SERVIDYNE, INC.
Form 10-K
July 30, 2008

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
ANNUAL REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934
For the fiscal year ended April 30, 2008
Commission file number 0-10146
SERVIDYNE, INC.
(Exact name of registrant as specified in its charter)

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

Registrant s telephone number, including area code: (770) 953-0304
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

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

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

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

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

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

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

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o	Smaller reporting company þ
		(Do not check if a smaller reporting company)	

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

The aggregate market value of Common Stock held by nonaffiliates of the registrant as of October 31, 2007, was $10,672,893. See Part III for a definition of nonaffiliates. The number of shares of Common Stock of the registrant outstanding as of April 30, 2008, was 3,539,870.

DOCUMENTS INCORPORATED BY REFERENCE

The information called for by Part III (Items 10, 11, 12, 13, and 14) is incorporated herein by reference to the registrant s definitive proxy statement for the 2008 Annual Meeting of Shareholders which is to be filed pursuant to Regulation 14A.

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Part I

ITEM 1. BUSINESS

Servidyne, Inc. (i) provides comprehensive energy efficiency solutions, sustainability programs, and other building performance-enhancing products and services to companies that own and operate buildings; and (ii) engages in commercial real estate investment and development.

The term Company refers to Servidyne, Inc. and its subsidiaries and predecessors, unless the context indicates otherwise, and the term Parent or Parent Company refers solely to Servidyne, Inc.

The Company was organized under Delaware law in 1960 to succeed to the business of A. R. Abrams, Inc., which was founded in 1925 by Alfred R. Abrams as a sole proprietorship. In 1984, the Company changed its state of incorporation from Delaware to Georgia. In fiscal 2007, the Company changed its name from Abrams Industries, Inc. to Servidyne, Inc.

The Company operates through two segments: Building Performance Efficiency (BPE) and Real Estate.

Further information on the businesses of the Company s operating segments is discussed below. Financial information for the segments is set forth in Note 14 to the consolidated financial statements of the Company.

In June 2008, Atlantic Lighting & Supply Co., LLC, (ALS, LLC) a newly formed and wholly-owned subsidiary of the Company, acquired the business and assets of Atlantic Lighting & Supply Co., Inc. ALS, LLC, is a distributor of cutting-edge energy efficient lighting products, and is now part of the BPE Segment.

BUILDING PERFORMANCE EFFICIENCY (BPE) SEGMENT

The BPE Segment provides comprehensive energy efficiency solutions, sustainability programs, and other building performance-enhancing products and services to companies that own and operate buildings. The BPE offerings are strategic programs and services that enable customers to optimize the short-term and long-term financial performance of their building portfolios, while reducing greenhouse gas emissions and improving the comfort and satisfaction of their buildings occupants. The Company conducts such operations under the names Servidyne Systems, LLC, The Wheatstone Energy Group, LLC, and Atlantic Lighting & Supply Co., LLC. The BPE Segment s offerings include the following:

The BPE Energy Solution is designed to help building owners and operators substantially reduce energy consumption and cut utility and operating costs. Major elements include: energy modeling; energy audits; building retro- commissioning; LEED® and ENERGY STAR® certifications; comprehensive preventive maintenance of energy- consuming equipment; turn-key design and implementation of energy-saving lighting systems; and retrofits of mechanical and electrical systems.

The BPE Environmental Sustainability Solution is designed to help building owners and operators identify and transform wasteful and inefficient buildings into cost-effective and environmentally sustainable facilities. Major elements include: energy and sustainability audits; benchmarking and utility monitoring; retro-commissioning of existing systems; efficiency improvements to energy conversion and water consuming building assets; and other efficiency improvements that extend the lives of building infrastructures and equipment.

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

The BPE Segment focuses its marketing and sales activities on owners and operators of corporate, commercial office, hospitality, gaming, retail, light industrial, distribution, healthcare, government, education and institutional buildings and facilities; and energy service companies (ESCOs). The primary geographic focus for the business is the United States, although the Company does business internationally as well. Contracts and services are primarily obtained through negotiations with customers, but may also be obtained through competitive bids on larger energy savings and infrastructure upgrade projects.

REAL ESTATE SEGMENT

The Real Estate Segment has engaged in real estate activities since 1960. These activities primarily involve the acquisition, development, redevelopment, leasing, asset management, ownership, and sale of shopping centers, office buildings and land in the Southeast and Midwest. The Company uses third-party property managers and leasing agents for all of its retail and office properties. The Company conducts its real estate operations through its real estate subsidiaries, Abrams Properties, Inc., AFC Real Estate, Inc., and their respective affiliates.

The Company currently owns two shopping centers that it acquired. These shopping centers are held as long-term investments and may be marketed for sale at a future time that the Company determines to be appropriate. See ITEM 2. PROPERTIES Owned Shopping Centers. In July 2007, the Company sold its shopping centers located in Columbus, Georgia, and Orange Park, Florida, at a gain. The Company is a lessee and sublessor of one retail center that was

developed and sold by the Company, leased back to the Company, and then subleased to Kmart Corporation. See ITEM 2. PROPERTIES Leaseback Shopping Center. In July 2007, the Company sold its leasehold interest in another such retail center located in Jacksonville, Florida, at a gain. In addition, the Company owns two office properties. See ITEM 2. PROPERTIES Office Buildings. The Company also owns two tracts of undeveloped commercially zoned land. See ITEM 2. PROPERTIES Real Estate Held for Future Development, Lease, or Sale. In March 2008, the Company gave a deed in lieu of condemnation for a portion of its undeveloped land (approximately 1.8 acres) located in Oakwood, Georgia, which resulted in a gain. For income tax purposes, this transaction is considered an involuntary conversion under Section 1033 of the Internal Revenue Code, which allows for tax deferral on the gain if the Company acquires a qualified replacement property by April 30, 2011. The Company currently intends to use the net proceeds from this transaction to acquire an additional income-producing property. There can be no assurance, however, that the Company will be able to successfully complete such acquisition.

EMPLOYEES AND EMPLOYEE RELATIONS

At April 30, 2008, the Company employed 78 salaried employees and 5 hourly employees. The Company believes that its relations with its employees are good.

SEASONAL NATURE OF BUSINESS

The businesses of the BPE and Real Estate segments generally are not seasonal. However, certain retail customers of the BPE Segment may choose to delay the implementation of energy savings and infrastructure projects during the peak winter holiday shopping season.

COMPETITION

The markets in which the Company operates are highly competitive. The BPE Segment s competition is widespread and ranges from multi-national firms to local and regional companies. The Real Estate Segment also operates in a competitive environment, with numerous parties competing for available properties, tenants, capital and investors.

BACKLOG

The following table indicates the backlog of contracts and rental income under lease agreements, by segment:

	April 30,		Increase (Decrease)	
	2008	2007	Amount	Percent
BPE[1]	**$7,171,000**	$ 9,368,000	$(2,197,000)	(23)
Real Estate[2]	**3,071,000**	3,866,000	(795,000)	(21)
Less: Intersegment Eliminations[3]	**(581,000)**	(564,000)	(17,000)	3
Total Backlog	**$9,661,000**	$12,670,000	$(3,009,000)	(24)

(1) The decrease in BPE backlog of approximately $2,197,000 or 23%, was primarily due to:

(a) a decrease of approximately $2,038,000 in infrastructure upgrade and energy savings projects that primarily related to customer delays; and

(b) a decrease of approximately $583,000 in energy management services;

offset by:

(c) an increase of approximately $424,000 in building productivity products and services.

The Company estimates that the BPE backlog at April 30, 2008, will be fully recognized as revenue prior to April 30, 2009, with the exception of approximately $674,000 or 9.4%, primarily because certain energy management services contract terms extend longer than one year.

Backlog amounts include some contracts that can be cancelled with less than one year s notice, and assumes cancellation provisions will not be invoked. The amount of such cancelled contracts included in the prior year s backlog was approximately $208,000 or 2%.

