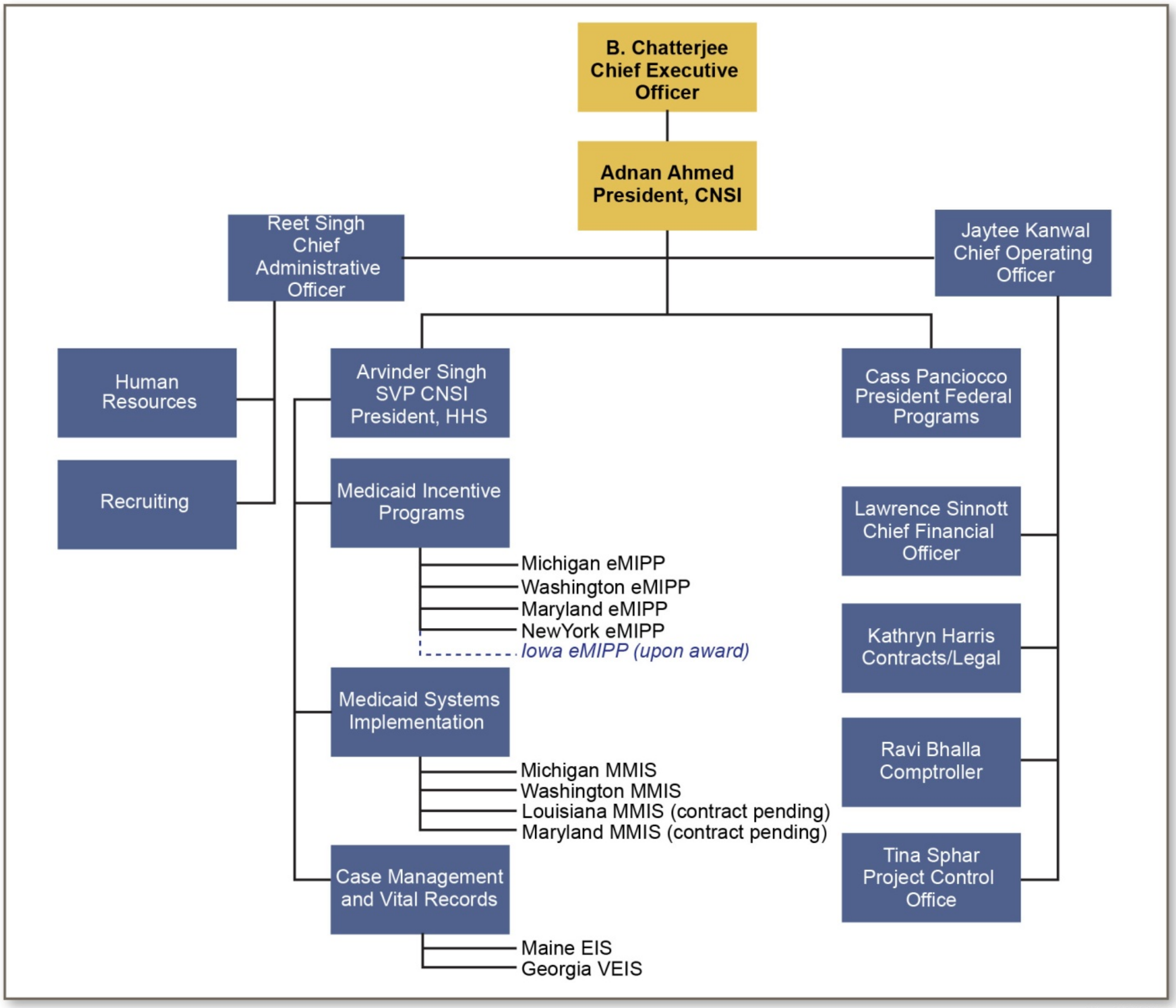

Figure 124. CNSI Organization. CNSI's organizational structure facilitates accountability and the delivery of relevant expertise across our company and project teams.

Iowa EHR MIPP Project Staff

RFP §3.2.5.2.1, bullet 2

- *One showing staff who will provide services under the RFP*

Our organizational approach is based on building and maintaining a close working partnership between Team CNSI and the Agency, minimizing management layers, defining and assigning work in quantifiable and measurable units, and enforcing a strong project management discipline.

This project structure, presented as Figure 125, provides the types and skills of staff to successfully configure, integrate, test, and implement eMIPP within the time frame detailed in our Draft Project Timeline included in Tab 4.

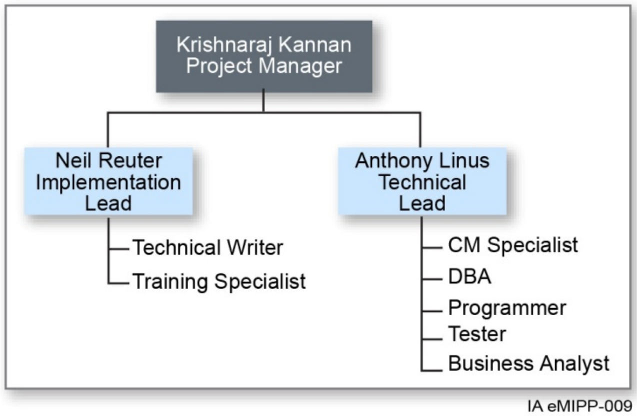

Figure 125. Implementation Organization for the Iowa MIPP Project. Team CNSI offers a highly effective organization structure based on previous eMIPP implementations.

Figure 126 displays the Team CNSI project structure for the subsequent operational years.

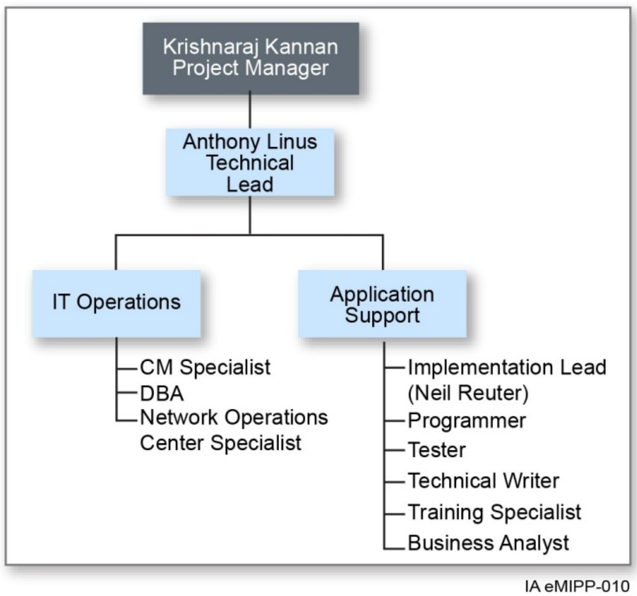

Figure 126. Operations Organization for the Iowa MIPP Project. Team CNSI provides the right skills and resources to support contract years 2 through 10.

The Iowa MIPP project will be led by Team CNSI's project manager, Krishnaraj Kannan, who will be responsible for day-to-day operations and program management functions. Mr. Kannan is the Agency's point of contact for all MIPP activities through configuration, integration, and implementation and operations, and will coordinate all communications to the CNSI executive management team. He is a veteran of DDI involving many Healthcare projects, including the Medicaid Incentive Payment Program and is well qualified to lead the Iowa EHR MIPP project.

Reporting to Mr. Kannan and serving as technical lead is Anthony Linus. Mr. Linus will be responsible for assigning and monitoring staff work assignments, overseeing requirements validation, determination of scope of work, definition of deliverables, staff and task schedules, and delivery of quality results. Mr. Linus has worked with a wide variety of government organizations to effectively deliver complex and phased projects with multiple stakeholders. Currently CNSI's technical lead for the Maryland eMIPP project, Mr. Linus brings exceptional, relevant experience to his Iowa EHR MIPP position.

Neil Reuter will serve as the Iowa eMIPP implementation lead and report to Mr. Kannan. Mr. Reuter will serve as Team CNSI's onsite liaison with the Agency. He will also be responsible for refinement of the training plan, development of training materials and delivery of training, technical writing of documentation and deliverables, and assigning and monitoring staff work assignments. Mr. Reuter brings knowledge of the legacy electronic health records tool used in Iowa to his implementation lead role. He has been instrumental to the legacy electronic health records implementation and operation, has an understanding of and commitment to the IME, and has a successful record of meeting the Agency's needs.

Names and Credentials of Personnel – Key Corporate Personnel

RFP §3.2.5.2.2

CNSI is a privately held corporation with four accomplished, hands-on owners who serve as the executive leadership team. In the following subsections, we provide details about our key corporate personnel.

Owners/Executives Credentials and Role on This Project

RFP §3.2.5.2.2, bullet 1

- *Include the names and credentials of the owners and executives of your organization and, if applicable, their roles on this project.*

CNSI is a well-established organization led by talented, experienced, and dedicated executives.

B. Chatterjee – Chief Executive Officer: With more than 18 years of technology and management experience, B. Chatterjee provides CNSI's strategic leadership and technical vision to accelerate growth, quality, best practices, and operational consistency across CNSI's business units and R&D centers.

Mr. Chatterjee serves as a technical advisor to teams responsible for the company's turnkey solutions. He is the visionary behind CNSI's proven system development and deployment methodology, as well as eCAMS, CNSI's revolutionary payer system, which has taken the company into the Medicaid market.

Prior to founding CNSI, Mr. Chatterjee held technical roles with several fortune 500 companies, including Fannie Mae, MBNA Bank and AOL. He holds a B.S. in Physics and Math from the University of Lucknow, a B.S. in Computer Science from the University of Maryland, and a M.S. in Computer Science from The Johns Hopkins University.

Adnan Ahmed – President: Adnan Ahmed has more than 18 years of sales and business development experience in the IT industry, particularly in the federal and state government contracting arena. Mr. Ahmed heads up CNSI's corporate growth strategy. He is responsible for generating new business opportunities for CNSI, identifying new strategic markets, and leveraging relationships with customers and partners. Mr. Adnan also oversees both the Health and Human Services and Federal strategic business units for CNSI, providing operational oversight and guidance to all endeavors.

Under Mr. Ahmed's direction, CNSI has expanded into numerous vertical markets, including healthcare, which is a key market for CNSI with the recent focus in healthcare IT.

Prior to founding CNSI, Mr. Ahmed started the federal product sales division for INET Inc., a government systems integrator, growing it to $30 million in three years.

Jaytee Kanwal – Chief Operating Officer: With more than 20 years of business operations and financial management experience, Jaytee Kanwal is responsible for the management of CNSI's overall operations, including compliance with accepted standards and regulatory requirements, tax and audit, and legal and contractual. He manages all financial operations, including treasury and cash management, risk and surety management, financial analysis and modeling, financial reporting, and financial budgeting and forecasting. Mr. Kanwal oversees the capital structure of the company and maintains strategic relationships with banks to fund major growth phases. He will review the financial performance of CNSI's Iowa EHR Medicaid Incentive Payment Administration Tool project.

Prior to founding CNSI, Mr. Kanwal managed the financial requirements of two private placement equity offerings for a $300M company, where he handled due diligence with research analysts, auditors, and legal counsel.

Reet Singh – Chief Administrative Officer: Reet Singh has more than 20 years of experience in systems analysis and development, project management, and operations management. As Chief Administrative Officer, Mr. Singh oversees a number of CNSI's key internal functions including governance and controls, infrastructure services, operations, human resources, and talent management.

Mr. Singh is responsible for managing the current and future growth of CNSI's most valuable asset, the company's employees, and ensuring the company has skilled and committed talent throughout the entire organization.

Prior to assuming the CAO role, Mr. Singh led CNSI's Federal government operations, where he oversaw the business unit's strategic and operating plans, client relations, and the expansion of large-scale projects. Mr. Singh holds a Masters of Science degree in Information and Telecommunication Systems from Johns Hopkins University.

Current Board of Directors/All Partners

RFP §3.2.5.2.2, bullet 2

- *Include names of the current board of directors, or names of all partners, as it applies.*

The CNSI Board of Directors consists of the four company co-founders:

- B. Chatterjee – Chief Executive Officer
- Adnan Ahmed – President
- Jaytee Kanwal – Chief Operating Officer
- Reet Singh – Chief Administrative Officer

Key Corporate, Administrative, and Supervisory Personnel Resumes

RFP §3.2.5.2.2, bullet 3

- *Include resumes for all key corporate, administrative, and supervisory personnel who will be involved in providing the services sought by this RFP. The resumes shall include: name, education, and years of experience and employment history, particularly as it relates to the scope of services specified herein. Resumes shall not include social security numbers.*

Arvinder Singh, senior vice president of CNSI, is the corporate, administrative or supervisory individual who will be involved in providing the services sought by this RFP.

As SVP of CNSI's Health and Human Services Business Unit, Arvinder Singh is responsible for operations and development of the company's healthcare solutions, including R&D of new technologies and integration of COTS products to deliver value-added systems for the government health IT market. Mr. Singh has more than 12 years of experience architecting open, Java-based enterprise applications, including several large-scale government healthcare information systems. An active presenter at various public events, conferences, and government sponsored sub-committee and open public forums, Mr. Singh is a prolific speaker with great insights on disruptive business models and technology adoption specifically in the government health IT space. He has presented at numerous business conferences and technology user groups, and has been invited to represent various working groups when providing updates and testimonials toward open comments solicited by government sub-committees on Health IT. Mr. Singh actively participates in health IT special interest groups, is a member of the MITA Technical Committee, and is leading a subcommittee on Business Process & Work Flow Standards. Federal Computer Week (FCW) named Singh a 2006 "Rising Star" for pioneering the industry's first web-centric MMIS.

For the Iowa EHR Medicaid Incentive Payment Administration Tool contract, Mr. Singh will provide executive oversight and technical vision and leadership to the project team. Mr. Singh brings his insights on upcoming regulations and technology trends to CNSI's multi-state eMIPP solution, ensuring Iowa is well positioned for the future of EHR MIPP.

Team CNSI presents Mr. Singh's resume in the Resumes and Financial Statements tab located at the end of the proposal.

Project Manager and Key Project Personnel

RFP §3.2.5.2.3

CNSI has carefully selected personnel to staff the Iowa EHR Medicaid Incentive Payment Administrative Tool project based on their experience and proven capabilities on similar projects. Our experience in previous projects has resulted in an in-depth understanding of the qualifications, characteristics, knowledge, and track record that project team members must have in order to perform successfully in the dynamic implementation environment.

