Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code).

▶ **Complete all entries in accordance with the instructions to the Form 5500.**

OMB Nos. 1210-0110
1210-0089

2009

This Form is Open to Public Inspection

Part I Annual Report Identification Information

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A This return/report is for:
- [ ] a multiemployer plan;
- [ ] a multiple-employer plan; or
- [X] a single-employer plan;
- [ ] a DFE (specify) ____

B This return/report is:
- [ ] the first return/report;
- [ ] the final return/report;
- [ ] an amended return/report;
- [ ] a short plan year return/report (less than 12 months).

C If the plan is a collectively-bargained plan, check here. . . . . ▶ [ ]

D Check box if filing under:
- [X] Form 5558;
- [ ] automatic extension;
- [ ] the DFVC program;
- [ ] special extension (enter description)

Part II Basic Plan Information—enter all requested information

1a Name of plan
KESTREL ENGINEERING, INC. 401(K) PLAN

1b Three-digit plan number (PN) ▶ 001

1c Effective date of plan 01/01/2007

2a Plan sponsor's name and address (employer, if for a single-employer plan)
(Address should include room or suite no.)
KESTREL ENGINEERING, INC.

9601 JONES RD, SUITE 242
HOUSTON, TX 77065

2b Employer Identification Number (EIN)
02-0790800

2c Sponsor's telephone number
832-678-2210

2d Business code (see instructions)
541330

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	09/23/2010	ROBIN SCHIMANK
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

3a Plan administrator's name and address (if same as plan sponsor, enter "Same")
KESTREL ENGINEERING, INC.

9601 JONES RD., SUITE 242
HOUSTON, TX 77065

3b Administrator's EIN
02-0790800

3c Administrator's telephone number
832-678-2210

4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:

a Sponsor's name

4b EIN

4c PN

5	Total number of participants at the beginning of the plan year	**5**	137
6	Number of participants as of the end of the plan year (welfare plans complete only lines **6a, 6b, 6c,** and **6d**).		
a	Active participants	**6a**	73
b	Retired or separated participants receiving benefits	**6b**	0
c	Other retired or separated participants entitled to future benefits	**6c**	36
d	Subtotal. Add lines **6a**, **6b**, and **6c**	**6d**	109
e	Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	**6e**	0
f	Total. Add lines **6d** and **6e**	**6f**	109
g	Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g**	72
h	Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	**6h**	
7	Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	**7**	

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
2E 2J 2F 2G

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply)

(1)	X	Insurance
(2)		Code section 412(e)(3) insurance contracts
(3)	X	Trust
(4)		General assets of the sponsor

9b Plan benefit arrangement (check all that apply)

(1)	X	Insurance
(2)		Code section 412(e)(3) insurance contracts
(3)	X	Trust
(4)		General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

(1)	X	**R** (Retirement Plan Information)
(2)		**MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
(3)		**SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

(1)	X		**H** (Financial Information)
(2)			**I** (Financial Information – Small Plan)
(3)	X	1	**A** (Insurance Information)
(4)			**C** (Service Provider Information)
(5)	X		**D** (DFE/Participating Plan Information)
(6)			**G** (Financial Transaction Schedules)

SCHEDULE A (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Insurance Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).

▶ **File as an attachment to Form 5500.**

▶ Insurance companies are required to provide the information pursuant to ERISA section 103(a)(2).

OMB No. 1210-0110

2009

This Form is Open to Public Inspection

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
KESTREL ENGINEERING, INC. 401(K) PLAN

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500.
KESTREL ENGINEERING, INC.

D Employer Identification Number (EIN)
02-0790800

Part I **Information Concerning Insurance Contract Coverage, Fees, and Commissions** Provide information for each contract on a separate Schedule A. Individual contracts grouped as a unit in Parts II and III can be reported on a single Schedule A.