(2) The decrease in Real Estate backlog of approximately $795,000 or 21%, was primarily due to:

(a) the inclusion in the fiscal 2007 backlog of rental revenues of approximately $304,000 generated by the Company s former leaseback shopping center located in Jacksonville, Florida, as this property was subsequently sold; and

(b) the inclusion in fiscal 2007 backlog of rental revenues of approximately $547,000 related to the expiration in January 2008 of a third party lease at the Company s headquarters building in Atlanta, Georgia;

offset by:

(c) higher rental revenues of approximately $56,000 related to successful leasing activities at the Company s headquarters building and the other properties.

(3) Represents rental income at the Company s headquarters building to be paid to the Real Estate Segment over the next twelve months by the Parent Company and the BPE Segment.

Other than as noted above, the Company estimates that the Real Estate backlog at April 30, 2008, will be recognized prior to April 30, 2009. No assurance can be given as to future backlog levels or whether the Company will actually realize earnings from revenues that result from the backlog at April 30, 2008.

Part I *(continued)*

REGULATION

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

EXECUTIVE OFFICERS OF THE REGISTRANT

The Executive Officers of the Company as of April 30, 2008, were as follows:

Alan R. Abrams (53) *Officer since 1988*

Chairman of the Board since April 2006 and a Director of the Company since 1992, Mr. Abrams has been Chief Executive Officer since 1999 and President since 2000. He served as Co-Chairman of the Board from 1998 to April 2006.

Rick A. Paternostro (38) *Officer since 2000*

Mr. Paternostro has served as Chief Financial Officer since November 2007 and as Vice President of Operations of the BPE Segment since March 2006. He previously served as Vice President of Financial Operations from January 2004 to March 2006, and was Chief Financial Officer of a Company subsidiary from September 2002 to January 2004.

Melinda S. Garrett (52) *Officer since 1990*

Ms. Garrett has served as Secretary since 2000 and Vice President since 2004. She previously served as a Director of the Company from 1999 to 2007, Chief Financial Officer from 1997 to 2003, and also has served the Real Estate Segment as Chief Executive Officer since 2003 and President since 2001.

J. Andrew Abrams (48) *Officer since 1988*

A Director of the Company since 1992, Mr. Abrams has been Executive Vice President since April 2006. He served as Co-Chairman of the Board from 1998 to 2006 and Vice President-Business Development from 2000 to April 2006.

M. Todd Jarvis (42) *Officer since 2004*

Mr. Jarvis has served the Company s subsidiary, Servidyne Systems, LLC, as President since March 2006 and Chief Executive Officer since April 2008. He also has served the Company s subsidiary, The Wheatstone Energy Group, LLC, as President and Chief Executive Officer since March 2006, and was its Vice President and Chief Operating Officer from December 2003 to March 2006. Prior to joining the Company, he was employed by The Wheatstone Energy Group, Inc., which the Company acquired in 2003, serving as Co-Founder, Vice President and Chief Operating Officer from 1992 to 2003.

Executive Officers of the Company are elected by the Board of Directors of the Company or the Board of a respective subsidiary to serve at the pleasure of the respective Board. Alan R. Abrams and J. Andrew Abrams are brothers.

ITEM 1A. RISK FACTORS

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

Risks Related to the Company

The Company s business depends on the success of its relatively new building performance efficiency offerings. If the Company fails to grow these offerings, its prospects could be adversely affected.

In the past several years, the Company has undergone a fundamental change in its primary focus by transitioning away from commercial construction to its current position as a provider of building performance-enhancing services to commercial real estate owners and operators, through the BPE Segment. While the Real Estate Segment is still an important contributor to the Company s revenues, earnings and cash flows, it is not the primary element of the Company s growth strategy. The Company intends to dedicate most of its future capital resources and management attention to growing the BPE Segment.

This BPE Segment differs in some substantial ways from the Company s former commercial construction business, and from the business of the Real Estate Segment. For instance, several important offerings of the BPE Segment are information technology (IT) oriented, which represents a departure from the Company s legacy businesses.

The Company s ability to implement its growth strategy will depend upon a variety of factors that are not entirely within its control, including:

- the ability to add new products and services to the BPE Segment, and the ability to keep current products and services competitive;
- the ability to make profitable business acquisitions and the ability to integrate such acquired businesses into existing operations;
- the hiring, training and retention of qualified personnel;
- the establishment of new relationships or expansion of existing relationships with customers and suppliers; and
- the availability of capital.

To date, the BPE Segment has not contributed substantially to the Company s net earnings in fact, it has yet to achieve sustained profitability. In light of the relative newness of this segment to the Company, and the absence of a proven track record of sustained profitability, the Company cannot guarantee that its growth strategy will be successful. If the Company s growth strategy were unsuccessful, its revenues, earnings, stock price, and the Company as a whole could be adversely affected.

The Company is redeploying a portion of its capital previously invested in the Real Estate Segment to grow the BPE Segment. The Company cannot guarantee that the return, if any, on investing these resources in the new segment will exceed the return that might otherwise be achievable from the Real Estate Segment.

The Company intends to dedicate the majority of its capital resources to growing the BPE Segment rather than the Real Estate Segment. Over the past several years, the Company has redeployed some of its capital previously invested in the Real Estate Segment (primarily through sales of income-producing properties) to the BPE Segment.

As noted above, the BPE segment does not have a proven track record of sustained profitability, in contrast to the Real Estate Segment, which has historically been consistently profitable and has been the primary source of the Company s net earnings in recent years. Accordingly, the Company cannot guarantee that the return on its investment in the BPE Segment, if any, will compare favorably to the results that might be achievable otherwise if the Company were to reinvest its capital resources entirely in the Real Estate Segment (or in any other line of business). If the Company s efforts to grow the BPE Segment do not prove to be successful, the investment of this capital could be lost, which could have a material adverse effect on the Company s financial position.

In recent years, net earnings have been driven significantly by capital gains from sales of real estate income-producing properties. Without such capital gains recurring in the future, the Company might not be profitable.

The Company s net earnings in recent years have been driven primarily by significant capital gains from sales of income-producing real estate properties. Although some of the proceeds of these sales have been reinvested in new real estate properties, a significant portion of the proceeds from these sales has been redeployed to growing the BPE Segment. Other proceeds from these sales have been distributed to shareholders as dividends. As a result, in recent years the Company s real estate dispositions have exceeded its acquisitions, and in light of the Company s focus on growing the BPE Segment, the Company anticipates that this trend is likely to continue. Consequently, real estate capital gains cannot be depended upon as a primary source for the Company s long-term profitability.

Because of these factors, the Company s net earnings in the future, unlike its net earnings over the past several years, likely will not result primarily from real estate dispositions. In addition, to the extent that the proceeds from real estate dispositions are not redeployed in acquiring new income producing real estate properties, another source of earnings rental income could be negatively impacted. Accordingly, in order for the Company to maintain or improve its net earnings in the future, the BPE Segment will need to be expanded to produce consistent net earnings. There can be no guarantee, however, that the BPE Segment will be able to produce net earnings, if any, sufficient to match the contribution to the Company s profitability that has resulted from the Real Estate Segment in the past several years, particularly in light of the BPE Segment s lack of a consistent track record of sustained profitability.

If the Company cannot find suitable business acquisition candidates or integrate completed business acquisitions successfully, its prospects could be adversely affected.

In addition to organic growth, the Company s strategy includes growth through business acquisitions. The Company s BPE Segment, to which the Company is dedicating most of its capital resources and attention, was established through several business acquisitions in recent years. The Company competes for acquisition opportunities with other companies that have significantly greater financial resources. Therefore, there is a risk that the Company may be unable to complete an acquisition that it determines to be important to the growth strategy, because another company may be able to pay more for a potential acquisition candidate or may be able to use its financial resources to acquire a potential acquisition candidate before the Company can obtain any requisite financing for such acquisition.

Part I *(continued)*

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

In addition, successful integration of an acquired company requires the dedication of significant management resources that may temporarily detract attention from the Company s and the acquired company s day-to-day business. If management is not able to integrate the organization, operation and systems of an acquired company in a timely and efficient manner, the anticipated benefits of a completed acquisition may not be fully realized.