Resumes

RFP §3.2.5.2.3, bullet 1

- *Include names and credentials for the project manager and any additional key project personnel who will be involved in providing services sought by this RFP. Include resumes for these personnel. The resumes shall include: name, education, and years of experience and employment history, particularly as it relates to the scope of services specified herein. Resumes should not include social security numbers.*

Team CNSI understands that the Iowa Department of Human Services must have confidence that the selected contractor can perform the configuration, integration, and implementation and the operations and maintenance functions on time and at the expected level of quality. In building our leadership team for this project, we selected staff with direct and relevant experience. We have assembled our project team with individuals with the requisite skills, abilities, knowledge, and experience – individuals who are motivated, experts in their field, and experienced in the configuration, integration, implementation, and operation of eMIPP.

To demonstrate our commitment to the Iowa Electronic Health Records Medicaid Incentive Payment Administrative Tool project, we identify and provide resumes for three key personnel.

Project Manager:	Krishnaraj Kannan
Technical Lead:	Anthony Linus
Implementation Lead:	Neil Reuter

Resumes for these individuals are presented in the Resumes and Financial Statements tab located at the end of the proposal.

Project Manager's Experience Managing Subcontractor Staff

RFP §3.2.5.2.3, bullet 2

- *Include the project manager's experience managing subcontractor staff if the bidder proposes to use subcontractors.*

CNSI recognizes that subcontractor management is a key function of the prime contractor in an integrated project team and the prime contractor retains the ultimate responsibility and accountability for the overall performance of the contract terms and service level goals. The CNSI project manager, Krishnaraj Kannan, functions as the subcontractor manager, ensuring that responsibilities are clearly understood and the subcontractor is exceeding performance levels, and issues are resolved quickly and efficiently. Mr. Kannan is the single point of contact for the Agency for issues associated with any contract performance. He is well-qualified for this role, having experience successfully managing subcontractors on previous system implementations, including an integrated team of four subcontractors Mr. Kannan managed while serving as the chief architect for the State of Michigan MMIS implementation.

Percentage of Time Devoted to this Project

RFP §3.2.5.2.3, bullet 3

- *Include the percentage of time the project manager and key project personnel will devote to this project on a monthly basis.*

On a monthly basis, Team CNSI's project manager and key project personnel will devote the following amount of time to the Iowa EHR Medicaid Incentive Payment Administration Tool project:

Name	Title	Percentage of Time	
		Configuration & Integration	Operations
Krishnaraj Kannan	Project Manager	50%	50%
Anthony Linus	Technical Lead	100%	100%
Neil Reuter	Implementation Lead	100%	50%

Financial Statements

RFP §3.2.5.3

The bidder shall submit audited financial statements from independent auditors for the last three (3) years. Entities not required to have audited financial statements may submit CPA-prepared unaudited financial statements.

As a private company with four shareholders, CNSI possesses a record of 17 years of providing exemplary IT service to federal and state government clients. CNSI has the technology and resource expertise to reduce costs and improve the productivity of government IT systems. This successful record and proven capability has enabled CNSI to increase its revenue at a very rapid pace since incorporation in April 1994, from $1.2 million in 1995 to more than $104 million just ten years later. More recent years have continued to reflect this steady growth with an average growth of 31% per year. CNSI has undergone annual financial audits by an independent accounting firm for all its years of operation.

At the end of this tab, CNSI presents its audited financial statements for the last three years – FY2010, 2009, and 2008.

Termination, Litigation, and Investigation

RFP §3.2.5.4

Bid Proposals must indicate whether any of the following conditions have been applicable to the bidder, or a holding company, parent company, subsidiary, or intermediary company of the bidder during the past five (5) years. If any of the following conditions are applicable, then the bidder shall state the details of the occurrence. If none of these conditions is applicable to the bidder, the bidder shall so indicate.

Contract Terminations

List any contract for services that the bidder has had that was terminated for convenience, non-performance, non-allocation of funds, or any other reason for which termination occurred before completion of all obligations under the contract provisions.

Please refer to CNSI's response below to ***Litigation, Administrative or Regulatory Proceedings***.

Defaults

List any occurrences where the bidder has either been subject to default or has received notice of default or failure to perform on a contract. Provide full details related to the default or notice of default including the other party's name, address, and telephone number.

Please refer to CNSI's response below to ***Litigation, Administrative or Regulatory Proceedings***.

Damages, Penalties, Disincentives Assessed or Payments Withheld

List any damages, penalties, disincentives assessed, or payments withheld, or anything of value traded or given up by the bidder under any of its existing or past contracts as it relates to services performed that are similar to the services contemplated by this RFP. Include the estimated cost of that incident to the bidder with the details of the occurrence.

CNSI has not been assessed damages, penalties, or disincentives, nor had payments withheld, or had anything of value traded or give up under any of its existing or past contracts as it relates to services performed that are similar to the services contemplated by this RFP.

Litigation, Administrative, or Regulatory Proceedings

List and summarize pending or threatened litigation, administrative or regulatory proceedings, or similar matters related to the subject matter of the services sought in this RFP.

CNSI is currently engaged in a lawsuit involving a contract with the state of South Dakota, which was filed by CNSI on December 17, 2010, in the Circuit Court for Hughes County, South Dakota following CNSI's receipt of a termination notice from the State. CNSI's complaint asserts multiple claims against the State, including claims for breach of contract, declaratory judgment and unjust enrichment, based on the State failing to make timely contract payments, demanding CNSI perform uncompensated work for the State, and withholding monies owed CNSI under the contract, all of which interfered with CNSI's ability to perform under the parties' contract. The State filed a counterclaim against CNSI for breach of contract. Currently, the parties are actively engaged in settlement discussions subject to a mutual nondisclosure agreement and have agreed to stay any further discovery while those discussions are ongoing. CNSI is confident that this matter will be favorably resolved. This litigation will not affect CNSI's ability to perform the work under this contract.

Account Irregularities

List any irregularities that have been discovered in any of the accounts maintained by the bidder on behalf of others. Describe the circumstances of irregularities or variances and detail how the issues were resolved.

There have been no irregularities discovered in any of the accounts maintained by CNSI on the behalf of others.

Child/Dependent Adult Abuse or Felony Convictions

List any details of whether the bidder or any owners, officers, primary partners, staff providing services or any owners, officers, primary partners, or staff providing services of any subcontractor who may be involved with providing the services sought in this RFP, have ever had a founded child or dependent adult abuse report, or been convicted of a felony.

No CNSI owners, officers, primary partners, staff providing services sought in this RFP have ever had a founded child or dependent adult abuse report, or been convicted of a felony.

With regard to our subcontractor, Noridian Administrative Services, LLC, (Noridian) several Noridian processes exist to monitor felony convictions including, but not limited to, child or dependent adult abuse felony convictions. Prior to employment, potential new employees are subjected to a criminal background check. Per an every fifth year protocol, Noridian secures a criminal background check on all employees as of that point in time. Further, all employees are required to report their felony convictions to Noridian Compliance. Given the spirit of equal employment authorities and higher rates of felony convictions within some demographics, Noridian has not exercised an absolute prohibition of employing personnel with a felony conviction. Accordingly, depending on the type/nature of felony conviction and job duties, Noridian may complete a matter-specific analysis to determine employability. In the past Noridian has completed this analysis and infrequently allowed employment (e.g., a felony conviction resulting from driving violations). All credible information that Noridian receives indicating that an employee may have a felony conviction is reviewed and acted upon as appropriate. Noridian is willing to enhance its current felony conviction based process to specifically monitor for a broader range of "founded child or dependent adult abuse report(s)".

The Noridian staff specifically associated with the EHR Medicaid Incentive Payment Administration Tool contract do not have any such felonies.

Arvinder Singh
Sr. Vice President, CNSI and President, Health and Human Services

Mr. Singh is a leader in Health IT and Medicaid systems design and architecture, providing strategic planning and execution of web-centric Health IT solutions. He is the chief architect of eCAMS® with a wealth of relevant experience, including nine years experience in the Health IT arena. Mr. Singh has extensive knowledge of IT capabilities and ability to direct other architects in all phases of enterprise wide architecture development. He possesses direct experience as an architect overseeing implementation of Medicaid systems within the context of the Health and Human Services (HHS) enterprise architecture and statewide enterprise architecture. Mr. Singh has led the technical team in the design, development, implementation, and on-going refinement of the product roadmap for eMIPP in CNSI's multi-state initiative. His guidance has shaped the vision for the overall architectural infrastructure and facilitated a seamless integration with the company's existing meaningful use tools kit for maximum client benefit, allowing for customization and a tailor-made system for each of our customers according to their specifications. Further, under his direction, each of the systems and products developed and integrated by CNSI are MITA-aligned and 5010 compliant.

Education and Training

- Master's in Business Administration (Systems and Finance), University of Chandigarh, 1997
- Bachelor's in production and industrial engineering, University of Chandigarh, 1995

Experience

CNSI **June 1999 – Present**
Sr. Vice President, CNSI and President, HHS (acting)

Mr. Singh oversees CNSI's healthcare portfolio as the division head for CNSI's Health and Human Services strategic business unit and is responsible for overall delivery of CNSI's healthcare projects in the states of Maine, Maryland, Louisiana, Michigan and Washington. The overall value of this portfolio is in excess of $600 million.

Mr. Singh provides a foundation roadmap for eCAMS® 3.0, clinical integration, and Health Information Exchange (HIE) technologies. He architected the eCAMS® Version 2.0 and added service oriented architecture (SOA) and Web services capabilities. He also provided oversight of MITA alignment for the system and led the MITA PSTG workgroup. He established technological advancements for CNSI Health IT solutions including implementation of Web services and enterprise service bus infrastructure.

Mr. Singh engineered standards based on a catalog of utility and business services and overhauled the interface with a new intuitive experience using AJAX 2.0. He also aligned the business architecture of solution with MITA 2.0 with improved capabilities in the area of managed care, business metrics driven continuous process improvement model, benefits administration, cash receipt, and business scorecards.

Mr. Singh conducts research of new technologies and the integration of commercial off-the-shelf (COTS) products to deliver value-added features to eCAMS® such as integration with clinical-based systems, and implements Sun JCAPS-based infrastructure pilot projects to support HIE. He is currently working to develop the prototype of the first generation of a "Medicaid Electronic Health Record."

Mr. Singh led a team of more than 60 to implement the Maine Claims Management System (MECMS). He designed the system architecture and managed the technical implementation of all of its modules. The

MECMS solution was the first certifiable, Web-centric, component-based Medicaid system in existence. Mr. Singh also led the effort to implement Enterprise Information System (EIS) for State of Maine.

Mr. Singh led the design of a HIPAA-compliant, Web-based, enterprise–level case management and executive information system for the Department of Behavioral Developmental Services (BDS). He assisted the State of Maine with migrating business processes, legacy systems, and existing IT infrastructure to an enterprise system. Mr. Singh was designated as technical lead in the design, development, and implementation of the Provider Consumer Information System-2 (PCIS-2) for the Developmental Disabilities Administration (DDA) under the State of Maryland's Department of Health and Mental Hygiene (DHMH).

Mr. Singh also worked with Medicaid subject matter experts to create a knowledge library for Medicaid business purposes; conceptualized the application architecture and the user interface; provided assistance and mentoring to the technical team; and worked directly with the client to analyze their needs and resolve all technical issues. He also worked with the security specialist to ensure adherence to the HIPAA guidelines for security and confidentiality of consumer health data, and oversaw development specifications, standards, and environments. From 1999 to 2001, Mr. Singh served as an architect. He implemented and architected the CNSI case management solution, which was deployed and implemented in Maryland and Maine.

Newgen Software Technologies Ltd. **February 1995 – June 1999**
Project Manager

Mr. Sing implemented software modules for customers and was responsible for all aspects related to their implementation. For HDFC Bank, Mr. Singh implemented the Web-based Report Distribution System. The implementation involved capturing the report data generated from the application server and then presenting dynamic HTML pages over the intranet.

For Hutchinson Max Telexom Ltd., Mr. Singh was responsible for creating new workflows and application models for a customer service reporting system. He used a workflow application component called Image Serve for problem reporting and tracking, a CASE methodology to map existing business process flow, and designed a new application model for an effective system.

For M J Warehousing Pvt. Ltd, Mr. Singh served as team lead for user requirements gathering, documenting existing business process and developing the data flow diagrams, entity relationship diagrams, and graphical user interface. He was responsible for the design and development of various modules, such as customer master details, product master details, order preparations, material release forms, and invoice preparations.

Specific roles and responsibilities for the projects identified above included creating technical architecture for the application/modules being implemented, managing cost, schedule, and resources during the course of the project, communicating with customer on project status, and managing the requirements, scope, and project tasks.

Krishnaraj Kannan
Project Manager

Krishnaraj Kannan has 17 years experience in information technology with many roles including project manager, solutions architect/manager and technical lead with a main focus in enterprise application architecture and development, using J2EE, Oracle, Rules Engine, Seibel CRM, Oracle Financials, document management, and correspondence management systems. He has experience implementing solutions utilizing SOA principles and is well versed in IT operations and governance principles.

Mr. Kannan is currently serving as the project manager for the implementation of an EHR Medicaid incentive payment program for the state of Washington. He is a proven leader, able to repeatedly bring complex, high-profile projects to fulfillment under extreme deadline and resource constraints. Mr. Kannan is a natural leader with a focus on project deliverables, motivation, and mentorship of team members.

Mr. Kannan has proficient functional knowledge in state and federal healthcare tied to the HITECH rule and healthcare payment systems. Mr. Kannan is considered a subject matter expert in the modern Medicaid management information system (MMIS), specifically in the realm of medical claims processing.

As a certified PMP, Mr. Kannan is experienced in project management, system design, database analysis, iVision360 systems development life cycle methodology, architecture framework, object oriented analysis and design (OOAD), UML modeling, BPM, and in OLTP systems. Mr. Kannan has developed an expertise with the following tools resulting from daily usage to successfully complete each of the projects in his extensive career:

Education and Training

- Bachelors in Engineering (electronics and instrumentation engineering), Annamalai University
- Training and Certification
  - PMP Certified
  - Bullet Proof Manager Certification

Experience

CNSI **April 2010 – Present**
State of Washington, eMIPP Implementation ***Project Manager***

As project manager, Mr. Kannan directed the activities necessary to implement an EHR Medicaid Incentive Payment Program solution, eMIPP, for the state of Washington. The phased, complex implementation spans over 6 years and supports state-incentive payment program to providers upon adoption of EHR technologies. The Year 1 payment solution for the project is in production and Mr. Kannan and his team are currently working on the second year's phased implementation portion to support 2012.