1 Coverage Information:

(a) Name of insurance carrier
ING LIFE INSURANCE & ANNUITY COMPANY

(b) EIN	(c) NAIC code	(d) Contract or identification number	(e) Approximate number of persons covered at end of policy or contract year	Policy or contract year	
				(f) From	(g) To
71-0294708	86509	878226	72	01/01/2009	12/31/2009

2 Insurance fee and commission information. Enter the total fees and total commissions paid. List in item 3 the agents, brokers, and other persons in descending order of the amount paid.

(a) Total amount of commissions paid	(b) Total amount of fees paid
3279	0

3 Persons receiving commissions and fees. (Complete as many entries as needed to report all persons).

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid
MORGAN STANLEY
PLAZA II, 7TH FLOOR
JERSEY CITY, NJ 07311

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	
2939			3

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid
FINANCIAL TELESIS INC
4340 REDWOOD HWY
STE A-23
SAN RAFAEL, CA 94903

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	
340			3

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		**(e)** Organization code
	(c) Amount	**(d)** Purpose	

Part II Investment and Annuity Contract Information

Where individual contracts are provided, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

4	Current value of plan's interest under this contract in the general account at year end	4	279676
5	Current value of plan's interest under this contract in separate accounts at year end	5	1464701

6 Contracts With Allocated Funds:

a State the basis of premium rates ▶

b	Premiums paid to carrier	6b	
c	Premiums due but unpaid at the end of the year	6c	
d	If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, enter amount.	6d	

Specify nature of costs ▶

e Type of contract: (1) ☐ individual policies (2) ☐ group deferred annuity

(3) ☐ other (specify) ▶

f If contract purchased, in whole or in part, to distribute benefits from a terminating plan check here ▶ ☐

7 Contracts With Unallocated Funds (Do not include portions of these contracts maintained in separate accounts)

a Type of contract: (1) ☐ deposit administration (2) ☐ immediate participation guarantee

(3) ☒ guaranteed investment (4) ☐ other ▶

b	Balance at the end of the previous year			7b	101066
c	Additions: (1) Contributions deposited during the year	7c(1)	81858		
	(2) Dividends and credits	7c(2)	0		
	(3) Interest credited during the year	7c(3)	6695		
	(4) Transferred from separate account	7c(4)	102154		
	(5) Other (specify below)	7c(5)			
	▶				
	(6) Total additions			7c(6)	190707
d	Total of balance and additions (add **b** and **c(6)**)			7d	291773
e	Deductions:				
	(1) Disbursed from fund to pay benefits or purchase annuities during year	7e(1)	12083		
	(2) Administration charge made by carrier	7e(2)	14		
	(3) Transferred to separate account	7e(3)	0		
	(4) Other (specify below)	7e(4)			
	▶				
	(5) Total deductions			7e(5)	12097
f	Balance at the end of the current year (subtract **e(5)** from **d**)			7f	279676

Part III Welfare Benefit Contract Information

If more than one contract covers the same group of employees of the same employer(s) or members of the same employee organization(s), the information may be combined for reporting purposes if such contracts are experience-rated as a unit. Where contracts cover individual employees, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

8 Benefit and contract type (check all applicable boxes)

a ☐ Health (other than dental or vision) **b** ☐ Dental **c** ☐ Vision **d** ☐ Life insurance
e ☐ Temporary disability (accident and sickness) **f** ☐ Long-term disability **g** ☐ Supplemental unemployment **h** ☐ Prescription drug
i ☐ Stop loss (large deductible) **j** ☐ HMO contract **k** ☐ PPO contract **l** ☐ Indemnity contract
m ☐ Other (specify) ▶