The Company is dependent upon key personnel and the loss of any such key personnel could adversely impair the Company s ability to conduct its business. In addition, the implementation of the Company s growth strategy will require the addition of suitable personnel.

One of the Company s objectives is to develop and maintain a strong management team at all levels. At any given time, the Company could lose the services of key executives or other key employees. Other than one employee, none of the key executives or other key employees is currently subject to employment agreements or contracts. The loss of services of any key personnel could have an adverse impact upon the Company s results of operations, financial condition, and management s ability to execute its business strategy. If the Company were to lose a member of its senior management team, the Company might be required to incur significant costs in identifying, hiring and retaining a replacement for the departing executive.

In addition, the growth of the BPE Segment will require the addition of qualified personnel. Some of the offerings of this segment, such as energy engineering, sales, and the IT-oriented products and services, may require personnel with special skills who are in high demand in the employment marketplace. The Company competes for such personnel with some companies with much greater resources. Accordingly, the Company may not be able to attract and hire such personnel or retain them in the face of better offers from larger competitors.

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

As a public company, the Company is subject to rules and regulations by various governing bodies, including the Securities and Exchange Commission, NASDAQ, and the Public Company Accounting Oversight Board, which are charged with the protection of investors and the oversight of companies whose securities are publicly traded. The Company s efforts to comply with these regulations, most notably the Sarbanes-Oxley Act of 2002, or SOX, may result in increased general and administrative expenses and a diversion of management time and attention from earnings-generating activities to compliance activities.

The Company has complied with the SOX requirements involving the assessment of its internal controls over financial reporting, which requirements went into effect for the Company for its fiscal year ending April 30, 2008, and the remaining requirements are expected to be put into effect for the Company in fiscal years ending on April 30, 2009, and April 30, 2010. The efforts to comply with the SOX requirements will continue to require the commitment of significant financial and management resources.

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

Moreover, many of the compliance costs of SOX and similar rules and regulations are not in direct proportion to the size of a particular company. As a small public company, these costs might affect the Company disproportionately, particularly in comparison to its larger public competitors. The Company may also be at a disadvantage vis-à-vis

public company compliance costs compared with its privately held competitors that are not subject to the same regulations.

Risks Related to the Company s BPE Segment

Failure to adequately expand the BPE Segment s sales force may impede its growth.

The BPE Segment is dependent on its direct sales force to obtain new customers, particularly large enterprise customers, and to manage its existing customer base. The Company competes in a very competitive marketplace for sales personnel with the advanced sales skills and technical knowledge the Company requires. The BPE Segment s ability to achieve significant growth in revenues from BPE services in the future will depend, in large part, on the Company s success in recruiting, training, motivating and retaining a sufficient number of qualified sales personnel. New personnel requires

significant training. The Company s recent hires and planned new hires might not turn out to be as productive as the Company would like, and the Company might be unable to hire a sufficient number of qualified individuals in the future in the markets where the Company conducts or desires to conduct its business. If the Company were unable to hire and develop a sufficient number of qualified and productive sales personnel, the sales of the BPE Segment could be adversely impacted, and as a result, the Company s growth could be impeded.

As more of the BPE Segment s sales efforts are targeted at larger enterprise customers, its sales cycle may become longer and more expensive, it may encounter pricing pressure and implementation challenges, and the Company may have to delay revenue recognition with respect to certain sales to these customers, all of which could harm the BPE Segment s business.

The BPE Segment is concentrating on obtaining larger enterprise customers. As the Company targets more of these customers, the Company anticipates potentially facing greater selling costs, longer sales cycles, and less predictability in closing some of its sales. In this market segment, the customer s decision to use the Company s BPE products and services may be an enterprise-wide decision, and if so, these types of sales would require the Company to provide greater levels of education to prospective customers regarding the use and benefits of its building performance-enhancing products and services. In addition, larger customers may demand more customization, enhanced integration services, and additional product features and services. As a result of these factors, BPE sales opportunities may require the Company to devote greater sales support and professional services resources to individual customers, driving up the costs and time required to close sales, and diverting selling and professional services resources to a smaller number of larger transactions, while at the same time requiring the Company to delay revenue recognition on some of these transactions until the technical or implementation requirements have been met. In addition, larger enterprise customers may seek volume discounts and price concessions that could make these transactions less profitable. Because of these factors, the risk of not closing a sale with a larger enterprise customer may be greater than with smaller customers, and the results of such potential failure, due to higher costs and fewer overall ongoing sales initiatives, also can be greater. Moreover, the bargaining power of larger enterprise customers may result in lower profit margins on BPE revenues.

A portion of the BPE Segment s revenues are derived from fixed price contracts, which could result in losses on some contracts.

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

The BPE Segment often utilizes subcontractors in performing services or completing projects, whose potential unavailability or unsatisfactory performance could have a material adverse effect on the Company s business.

The Company often utilizes unaffiliated third-party subcontractors in order to perform some of its energy engineering and consulting services, much of its energy savings maintenance, installation and retrofit projects, and most of its other construction-related projects and services. As a consequence, in order to offer these services, the BPE Segment depends on the continuing availability of, and satisfactory performance by, such subcontractors. There may not be sufficient availability of such subcontractors at the times needed or in the markets in which the BPE Segment operates, or the quality of work by such subcontractors may prove to be below acceptable standards. In addition, the subcontractors may be unable to qualify for payment and performance bonds to ensure their performance or may be otherwise inadequately capitalized. Insurance protection for construction defects, if any, available to subcontractors is increasingly expensive and may become unavailable, and the scope of such protection may become greatly limited. If as a result of such subcontractor problems or failures, the Company were unable to meet its contractual obligations to its customers or were unable to successfully recover sufficient indemnity from its subcontractors or their bond or insurance carriers, the Company could suffer losses which could decrease its net income, damage its customer

relations, significantly harm its reputation, and otherwise have a material adverse effect on its business.

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

A key offering of the Company s BPE Segment is replacing older existing lighting systems in commercial, industrial and other types of facilities with newer energy efficient lighting systems. The removal of old lighting systems can often involve the removal, handling and disposal of hazardous materials. As noted previously, various federal, state and local laws govern the handling of hazardous materials. Compliance with these regulations can be costly. If the Company were to fail to comply, it could face liability from government authorities or other third parties. Even in cases where the Company subcontracts the disposal of such materials, the Company could face potential liability. Not only could judgments, fines or similar penalties for environmental noncompliance negatively affect the Company s financial position, the reputation of the BPE Segment and the Company s other businesses could be harmed as well.

Part I *(continued)*

If the BPE Segment s security measures were breached, and as a result unauthorized access is obtained to a customer s data, the offerings of the BPE Segment could be perceived as not being sufficiently secure, customers might curtail or stop using the BPE Segment s products and services, and the BPE Segment could incur significant losses and liabilities.

The BPE Segment s proprietary software solutions involve the storage of customers data and information, whether locally on the customers own computers or on the Company s computers in the case of the BPE Segment s ASP offerings and one of its older legacy products. These products and services also involve the transmission of such data and information in the case of the ASP and the older legacy products. Security breaches could expose the Company to a risk of loss of this data and information, potential litigation and possible liability. If security measures were breached as a result of third-party action, employee error, malfeasance or otherwise, during transfer of data and information to data centers or at any time, and, as a result, someone were to obtain unauthorized access to any customers data and information, the Company s reputation might be damaged, its business might suffer, and it might incur significant losses and liability. Because techniques used to obtain unauthorized access or to sabotage computer systems change frequently and generally are not recognized until after being launched against a target, the BPE Segment might be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of security were to occur, the market perception of the effectiveness of the BPE Segment s security measures could be harmed and the BPE Segment could lose sales and customers.

The BPE Segment is dependent on the assistance of its customers to complete projects on a timely basis. If a customer were unable or unwilling to offer assistance, it could affect project timelines and reduce or slow the collection of energy savings revenues.

Much of the work performed by the BPE Segment requires significant interaction with its customers. Therefore, the Company must have its customers full cooperation to complete projects on a timely basis. In the early stages of a project, the Company is at risk to customers not providing accurate or timely data for project implementation. Also, the Company must frequently access customer facilities, the restriction of which could delay or prevent the completion of projects.