Mr. Kannan is specifically responsible for:

- Analyzing legacy systems and applications to derive necessary business rules and functions from existing applications
- Dissecting modules tied to the payment system

- Researching and analyzing new health care initiatives such as Electronic Health Record (EHR), Health Information Exchange (HIE), and HL7 to create a comprehensive technical solution
- Managing all phases and aspects of human resources as required for development work on the project
- Defining development processes and approach for the project
- Tracking and reporting development progress to corporate management
- Managing development scope and schedule
- Contributing to project budget goals

CNSI **January 2009 – April 2010**
States of Washington and Michigan, MMIS Certification ***Project Manager***

As the certification manager, Mr. Kannan was responsible for the strategy and approach to achieve federal certification of the claims processing and payment system (MMIS) implemented by CNSI in Washington and Michigan. The role involved:

- Creation of the certification plan
- Execution of the plan within the lifecycle of the project
- Management and guidance for the subject matter experts, development manager and testing manager on certification gaps
- Identification and communication of proposed mitigation plans to the project sponsors
- Escalation of critical findings

CNSI **September 2005 – December 2008**
State of Michigan, Department of Community Health ***Chief Architect***

Michigan Medicaid Management Information System MMIS provides a claims management solution over the internet. Healthcare providers and the state Medicaid authority access this web application via the internet to process the claims. In his role as chief architect, Mr. Kannan:

- Led the enterprise application integration initiative through the incorporation of various COTS products. CHAMPS (Community Health Automated Processing System) consists of CNSI's base MMIS system (eCAMS) that has been customized to mesh with a document management system (FileNet), Web Portal (Vignette), Correspondence Management System (DOC1), CRM system (SIEBEL), Accounting System (Oracle Financials), Reporting system (Cognos), EDI system (Edifecs, Gentran), and Interface System (SeeBeyond) with the end result being a singular, centralized interface for the client.
- Managed contracts and contractors of diverse products including:
  - Boldtech Consulting for Seibel CRM
  - HTC Global Services for the imaging solution
  - Maximus for the portal management and functional staff augmentation
  - Software Galleria
- Performed systems solution engineering for the development, testing, staging, and production environments. This involves creating system architecture, making purchase decisions on software and hardware, and implementing within the different environments. For each environment, a project schedule was created to reflect procurement, staging of servers, deployment of OS, installation of applications, and hardening of the servers.
- Managed all phases and aspects of human resources as required for development work on the project
- Defined development processes and approach for the project
- Tracked and reported development progress to project and corporate management
- Managed development scope and schedule
- Managed resource pooling across projects
- Contributed to project budget goals

- Conducted performance evaluation and salary reviews of employees
- Developed expert knowledge of Sun hardware, Oracle, JCAPS, Oracle Financials, Siebel CRM, IBM Document Management System, DOC1 correspondence management system, IBM Cognos, and CNSI's RuleIT rules engine

CNSI **April 2002 – August 2005**
State of Maine, Bureau of Medical Services, MMIS ***Team Lead/Senior System Analyst***

Mr. Kannan worked as a team lead in development and implementation of a Web based OLTP system to process efficient and effective claims for the Bureau of Medical Services (BMS), State Of Maine. In this capacity, Mr. Kannan:

- Led requirement analysis, which focused on initial planning and achieving consensus on the goals of the project
- Participated in the initial review and analysis of existing systems and in extracting the business rules from the existing Legacy system
- Served as the anchor person in designing the Reference subsystem; this activity included creating the technical design plan and the development of screen prototypes
- Established use cases, interaction diagrams, activity diagrams and flow diagrams based on UML model to depict the Reference subsystem and its interaction with the other systems
- Worked with the Oracle database designers in development of the logical and physical database models using tools like ERWIN for Data modeling
- Participated in designing and developing re-usable components in Java, which were used in the Reference and other subsystems of the project
- Managed a 6-person team, guiding them in the development of both the Reference and Claims subsystems and assisting them with the day-to-day technical and non-technical challenges
- Managed the following technical contractor during the development and implementation stages of the project:
  - Software Galleria – technical staff augmentation
- Developed an expertise with the following tools HP hardware, Oracle, PL/SQL, Rules Engine, Oracle Financials, IBM Cognos

CNSI **April 2001 – March 2002**
Maryland Department of Community Health ***Project Lead/Senior Analyst Programmer***

Mr. Kannan worked as a project lead in developing J2EE-based Provider Consumer Information System for Developmentally Disabled Administration of Maryland Department of Health and Mental Hygiene. In his role as project lead, Mr. Kannan:

- Interacted with the client in developing the application jointly and serving as the main point of contact for knowledge transfer between the client and the development team
- Performed system analysis, system design, deployment of the application in Oracle application server, and performance tuning of the Web server
- Wrote JSP, JAVA and PL/SQL code
- Participated in the successful deployment of the application in production environment and in the integration of WebDb with the reporting module of the application
- Specific to this project, utilized HP hardware, Oracle, Weblogic server, JSP, PS/SQL, and WebDb

Anthony Linus
Technical Lead

Anthony Linus is a seasoned business and IT professional with more than 20 years of experience. He has spent 17 years supporting and leading IT projects with the majority of those initiatives being within the healthcare space. Mr. Linus leverages his diverse educational background in business and engineering, his personal philosophy of innovation, agility and customer service, and his experience as the data administration lead, lead (system) analyst, developer, technical lead and project manager roles to effectively and successfully deliver complex phased projects. He has managed the Enterprise Information System (EIS), a case management system, for the state of Maine's Department of Health and Human Services for the last six years as a technical expert since its inception in 2000. Mr. Linus was involved in all the phases of the software development life cycle (SDLC), utilizing his expertise of the agile systems development methodology, database integration and modeling, and data analytics and reporting.

Currently, Mr. Linus is leading the enterprise for the design, delivery, and implementation of the EHR Medicaid Incentive Payment Program system for the state of Maryland.

Mr. Linus has a broad understanding of a number of technologies, including J2EE, Rational Rose, Oracle 10g, PL/SQL, OLAP – Cognos Suite (Impromptu, PowerPlay, and Architecture), ERwin, Toad, Oracle Forms and Reports 9.1, PowerBuilder, JProbe, SpotLight, Eclipse, LoadRunner, and Quick Test Professional.

Education and Training

- MBA, University of Maryland
- M.S. Computer Management, Pune University, India
- Bachelor's Degree, Commerce (Accounting & Finance), Bombay University

Experience

CNSI **June 2011 to Present**

State of Maryland - Department of Health and Mental Hygiene ***Implementation Lead***

This is an ongoing project to implement and deliver the eMIPP (Electronic Health Record Medicaid Incentive Payment Program) solution to the State of Maryland. This solution will allow the providers to register for incentive payments under the EHR program. In his capacity as Implementation Lead, Mr. Linus:

- Drove all implementation decisions
- Developed implementation schedule, plans, and checklists
- Reported technical progress to the CNSI project manager
- Directed configuration and development staff to modify system to meet requirements

Mr. Linus utilized the following software and hardware in the successful execution of the aforementioned project: Oracle Standard edition database, Mule, Oracle Sun T Series Application Servers, Oracle Sun 7320 Storage Unit

CNSI **January 2001 – June 2011**
State of Maine Behavioral Development Services ***Technical Lead***

CNSI was contracted by Maine's Department of Health and Human Services (DHHS) to design, develop, and implement a web-based Enterprise Information System (EIS) for the State. This is a "turnkey solution" flagship, and mission critical enterprise system. CNSI designed, developed and implemented an ADA and HIPAA-compliant, web-based enterprise-level medical case management and information processing system. EIS is integrated with other state systems including the state's Medicaid system, Prescription Monitoring system and APS (managed care).

CNSI has been supporting EIS for the past 10 years and during this time period incrementally enhanced the systems capability. Some of the key enhancements to capability were to allow outside providers (non-state staff) to access and enter data into the EIS portal in a secure way as well as the capability to allow outside providers to login and upload batch files into EIS.

Mr. Linus served in a variety of lead technical roles for this project. Time and duration for each are as follows:

Project Lead ***February 2006 – June 2011***

Mr. Linus served as the project lead for a team of developers and testers to support, maintain, and enhance an enterprise application (Medicaid Case Management Information System) for the state of Maine's Department of Health and Human Services (DHHS). In this role, Mr. Linus:

- Performed functional analysis
- Derived technical solutions
- Ensured that project development was performed in a timely and efficient manner
- Acted as the internal CNSI quality assurance manager
- Managed Cognos development and data-related development tasks
- Revamped the applications' security designs
- Used tools such as JProbe, SpotLight, Load Runner, Quick Test Professional and other mechanisms to debug and enhance the applications

Lead Systems Analyst ***June 2004 – February 2006***

While working as lead systems analyst on the Maine Medicaid Case Management Information system, Mr. Linus:

- Performed functional analysis on various projects
- Participated in the design, test plan creation and test scripts development for the resulting application
- Worked with clients on processes that linked concept development, requirements, design, development, testing, change requests and troubleshooting
- Managed Cognos development and data load efforts

Lead Analyst ***June 2003 – June 2004***

While Mr. Linus worked on a project for the Department of Behavioral and Development Services billing system within the state of Maine he:

- Performed functional analysis and the design and testing
- Completed a functional specification document
- Collaborated with the project team on the system design document
- Created the business rules document with minimum input from the client by reading though Medicare and Medicaid legislation along with UB92 manuals

Lead Analyst and Developer ***August 2002 – June 2003***

Specific to a Cognos implementation for the state of Maine Children's department and the Office of Substance Abuse (OSA) department, Mr. Linus:

- Performed analysis and requirements gathering
- Developed a mini-data mart for both departments
- Created Impromptu catalogs, reports and PowerPlay cubes for both departments
- Implemented the Cognos Architecture model, Cognos queries, and provided security through Access Manager for the OSA department.
- Conducted training in Cognos Impromptu reports, PowerPlay, Architecture, and in implementing security through Access Manager and in publishing upfront to the OSA department

Lead Analyst ***January 2001 – August 2002***

Mr. Linus performed functional analysis and requirements gathering and design for an enterprise information system being developed for the Department of Behavioral and Development Services. During this time he also managed a project for the OSA. For both of these projects Mr. Linus:

- Led effort on data synchronization, reporting and release, which included working with GIS and online analytical processing tools
- Successfully completed the functional specification document and the system design document

CNSI **May 2000 – June 2000**

U.S. Census ***Data Administration Lead***

Mr. Linus led a team of software engineers in the design, development, testing and support of a customized client/server application that facilitated support of the production process for the U.S. Census' 2000 data capture effort. As the data administration lead, Mr. Linus:

- Directed configuration and development staff to modify the system to meet requirements
- Developed prototype concepts for new features
- Conducted code reviews of software modules
- Developed SLAs and conducted system monitoring

Mr. Linus' expertise in the following software and hardware was evidenced in the results of the aforementioned project: J2EE technologies, Reports 9i, Cognos, Oracle 11g database, Arc-IMS, Unix servers, and Alteon load balancers.

Neil Reuter
Implementation Lead

Neil Reuter brings more than nine years experience in healthcare IT and a reputation for effective leadership and collaborative interactions to his role as implementation lead. With Mr. Reuter in this key personnel position, we offer the Department the added value of securing Noridian's specific and relevant subject matter expertise as part of Team CNSI and its electronic health records solution.

Mr. Reuter, who has been with Noridian's Core MMIS operation for the Iowa Medicaid Enterprise (IME) from its inception, led the development of the Department's legacy electronic health records deployment for OnBase. Today he continues to lead the ongoing operation and maintenance of this electronic health records tool. With this experience, Mr. Reuter brings first-hand knowledge about how an electronic health records tool needs to work for the IME's unique structure, as well as an understanding of the validation checks that must occur as the information flows between the provider, the CMS National Level Repository (NLR), the IME Data Warehouse, and IME Provider Services. Because he has helped build direct interfaces with the IME Data Warehouse for the legacy electronic health records tool, he has an established relationship with that contractor.

In addition to Mr. Reuter's work on the legacy electronic health records tool, he has implemented workflows that have integrated contractors across the IME. Mr. Reuter has worked to implement and refine more than 130 business processes through OnBase, which is a testament to his technical skills with electronic content management, as well as to his strong rapport with each unit of the IME.

Mr. Reuter's rapport with each IME unit has been developed through effective communication and collaboration. With his strong communication skills, he can bridge the gap between the customer and the developer by explaining customer expectations to developers, and likewise, developer capabilities to the customer.

Because Mr. Reuter has knowledge of the legacy electronic health records tool today, requirements analysis for this new electronic health records project will start based on that experience, not from ground zero. The requirements validation and speed to implementation will be improved by bringing Mr. Reuter to the implementation lead role. He has been instrumental to the legacy electronic health records implementation and operation, he has an understanding of and commitment to the IME, and he has a successful record of meeting the Department's needs.

As part of Team CNSI, Mr. Reuter brings an Iowa-specific perspective that will help assure CNSI's product is implemented successfully in the IME environment.