9 Experience-rated contracts:				
a Premiums: (1) Amount received	**9a(1)**			
(2) Increase (decrease) in amount due but unpaid	**9a(2)**			
(3) Increase (decrease) in unearned premium reserve	**9a(3)**			
(4) Earned (**(1)** + **(2)** - **(3)**)			**9a(4)**	0
b Benefit charges (1) Claims paid	**9b(1)**			
(2) Increase (decrease) in claim reserves	**9b(2)**			
(3) Incurred claims (add **(1)** and **(2)**)			**9b(3)**	0
(4) Claims charged			**9b(4)**	
c Remainder of premium: (1) Retention charges (on an accrual basis) --				
(A) Commissions	**9c(1)(A)**			
(B) Administrative service or other fees	**9c(1)(B)**			
(C) Other specific acquisition costs	**9c(1)(C)**			
(D) Other expenses	**9c(1)(D)**			
(E) Taxes	**9c(1)(E)**			
(F) Charges for risks or other contingencies	**9c(1)(F)**			
(G) Other retention charges	**9c(1)(G)**			
(H) Total retention			**9c(1)(H)**	0
(2) Dividends or retroactive rate refunds. (These amounts were ☐ paid in cash, or ☐ credited.)			**9c(2)**	
d Status of policyholder reserves at end of year: (1) Amount held to provide benefits after retirement			**9d(1)**	
(2) Claim reserves			**9d(2)**	
(3) Other reserves			**9d(3)**	
e Dividends or retroactive rate refunds due. (Do not include amount entered in **c(2)**.)			**9e**	
10 Nonexperience-rated contracts:				
a Total premiums or subscription charges paid to carrier			**10a**	
b If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, other than reported in Part I, item 2 above, report amount.			**10b**	

Specify nature of costs ▶

Part IV Provision of Information

11 Did the insurance company fail to provide any information necessary to complete Schedule A? ☐ Yes ☒ No

12 If the answer to line 11 is "Yes," specify the information not provided. ▶

SCHEDULE D (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

DFE/Participating Plan Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2009

This Form is Open to Public Inspection.

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
KESTREL ENGINEERING, INC. 401(K) PLAN

B Three-digit plan number (PN) ▶ 001

C Plan or DFE sponsor's name as shown on line 2a of Form 5500
KESTREL ENGINEERING, INC.

D Employer Identification Number (EIN)
02-0790800

Part I **Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs)**
(Complete as many entries as needed to report all interests in DFEs)

a Name of MTIA, CCT, PSA, or 103-12 IE: FIXED ACCOUNT INVESTMENT FUNDS

b Name of sponsor of entity listed in (a): ING LIFE INSURANCE & ANNUITY

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
71-0294708-000	P	279733

a Name of MTIA, CCT, PSA, or 103-12 IE: VARIABLE INVESTMENT FUNDS

b Name of sponsor of entity listed in (a): ING LIFE INSURANCE & ANNUITY

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)
71-0294708-000	P	1464701

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

b Name of sponsor of entity listed in (a):

c EIN-PN	**d** Entity code	**e** Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

a Plan name

b Name of plan sponsor	**c** EIN-PN

SCHEDULE H (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Financial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2009

This Form is Open to Public Inspection

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
KESTREL ENGINEERING, INC. 401(K) PLAN

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
KESTREL ENGINEERING, INC.

D Employer Identification Number (EIN)
02-0790800

Part I Asset and Liability Statement

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		
(2) Participant contributions	1b(2)		
(3) Other	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)		
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)	737557	1464701
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)		
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)	101066	279676
(15) Other	1c(15)		

			(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:			
	(1) Employer securities	1d(1)		
	(2) Employer real property	1d(2)		
e	Buildings and other property used in plan operation	1e		
f	Total assets (add all amounts in lines 1a through 1e)	1f	838623	1744377
	Liabilities			
g	Benefit claims payable	1g		
h	Operating payables	1h		
i	Acquisition indebtedness	1i		
j	Other liabilities	1j		
k	Total liabilities (add all amounts in lines 1g through1j)	1k	0	0
	Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	838623	1744377