Risks Related to the Company s Real Estate Segment

The Company s ownership of commercial real estate involves a number of risks, including general economic and market risks, leasing risk, uninsured losses and condemnation costs, and environmental issues, the effects of which could adversely affect the Company s real estate business.

The market for purchasing and leasing of commercial real estate is affected by general economic and market risks.

The Company s assets might not generate income sufficient to pay expenses, service debt, and adequately maintain its real estate properties. Several factors may adversely affect the economic performance and value of the properties. These factors include, among other things:

- Changes in the national, regional and local economic climate;
- Local conditions such as an oversupply of properties or a reduction in demand for properties;
- The attractiveness of the properties to prospective tenants;
- Competition from other available properties;
- Changes in market rental rates; and
- The need to periodically repair, renovate and re-lease space.

The performance of the Real Estate Segment also depends on the ability to collect rent and expense reimbursements from tenants, and to pay for adequate maintenance, insurance and other operating costs (including real estate taxes), which costs could increase over time. Also, the expenses of owning and operating a property are not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the property. If

a property is mortgaged and the Company is unable to generate sufficient rental income to cover the mortgage payments, the lender could foreclose on the mortgage and take the property. In addition, capital market conditions, the availability and cost of financing, insurance costs, changes in laws and governmental regulations (including those governing usage, zoning, environmental, and property taxes), other uncontrollable operating costs, and financial distress or bankruptcies of tenants could adversely affect the Company s financial condition.

Operating revenues in the Real Estate Segment are dependent upon entering into multi-year leases with tenants and collecting rents from tenants. National, regional and local economic conditions might adversely impact tenants and potential tenants in the various marketplaces in which the Company s properties are located, and accordingly, could affect the tenants ability to continue to pay rents and possibly to continue to operate in their leased space. Tenants sometimes experience bankruptcies, and pursuant to the various bankruptcy laws, leases may be rejected and thereby terminated prematurely. When leases expire or are terminated, replacement tenants may or may not be available with acceptable terms and conditions. In addition, the Company s cash flows and results of operations could be adversely impacted if existing leases were to expire or be terminated, and at such time, market rental rates were lower than the previous contractual rental rates.

The Company s commercial properties could be subject to uninsured losses and condemnation costs.

Accidents, floods and other losses at the Company s properties could materially adversely affect the Company s operating results. Casualties may occur that significantly damage an operating property, and insurance proceeds, if any, may be materially less than the total loss incurred by the Company. Property ownership also involves potential liability to third parties for such matters as personal injuries occurring on a property. The Company, however, maintains casualty and liability insurance under policies that management believes to be customary and appropriate. In addition to uninsured losses, various government authorities may condemn all or part of an operating property or undeveloped land. Such condemnations could adversely affect the commercial viability of such property.

Compliance with environmental laws could adversely affect the Company.

Environmental issues that could arise at the Company s real estate properties could have an adverse effect on the Company s financial condition and results of operations. Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at a property. The property owner or operator might have to pay a governmental entity or third party for property damage and for investigation and clean-up costs incurred by such parties in connection with such contamination. These laws typically impose clean-up responsibility and liability without regard to whether the owner or operator previously knew of or caused the presence of the contaminants. Even if more than one person might have been responsible for the contamination, each person covered by the environmental laws might be held responsible for all of the clean-up costs incurred. In addition, third parties might sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site. Currently, the Company is not aware of any environmental liabilities at its properties that it believes would have a material adverse effect on its business, assets, financial condition or results of operations. Unidentified environmental liabilities could arise, however, and could have an adverse effect on the Company s financial condition and results of operations.

Any failure to sell income-producing properties on a timely basis could adversely affect the Company s results of operations.

The Company s Real Estate Segment typically holds real estate assets until such time as it believes to be optimal to sell them. Normally, this will be during relatively strong real estate markets. However, factors beyond the Company s control could make it necessary for the Company to attempt to dispose of real estate properties during weak real estate markets. Following a period when the market values of the Company s real estate assets were to fall significantly, the Company could be required to sell real estate assets at a time when it may be inopportune to do so or be subject to a valuation impairment. Further, markets for real estate assets usually are not highly liquid, which can make it particularly difficult to realize acceptable selling prices when disposing of real estate assets during weak markets.

The Company might not be able to refinance its income-producing properties on a timely basis or on acceptable terms.

The Company may incur debt from time to time to finance acquisitions, capital expenditures, or for other purposes. A property s current leasing status, physical condition, net operating income, global, national, regional or local economic conditions, financial market conditions, the level of liquidity available in real estate markets, the Company s financial position, the terms and conditions or status of the Company s other real estate or corporate loans, or other prior financial commitments could impair the Company s ability to refinance real estate properties at the times when such refinancing might be necessary. Moreover, such refinancing might not be available upon acceptable terms, including

in respect of loan principal amounts, interest rates, amortization schedules, or maturity terms.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Part I *(continued)*

ITEM 2. PROPERTIES

The Company, through its Real Estate Segment, owns its corporate headquarters building, which contains approximately 65,880 square feet of leasable office space. The building is located in the North x Northwest Office Park, 1945 The Exchange, in suburban Atlanta, Georgia. The Company and both operating segments have their main offices located in this building. In addition to the 25,928 square feet of offices leased by Servidyne entities, another 9,341 square feet is leased to unaffiliated tenants and 30,611 square feet is currently vacant and for lease. In addition, the Company, through its BPE Segment, leases 5,000 square feet of space for a warehouse through a lease that currently expires in March 2009. In conjunction with the acquisition of Atlantic Lighting & Supply Co., Inc., the Company assumed a lease for 25,654 square feet for office and warehouse space through a lease that currently expires in May 2010.

As of April 30, 2008, the Company owned or had an interest in the following real properties:

OWNED SHOPPING CENTERS

The Company s Real Estate Segment owns two shopping centers that it acquired. The following chart provides relevant information relating to the owned shopping centers:

Location	Acres	Leasable Square Feet in Building(s)	Percentage of Square Footage Leased as of April 30, 2008	Calendar Year(s) Placed in Service by Company	Rental Income 2008	Debt Service Payments 2008[1]	Principal Amount of Debt Outstanding as of April 30, 2008[2]
11459 Old Nashville Hwy Smyrna, TN[3]	8.0	51,925	95	2006	$ 540,670	$281,271	$4,078,566
8102 Blanding Blvd Jacksonville, FL[4]	18.8	174,220	98	1999	$1,689,939	$610,238	$7,232,409

(1) Includes principal, if applicable, and interest.

(2) The Company s liability for repayment is limited to its interest in the respective mortgaged properties by exculpatory provisions.

(3)

Acquired by the Company in August 2006 and originally developed by others in 1998.

(4) Acquired by the Company in 1999 and originally developed by third parties in 1985.

The Company sold shopping centers located in Orange Park, Florida, and Columbus, Georgia, each at a gain in July 2007. The shopping centers, therefore, are not included above.

Anchor tenant lease terms for the shopping centers in Jacksonville, Florida, and Smyrna, Tennessee, are shown in the following table:

Anchor Tenant[(1)]	Location	Square Footage	Lease Expiration Date	Options to Renew
Harbor Freight Tools	Jacksonville, FL	15,700	2012	4 for 5 years each
Publix[(2)]	Jacksonville, FL	85,560	2010	6 for 5 years each
Office Depot	Jacksonville, FL	22,692	2008	2 for 5 years each
Food Lion	Smyrna, TN	33,000	2019	4 for 5 years each

(1) A tenant is considered to be an Anchor Tenant if it leases 12,000 square feet or more for an initial lease term of five (5) years or more.

(2) Publix has subleased the premises to Floor and Decor Outlets, but remains liable under the lease until the lease

expires.

With the exception of the Harbor Freight Tools lease in Jacksonville, Florida, the anchor tenant leases and some of the small shop leases provide for contingent rentals if sales generated by the respective tenant in the leased space exceed specified predetermined amounts. In fiscal 2008, the Company did not recognize any amounts on contingent rent from owned shopping centers.