Education and Training

- Bachelor 's degree in business administration, information systems, University of North Dakota, Grand Forks, North Dakota
- Java, C++, HTML, Visual Basic, SQL, vbScript, XML, ECM, workflow processing, desktop applications
- Hyland OnBase Users Conference
- Hyland OnBase API Technical Training
- Emdeon Transform User Conference
- Emdeon Transform Systems Administration Training
- Emdeon Application Development Training

Experience

Noridian **June 2005 – Present**
Electronic Health Records Incentive Program Implementation ***Lead Technical Analyst***

Developed a workflow process to create efficiencies for the Electronic Health Records Incentive program, including interfacing real-time with the provider web portal

- Foster communication between the OnBase team and the Data Warehouse staff
- Develop an OnBase solution that will communicate with the IMPA tool
- Provide a mechanism to review incentive applications electronically through a custom form and provide a quality control review for the management staff
- Deliver a reporting solution to track payments made and payments in process
- Provide ongoing support for the OnBase solution, as well as make continued enhancements as the program moves forward

IME OnBase Implementation

Designed, developed, implemented, and refine initial OnBase workflows for all nine IME units (Core MMIS, Revenue Collections, Program Integrity, Medical Services, Member Services, Provider Cost Audit, Pharmacy, Point of Sale, and Provider Services) as well as three state units (Policy, HIPP, and Data Warehouse)

- Troubleshoot all Help Desk requests for OnBase and Transform that cannot be resolved by first level support
- Maintain the OnBase servers for development, test, and production
- Develop new or modify existing templates used for claims OCR
- Design electronic versions of existing forms for use within the OnBase system
- Create SQL reports for use within the OnBase Report Services module to generate outputs for managers
- Respond to change requests to the OnBase and Transform environments
- Develop, test, and install new changes requested for the OnBase system
- Provide after-hours support for the OnBase and Transform systems

Microfilm / Microfiche Conversion

Managed the conversion and loading of all microfilm and microfiche stored in the IME building into OnBase for electronic retrieval

- Loaded 1.5 TB of data scanned and indexed by an outside vendor into OnBase using a customized document import process to index the documents and make them retrievable for the staff

Health Insurance Premium Payment Program (HIPP)

Converted this state organization's paper process to an electronic process while interfacing with its HIPS mainframe system in less than three months

- Created a project plan
- Systematically scanned all active and archived documents
- Created two workflows to manage the applications and cases

Reporting

Created a report for timeliness for the Medical Services Prior Authorization unit, which enabled the unit to decrease the time required to create the report from .5 FTE each month to less than 60 seconds

- Implemented development changes to workflow
- Wrote a SQL report accessed by the Report Services OnBase module

Noridian **August 2003 – June 2005**
OnBase Implementation ***Analyst/Programmer***

Developed, implemented, and improved upon OnBase workflows for Noridian's operational areas, as well as developed initial OnBase workflows for the IME

- Met with departments to analyze current processes and suggest improvements
- Gathered and interpreted business requirements to develop detailed design documents
- Developed new electronic workflow processes as requested by the operational areas
- Developed test plans and test data to effectively test the changes
- Migrated changes to the OnBase system during non-peak times to production
- Developed SQL reports to determine productivity and if business requirements were met

Noridian **December 2002 – August 2003**
HIPAA Implementation ***EDI Systems Support***

Tested all system releases for ANSI and NSF in the front-end claims processing system and ran regression testing in the MCS

- Supported testing functions as directed by the Management Support team
- Created and ran needed tests against the MCS claims payment system
- Monitored, logged, and documented all test results

EDI OnBase Implementation

- Submitted and tested all OnBase changes for the EDI team
- Assisted with the promotion of changes between development, test and production environments
- Handled all OnBase support questions and issues from the EDI Technical Representatives
- Assisted development of the existing OnBase workflow to better suit the needs of the staff

Noridian **July 2002 – December 2002**
HIPAA Implementation ***EDI Technical Representative***

Provided technical support to new and existing healthcare providers and vendors on HIPAA-compliant EDI submission procedures and requirements

- Conducted transmission-monitoring procedures to ensure receipt and delivery of EDI submissions
- Assisted providers through telephone support, mailing of marketing materials, answering questions on test procedures, distribution and support of technical specifications, assignment and input of EDI submitter numbers and login passwords, and searching and responding to written inquiries
- Maintained network of EDI providers/vendors, including maintenance of online reporting systems
- Monitored incoming electronic media claims and outgoing correspondence and electronic remittance advice to ensure successful transmissions
- Prepared statistics on monthly and weekly EDI reports
- Assisted with preparation of updates to EDI promotional and training materials
- Assisted with provider training documentation, including the use of claims submission software

**AUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARIES dba CNSI

DECEMBER 31, 2010 AND 2009

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARIES dba CNSI

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

CONTENTS

	Page
Independent Auditor's Report	1
Consolidated Financial Statements	
Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Stockholders' Equity	4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6 - 13

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Client Network Services, Inc. and subsidiaries dba CNSI
Gaithersburg, Maryland

We have audited the accompanying consolidated balance sheets of Client Network Services, Inc. and subsidiaries dba CNSI (collectively, the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, of stockholders' equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Client Network Services, Inc. and subsidiary dba CNSI as of December 31, 2010 and 2009, 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.

Argy, Wiltse & Robinson, P.C.

McLean, Virginia
April 26, 2011

8405 Greensboro Drive | 7th Floor | McLean, VA 22102 | 703.893.0600
Two Democracy Center | 6903 Rockledge Drive | Suite 310 | Bethesda, Maryland | 240.485.0860

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARIES
dba CNSI

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 762,470	$ 15,395,805
Certificate of deposit	188,609	170,761
Contract receivables	76,813,687	83,001,939
Other receivables	47,114	34,830
Other current assets	272,715	533,379
Total current assets	78,084,595	99,136,714
Property and equipment, net	4,639,357	6,488,822
Capitalized software, net	5,181,915	5,350,950
Other assets	503,940	630,630
Total assets	$ 88,409,807	$ 111,607,116
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Bank line-of-credit	$ 40,659,333	$ 44,678,000
Accounts payable and accrued expenses	10,869,386	13,525,316
Accrued payroll and related liabilities	4,756,326	6,924,204
Contract costs payable	0	1,278,252
Notes payable	2,536,543	11,346,365
Provision for contract losses	9,701,476	2,873,942
Total current liabilities	68,523,064	80,626,079
Deferred rent	716,968	716,968
Notes payable	7,741,329	8,509,528
Total liabilities	76,981,361	89,852,575
Commitments		
Stockholders' equity		
Common stock, $0.001 par value 63,000,000 shares authorized, 50,400,000 issued and outstanding	50,400	50,400
Retained earnings	11,398,006	21,717,699
Accumulated other comprehensive loss	(19,960)	(13,558)
Total stockholders' equity	11,428,446	21,754,541
Total liabilities and stockholders' equity	$ 88,409,807	$ 111,607,116

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

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARIES
dba CNSI
(AN S CORPORATION)

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Contract revenue	$ 122,549,023	$ 166,602,132
Costs and expenses		
Direct labor	44,688,799	51,809,433
Other direct costs	43,513,352	61,499,127
Indirect costs	38,191,542	38,547,965
Interest expense and other unallowable costs, net	6,475,023	5,195,290
Total costs and expenses	132,868,716	157,051,815
Net (loss) income	$ (10,319,693)	$ 9,550,317

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

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARIES
dba CNSI

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2010 AND 2009

	Common Stock			Accumulated	
	Shares	Amount	Retained Earnings	Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2008	50,400,000	$ 50,400	$ 12,167,382	$ (21,386)	$ 12,196,396
Gain on foreign currency translation	0	0	0	7,828	7,828
Net income for the year ended December 31, 2009	0	0	9,550,317	0	9,550,317
Balance at December 31, 2009	50,400,000	50,400	21,717,699	(13,558)	21,754,541
Loss on foreign currency translation	0	0	0	(6,402)	(6,402)
Net loss for the year ended December 31, 2010	0	0	(10,319,693)	0	(10,319,693)
Balance at December 31, 2010	50,400,000	$ 50,400	$ 11,398,006	$ (19,960)	$ 11,428,446

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

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARIES
dba CNSI

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Cash flows from operating activities:		
Net (loss) income	$ (10,319,693)	$ 9,550,317
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	4,114,562	4,587,876
Increase (decrease) in allowance for uncollectable receivables	546,811	(50,834)
Loss on sale of property and equipment	11,983	0
Foreign currency translation	(6,402)	7,828
Changes in operating assets and liabilities:		
Contract receivables	5,641,441	18,094,216
Other receivables	(12,284)	90,637
Other current assets	260,664	179,091
Other non-current assets	126,690	287,668
Accounts payable and accrued expenses	(2,655,930)	(17,896,424)
Accrued payroll and related liabilities	(2,167,878)	(307,242)
Deferred rent	0	35,754
Provision for contract losses	6,827,534	(93,959)
Total adjustments	12,687,191	4,934,611
Net cash provided by operating activities	2,367,498	14,484,928
Cash flows from investing activities:		
(Increase) decrease of certificate of deposit	(17,848)	295,116
Purchase of property and equipment	(726,431)	(616,834)
Proceeds from sale of property and equipment	276,000	0
Increase in capitalized software	(1,657,614)	(1,366,438)
Net cash used in investing activities	(2,125,893)	(1,688,156)
Cash flows from financing activities:		
Net (repayments) borrowings under bank line-of-credit	(4,018,667)	9,237,275
Principal payments under notes payable	(9,578,021)	(3,754,108)
Decrease in contract costs payable	(1,278,252)	(3,429,480)
Net cash (used in) provided by financing activities	(14,874,940)	2,053,687
Net (decrease) increase in cash and cash equivalents	(14,633,335)	14,850,459
Cash and cash equivalents at the beginning of the year	15,395,805	545,346
Cash and cash equivalents at the end of the year	$ 762,470	$ 15,395,805

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARIES
dba CNSI

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Client Network Services, Inc. (CNSI) was incorporated in the State of Maryland on April 28, 1994. CNSI, which is privately held, provides information technology services and computer hardware and software primarily to federal and state governments and also commercial businesses. The Company was certified under Section 8(a) of the Small Business Act of 1958. This certification expired in January 2007.

Client Network Services India Private Limited (CNSIndia) was incorporated in India in November 2003. CNSIndia, which is predominantly owned by CNSI, provides information technology services and software development services to CNSI.

KASC Properties, LLC (KASC) was organized in the State of Maryland on January 1, 2005. KASC provides property management services to CNSI. The Company has determined that KASC is a variable interest entity (VIE) and that CNSI is the primary beneficiary of the VIE. Accordingly, KASC has been included in the consolidated financial statements.

The significant accounting policies followed by CNSI, CNSIndia, and KASC are described below.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of CNSI, CNSIndia, and KASC (collectively, the Company). All significant intercompany balances have been eliminated in consolidation.

Use of estimates

The preparation of consolidated 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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimates under different assumptions or conditions.

Revenue recognition

Revenue from cost-reimbursable contracts is recognized on the basis of reimbursable contract costs incurred during the period, increased by the applicable overhead and general and administrative costs, plus a percentage of the fixed fee. Revenue from time and materials contracts is recognized on the basis of man-hours utilized, plus other reimbursable contract costs incurred during the period. Revenue from firm-fixed price contracts is recognized on the percentage of completion method. Under this method, individual contract revenue earned is measured by the percentage relationship that contract costs incurred bear to management's estimate of total contract costs.

Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and revenue, and are recognized in the period in which such revisions are determined.

Multiple agencies of the federal government and various state governments directly or indirectly provided the majority of the Company's contract revenue during the years ended December 31, 2010 and 2009.

Cash and cash equivalents

The Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Contract receivables

Contract receivables are generated from prime and subcontracting arrangements with federal and state governmental agencies and various commercial entities. Billed amounts represent invoices that have been prepared and sent to the customer. Unbilled amounts represent costs and anticipated profits awaiting milestones to bill. 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.

Billed contract receivables are considered past due if the invoice has been outstanding more than 30 days. The Company does not charge interest on billed contract receivables; however, federal governmental agencies generally pay interest on invoices outstanding more than 30 days. The Company records interest income from federal governmental agencies when received.

Property and equipment

Property and equipment is stated at cost. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment is retired, or otherwise disposed of, the cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation of property and equipment is computed using the straight-line method over useful lives of three to forty years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the term of the related lease. Depreciation of equipment held under capital leases is computed using the straight-line method over the shorter of the life of the contract for which the equipment was purchased or the lease term.

Research and development and software development costs

Research and development costs are expensed as incurred.

Costs incurred for development of computer software to be sold, leased or otherwise marketed have been accounted for in accordance with authoritative guidance issued by the Financial Accounting Standards Board (FASB). This authoritative guidance requires that software development costs incurred subsequent to the establishment of technical feasibility, but prior to the product being ready for market, be capitalized and recorded as an asset on the accompanying consolidated balance sheets. During the years ended December 31, 2010 and 2009, the Company capitalized $1,657,614 and $1,366,438 of software development costs, respectively. These costs are being amortized over current and subsequent contract awards. Amortization expense totaled $1,826,649 and $1,168,439 for the years ended December 31, 2010 and 2009 respectively.

Qualified computer software costs for internal use are capitalized subsequent to both the preliminary project stage and when management has committed to funding, in accordance with authoritative guidance issued by the FASB. Capitalized costs are included in property and equipment as computer software. Development costs that do not qualify for capitalization under FASB Accounting Standards Codification Topic 350 are expensed as research and development costs when incurred. Capitalized costs are amortized over estimated useful lives of three to five years.

Income taxes

CNSI has elected to be treated as an S Corporation under Subchapter S of the Internal Revenue Code, which provides that, in lieu of corporate income taxes, the stockholders separately account for their pro rata share of the Company's items of income, deductions, losses and credits. Consequently, the Company is not liable for federal or state income taxes, except to the extent the Company operates in jurisdictions that do not recognize S Corporation status.

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

KASC is a Limited Liability Company for federal income tax purposes (which also applies to most states), and thus is treated as a partnership. As such, KASC is generally not subject to corporate income taxes and the income, deductions, credits and other tax attributes of KASC flow directly to the members of KASC.

In accordance with authoritative guidance on accounting for uncertainty in income taxes issued by the FASB, management has evaluated the Company's tax positions and has concluded that the Company has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ended December 31, 2006 and prior.

Fair value of financial instruments

The fair value of the Company's cash and cash equivalents, certificate of deposit, contract receivables, accounts payable and accrued expenses, and accrued payroll and related liabilities have approximated their carrying amounts due to the relatively short maturity of these items.

Concentrations of credit risk

The Company's assets that are exposed to credit risk consist primarily of cash and cash equivalents, a certificate of deposit, and contract receivables. The Company's management believes the risk of loss associated with cash and cash equivalents and the certificate of deposit is very low since cash and cash equivalents and the certificate of deposit are maintained in financial institutions. However, at times during the years ended December 31, 2010 and 2009, the Company had cash and cash equivalents and a certificate of deposit on deposit with financial institutions in excess of the federally insured limit. To date, contract receivables have been derived primarily from contracts with agencies of the federal government and state governments. Contract receivables are generally due within 30 days and no collateral is required. The Company provides for the amounts of receivables estimated to become uncollectible in the future by maintaining an allowance for doubtful accounts. The Company's net unbilled contract receivables at December 31, 2010 include approximately $63.6 million from contracts with two separate state governments. Total revenue recognized relating to these three contracts since inception to December 31, 2010 aggregated approximately $246.9 million, including approximately $41.8 million in the current year.

Derivative instrument

In July 2007, the Company entered into an interest rate swap agreement to mitigate changes in interest rates on its variable rate borrowings. The notional amount of this agreement was used to measure the interest to be paid or received and does not represent the amount of exposure to loss. The Company's policies prohibit the use of derivatives for speculative or trading purposes.

The Company accounts for derivatives in accordance with authoritative guidance issued by the FASB, which requires entities to recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at their fair value. The guidance also requires that changes in the derivative's fair value be recognized in earnings unless specific hedge-accounting criteria are met. This guidance also requires entities to measure the effectiveness of all derivatives to be accounted for as hedges at least on a quarterly basis. Management formally documents its derivative transactions, including identifying the hedge instruments and hedged items, as well as its risk management objectives, strategies for entering into the hedge transactions, and how the hedging instrument's effectiveness in hedging exposure to the hedge transaction's variability in cash flows attributable to the hedged risk will be assessed. The Company's interest rate swap, held until it expired on August 2, 2010, has been designated as a derivative and classified as a cash flow hedge. Under the prevailing accounting guidelines, if a derivative designated as a cash flow hedge is deemed effective in offsetting variable rate cash flows of a designated portion of the Company's debt portfolio, the change in fair value is recorded in other comprehensive income (loss). If, after the assessment, it is determined that all or a portion of the derivative is ineffective, then that portion of the derivative's change in fair value would be immediately recognized in earnings.