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

	Income		(a) Amount	(b) Total
a	**Contributions:**			
	(1) Received or receivable in cash from: **(A)** Employers	2a(1)(A)	227173	
	(B) Participants	2a(1)(B)	483023	
	(C) Others (including rollovers)	2a(1)(C)	14321	
	(2) Noncash contributions	2a(2)		
	(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		724517
b	**Earnings on investments:**			
	(1) Interest:			
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)		
	(B) U.S. Government securities	2b(1)(B)		
	(C) Corporate debt instruments	2b(1)(C)		
	(D) Loans (other than to participants)	2b(1)(D)		
	(E) Participant loans	2b(1)(E)		
	(F) Other	2b(1)(F)		
	(G) Total interest. Add lines **2b(1)(A)** through **(F)**	2b(1)(G)		0
	(2) Dividends: **(A)** Preferred stock	2b(2)(A)		
	(B) Common stock	2b(2)(B)		
	(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)		
	(D) Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)**	2b(2)(D)		0
	(3) Rents	2b(3)		
	(4) Net gain (loss) on sale of assets: **(A)** Aggregate proceeds	2b(4)(A)		
	(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
	(C) Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result	2b(4)(C)		0

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		0
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		286203
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		
c Other income	2c		
d Total income. Add all **income** amounts in column (b) and enter total	2d		1010720
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	104744	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		104744
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)	222	
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		222
j Total expenses. Add all **expense** amounts in column (b) and enter total	2j		104966
Net Income and Reconciliation			
k Net income (loss). Subtract line 2j from line 2d	2k		905754
l Transfers of assets:			
(1) To this plan	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) [ ] Unqualified (2) [ ] Qualified (3) [X] Disclaimer (4) [ ] Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? [X] Yes [ ] No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: KOLKHORST & KOLKHORST CPAS (2) EIN: 76-0171984

d The opinion of an independent qualified public accountant is **not attached** because:

(1) [ ] This form is filed for a CCT, PSA, or MTIA. (2) [ ] It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

		Yes	No	Amount
a	Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)	4a		X	
b	Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)	4b		X	
c	Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	4c		X	
d	Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)	4d		X	
e	Was this plan covered by a fidelity bond?	4e	X		100000
f	Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f		X	
g	Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	4g		X	
h	Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	4h		X	
i	Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	4i	X		
j	Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)	4j		X	
k	Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k		X	
l	Has the plan failed to provide any benefit when due under the plan?	4l		X	
m	If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m		X	
n	If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	4n			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? If yes, enter the amount of any plan assets that reverted to the employer this year ☐ **Yes** ☒ **No** **Amount:**

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	**5b(2)** EIN(s)	**5b(3)** PN(s)

SCHEDULE R (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Retirement Plan Information

This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

2009

This Form is Open to Public Inspection.

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan
KESTREL ENGINEERING, INC. 401(K) PLAN

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
KESTREL ENGINEERING, INC.

D Employer Identification Number (EIN)
02-0790800

Part I Distributions

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions **1** 0

2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):

EIN(s): 71-0294708

Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.

3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year. **3**

Part II Funding Information (If the plan is not subject to the minimum funding requirements of section of 412 of the Internal Revenue Code or ERISA section 302, skip this Part)

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

If the plan is a defined benefit plan, go to line 8.

5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. **Date:** Month _____ Day _____ Year _____

If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.

6 **a** Enter the minimum required contribution for this plan year **6a**

b Enter the amount contributed by the employer to the plan for this plan year **6b**

c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount) **6c**

If you completed line 6c, skip lines 8 and 9.