Typically, tenants reimburse the Company for a portion of ad valorem taxes, insurance and common area maintenance costs.

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OWNED OFFICE PROPERTIES

The Company, through its Real Estate Segment, owns two office properties in metropolitan Atlanta, Georgia: the corporate headquarters building in Atlanta and an office building in Newnan. The following chart provides pertinent information relating to the office properties:

Location	Acres	Leasable Square Feet in Building(s)	Percentage of Square Footage Leased as of April 30, 2008	Calendar Year(s) Placed in Service by Company	Rental Income 2008	Debt Service Payments 2008[1]	Principal Amount of Debt Outstanding as of April 30, 2008[2]
246 Bullsboro Dr. Newnan, GA[3]	1.35	21,000	91	2007	$ 428,520	$196,404	$3,200,000
1945 The Exchange Atlanta, GA[4]	3.12	65,880	54	1997	$1,165,216	$443,526	$4,443,654

(1) Includes principal, if applicable, and interest.

(2) The Company s liability for repayment is limited to its interest in the respective mortgaged properties by exculpatory provisions.

(3) Acquired by the Company in March 2007, originally developed in 1983 by others, and completely renovated in 2006 by others.

(4)

Includes the Company s corporate headquarters building of which the Company leases approximately 25,928 square feet. Rental income includes $628,723 of intercompany rent at a competitive rate recognized by the Company and its operating segments. The building was originally developed by others in 1974, and was acquired and re-developed by the Company in 1997.

The Company sold an office park located in Marietta, Georgia, at a gain in December 2007. The office park, therefore, is not included above.

Anchor tenant lease terms for the owned office properties are shown in the following table:

Anchor Tenant(1)	Location	Square Footage	Lease Expiration Date	Options to Renew
Servidyne, Inc.(2)	Atlanta, GA	25,928	2012	None
ERA United Realty	Newnan, GA	13,286	2014	2 for 5 years each

(1) A tenant is considered to be an Anchor Tenant if it leases 12,000 square feet or more for an initial lease term of five (5) years or more.

(2) The Company leases its corporate headquarters office space from the Real Estate Segment.

Typically, leases require tenants to reimburse the Company for a portion of ad valorem taxes, insurance and operating expenses above a base year.

LEASEBACK SHOPPING CENTER

The Company, through its Real Estate Segment, has a leasehold interest in one retail building that it developed, sold to an unrelated third party, and leased back from such party under a lease currently expiring in 2014. The center is subleased by the Company entirely to Kmart Corporation. The Kmart sublease provides for contingent rentals if sales exceed specified predetermined amounts, and the sublease has eight remaining five-year renewal options. The Company s lease with the fee owner contains renewal options coextensive with Kmart s renewal options on the sublease.

Kmart, under its sublease, is responsible for insurance and ad valorem taxes, but has the right to offset against contingent rentals for any ad valorem taxes paid in excess of specified amounts. In fiscal 2008, the Company did not recognize any contingent rental from the leaseback shopping center. The Company is responsible for structural and roof maintenance of the building. The Company is also responsible for underground utilities, parking lots and driveways, except for routine upkeep which is the responsibility of the subtenant. The Company s lease contains exculpatory provisions, which limit the Company s liability for payments to its interest in the lease.

The following chart provides certain information relating to the leaseback shopping center:

Location	Acres	Square Feet in Building	Calendar Years Placed in Service by Company	Rental Income 2008	Rent Expense 2008
Davenport, IA	10.0	84,180	1977	$255,308	$105,203

The Company sold its interest in its former leaseback shopping center in Jacksonville, Florida, at a gain in July 2007. This leaseback shopping center is not included above.

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Part I *(continued)*

REAL ESTATE HELD FOR FUTURE DEVELOPMENT, LEASE OR SALE

The Company, through its Real Estate Segment, owns the following land parcels, which are held for future development, leasing, or sale:

location	Acres	Calendar Year Development Completed	Intended Use[1]
Mundy Mill Road Oakwood, GA[2]	3.474	1987	Commercial development pads or up to three outlots
North Cleveland Avenue North Ft. Myers, FL	0.73	1993	One outlot

(1) Outlot as used herein refers to a small parcel of land platted separately from a shopping center parcel. An outlot is generally sold to, leased to, or developed as a fast-food restaurant, bank, small retail shops, or for other commercial uses.

(2) Approximately 1.8 acres of undeveloped land was deeded in lieu of condemnation at a gain in March 2008. This portion of the property is not included above.

There is no debt encumbering these land parcels. The Company will either develop the properties or will continue to hold them for future sale or lease to others.

For further information on the Company s real estate properties, see Notes 4, 6, 8, and 16 to the consolidated financial statements, and SCHEDULE III REAL ESTATE AND ACCUMULATED DEPRECIATION.

ITEM 3. LEGAL PROCEEDINGS

As previously reported, the Company announced in July 2003 that an internal investigation had revealed information suggesting that certain improprieties in violation of federal laws may have taken place at the now discontinued Construction Segment. The Company voluntarily communicated the results of its investigation to the United States Department of Justice (DOJ), which promptly issued a conditional letter of amnesty to the Company and its subsidiaries for their cooperation in recognizing and then immediately reporting the irregularities. On July 9, 2008, the DOJ informed the Company that it does not intend to proceed further with the matter and is closing its investigation.

The Company is subject to various legal proceedings and claims that may arise from time to time in the ordinary course of business. While the occurrence or resolution of such matters cannot be predicted with certainty, the Company believes that the final outcome of any such matters would not have a material adverse effect on the Company s financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

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Part II

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

	Market Prices[1]				Dividends Paid Per Share[1]	
	Fiscal 2008		Fiscal 2007		**2008**	2007
	High Trade	**Low Trade**	High Trade	Low Trade		
First Quarter	**$6.28**	**$3.95**	$4.40	$3.81	**$0.034**	$0.034
Second Quarter	**6.42**	**4.08**	4.08	3.67	**0.034**	0.034
Third Quarter	**6.19**	**5.44**	5.69	3.73	**0.034**	0.034
Fourth Quarter	**6.19**	**3.73**	5.20	4.00	**0.034**	0.034

(1) Adjusted for stock dividend.

The Common Stock of Servidyne, Inc. is traded on the Nasdaq Global Market (Symbol: SERV). The approximate number of holders of Common Stock was 630 (including shareholders of record and shares held in street name) as of June 30, 2008.

On April 24, 2008, the Company granted Mr. George Plattenburg 52,500 stock appreciation rights (SARs) (amount adjusted for stock dividend) as a material inducement for him to join the Company s subsidiary, Servidyne Systems, LLC, as its Senior Vice President of Sales and Marketing. These SARs have an exercise price of $5.00 per share (adjusted for stock dividend), and have the same 5-year vesting provisions as the recent SARs grants described in Note 2(R) to the Consolidated Financial Statements included in this Annual Report on Form 10-K, and upon vesting will be exercisable for shares of the Company s Common Stock. The SARs were not issued in a sale to Mr. Plattenburg within the meaning of the Securities Act of 1933, as amended, but such issuance would have been exempt from registration in any event pursuant to Section 4(2) of such Act.

The information required by this item with respect to its equity compensation plan will be included in the Company s definitive proxy materials for its 2008 Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission, under the heading Equity Compensation Plan, and is hereby incorporated herein by reference.