The interest rate swap is recognized as a liability at fair value in the accompanying consolidated balance sheets as of December 31, 2009. The Company has determined that its interest rate swap is ineffective for the years ended December 31, 2010 and 2009, and therefore has recognized the change in fair value of $696,204 and $769,978 as other income in the accompanying consolidated statements of operations.

Foreign currency translation

The financial statements of CNSIndia have been translated into U.S. dollars in accordance with accounting principles generally accepted in the United States of America. Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenues, costs and expenses are translated at the average rates of exchange prevailing during the year. Translation adjustments resulting from this process are reflected as a separate component in the stockholders' equity of the consolidated balance sheets.

Comprehensive income

The Company reports and discloses comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements. Under this guidance, the Company classifies items of other comprehensive income or loss by their nature in a financial statement and discloses the accumulated balance of other comprehensive income (loss) separately in the stockholders' equity section of the consolidated balance sheets.

Subsequent events

The Company evaluated its December 31, 2010 consolidated financial statements for subsequent events through April 26, 2011, the date the financial statements were available to be issued. Other than the new line-of-credit agreement entered into in February 2011 (see Note 5), the Company is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

NOTE 2 - OPERATIONS

As shown in the accompanying consolidated financial statements, the Company incurred a loss of $10,319,693 for the year ended December 31, 2010. Management believes that its current operating plan is achievable and will allow the Company to continue to operate as a going concern at least through December 31, 2011. In addition, as outlined in Note 5 below, in February 2011, the Company entered into a Waiver and Fourth Amendment to the Credit Agreement with its principal creditors which, amongst other things, requires the Company to win certain major contracts in the coming year.

NOTE 3 - CONTRACT RECEIVABLES

Contract receivables consist of the following at December 31:

	2010	2009
Billed contract receivables	$ 13,999,718	$ 20,826,269
Unbilled contract receivables		
Amounts billable upon reaching milestones	60,238,979	49,865,400
Retentions	3,376,859	12,565,328
	77,615,556	83,256,997
Less: allowance for doubtful accounts	(801,869)	(255,058)
	$ 76,813,687	$ 83,001,939

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2010	2009
Computer hardware and software	$ 12,527,965	$ 11,931,975
Capitalized lease assets	5,019,005	5,019,005
Real estate	3,037,751	3,313,251
Office furniture and equipment	2,391,739	2,349,501
Leasehold improvements	601,851	570,771
	23,578,311	23,184,503
Less: accumulated depreciation and amortization	(18,938,954)	(16,695,681)
	$ 4,639,357	$ 6,488,822

Depreciation and amortization expense on property and equipment totaled $2,287,913 and $3,419,437 for the years ended December 31, 2010 and 2009, respectively. Depreciation and amortization expense for real estate assets amounted to $72,928 and $78,583 for the years ended December 31, 2010 and 2009, respectively, and is included in total depreciation and amortization expense above.

NOTE 5 - BANK FINANCING

The Company entered into a credit facility, which included a line-of-credit and term loan, with a consortium of banks on December 19, 2007. On March 16, 2010, the Company entered into a Second Amendment to the Credit Agreement with its lenders that matured on June 30, 2011. During the year ended December 31, 2010, the Company and its lenders entered into a Third Amendment to the Credit Agreement which did not substantially change the terms of the credit agreement. On February 18, 2011, the Company and its lenders entered into a Fourth Amendment to the Credit Agreement which waived the debt covenant violations to date for both the line-of-credit and term loan facilities.

As of December 31, 2010, the Second Amendment agreement provided for maximum borrowings, under the line-of-credit, of $49,000,000 and bore interest at a rate equal to the bank's base rate plus an applicable percentage based on the Company's consolidated leverage ratio (6.75%). Borrowings were limited to the sum of 80% of billed accounts receivable and 80% of unbilled accounts receivable, less any allowances. The note was secured by substantially all assets of the Company. The total borrowings under the line-of-credit were in turn funded by two separate lines-of-credit: i) a swing line-of-credit with a maximum borrowing of $7,000,000 and a second line-of-credit with a maximum borrowing of $42,000,000. An Amendment Fee of 1% of aggregate commitments was incurred as part of the Second Amendment, payable in seven installments between March 2010 and July 2011.

As part of the original agreement, the Company also borrowed $25,000,000 under a term loan. Principal repayments were due to commence in March 2009, and were payable quarterly until the term loan matures in April 2011. Borrowings under this agreement bore interest at a rate equal to the bank's base rate plus an applicable percentage based on the Company's consolidated leverage ratio (6.76% at December 31, 2010).

The Second Amendment to the Credit Agreement required the Company to maintain financial covenants, with which the Company was not in compliance at December 31, 2010. As outlined below, on February 18, 2011, the Company and its lenders agreed upon a Fourth Amendment to the Credit Agreement.

The Fourth Amendment waived prior debt covenant violations for the bank line-of-credit and term note, reduced the total permissible borrowing facility from $49,000,000 to $34,000,000, converted $15,000,000 of principal under the revolving line-of-credit into term loans, increased the collateral pledge for the loan, increased the interest rate for the Eurodollar Loans from 6.50% to 7.50% per annum, and increased the interest rate for the Base Rate Loans from 5.50% to 6.50% per annum. The Fourth Amendment extends the termination date through June 30, 2012.

As of December 31, 2010, the scheduled repayments of principal under the term note, as declared in the Fourth Amendment to the Credit Agreement, are as follows:

Years ended December 31,	
2011	$ 6,050,000
2012	18,696,789
	$ 24,746,789

NOTE 6 - OTHER NOTES PAYABLE

On November 26, 2007, the Company entered into a term note in the amount of $4,000,000 to finance the purchase of equipment. Borrowings under the agreement bore interest at a fixed annual rate of 7.60% with repayments to be made in thirty-six monthly installments of $124, 609, beginning in January 2008. This note was repaid in full as of December 31, 2010.

The Company has two properties with associated mortgages aggregating $531,000 and $568,000 at December 31, 2010 and 2009, respectively. The mortgages are secured on the properties and are repayable over 15 years. The interest rate for both mortgages was 7.25% at December 31, 2010. The net book value of the properties was approximately $1,128,000 at December 31, 2010.

As of December 31, 2010, the scheduled repayments of principal under these other notes are as follows:

Years ended December 31,	
2011	$ 40,173
2012	43,184
2013	46,421
2014	49,901
2015	53,641
Thereafter	297,763
	$ 531,083

NOTE 7 - INTEREST EXPENSE

Interest expense, which approximated interest paid on the bank lines-of-credit balance (see Note 5), two mortgages (see Note 6) and the notes payable (see Notes 5 and 6), was $5,643,517 and $5,318,144 for the years ended December 31, 2010 and 2009, respectively.

NOTE 8 - LETTER OF CREDIT

As of December 31, 2010, the Company maintained two letters of credit with Bank of America in the amounts of $1,000,000 and $1,125,000, respectively. These letters of credit were required as guarantees under the provisions of one of the Company's contract agreements. In March of 2011, the $1,000,000 letter of credit was drawn. This expense is reflected in the Company's 2010 income statement. The remaining letter of credit expires on June 30, 2012.

NOTE 9 - PROFIT SHARING PLAN

The Company maintains a defined contribution profit-sharing plan (the Plan) established under the provisions of Section 401(k) of the Internal Revenue Code (IRC) covering substantially all of its employees. Participants may make voluntary contributions to the Plan up to the maximum allowed by law, but not to exceed 10% of their annual compensation. The Company may make discretionary matching contributions. The Company's contributions to the Plan totaled $120,000 for each of the years ended December 31, 2010 and 2009.

NOTE 10 - FAIR VALUE MEASUREMENTS

Certain assets and liabilities are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received or minimizes the amount that would be paid. Fair value is based on assumptions market participants would make in pricing the asset or liability. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

The Company's assets and liabilities recorded at fair value are categorized based on the priority of the inputs used to measure fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

- **Level 1** - Inputs that are based upon quoted prices for identical instruments traded in active markets. There are no instruments valued using Level 1 inputs.

- **Level 2** - Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment. The Company's Level 2 instrument is described below.

- **Level 3** - Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques. There are no instruments valued using Level 3 inputs.

The following section describes the valuation methodologies the Company uses to measure its financial liabilities at fair value.

Derivatives

Derivatives include the Company's interest rate swap associated with its debt.

In general, and where applicable, the Company uses quoted prices in active markets for identical assets or liabilities to determine fair value. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then the Company uses models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment. Derivative instruments are generally classified within Level 2 of the fair value hierarchy because of the use of dealer quotations, which are model-based calculations based on market-based inputs, including, but not limited to, contractual terms, yield curves, prepayment rates, and the correlation of all these inputs. This liability is classified as Level 2 and consists of the Company's interest rate swap.

Financial liabilities measured at fair value on a recurring basis are summarized below:

Description	As of December 31, 2010 Liabilities Measured at Fair Value	Fair Value Hierarchy Level: Level 1	Level 2	Level 3
Interest rate swap	$ 0	$ 0	$ 0	$ 0

Description	As of December 31, 2009 Liabilities Measured at Fair Value	Fair Value Hierarchy Level: Level 1	Level 2	Level 3
Interest rate swap	$ 696,204	$ 0	$ 696,204	$ 0

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space and equipment under several noncancelable operating leases that expire on various dates through November 2015. The leases provide for future rental increases based on the Company's pro-rata share of increases in building operating expenses and real estate taxes, and for inflation adjustments based on increases in the Consumer Price Index. Future minimum lease commitments under noncancelable operating leases as of December 31, 2010 are as follows:

Years ending December 31,	
2011	$ 2,441,000
2012	2,573,000
2013	2,223,000
2014	2,236,000
2015	976,000
	$ 10,449,000

Aggregate rent expense under these leases for the years ended December 31, 2010 and 2009, was approximately $2,688,394 and $2,904,280, respectively.

In accordance with accounting principles generally accepted in the United States of America, the Company recognizes the total cost of its operating leases on a straight-line basis over the lease periods. The difference between rent expensed and rent paid is reflected as deferred rent.

Legal

The Company is a party to various legal proceedings and claims. The resolution of these matters cannot be predicted with certainty. If it is determined that a loss is probable to occur, the estimated amount of the loss will be recorded in the consolidated financial statements. If income is generated from the pending litigation, it will be recognized when earned.

AUDITED CONSOLIDATED
FINANCIAL STATEMENTS

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARY dba CNSI

DECEMBER 31, 2009 AND 2008

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARY dba CNSI

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

CONTENTS

	Page
Independent Auditor's Report	1
Consolidated Financial Statements	
Consolidated Balance Sheets	2
Consolidated Statements of Income	3
Consolidated Statements of Stockholders' Equity	4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6 - 13

ARGY, WILTSE & ROBINSON, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Client Network Services, Inc. and subsidiary dba CNSI
Rockville, Maryland

We have audited the accompanying consolidated balance sheets of Client Network Services, Inc. and subsidiary dba CNSI (collectively, the Company) as of December 31, 2009 and 2008, and the related consolidated statements of income, of stockholders' equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Client Network Services, Inc. and subsidiary dba CNSI as of December 31, 2009 and 2008, 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.

Argy, Wiltse & Robinson, P.C.

McLean, Virginia
May 10, 2010

8405 Greensboro Drive | 7th Floor | McLean, VA 22102 | 703.893.0600
Two Democracy Center | 6903 Rockledge Drive | Suite 310 | Bethesda, Maryland | 240.485.0860

www.argy.com Member of the Leading Edge Alliance

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARY
dba CNSI

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2009 AND 2008

	2009	2008 (Restated)
ASSETS		
Current assets		
Cash and cash equivalents	$ 15,395,805	$ 545,346
Certificate of deposit	170,761	465,877
Contract receivables	83,001,939	101,045,321
Other receivables	34,830	125,467
Other current assets	533,379	712,470
Total current assets	99,136,714	102,894,481
Property and equipment, net	6,488,822	9,291,425
Capitalized software, net	5,350,950	5,152,951
Other assets	630,630	918,298
Total assets	$ 111,607,116	$ 118,257,155
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Bank line-of-credit	$ 44,678,000	$ 35,440,725
Accounts payable and accrued expenses	13,525,316	31,421,740
Accrued payroll and related liabilities	6,924,204	7,231,446
Contract costs payable	1,278,252	3,426,399
Notes payable	11,346,365	1,430,155
Provision for contract losses	2,873,942	2,967,901
Total current liabilities	80,626,079	81,918,366
Deferred rent	716,968	681,214
Notes payable	8,509,528	22,179,846
Contract costs payable	0	1,281,333
Total liabilities	89,852,575	106,060,759
Stockholders' equity		
Common stock, $0.001 par value 63,000,000 shares authorized, 50,400,000 issued and outstanding	50,400	50,400
Retained earnings	21,717,699	12,167,382
Accumulated other comprehensive loss	(13,558)	(21,386)
Total stockholders' equity	21,754,541	12,196,396
Commitments		
Total liabilities and stockholders' equity	$ 111,607,116	$ 118,257,155

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

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARY
dba CNSI
(AN S CORPORATION)

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008 (Restated)
Contract revenue	$ 166,602,132	$ 158,971,724
Costs and expenses		
Direct labor	51,809,433	43,895,772
Other direct costs	61,499,127	66,683,311
Indirect costs	38,547,965	37,431,062
Interest expense and other unallowable costs, net	5,195,290	6,410,262
Total costs and expenses	157,051,815	154,420,407
Net income	$ 9,550,317	$ 4,551,317

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

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARY
dba CNSI

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2009 AND 2008

	Common Stock				
	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2007, as restated	50,400,000	$ 50,400	$ 7,616,065	$ (14,534)	$ 7,651,931
Loss on foreign currency translation	0	0	0	(6,852)	(6,852)
Net income for the year ended December 31, 2008, as restated	0	0	4,551,317	0	4,551,317
Balance at December 31, 2008, as restated	50,400,000	50,400	12,167,382	(21,386)	12,196,396
Gain on foreign currency translation	0	0	0	7,828	7,828
Net income for the year ended December 31, 2009	0	0	9,550,317	0	9,550,317
Balance at December 31, 2009	50,400,000	$ 50,400	$ 21,717,699	$ (13,558)	$ 21,754,541

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

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARY
dba CNSI

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008 (Restated)
Cash flows from operating activities:		
Net income	$ 9,550,317	$ 4,551,317
Adjustments to reconcile net income to net cash provided by operating activities:		
(Decrease) increase in allowance for uncollectable receivables	(50,834)	197,415
Depreciation and amortization	4,587,876	5,723,990
Foreign currency translation	7,828	(6,852)
Changes in operating assets and liabilities:		
Contract receivables	18,094,216	(17,017,507)
Other receivables	90,637	23,320
Other current assets	179,091	(246,187)
Other non-current assets	287,668	117,424
Accounts payable and accrued expenses	(17,896,424)	11,227,339
Accrued payroll and related liabilities	(307,242)	2,949,902
Deferred rent	35,754	59,988
Provision for contract losses	(93,959)	0
Total adjustments	4,934,611	3,028,832
Net cash provided by operating activities	14,484,928	7,580,149
Cash flows from investing activities:		
Decrease of certificate of deposit	295,116	987,496
Purchase of property and equipment, net	(616,834)	(2,409,679)
Increase in capitalized software	(1,366,438)	(951,013)
Net cash used in investing activities	(1,688,156)	(2,373,196)
Cash flows from financing activities:		
Net borrowings (repayments) under bank line-of-credit	9,237,275	(114,308)
Principal payments under notes payable	(3,754,108)	(6,314,261)
Decrease in contract costs payable	(3,429,480)	(4,211,628)
Net cash provided by (used in) financing activities	2,053,687	(10,640,197)
Net increase (decrease) in cash and cash equivalents	14,850,459	(5,433,244)
Cash and cash equivalents at the beginning of the year	545,346	5,978,590
Cash and cash equivalents at the end of the year	$ 15,395,805	$ 545,346

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

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Client Network Services, Inc. (CNSI) was incorporated in the State of Maryland on April 28, 1994. CNSI, which is privately held, provides information technology services and computer hardware and software primarily to federal and state governments and also commercial businesses. The Company was certified under Section 8(a) of the Small Business Act of 1958. This certification expired in January 2007.