7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

Part III Amendments

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box. ..... ☐ **Increase** ☐ **Decrease** ☐ **Both** ☐ **No**

Part IV ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? ..... ☐ **Yes** ☐ **No**

11 **a** Does the ESOP hold any preferred stock? ..... ☐ **Yes** ☐ **No**

b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ..... ☐ **Yes** ☐ **No**

12 Does the ESOP hold any stock that is not readily tradable on an established securities market? ..... ☐ **Yes** ☐ **No**

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

a Name of contributing employer

b EIN **c** Dollar amount contributed by employer

d Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

e Contribution rate information *(If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

14 Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	**14a**	
b The plan year immediately preceding the current plan year	**14b**	
c The second preceding plan year	**14c**	

15 Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	**15a**	
b The corresponding number for the second preceding plan year	**15b**	

16 Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	**16a**	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	**16b**	

17 If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

18 If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

19 If the total number of participants is 1,000 or more, complete items (a) through (c)

a Enter the percentage of plan assets held as:
Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):

KESTREL ENGINEERING, INC. 401(k) PLAN

FINANCIAL STATEMENTS

December 31, 2009

KESTREL EGINEERING, INC. 401(k) PLAN
December 31, 2009

Table of Contents

Independent Auditors' Report	3
Financial Statements	
Statements of Net Assets Available for Benefits	4
Statement of Changes in Net Assets Available for Benefits	5
Notes to the Financial Statements	6-12
Supplemental Schedule	
Schedule of Assets Held for Investment Purposes	14

KOLKHORST & KOLKHORST
CERTIFIED PUBLIC ACCOUNTANTS

9977 W. SAM HOUSTON PKWY. N., SUITE 150
HOUSTON, TEXAS 77064

(281) 477-9100
FAX: (281) 477-9191
WWW.KOLKHORSTCPAS.COM

Independent Auditors' Report

Plan Administrator
Kestrel Engineering, Inc. 401(k) Plan
Houston, Texas

We were engaged to audit the financial statements and supplemental schedule of Kestrel Engineering, Inc. 401(k) Plan as of December 31, 2009 and for the year then ended, as listed in the accompanying table of contents. These financial statements and supplemental schedule are the responsibility of the Plan's management. The financial statements of the Plan as of December 31, 2008 were audited by other auditors. As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed the other auditors not to perform, and they did not perform, any auditing procedures with respect to the information certified by ING Life Insurance and Annuity Company, the custodian of the Plan. Their report dated September 29, 2009, indicated that (a) because of the significance of the information they did not audit, they were unable to, and did not, express an opinion on the financial statements taken as a whole and (b) the form and content of the information included in the financial statements other than that derived from the information certified by the Custodian, were presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note J, which was certified by ING Life Insurance and Annuity Company, the custodian of the Plan, except for comparing the information with the related information included in the financial statements and supplemental schedule. We have been informed by the plan administrator that the custodian holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the custodian as of and for the year ended December 31, 2009, that the information provided to the plan administrator by the custodian is complete and accurate.

Because of the significance of the information in the Plan's 2009 financial statements and supplemental schedule that we did not audit, we are unable to, and do not, express an opinion on the accompanying 2009 financial statements and supplemental schedule taken as a whole. The form and content of the information included in the 2009 financial statements and supplemental schedule, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Kolkhorst & Kolkhorst

Houston, Texas
August 25, 2010

KESTREL ENGINEERING, INC. 401(k) PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2009 and 2008

ASSETS	2009	2008
Investments - at fair value		
Pooled separate accounts	$ 1,464,701	$ 737,557
Guaranteed interest contract	279,733	101,066
Net assets available for benefits at fair value	1,744,434	838,623
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(57)	-
Net assets available for benefits	$ 1,744,377	$ 838,623

See independent auditors' report and accompanying notes to the financial statements.

KESTREL EGINEERING, INC. 401(k) PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the year ended December 31, 2009

ADDITIONS TO NET ASSETS		
Investment income		
Net appreciation in fair value of investments	$	279,507
Interest		6,696
Total investment income		286,203
Contributions		
Employer		227,173
Participant		483,023
Rollover		14,321
Total contributions		724,517
TOTAL ADDITIONS		1,010,720
DEDUCTIONS FROM NET ASSETS		
Benefits paid to participants		104,744
Administrative expenses		222
TOTAL DEDUCTIONS		104,966
NET INCREASE		905,754
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of year		838,623
End of year	$	1,744,377

See independent auditors' report and accompanying notes to the financial statements.