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Part II *(continued)*

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the Company and should be read in conjunction with the consolidated financial statements and the notes thereto:

Years Ended April 30,	**2008**	2007	2006	2005	2004
Net Earnings (Loss)[1]	**$ 1,335,562**	$ 966,626	$ 525,766	$ 1,897,054	$ (2,105,227)
Net Loss Continuing Operations	**$ (1,160,542)**	$ (1,148,405)	$ (424,508)	$ (1,439,570)	$ (2,840,901)
Net Earnings Discontinued Operations	**$ 2,496,104**	$ 2,115,031	$ 950,274	$ 3,336,624	$ 735,674
Net Earnings (Loss) Per Share[1][3]	**$ .36**	$ .26	$ .14	$ .51	$ (.61)
Net Loss Per Share Continuing Operations[3]	**$ (.31)**	$ (.31)	$ (.11)	$ (.39)	$ (.82)
Net Earnings Per Share Discontinued Operations[3]	**$ .67**	$ .57	$ .26	$ .90	$ .21
Consolidated Revenues Continuing Operations	**$19,733,041**	$17,266,341	$16,317,806	$11,748,338	$ 9,747,110
Consolidated Revenues Reclassified to Discontinued Operations[2]	**$**	$ 5,833,985	$ 8,425,381	$15,304,622	$53,700,046
Weighted Average Shares Outstanding at Year-End[3]	**3,711,659**	3,707,217	3,708,797	3,703,749	3,469,845
Cash Dividends Paid Per Share[3]	**$ .14**	$ .14	$ .14	$ .29	$ .14
Shareholders Equity	**$22,466,378**	$21,460,211	$20,946,748	$20,913,411	$19,997,527
Shareholders Equity Per Share[3]	**$ 6.05**	$ 5.79	$ 5.65	$ 5.93	$ 5.76
Working Capital	**$13,769,470**	$ 5,713,582	$ 8,352,086	$ 9,792,866	$ 6,971,814
Depreciation and Amortization Continuing	**$ 1,506,618**	$ 1,317,905	$ 929,851	$ 1,011,234	$ 1,187,213

Operations[4]					
Total Assets	**$52,315,550**	$57,393,421	$52,410,256	$48,592,810	$53,190,059
Income-Producing Properties and Property and Equipment, net[5]	**$22,585,309**	$22,459,873	$14,011,977	$13,884,382	$13,740,419
Income-Producing Properties and Property and Equipment, net Reclassified to Discontinued Operations[2]	**$**	$10,334,044	$ 7,548,794	$11,365,490	$16,493,728
Long-Term Debt[6]	**$19,708,769**	$19,086,723	$13,416,512	$13,636,640	$12,617,914
Long-Term Debt Reclassified to Discontinued Operations[2]	**$**	$ 6,052,018	$ 7,873,030	$11,717,967	$14,793,739
Total Liabilities	**$29,849,172**	$35,933,210	$31,463,508	$28,813,171	$34,319,379
Variable Rate Debt[6][7]	**$ 870,000**	$ 3,400,000	$ 930,000	$ 1,000,000	$ 1,000,000
Return on Average Shareholders Equity[1]	**6.1%**	4.6%	2.5%	9.3%	(10.2)%

(1) Includes continuing operations, discontinued operations, and extraordinary items, if any.

(2) Includes amounts previously reported as continuing operations that have been reclassified to discontinued operations in accordance with SFAS 144.

(3) Adjusted for stock dividend.

(4) Depreciation and amortization for

certain sold income-producing properties have been reclassified as discontinued operations and, therefore, are not included for all periods presented.

(5) Does not include property held for sale, real estate held for future development or sale, or sold income-producing properties that have been reclassified as assets of discontinued operations.

(6) Does not include mortgage debt associated with discontinued operations.

(7) Includes short-term and long-term debt.

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

INTRODUCTION

The Company has two operating segments: BPE and Real Estate. The Company continues to add new products and service offerings to the BPE Segment, which may come in part from future business acquisitions.

In RESULTS OF OPERATIONS below, changes in revenues, costs and expenses, and selling, general and administrative expenses from period to period are analyzed on a segment basis. For net earnings and similar profit information on a consolidated basis, please see ITEM 6. SELECTED FINANCIAL DATA or the Company s consolidated financial statements. Pursuant to SFAS 144, the figures in the following charts for all periods presented do not include Real Estate Segment revenues, costs and expenses, and selling, general and administrative expenses associated with certain formerly owned income-producing properties, which have been sold; such amounts have been reclassified as discontinued operations (See Critical Accounting Policies Discontinued Operations later in this discussion and analysis section.) In addition, the figures in the following charts do not include the revenues and costs and expenses generated by certain sales of real estate assets held for sale or future development, although the gains on these sales are included in the results from continuing operations and are discussed later in this discussion and analysis section.

RESULTS OF OPERATIONS

REVENUES

Consolidated revenues from continuing operations, net of intersegment eliminations, were $19,309,273 in fiscal 2008 compared to $16,928,371 and $15,820,669 in fiscal 2007 and fiscal 2006, respectively. This represents an increase in revenues of 14% in 2008 and an increase in revenues of 7% in 2007.

REVENUES FROM CONTINUING OPERATIONS
SUMMARY BY SEGMENT
CHART A
(Dollars in Thousands)

	Years Ended April 30,		Increase		Years Ended April 30,		Increase (Decrease)	
	2008	2007	Amount	Percent	2007	2006	Amount	Percent
BPE[1]	**$14,249**	$12,829	$1,420	11	$12,829	$11,612	$1,217	10
Real Estate[2]	**5,060**	4,099	961	23	4,099	4,209	(110)	(3)
Total	**$19,309**	$16,928	$2,381	14	$16,928	$15,821	$1,107	7

(1) In the current year, fiscal 2008, BPE revenues increased by approximately $1,420,000 or 11%, compared to the same period in fiscal 2007, primarily due to:

a) an increase in revenues related to energy management services of approximately $524,000 or 29%;

b) an increase in revenues related to infrastructure upgrades and energy saving projects of approximately $463,000 or 6%; and

c) an increase in revenues related to building productivity products and services of approximately $433,000 or 30%.

In the prior year, fiscal 2007, BPE revenues increased by approximately $1,217,000 or 10%, compared to the same period in fiscal 2006, primarily due to:

a) an increase in revenues related to energy management services of approximately $681,000 or 60%;

b) an increase in revenues related to building productivity products and services of approximately $317,000 or 17%; and

c) an increase in revenues related to infrastructure upgrades and energy saving projects of approximately $219,000 or 3%.

(2) In the current year, fiscal 2008, Real Estate revenues increased by approximately $961,000 or 23%, compared to the same period in fiscal 2007, primarily due to:

a) one-time revenues of approximately $1,553,000 generated by the sale of the Company s leaseback shopping center located in Jacksonville, Florida, in July 2007; and

b) an increase in rental revenues of approximately $450,000 from the Company s owned shopping center located in Smyrna, Tennessee, which was acquired in July 2006, and from the Company s owned office building located in Newnan, Georgia, which was acquired in March 2007;

partially offset by:

c) a decrease in leaseback income of approximately $485,000 as a result of the sale of the Company s leaseback shopping center located in Jacksonville, Florida, which was sold in July 2007, and the sale of the Company s leaseback shopping center located in Richfield, Minnesota, which was sold in March 2007;

d) a decrease in leaseback income of approximately $207,000 as a result of the sale of the Company s owned shopping center located in Orange Park, Florida, which was sold in July 2007; and

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Part II *(continued)*

e) a decrease in rental income of approximately $189,000, primarily as a result of the expiration of an anchor tenant lease in January 2008 at the Company s headquarters building located in Atlanta, Georgia.

In the prior year, fiscal 2007, Real Estate revenues decreased by approximately $110,000 or 3%, compared to the same period in fiscal 2006, primarily due to:

a) one-time revenues of $425,000 generated by the sale of the Company s leaseback shopping center located in Bayonet Point, Florida, which was sold in April 2006;

b) an associated decrease in leaseback rental income of approximately $341,000 as a result of the sales of the Company s leaseback shopping centers mentioned in (a) above and (c) below;

partially offset by:

c) one-time revenues of $150,000 generated by the sale of the Company s leaseback shopping center located in Richfield, Minnesota, which was sold in March 2007;

d) an increase in rental revenue of approximately $519,000 from the Company s owned shopping center located in Smyrna, Tennessee, which was acquired in July 2006, and from the Company s owned office building located in Newnan, Georgia, which was acquired in March 2007.