Client Network Services India Private Limited (CNSIndia) was incorporated in India in November 2003. CNSIndia, which is predominantly owned by CNSI, provides information technology services and software development services to CNSI.

The significant accounting policies followed by CNSI and CNSIndia are described below.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of CNSI and CNSIndia (collectively, the Company). All significant intercompany balances have been eliminated in consolidation.

Use of estimates

The preparation of consolidated 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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results may differ from estimates under different assumptions or conditions.

Revenue recognition

Substantially all of the Company's contract revenue results from contracts with agencies of the federal and state governments. Revenue on time-and-materials contracts are recognized based on direct labor hours expended at contract billing rates plus actual other direct costs incurred.

Revenue for the delivery of products and services under a fixed price arrangement is recognized under the percentage of completion method based upon a percentage of costs, input-based method, using a ratio of the estimated costs to complete specific milestones or deliverables under the contract to total estimated contract costs. During the year ended December 31, 2009, for most contracts, the Company's output and cost estimates used in the determination of revenue generally have not varied materially from actual results; however, contract revenue recognition inherently involves estimation, including the contemplated level of effort to accomplish the tasks under contract, the cost of the effort, and an ongoing assessment of progress toward completing the contract. From time to time, as part of the normal management process, facts develop that require revisions to estimated total costs or revenues expected. These are treated as an adjustment to income or expense in the period in which they are first determined. Losses on contracts are provided for in the period in which they are first determined.

During 2009, the Company determined, for two material contracts, that the contract's percentage of completion could best be estimated using a percentage of costs method, as opposed to the previously used earned value method. This change in the method of applying the percentage of completion accounting principle, and the associated change in accounting estimate, have been accounting for prospectively from January 1, 2009.

Cash and cash equivalents

The Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Property and equipment

Property and equipment, net, is stated at cost less accumulated depreciation and amortization. Depreciation of property and equipment is computed using the straight-line method over useful lives of three to forty years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the term of the related lease. Depreciation of equipment held under capital leases is computed using the straight-line method over the shorter of the life of the contract for which the equipment was purchased or the lease term.

Research and development and software development costs

Research and development costs are expensed as incurred.

Costs incurred for development of computer software to be sold, leased or otherwise marketed have been accounted for in accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic 985, *Software*. This authoritative guidance requires that software development costs incurred subsequent to the establishment of technical feasibility, but prior to the product being ready for market, be capitalized and recorded as an asset on the accompanying consolidated balance sheets. During the years ended December 31, 2009 and 2008, the Company capitalized $1,366,438 and $951,013 of software development costs, respectively. These costs are being amortized over current and subsequent contract awards. Amortization expense totaled $1,168,439 and $2,664,126 for the years ended December 31, 2009 and 2008 respectively.

Qualified computer software costs for internal use are capitalized subsequent to both the preliminary project stage and when management has committed to funding, in accordance with FASB Accounting Standards Codification Topic 350, *Intangibles - Goodwill and Other*. Capitalized costs are included in property and equipment as computer software. Development costs that do not qualify for capitalization under FASB Accounting Standards Codification Topic 350 are expensed as research and development costs when incurred. Capitalized costs are amortized over estimated useful lives of three to five years.

Income taxes

CNSI is an S Corporation for federal income tax purposes (which also applies to most states). As an S Corporation, the Company is generally not subject to corporate income taxes and the income, deductions, credits and other tax attributes of the Company flow to the stockholders of the Company. CNSIndia is a taxable entity and accordingly, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Concentrations of credit risk

The Company is subject to credit risk concentrations principally from cash and cash equivalents and contract receivables. The Company's management believes the risk of loss associated with cash and cash equivalents is very low since cash and cash equivalents are maintained in financial institutions. However, at times during the years ended December 31, 2009 and 2008, the Company had cash and cash equivalents on deposit with financial institutions in excess of the federally insured limit. To date, contract receivables have been derived primarily from contracts with agencies of the federal government and state governments. Contract receivables are generally due within 30 days and no collateral is required. The Company provides for the amounts of receivables estimated to become uncollectible in the future by maintaining an allowance for doubtful accounts. The Company's net unbilled contract receivables at December 31, 2009 include approximately $62.0 million from three contracts with three separate state governments. Total revenue recognized relating to these three contracts since inception to December 31, 2009 aggregated approximately $282.1 million, including approximately $71.2 million in the current year.

Derivative instruments

In July 2007, the Company entered into an interest rate swap agreement to mitigate changes in interest rates on its variable rate borrowings. The notional amount of this agreement is used to measure the interest to be paid or received and does not represent the amount of exposure to loss. The Company's policies prohibit the use of derivatives for speculative or trading purposes.

The Company accounts for derivatives in accordance with authoritative guidance issued by the FASB, which requires entities to recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at their fair value. The guidance also requires that changes in the derivative's fair value be recognized in earnings unless specific hedge-accounting criteria are met. This guidance also requires entities to measure the effectiveness of all derivatives to be accounted for as hedges at least on a quarterly basis. Management formally documents its derivative transactions, including identifying the hedge instruments and hedged items, as well as its risk management objectives, strategies for entering into the hedge transactions, and how the hedging instrument's effectiveness in hedging exposure to the hedge transaction's variability in cash flows attributable to the hedged risk will be assessed. The Company's existing interest rate swap has been designated as a derivative and classified as a cash flow hedge. Under the prevailing accounting guidelines, if a derivative designated as a cash flow hedge is deemed effective in offsetting variable rate cash flows of a designated portion of the Company's debt portfolio, the change in fair value is recorded in other comprehensive income (loss). If, after the assessment, it is determined that all or a portion of the derivative is ineffective, then that portion of the derivative's change in fair value would be immediately recognized in earnings. The maximum remaining length of time over which the Company is hedging the variability in future cash flows for its long-term debt is less than one year.

The interest rate swap is recognized as a liability at fair value in the accompanying consolidated balance sheets as of December 31, 2009 and 2008. The Company has determined that its interest rate swap is ineffective for the years ended December 31, 2009 and 2008, and therefore has recognized the change in fair value of $769,978 and $580,618 as other income (expense) in the accompanying consolidated statements of income.

Recently adopted accounting pronouncements

Effective January 1, 2009, the Company adopted the provisions of FASB Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures,* relating to fair value measurement for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis (at least annually). Adoption of the new guidance did not have a material impact on the consolidated financial statements.

Effective January 1, 2009, the Company adopted the provisions of FASB Accounting Standards Codification Topic 815, *Derivatives and Hedging*, which require expanded disclosures about derivative and hedging activities. This guidance changes the disclosure requirements for derivative instruments and hedging activities by requiring companies to provide enhanced disclosures about how and why they use derivative instruments, how derivative instruments and related hedged items are accounted for under this authoritative guidance and its related interpretations, and how derivative instruments and related hedged items affect a company's financial position, financial performance, and cash flows. As this pronouncement was only disclosure related, it did not have an impact on the Company's consolidated results of operations or consolidated financial position.

Effective January 1, 2009, the Company adopted the provisions of FASB Accounting Standards Codification Topic 740, *Income Taxes*, relating to accounting for uncertainty in income taxes recognized in a company's consolidated financial statements. Under this guidance, when tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above would be reflected as a liability for unrecognized tax benefits, along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The adoption of this authoritative guidance had no effect on the Company's beginning retained earnings.

Recent accounting pronouncements not yet adopted

In October 2009, the FASB issued authoritative guidance on revenue recognition that will become effective beginning on or after June 15, 2010, with earlier adoption permitted. Under the new guidance on arrangements that include software elements, tangible products that have software components that are essential to the functionality of the tangible product will no longer be within the scope of the software revenue recognition guidance, and software-enabled products will now be subject to other relevant revenue recognition guidance. Additionally, the FASB issued authoritative guidance on revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance. Under the new guidance, when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. The new guidance includes new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. The Company is currently evaluating the potential impact, if any, of the adoption of this guidance on its consolidated financial statements.

Subsequent events

The Company has evaluated its December 31, 2009 consolidated financial statements for subsequent events through May 10, 2010, the date the consolidated financial statements were available to be issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

Reclassifications

Certain amounts presented in the December 31, 2008 consolidated financial statements have been reclassified to conform to the 2009 consolidated financial statement presentation. These reclassifications have no effect on the previously reported net income.

NOTE 2 - CONTRACT RECEIVABLES

Contract receivables consist of the following at December 31:

	2009	2008 (Restated)
Billed contract receivables	$ 20,826,269	$ 25,781,223
Unbilled contract receivables		
Amounts billable upon reaching milestones	49,865,400	64,674,163
Retentions	12,565,328	10,895,827
	83,256,997	101,351,213
Less: allowance for doubtful accounts	(255,058)	(305,892)
	$ 83,001,939	$ 101,045,321

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2009	2008 (Restated)
Computer hardware and software	$ 11,931,975	$ 11,482,511
Capitalized lease assets	5,019,005	4,962,362
Real estate	3,313,251	3,313,251
Office furniture and equipment	2,349,501	2,111,758
Leasehold improvements	570,771	502,332
	23,184,503	22,372,214
Less: accumulated depreciation and amortization	(16,695,681)	(13,080,789)
	$ 6,488,822	$ 9,291,425

Depreciation and amortization expense on property and equipment totaled $3,419,437 and $3,059,864 for the years ended December 31, 2009 and 2008, respectively. Depreciation and amortization expense for real estate assets amounted to $78,583 and $72,588 for the years ended December 31, 2009 and 2008, respectively, and is included in total depreciation and amortization expense above.

NOTE 4 - BANK LINE-OF-CREDIT

The Company entered into a credit agreement with a consortium of banks on December 19, 2007. As outlined below, on March 16, 2010, the Company entered into a second amendment to this credit agreement with its lenders. As of December 31, 2009, the agreement provided for maximum borrowings of $50,000,000 and bore interest at a rate equal to the bank's base rate plus an applicable percentage based on the Company's consolidated leverage ratio (7.25%). The bank line-of-credit is due to mature on June 30, 2011. Borrowings are limited to the sum of 80% of billed accounts receivable and 80% of unbilled accounts receivable, less any allowances. The note is secured by substantially all assets of the Company. The total borrowings under the line-of-credit are in turn funded by two separate lines-of-credit: i) a swing line-of-credit with a maximum balance of $7,000,000 and a second line-of-credit with a maximum balance of $43,000,000. The line-of-credit agreement requires the Company to maintain financial covenants, with which the Company was not in compliance at December 31, 2009. As outlined below, on March 16, 2010, the Company and its lenders agreed upon a Second Amendment to the credit agreement which waived the debt covenant violations to date.

On March 16, 2010, the Company entered into a Waiver and Second Amendment to Credit Agreement (the Second Amendment). The Second Amendment waived prior debt covenant violations for the bank line-of-credit and notes payable (see Note 5), reduced the total permissible borrowing facility from $50,000,000 to $49,000,000, and increased the collateral pledged for the loan. An Amendment Fee of 1% of aggregate commitments was incurred as part of the Second Amendment, payable in seven installments between March 2010 and July 2011.

Interest expense, which approximated interest paid on the bank lines-of-credit balance, two mortgages (see Note 5) and the notes payable (see Note 5), was $5,318,144 and $5,101,301 for the years ended December 31, 2009 and 2008, respectively.

NOTE 5 - NOTES PAYABLE

On December 19, 2007, the Company entered into a credit agreement with a consortium of banks. As part of the agreement, the Company borrowed $25,000,000 under a term loan. Principal repayments were due to commence in March 2009, and are payable quarterly until the term loan matures in April 2011. Borrowings under this agreement bear interest at a rate equal to the bank's base rate plus an applicable percentage based on the Company's consolidated leverage ratio (8.25% at December 31, 2009). The note is secured by substantially all assets of the Company. The loan terms require the Company to maintain financial covenants, with which the Company was not in compliance at December 31, 2009. As outlined above, on March 16, 2010, the Company and its lenders agreed upon a Second Amendment to the credit agreement which waived the debt covenant violations to date.

On November 26, 2007, the Company entered into a term note in the amount of $4,000,000 to finance the purchase of equipment. Borrowings under the agreement bear interest at a fixed annual rate of 7.60% with repayments to be made in thirty-six monthly installments of $124,609, beginning in January 2008.

As outlined in Note 11, during the year ended December 31, 2009 and effective as of January 1, 2008, the Company changed its accounting policy regarding the treatment of real estate acquired to facilitate the delivery of services under certain long-term contracts. The change in accounting policy resulted in the inclusion within property and equipment of nine properties with a total cost of $3.1 million. In addition, two of these properties had associated mortgages aggregating approximately $568,000 and $665,000 at December 31, 2009 and 2008, respectively. These mortgages have been included in the restated consolidated financial statements. The mortgages are secured on the properties and are repayable over 15 years. The interest rate for both mortgages was 7.25% at December 31, 2009.

As of December 31, 2009, the scheduled repayments of principal under these notes are as follows:

Years ended December 31,	
2010	$ 11,346,365
2011	8,014,989
2012	42,912
2013	46,129
2014	49,586
Thereafter	355,912
	$ 19,855,893

NOTE 6 - INTEREST RATE SWAP AGREEMENT

In July 2007, the Company entered into a forward interest swap agreement (see Note 1) to effectively exchange the variable interest rate on $20,000,000 of bank debt from August 1, 2007 through August 2, 2010 for a fixed interest rate of 5.47%. The difference paid or received under this agreement is recognized as an adjustment to interest expense.

NOTE 7 - CONTRACT COSTS PAYABLE

The Company has purchased software licenses under capital lease purchase arrangements for use in its long-term contracts. The gross value of capital lease assets held, and the related accumulated amortization, at December 31, 2009 and 2008 amounted to $5,019,005 and $4,962,362, respectively. Capital lease amortization expense for the years ended December 31, 2009 and 2008 is included in the total depreciation and amortization on property and equipment. Capital lease amortization expense for the year ended December 31, 2009 amounted to $1,292,833. Per the terms of the agreements, the Company must make various payments through October 2010 totaling $1,278,252.

NOTE 8 - PROFIT SHARING PLAN

The Company maintains a defined contribution profit-sharing plan (the Plan) established under the provisions of Section 401(k) of the Internal Revenue Code (IRC) covering substantially all of its employees. Participants may make voluntary contributions to the Plan up to the maximum allowed by law, but not to exceed 10% of their annual compensation. The Company may make discretionary matching contributions. The Company's contributions to the Plan totaled $120,000 for each of the years ended December 31, 2009 and 2008.

NOTE 9 - FAIR VALUE MEASUREMENTS

Certain assets and liabilities are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received or minimizes the amount that would be paid. Fair value is based on assumptions market participants would make in pricing the asset or liability. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

The Company's assets and liabilities recorded at fair value are categorized based on the priority of the inputs used to measure fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

- **Level 1** - Inputs that are based upon quoted prices for identical instruments traded in active markets. There are no instruments valued using Level 1 inputs.

- **Level 2** - Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment. The Company's Level 2 instrument is described below.

- **Level 3** - Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques. There are no instruments valued using Level 3 inputs.

The following section describes the valuation methodologies the Company uses to measure its financial liabilities at fair value.

Derivatives

Derivatives include the Company's interest rate swap associated with its debt.

In general, and where applicable, the Company uses quoted prices in active markets for identical assets or liabilities to determine fair value. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then the Company uses models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment. Derivative instruments are generally classified within Level 2 of the fair value hierarchy because of the use of dealer quotations, which are model-based calculations based on market-based inputs, including, but not limited to, contractual terms, yield curves, prepayment rates, and the correlation of all these inputs. This liability is classified as Level 2 and consists of the Company's interest rate swap.

Financial liabilities measured at fair value on a recurring basis are summarized below:

	As of December 31, 2009			
		Fair Value Hierarchy Level		
Description	Liabilities Measured at Fair Value	Level 1	Level 2	Level 3
Interest rate swap	$ 696,204	$ 0	$ 696,204	$ 0

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space under several noncancelable operating leases that expire on various dates through May 2015. The leases provide for future rental increases based on the Company's pro-rata share of increases in building operating expenses and real estate taxes, and for inflation adjustments based on increases in the Consumer Price Index. Future minimum lease commitments under noncancelable operating leases as of December 31, 2009 are as follows:

Years ending December 31,	
2010	$ 2,442,000
2011	2,077,000
2012	2,134,000
2013	2,128,000
2014	2,056,000
Thereafter	772,000
	$ 11,609,000

Aggregate rent expense under these leases for the years ended December 31, 2009 and 2008, was approximately $2,904,280 and $2,811,000, respectively.

In accordance with accounting principles generally accepted in the United States of America, the Company recognizes the total cost of its operating leases on a straight-line basis over the lease periods. The difference between rent expensed and rent paid is reflected as deferred rent.

Legal

The Company is subject to various legal proceedings and claims. The resolution of these matters cannot be predicted with certainty. Once it has been determined that a loss is probable to occur, the estimated amount of the loss is recorded in the consolidated financial statements. The Company has accrued for approximately $330,000 of expected losses related to pending or actual claims as of December 31, 2009.

NOTE 11 - PRIOR PERIOD ADJUSTMENTS

The Company's consolidated financial statements have been restated to reflect a change in the Company's accounting policy regarding the treatment of real estate acquired to facilitate the delivery of services under certain long-term contracts. In previous years, the costs of such real estate had been expensed as contract costs or indirect costs. During 2009, the Company determined that these costs should be capitalized and depreciated over their expected useful economic lives. Related liabilities and expenses have also been included in the consolidated financial statements. The effect of this change in accounting policy, when applied retroactively to the prior year, is to increase year end property and equipment, net, by approximately $2,907,000, increase liabilities by approximately $1,024,000, and increase retained earnings at January 1, 2008 by approximately $1,121,000. Net operating costs for the year ended December 31, 2008 decreased by approximately $762,000. In addition, the Company has restated its consolidated financial statements for the year ended December 31, 2008 to include a deferred rent balance of approximately $681,000 and to make other minor adjustments to current assets and current liabilities. The net impact of this restatement is to decrease opening retained earnings at January 1, 2008 by approximately $621,000.

AUDITED CONSOLIDATED
FINANCIAL STATEMENTS

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARY
dba CNSI

DECEMBER 31, 2008 AND 2007

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARY dba CNSI

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

CONTENTS

	Page
Independent Auditor's Report	1
Consolidated Financial Statements	
Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Stockholders' Equity	4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6 - 13

ARGY, WILTSE & ROBINSON, P.C.

Argy

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Client Network Services, Inc. and Subsidiary dba CNSI
Rockville, Maryland

We have audited the accompanying consolidated balance sheets of Client Network Services, Inc. and Subsidiary dba CNSI (collectively, the Company) as of December 31, 2008 and 2007, and the related consolidated statements of operations, of stockholders' equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Client Network Services, Inc. and Subsidiary dba CNSI as of December 31, 2008 and 2007, 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.

Argy, Wiltse & Robinson, P.C.

McLean, Virginia
January 19, 2010

8405 Greensboro Drive | 7th Floor | McLean, VA 22102 | 703.893.0600
Two Democracy Center | 6903 Rockledge Drive | Suite 310 | Bethesda, Maryland | 240.485.0860

www.argy.com **Member of the Leading Edge Alliance**

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARY
dba CNSI

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

	2008	2007 (Restated)
ASSETS		
Current assets		
Cash and cash equivalents	$ 545,346	$ 5,978,590
Certificate of deposit	465,877	1,453,373
Accounts receivable, net	100,630,358	84,225,229
Other receivables	125,467	148,787
Other current assets	712,470	466,283
Total current assets	102,479,518	92,272,262
Property and equipment, net	6,384,191	7,537,288
Capitalized software, net	5,152,951	6,866,064
Other assets	918,298	1,035,722
Total assets	$ 114,934,958	$ 107,711,336
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Bank line-of-credit	$ 35,440,725	$ 35,555,033
Accounts payable and accrued expenses	30,740,030	19,835,556
Accrued payroll and related liabilities	7,231,446	4,281,544
Contract costs payable	3,426,399	4,211,628
Notes payable	22,944,577	29,000,000
Provision for contract losses	2,967,901	2,967,901
Total current liabilities	102,751,078	95,851,662
Contract costs payable	1,281,333	4,707,732
Total liabilities	104,032,411	100,559,394
Stockholders' equity		
Common stock, $0.001 par value 63,000,000 shares authorized, 50,400,000 issued and outstanding	50,400	50,400
Retained earnings	10,873,533	7,116,076
Accumulated other comprehensive loss	(21,386)	(14,534)
Total stockholders' equity	10,902,547	7,151,942
Commitments		
Total liabilities and stockholders' equity	$ 114,934,958	$ 107,711,336

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

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARY
dba CNSI
(AN S CORPORATION)

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007 (Restated)
Contract revenue		
Government contracts	$ 151,345,827	$ 144,580,797
Commercial contracts	7,210,934	7,168,533
Total revenue	158,556,761	151,749,330
Costs and expenses		
Other direct costs	66,935,946	77,978,293
Direct labor	43,895,772	37,593,466
Indirect costs	37,298,486	33,064,168
Interest expense and other unallowable costs, net	6,669,100	5,645,290
Total costs and expenses	154,799,304	154,281,217
Net income (loss)	$ 3,757,457	$ (2,531,887)

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

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARY
dba CNSI

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2008 AND 2007

	Common Stock				
	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2006, as restated	50,400,000	$ 50,400	$ 9,647,963	$ 0	$ 9,698,363
Loss on foreign currency translation	0	0	0	(14,534)	(14,534)
Net loss for the year ended December 31, 2007, as restated	0	0	(2,531,887)	0	(2,531,887)
Balance at December 31, 2007, as restated	50,400,000	50,400	7,116,076	(14,534)	7,151,942
Loss on foreign currency translation	0	0	0	(6,852)	(6,852)
Net income for the year ended December 31, 2008	0	0	3,757,457	0	3,757,457
Balance at December 31, 2008	50,400,000	$ 50,400	$ 10,873,533	$ (21,386)	$ 10,902,547

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

CLIENT NETWORK SERVICES, INC. AND SUBSIDIARY
dba CNSI

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007 (Restated)
Cash flows from operating activities:		
Net income (loss)	$ 3,757,457	$ (2,531,887)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Increase (decrease) in allowance for uncollectable receivables	197,415	(95,008)
Depreciation and amortization	5,651,402	2,968,644
Foreign currency translation	(6,852)	(14,534)
(Increase) decrease in:		
Accounts receivable	(16,602,544)	(25,681,847)
Other receivables	23,320	(56,261)
Other current assets	(246,187)	(216,194)
Other non-current assets	117,424	(317,880)
Increase (decrease) in:		
Accounts payable and accrued expenses	10,904,474	(167,483)
Accrued payroll and related liabilities	2,949,902	169,862
Provision for contract losses	0	2,967,901
Total adjustments	2,988,354	(20,442,800)
Net cash provided by (used in) operating activities	6,745,811	(22,974,687)
Cash flows from investing activities:		
Decrease (increase) of certificate of deposit	987,496	(20,055)
Purchase of property and equipment, net	(1,834,179)	(1,076,817)
Increase in capitalized software	(951,013)	(1,163,525)
Net cash used in investing activities	(1,797,696)	(2,260,397)
Cash flows from financing activities:		
Proceeds from notes payable	0	29,000,000
Net repayments under bank line-of-credit	(114,308)	(4,164,124)
Principal payments under notes payable	(6,055,423)	(1,500,000)
Payments on notes payable to stockholders	0	(790,000)
(Decrease) increase in contract costs payable	(4,211,628)	8,314,292
Net cash (used in) provided by financing activities	(10,381,359)	30,860,168
Net (decrease) increase in cash and cash equivalents	(5,433,244)	5,625,084
Cash and cash equivalents at the beginning of the year	5,978,590	353,506
Cash and cash equivalents at the end of the year	$ 545,346	$ 5,978,590

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

CLIENT NETWORK SERVICES, INC.
dba CNSI

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Client Network Services, Inc. (CNSI) was incorporated in the State of Maryland on April 28, 1994. CNSI, which is privately held, provides information technology services and computer hardware and software primarily to federal and state governments and also commercial businesses. The Company was certified under Section 8(a) of the Small Business Act of 1958. This certification expired in January 2007.

Client Network Services India Private Limited (CNSIndia) was incorporated in India in November 2003. CNSIndia, which is 99.99 percent owned by CNSI, provides information technology services and software development services to CNSI.

The significant accounting policies followed by the Company are described below.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of CNSI and CNSIndia (collectively, the Company). All significant intercompany balances have been eliminated in consolidation.

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 regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Revenue recognition

Substantially all of the Company's contract revenue results from contracts with agencies of the federal and state governments. Revenue on time-and-materials contracts are recognized based on direct labor hours expended at contract billing rates plus actual other direct costs incurred.

Revenue for the delivery of products and services under a fixed price arrangement is recognized under the percentage of completion method based upon either (i) an earned value, output-based method, or (ii) a percentage of costs, input-based method using a ratio of the estimated costs to complete specific milestones or deliverables under the contract to total estimated contract costs. For most contracts, the Company's output and cost estimates used in the determination of revenue generally have not varied materially from actual results; however, contract revenue recognition inherently involves estimation, including the contemplated level of effort to accomplish the tasks under contract, the cost of the effort, and an ongoing assessment of progress toward completing the contract. From time to time, as part of the normal management process, facts develop that require revisions to estimated total costs or revenues expected. These are treated as an adjustment to income or expense in the period in which they are first determined. Losses on contracts are provided for in the period in which they are first determined.

During 2008, the Company determined, for one material contract, that the contract's percentage of completion could best be estimated using a percentage of costs method, as opposed to the previously used earned value method. This change in the method of applying the percentage of completion accounting principle, and the associated change in accounting estimate, resulted in a decrease to net income of approximately $1.1 million during the year.

Cash and cash equivalents

The Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation of property and equipment is computed using the straight-line method over useful lives of three to five years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the term of the related lease. Depreciation of capital leases is computed using the straight-line method over the shorter of the life of the contract for which the equipment was purchased or the lease term.

Research and development and software development costs

Research and development costs are expensed as incurred.

Costs incurred for development of computer software to be sold, leased or otherwise marketed have been accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 86, *Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed* (SFAS 86). This statement requires that software development costs incurred subsequent to the establishment of technical feasibility, but prior to the product being ready for market, be capitalized and recorded as an asset on the accompanying balance sheets. During the years ended December 31, 2008 and 2007, the Company capitalized $951,013 and $1,163,525 of software development costs, respectively. These costs are being amortized over current and subsequent contract awards. Amortization expense totaled $2,664,126 and $920,700 for the years ended December 31, 2008 and 2007 respectively.

Qualified computer software costs for internal use are capitalized subsequent to both the preliminary project stage and when management has committed to funding, in accordance with Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* (SOP 98-1). Capitalized costs are included in property and equipment as computer software. Development costs that do not qualify for capitalization under SOP 98-1 are expensed as research and development costs when incurred. Capitalized costs are amortized over estimated useful lives of three to five years.