COST AND EXPENSES: APPLICABLE TO REVENUES

As a percentage of total segment revenues (See Chart A), the applicable total segment costs and expenses applicable to revenues (See Chart B) of $11,765,302 in fiscal 2008, $10,580,901 in fiscal 2007, and $9,353,827 in fiscal 2006, were 61%, 63%, and 59%, respectively. In reviewing Chart B, the reader should recognize that the volume of revenues generally will affect these percentages.

COSTS AND EXPENSES: APPLICABLE TO REVENUES FROM CONTINUING OPERATIONS
SUMMARY BY SEGMENT
CHART B
(Dollars in Thousands)

	Years Ended April 30,			Percent of Segment Revenues from Continuing Operations for Years Ended April 30,		
	2008	2007	2006	**2008**	2007	2006
BPE[1]	**$ 9,540**	$ 8,142	$6,736	**67**	63	58
Real Estate[2]	**2,225**	2,439	2,618	**44**	60	62
Total	**$11,765**	$10,581	$9,354	**61**	63	59

(1)

On a dollar basis, BPE costs and expenses increased by approximately $1,398,000 or 17% for fiscal 2008, compared to the same period in fiscal 2007, primarily as a result of the corresponding increase in revenues and from changes in the mix of services and products.

In the current year, fiscal 2008, BPE costs and expenses as a percentage of revenues increased by 4%, compared to the same period in fiscal 2007, primarily due to:

a) the recognition of approximately $454,000 in revenue from a consulting services contract in the fourth quarter of fiscal 2007 that had no associated costs and expenses; and

b) changes in the mix of services and products.

In the prior year, fiscal 2007, BPE costs and expenses, as a percentage of revenues, increased by 5%, compared to the same period in fiscal 2006, primarily due to:

a) increased costs associated with the conversion of customers to the Company s Web/wireless building productivity software solutions and the amortization of capitalized software costs; and

b) the recognition of costs related to one infrastructure upgrade and energy savings project that had a lower gross margin compared to other such jobs.

(2) In the current year, fiscal 2008, costs and expenses on a dollar basis decreased by approximately $214,000 or 9%, compared to the same period in fiscal 2007, primarily due to:

a) the absence of lease costs of approximately $228,000 as a result of the sale of the Company s leaseback shopping center located in Jacksonville, Florida, which was sold in July 2007;

b) the absence of lease costs of approximately $213,000 as a result of the sale of the Company s leaseback shopping center located in Richfield, Minnesota, which was sold in March 2007; and

c) the absence of lease costs of approximately $193,000 as a result of the sale of the Company s leaseback shopping center located in Orange Park, Florida, which was sold in July 2007;

partially offset by:

d) an increase in rental operating costs of approximately $182,000 from the Company s owned office building located in Newnan, Georgia, which was acquired in March 2007;

e) one-time costs of approximately $94,000 associated with the sale of the Company s leaseback shopping center located in Jacksonville, Florida, in July 2007; and

f) an increase in property operating expenses of approximately $74,000, primarily related to leasing efforts for the Company s headquarters building located in Atlanta, Georgia.

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In the prior year, fiscal 2007, costs and expenses on a dollar basis decreased by approximately $179,000 or 7%, compared to the same period in fiscal 2006, primarily due to:

a) the absence of lease costs of approximately $288,000 as a result of the sale of the Company s leaseback shopping center located in Bayonet Point, Florida, which was sold in April 2006;

b) the reduction of lease costs of approximately $89,000, pursuant to a lease agreement provision for the Company s leaseback shopping center located in Davenport, Iowa;

c) the reduction of lease costs of approximately $46,000 as a result of the sale of the Company s leaseback shopping center located in Richfield, Minnesota, which was sold in March 2007;

partially offset by:

d) an increase in rental operating costs and expenses of approximately $304,000 as a result of the acquisition in July 2006 of the Company s owned shopping center located in Smyrna, Tennessee.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

For fiscal years 2008, 2007, and 2006, selling, general and administrative (SG&A) expenses from continuing operations (see Chart C) were $9,137,012, $9,191,979, and $8,686,791, respectively. As a percentage of consolidated revenues from continuing operations, these expenses in 2008, 2007, and 2006 were 47%, 54%, and 55%, respectively. In reviewing Chart C, the reader should recognize that the volume of revenues generally affects these percentages. The percentages in Chart C are based on expenses as they relate to the segment revenues from continuing operations reflected in Chart A, with the exception that Parent expenses and total expenses relate to consolidated revenues.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES FROM CONTINUING PERATIONS
SUMMARY BY SEGMENT

CHART C

(Dollars in Thousands)

	Years Ended April 30,			Percent of Segment Revenues For Years Ended April 30,		
	2008	2007	2006	**2008**	2007	2006
BPE[1]	**$5,068**	$4,645	$4,417	**36**	36	38
Real Estate[2]	**797**	815	973	**16**	20	23
Parent[3]	**3,272**	3,732	3,297	**17**	22	21
Total	**$9,137**	$9,192	$8,687	**47**	54	55

(1) In the current year, fiscal 2008, BPE SG&A expenses on a dollar basis increased by approximately $423,000 or 9%, compared to the same period in fiscal 2007, primarily due to higher sales and marketing expenses.

In the prior year, fiscal 2007, BPE SG&A expenses as a percentage of revenues decreased by 2%, compared to the same period in fiscal 2006, primarily because the increase in revenues did not result in a corresponding proportional increase in SG&A expenses.

In the prior year, fiscal 2007, BPE SG&A expenses on a dollar basis increased by approximately $228,000 or 5%, compared to the same period of fiscal 2006, primarily due to higher sales and marketing

expenses.

(2) In the prior year, fiscal 2007, Real Estate SG&A expenses on a dollar and percentage basis declined by approximately $158,000 or 16%, compared to the same period in fiscal 2006, primarily due to:

a) a decrease of approximately $77,000 in personnel related costs;

b) a decrease in operating expenses of approximately $64,000 related to the Company s real estate held for sale or future development; and

c) a decrease in legal fees of approximately $20,000.

(3) In the current year, fiscal 2008, SG&A expenses on a dollar and percentage basis decreased by approximately $460,000 or 12%, compared to the same period in fiscal 2007, as a result of:

a) a decrease in consulting expenses of approximately $298,000 related to the prior year s sales and marketing efforts;

b) a decrease in the Company s incentive compensation expenses, pursuant to the terms of the Company s cash incentive compensation plan, of approximately $90,000; and

c) a one-time, non-cash charge of approximately $155,000 in fiscal 2007 for the settlement of a life insurance policy related to the death of a former officer and director of the Company;

partially offset by:

d) an increase in consulting fees of approximately $73,000, primarily as a result of the implementation of the Information Technology portion of the Sarbanes Oxley Act of 2002 and the adoption of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainties in Income Taxes.*

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Part II *(continued)*

In the prior year, fiscal 2007, SG&A expenses on a dollar and percentage basis increased by approximately $435,000 or 13%, compared to the same period in fiscal 2006, as a result of:

a) an increase in consulting fees of approximately $111,000 primarily related to higher sales and marketing expenses;

b) an increase in incentive compensation costs of approximately $212,000 due to the successful achievement of Company-wide earnings and performance goals in fiscal 2007;

c) an increase in legal fees of approximately $128,000; and

d) a one-time, non-cash charge in the fourth quarter of fiscal 2007 of approximately $155,000 for the settlement of a life insurance policy related to the death of a former officer and director of the Company.

INTEREST COSTS

Interest costs of $1,371,171, $1,135,769, and $890,169 in fiscal years 2008, 2007, and 2006, respectively, are primarily related to mortgages on real estate. There was no capitalized interest in any of the years presented.

ACQUISITIONS

Fiscal 2008

There were no acquisitions in fiscal 2008.

Fiscal 2007

On March 12, 2007, Newnan Office Plaza, LLC, a wholly-owned subsidiary of the Company, acquired an office building located in Newnan, Georgia. The Company used the net cash proceeds from the sale of its shopping center located in Morton, Illinois, and from the sale of its leaseback interest in a shopping center located in Richfield, Minnesota, as well as interim bank financing of $2.5 million, to purchase the income-producing property for approximately $4.25 million, including the costs associated with completing the transaction. The acquisition was structured in order to qualify the sale for tax deferral under Internal Revenue Code Section 1031. On June 1, 2007, the interim bank financing was replaced by a permanent mortgage in the amount of $3.2 million.