Income taxes

The Company is an S Corporation for federal income tax purposes (which also applies to most states). As an S Corporation, the Company is generally not subject to corporate income taxes and the income, deductions, credits and other tax attributes of the Company flow to the stockholders of the Company.

Derivative instruments

In July 2007, the Company entered into an interest rate swap agreement to mitigate changes in interest rates on its variable rate borrowings. The notional amount of this agreement is used to measure the interest to be paid or received and does not represent the amount of exposure to loss. The Company's policies prohibit the use of derivatives for speculative or trading purposes.

The Company accounts for derivatives in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS 137 and SFAS 138 (collectively, SFAS 133). SFAS 133 requires entities to recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at their fair value. The statement also requires that changes in the derivative's fair value be recognized in earnings unless specific hedge-accounting criteria are met. SFAS 133 also requires entities to measure the effectiveness, as defined by SFAS 133, of all derivatives to be accounted for as hedges. Management formally documents its derivative transactions including identifying the hedge instruments and hedged items, as well as its risk management objectives and strategies for entering into the hedge transactions. If a derivative designated as a cash flow hedge is deemed effective in offsetting variable interest cash flows of a designated portion of the Company's debt portfolio, the change in fair value is recorded as a component of other comprehensive income (loss). If, after the assessment, it is determined that all or a portion of the derivative is ineffective, then that portion of the derivative's change in fair value would be immediately recognized in earnings. For 2008 and 2007, the Company has determined that its sole interest rate swap is not effective, and therefore has recognized the change in value in its consolidated statements of operations. Currently, the Company does not have any other financial contracts that would fall within the scope of SFAS 133.

The swap is recognized as a liability at fair market value in the accompanying consolidated balance sheets at December 31, 2008 and 2007. Changes in the fair market value of the swap are recorded as gains or losses in the consolidated statements of operations. The Company recognized an unrealized loss of $580,618 and $885,564 on the swap for the years ended December 31, 2008 and 2007, respectively.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an Amendment of FASB Statement No. 133* (SFAS 161), which requires expanded disclosures about derivative and hedging activities. This statement changes the disclosure requirements for derivative instruments and hedging activities by requiring companies to provide enhanced disclosures about how and why they use derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and how derivative instruments and related hedged items affect a company's financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal periods beginning after November 15, 2008, with earlier adoption encouraged. The Company has elected to adopt the provisions of SFAS 161 for its 2009 financial statements. As this pronouncement is only disclosure related, it will not have an impact on the Company's results of operations or financial position.

Recently adopted accounting pronouncements

SFAS No. 157

Effective January 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements* (SFAS 157), for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS 157 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. This statement does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. See Note 11 – Financial Instruments. The adoption of SFAS 157 did not have a material impact on the Company's results of operations or financial position.

In February 2008, the FASB issued FASB Staff Position (FSP) No. FAS 157-2, *Effective Date of FASB Statement No. 157* (FSP No. 157-2). The FSP amends SFAS 157 to delay the effective date for non-financial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. For items within its scope, the FSP defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008. As noted above, the Company adopted SFAS 157 effective January 1, 2008, except for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for which delayed application is permitted until the fiscal year beginning January 1, 2009. The adoption of the remaining provisions of SFAS 157 is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

SFAS No. 159

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 gives the Company the irrevocable option to carry many financial assets and liabilities, on an instrument-by-instrument basis, at fair value, with changes in fair value recognized in earnings. SFAS 159 also requires additional disclosures that are intended to facilitate comparisons between entities that choose different measurement attributes for similar assets and liabilities, and between assets and liabilities in the financial statements of an entity that selects different measurement attributes for similar assets and liabilities. The Company has chosen not to elect the fair value option for any assets or liabilities, and therefore the adoption of SFAS 159 did not have a material effect on the Company's results of operations or financial position.

Recent accounting pronouncements not yet adopted

FIN No. 48

In July 2006, the FASB issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes -*

an Interpretation of FASB Statement No. 109 (FIN 48), which 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* (SFAS 109). This Interpretation 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. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

In December 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, which permits nonpublic entities to defer the effective date of FIN 48 until fiscal years beginning after December 15, 2008. FIN 48 must be applied to all existing tax positions upon initial adoption. The cumulative effect of applying FIN 48 at adoption, if any, is to be reported as an adjustment to opening retained earnings for the year of adoption. Implementation of FIN 48 will require management of the Company to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, which includes federal and certain states. Open tax years are those that are open for examination by taxing authorities (i.e., generally the last four tax year ends and the interim tax period since then). The Company has no examinations in progress.

The Company has elected to defer the application of FIN 48 and will continue to follow SFAS No. 5, *Accounting for Contingencies* (SFAS 5), until it adopts FIN 48. SFAS 5 requires the Company to accrue for losses it believes are probable and can be reasonably estimated. Management is currently assessing the impact of FIN 48 on its financial position and results of operations and has not yet determined if the adoption of FIN 48 will have a material effect on its consolidated financial statements.

Reclassifications

Certain amounts presented in the December 31, 2007 financial statements have been reclassified to conform to the 2008 financial statement presentation. These reclassifications have no effect on the previously reported net income.

NOTE 2 - OPERATIONS

As outlined in Notes 5 and 6, the Company was not in compliance with certain of its debt covenants as of December 31, 2008 and accordingly, substantially all of the Company's debt is repayable on demand. Management is currently in negotiations with the Company's creditors to waive the debt covenants violations to date and to negotiate new debt covenants. In addition, management expects that additional revenue achieved through the execution of its operating plan as well as achieving significant milestones in its current contracts will allow it to continue as a going concern.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at December 31:

	2008	2007 (Restated)
Billed receivables	$ 25,781,223	$ 25,800,488
Unbilled receivables		
Amounts billable upon reaching milestones	64,259,200	50,597,952
Retentions	10,895,827	7,935,266
	100,936,250	84,333,706
Less: allowance for doubtful accounts	(305,892)	(108,477)
	$ 100,630,358	$ 84,225,229

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2008	2007 (Restated)
Computer hardware and software	$ 11,482,511	$ 9,922,483
Capitalized lease assets	4,962,362	4,962,362
Office furniture and equipment	2,280,695	1,975,528
Leasehold improvements	502,332	533,348
	19,227,900	17,393,721
Less: accumulated depreciation and amortization	(12,843,709)	(9,856,433)
	$ 6,384,191	$ 7,537,288

Depreciation and amortization expense on property and equipment totaled $2,987,276 and $2,047,944 for the years ended December 31, 2008 and 2007, respectively.

NOTE 5 - BANK LINE-OF-CREDIT

The Company entered into a credit agreement with a consortium of banks on December 19, 2007. As of December 31, 2008, the agreement provides for maximum borrowings of $50,000,000. The line matures on December 19, 2010, and bears interest at a rate of LIBOR plus an applicable percentage based on the Company's consolidated leverage ratio (5.07% at December 31, 2008). Borrowings are limited to the sum of 80% of billed accounts receivable and 80% of unbilled accounts receivable, less any allowances. The note is secured by substantially all assets of the Company. The total borrowings under the line-of-credit are in turn funded by two separate lines-of-credit: i) a swing line-of-credit with a maximum balance of $7,000,000 and a second line-of-credit with a maximum balance of $43,000,000. The line-of-credit agreement requires the Company to maintain financial covenants, with which the Company was not in compliance at December 31, 2008 and has not obtained a waiver subsequent to year end. The Company is currently in negotiations with the consortium to amend the lines-of-credit.

Interest expense, which approximated interest paid on the bank lines-of-credit balances and the notes payable (see Note 5), was $5,363,074 and $4,456,836 for the years ended December 31, 2008 and 2007, respectively.

NOTE 6 - NOTES PAYABLE

On December 19, 2007, the Company entered into a credit agreement with a consortium of banks. As part of the agreement, the Company borrowed $25,000,000 under a term loan. Principal repayments were due to commence in March 2009, and are payable quarterly until the term loan matures in December 2012. Borrowings under this agreement bear interest at a rate equal to the bank's Prime borrowing rate plus an applicable percentage based on the Company's consolidated leverage ratio (5.47% at December 31, 2008). The note is secured by substantially all assets of the Company. The loan terms require the Company to maintain financial covenants, with which the Company was not in compliance at December 31, 2008 and has not obtained a waiver subsequent to year end. Accordingly, the Company has classified the full amount of the term loan as a current liability. The Company is currently in negotiations with the consortium to amend the terms of the notes payable.

On November 26, 2007, the Company entered into a term note in the amount of $4,000,000 to finance the purchase of equipment. Borrowings under the agreement bear interest at a fixed annual rate of 7.60% with repayments to be made in thirty-six monthly installments of $124,609, beginning in January 2008. The loan terms require the Company to maintain financial covenants, with which the Company was not in compliance at December 31, 2008 and has not obtained a waiver subsequent to year end. Accordingly, the Company has classified the full amount of the term loan as a current liability.

As of December 31, 2008, the scheduled repayments of principal under these notes are as follows:

Years ended December 31,	
2009	$ 22,944,577

During 2009, the Company made principal payments of approximately $3,657,000. Nevertheless, due to the Company's failure to comply with its debt covenants, the balances are repayable on demand, and have been included within current liabilities.

NOTE 7 - INTEREST RATE SWAP AGREEMENT

In July 2007, the Company entered into a forward interest swap agreement (see Note 1) to effectively exchange the variable interest rate on $20,000,000 of bank debt from August 1, 2007 through August 2, 2010 for a fixed interest rate of 5.47%. The difference paid or received under this agreement is recognized as an adjustment to interest expense.

NOTE 8 - CONTRACT COSTS PAYABLE

During 2007, the Company purchased software licenses for use in its long-term contracts. The gross value of capital lease assets held, and the related accumulated amortization, at December 31, 2008 and 2007 amounted to $4,962,362. Capital lease amortization expense for the year ended December 31, 2007 is included in the total depreciation and amortization on property and equipment. There was no capital lease amortization expense for the year ended December 31, 2008. Per the terms of the agreements, the Company must make various payments through October 2010.

As of December 31, 2008, the principal payments required under these agreements are as follows:

Years ending December 31,	
2009	$ 3,426,399
2010	1,281,333
	$ 4,707,732

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

The Company is subject to credit risk concentrations principally from cash and cash equivalents, accounts receivable, and unbilled receivables. The Company's management believes the risk of loss associated with cash and cash equivalents is very low since cash and cash equivalents are maintained in financial institutions. However, at times during the years ended December 31, 2008 and 2007, the Company had cash and cash equivalents on deposit with financial institutions in excess of the federally insured limit. To date, accounts receivable and unbilled receivables have been derived primarily from contracts with agencies of the federal government and state governments. Accounts receivable are generally due within 30 days and no collateral is required. The Company provides for the amounts of receivables estimated to become uncollectible in the future by maintaining an allowance for doubtful accounts. The Company's unbilled receivables at December 31, 2008 include $71.7 million from two contracts with two separate state governments.

NOTE 10 - PROFIT SHARING PLAN

The Company maintains a defined contribution profit-sharing plan (the Plan) established under the provisions of Section 401(k) of the Internal Revenue Code (IRC) covering substantially all of its employees. Participants may make voluntary contributions to the Plan up to the maximum allowed by law, but not to exceed 10% of their annual compensation. The Company may make discretionary matching contributions. The Company's contributions to the Plan totaled $120,000 and $110,000 for the years ended December 31, 2008 and 2007, respectively.

NOTE 11 - FINANCIAL INSTRUMENTS

Effective January 1, 2008, the Company adopted SFAS 157. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received or minimizes the amount that would be paid. Under SFAS 157, fair value should be based on assumptions market participants would make in pricing the asset or liability. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

With the adoption of SFAS 157, the Company's assets and liabilities recorded at fair value on a recurring basis are categorized based on the priority of the inputs used to measure fair value. The inputs used in measuring fair value are categorized into three levels under SFAS 157, as follows:

- **Level 1** - Inputs that are based upon quoted prices for identical instruments traded in active markets. There are no instruments valued using Level 1 inputs.

- **Level 2** - Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment. The Company's Level 2 instrument is described below.

- **Level 3** - Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques. There are no instruments valued using Level 3 inputs.

The following section describes the valuation methodologies the Company uses to measure its financial liabilities at fair value.

Derivatives

Derivatives include the Company's interest rate swap associated with its debt.

In general, and where applicable, the Company uses quoted prices in active markets for identical assets or liabilities to determine fair value. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then the Company uses models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment. This liability is classified as Level 2 and consists of the Company's interest rate swap.

Financial liabilities measured at fair value on a recurring basis are summarized below:

	As of December 31, 2008			
	Liabilities Measured at	Fair Value Hierarchy Level		
Description	Fair Value	Level 1	Level 2	Level 3
Interest rate swap	$ 1,466,182	$ 0	$ 1,466,182	$ 0

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space under several noncancelable operating leases that expire on various dates through May 2015. The leases provide for future rental increases based on the Company's pro-rata share of increases in building operating expenses and real estate taxes, and for inflation adjustments based on increases in the Consumer Price Index. Future minimum lease commitments under noncancelable operating leases as of December 31, 2008 are as follows:

Years ending December 31,	
2009	$ 2,137,000
2010	2,143,000
2011	2,019,000
2012	2,076,000
2013	1,999,000
Thereafter	2,785,000
	$ 13,159,000

Aggregate rent expense under these leases for the years ended December 31, 2008 and 2007, was approximately $2,811,000 and $2,230,000, respectively.

Legal

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. While the resolution of these matters cannot be predicted with certainty, the Company believes that the final outcome of such matters will not have a material adverse effect on the consolidated financial position or the consolidated result of operations. Once it has been determined that a loss is probable to occur, the estimated amount of the loss is recorded in the consolidated financial statements. No such loss had been recorded as of December 31, 2008 or 2007.

NOTE 13 - PRIOR PERIOD ADJUSTMENT

The Company's consolidated financial statements have been restated to include the financial effects of an interest rate swap entered into by the Company in July 2007, to reclassify previously reported operating lease payments as a capital lease, to accrue in full for expected losses on a major contract and to accrue for compensatory absences. The effect of the inclusion of the interest rate swap was to increase total liabilities and interest expense and other unallowable costs by $885,564, and decrease retained earnings and net income for the year ended December 31, 2007 by $885,564. The effect of the capital lease restatement was to increase property and equipment, net, by $3,663,028, and increase contract costs payable, by $3,536,556. The impact on net income for the capital lease restatement was to increase net income by $92,341. The impact of the accrual in full in 2007 for projected future contract losses was to decrease net income by $7,729,088. The impact on of accruing for compensatory absences was to decrease opening retained earnings at January 1, 2007 by $1,375,123 and to increase net income for the year ended December 31, 2007 by $3,941.