On February 12, 2007, Abrams Orange Park, LLC, a wholly-owned subsidiary of the Company, acquired the land and building associated with the Company s leaseback shopping center located in Orange Park, Florida. The Company s lease with the owner of the land and building was terminated in connection therewith. The Company used net cash proceeds of approximately $1.83 million from the sale of its former manufacturing and warehouse facility, and approximately $1.03 million of additional cash to purchase the income-producing property for approximately $2.86 million, including costs associated with completing the transaction. The acquisition was structured in order to qualify the sale for tax deferral under Internal Revenue Code Section 1031.

On July 14, 2006, Stewartsboro Crossing, LLC, a wholly-owned subsidiary of the Company, acquired a shopping center located in Smyrna, Tennessee. The Company used net cash proceeds from the sale of its medical office building, along with interim bank financing of $2.6 million, to purchase the income-producing property for approximately $5.27 million, including the costs associated with completing the transaction. On September 8, 2006,

the Company replaced its interim bank financing with a permanent mortgage in the amount of $4.1 million. The acquisition was structured in order to qualify the sale for tax deferral under Internal Revenue Code Section 1031.

Fiscal 2006

There were no acquisitions in fiscal 2006.

GAINS ON SALE OF REAL ESTATE HELD FOR SALE OR FUTURE DEVELOPMENT

Fiscal 2008

On March 28, 2008, in lieu of a formal condemnation, the City of Oakwood, Georgia, acquired approximately 1.8 acres of the Company s undeveloped land located in Oakwood, Georgia, for $860,000, which generated a pre-tax gain on the sale of approximately $581,000. For income tax purposes, the Company treated this transaction as an involuntary conversion under Section 1033 of the Internal Revenue Code, which allows for tax deferral of the gain if the Company acquires a qualified replacement property by no later than April 30, 2011. The Company currently intends to use the net proceeds from this sale to acquire an income-producing property. There can be no assurance, however, that the Company will be able to successfully complete such acquisition.

Fiscal 2007

On April 26, 2007, the Company sold an outlot located in North Fort Myers, Florida, for a price of $925,000, resulting in a pre-tax gain on the sale of approximately $335,000. After selling expenses, the sale generated net cash proceeds of approximately $842,000.

On August 29, 2006, the Company sold its former manufacturing and warehouse facility located in downtown Atlanta, Georgia, for a price of $2.05 million, resulting in a pre-tax gain on the sale of approximately $1.55 million. After selling expenses, the sale generated cash proceeds of approximately $1.87 million. The Company used the net proceeds from

this sale to re-acquire the land and building associated with its shopping center in Orange Park, Florida, which qualified the sale under Internal Revenue Code Section 1031 for federal income tax deferral.

Fiscal 2006

On April 28, 2006, the Company sold a 7.1 acre outlot in North Fort Myers, Florida, for a price of approximately $2.4 million, resulting in a pre-tax gain on the sale of approximately $1.2 million. After selling expenses, the sale generated cash proceeds of approximately $2.36 million.

On December 22, 2005, the Company sold a 4.7 acre tract of land in Louisville, Kentucky, for a price of approximately $270,000, resulting in a pre-tax gain on the sale of approximately $184,000. After selling expenses, the sale generated cash proceeds of approximately $265,000.

On October 28, 2005, the Company sold an outlot located in North Fort Myers, Florida, for a price of $625,000, resulting in a pre-tax gain on the sale of approximately $296,000. After selling expenses, the sale generated proceeds of approximately $576,000.

On October 21, 2005, the Company sold an outlot in North Fort Myers, Florida, for a price of approximately $529,000, resulting in a pre-tax gain on the sale of approximately $246,000. After selling expenses, the sale generated cash proceeds of approximately $490,000.

DISCONTINUED OPERATIONS

Fiscal 2008

On July 31, 2007, the Company sold: its leasehold interest in the land and its owned shopping center building located in Columbus, Georgia; and its owned shopping center located in Orange Park, Florida; for a total combined price of $5.24 million, resulting in a pre-tax gain on the sales of approximately $2.32 million. After selling expenses, these sales generated net cash proceeds of approximately $4.94 million. In addition, the Company purchased its minority partners interests in the Columbus, Georgia, shopping center by utilizing two notes payable totaling approximately $400,000. In December 2007, the Company paid off one of the notes in the amount of approximately $160,000; the second note is recorded on the accompanying consolidated balance sheet as current maturities of long-term debt. The Company s federal tax liability on the gains related to the sales is approximately $1.5 million, which will be offset with the Company s net operating loss carry-forwards for tax purposes.

On December 13, 2007, the Company sold its owned office park located in Marietta, Georgia, for a price of $10.3 million, resulting in a pre-tax gain on the sale of approximately $2.085 million. After selling expenses and repayment of the mortgage loan and associated costs, the sale generated cash proceeds of approximately $3.4 million. The Company intended to use the net proceeds from this sale to acquire an income-producing property, which would have qualified the sale under Internal Revenue Code Section 1031 for federal income tax deferral, and therefore initially placed the proceeds with a qualified third party intermediary in connection therewith. However, the Company did not complete such acquisition, and therefore the proceeds were released from the intermediary to the Company on June 11, 2008. The Company s federal tax liability on the gain related to the sale is approximately $1.8 million, which will be offset by the Company s net operating loss carry-forwards for tax purposes.

Fiscal 2007

On November 1, 2006, the Company sold its owned shopping center located in Morton, Illinois, for a price of $3.55 million, resulting in a pre-tax gain on the sale of approximately $3.48 million. After selling expenses, repayment of the mortgage loan and associated costs, the sale generated net cash proceeds of approximately $1.72 million. The Company used the net cash proceeds from this sale in the acquisition of its office building located in Newnan, Georgia, which qualified the sale under Internal Revenue Code Section 1031 for federal income tax deferral.

Fiscal 2006

On January 30, 2006, the Company sold its medical office building in Douglasville, Georgia, for a price of $5.5 million, resulting in a pre-tax gain on the sale of approximately $1.38 million. After selling expenses and the repayment of the mortgage note payable, the sale generated cash proceeds of approximately $2.5 million. On July 14, 2006, the Company used the proceeds in the acquisition of the shopping center located in Smyrna, Tennessee, which qualified the sale for federal income tax deferral under Internal Revenue Code Section 1031.

OTHER DISPOSITIONS

Fiscal 2008

On July 31, 2007, the Company sold its leaseback interest in a shopping center located in Jacksonville, Florida, for a price of $1,552,500, resulting in a pre-tax gain on the sale and net cash proceeds of approximately $1,457,000.

Fiscal 2007

On March 12, 2007, the Company sold its leaseback interest in a shopping center located in Richfield, Minnesota, for a price of $150,000, resulting in a pre-tax gain on the sale and net cash proceeds of approximately $140,000. The Company

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used the net cash proceeds from this sale as part of the consideration in the acquisition of its office building located in Newnan, Georgia, which qualified the sale for federal income tax deferral under Internal Revenue Code Section 1031.

Fiscal 2006

On April 13, 2006, the Company sold its leaseback interest in a shopping center located in Bayonet Point, Florida, for a price of $425,000, resulting in a pre-tax gain on the sale and net cash proceeds of approximately $415,000.

LIQUIDITY AND CAPITAL RESOURCES

Working capital was approximately $13,770,000 at April 30, 2008, compared to approximately $5,714,000 at April 30, 2007, an increase of 141%.

Operating activities used cash of approximately $1,846,000 primarily for:

a) the increase in BPE accounts receivable, costs and earnings in excess of billings and other current assets of approximately $1,167,000, primarily due to the higher level of revenues, the timing of billings, and the receipt of payments; and

b) current-year losses from continuing operations of approximately $766,000;

partially offset by:

c) a net increase in BPE trade accounts payable, accrued expenses, other liabilities and billings in excess of costs and earnings of approximately $87,000, due to the timing and submission of payments;