NOTE A - DESCRIPTION OF THE PLAN

The following description of Kestrel Engineering, Inc. 401(k) Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan established January 1, 2007. The Plan covers all employees of Kestrel Engineering, Inc., (the "Company") who are twenty-one years of age or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and subsequent related amendments and revisions. The Plan's custodian is ING Life Insurance and Annuity Company (ING).

Contributions

Qualified participants may elect to defer a percent or dollar amount of their salary at each pay period, subject to federal limitations. Participants who have attained age 50 before the end of the calendar year are eligible to make additional catch up contributions. Participants may also contribute amounts representing distributions from other qualified plans. Participants direct the investing of the contributions in any of the Plan's available investment options. The Company contributes an amount equal to 100% of the employee's contribution up to 3% of the employee's compensation plus 50% of the employee's contribution that exceeds 3% up to a maximum of 5% of the employee's compensation. For year ended December 31, 2009, the Company contributed $227,173 to the Plan. The matching Company contribution is invested at the participant's direction. Contributions are subject to certain limitations.

Participant Accounts

Each participant's account is credited with the participant's contribution and allocation of the Company's contribution, plan earnings and administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Expenses

The Company incurs expenses for administration, audit, and tax return preparation for the Plan. Expenses paid by the Plan are generally fees for processing benefit payments.

Vesting

Participants are immediately vested in their voluntary contributions, rollover contributions, and employer safe harbor contributions, plus actual earnings thereon.

NOTE A - DESCRIPTION OF THE PLAN (continued)

Payment of Benefits

Subsequent to termination of service, death, disability or retirement, participants are entitled to a distribution equal to the total value of their accounts and paid out either as a lump-sum distribution or a direct rollover. Other withdrawals from participants' account balances may be made under certain circumstances as defined in the Plan document.

Investment Options

The Plan offers several investment options in which the employees may elect to participate. Investment options consist of a guaranteed interest contract and pooled separate accounts.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FASB Accounting Standards Codification

In June 2009, the FASB issued the FASB Accounting Standards Codification (the Codification), which establishes the Codification as the source of authoritative accounting guidance to be applied in the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The Codification, which changes the referencing of financial standards, became effective for interim and annual periods ending on or after September 15, 2009. The Codification is now the single official source of authoritative U.S. GAAP, superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force and related literature. Only one level of authoritative U.S. GAAP now exists. All other literature is considered non-authoritative. The Codification does not change U.S. GAAP. The Plan adopted the Codification during the fiscal year ended December 31, 2009.

Basis of Accounting

The financial statements have been prepared under the accrual method of accounting in conformity with GAAP.

As required by ASC Topic 946, "Financial Services – Investment Companies" and ASC Topic 962, "Plan Accounting – Defined Contribution Pension Plans," investments in the accompanying Statements of Net Assets Available for Benefits include fully benefit responsive investment contracts recognized at fair value. ASC Topic 962 requires fully benefit responsive investment contracts to be reported at fair value in the Plan's Statement of Net Assets Available for Benefits with a corresponding adjustment to reflect these investments at contract value. The Statement of Changes in Net Assets Available for benefits is prepared on a contract value basis.

Reclassifications

Certain reclassifications have been made to the 2008 presentation to conform to the current year's format. Net assets available for benefits and the change in net assets available for benefits are unchanged due to these classifications.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Standards

In April 2009, the FASB issued guidance for determining fair value when the volume and level of activity for the asset or liability have significantly decreased and guidance on identifying circumstances that indicate a transaction is not orderly. The adoption of this guidance did not impact the Plan's financial statements.

In May 2009, subsequent event standards were issued by the FASB, establishing the accounting of and disclosure standards for events that occur after the balance sheet date but before financial statements are issued or available to be issued.

The FASB Accounting Standards Update (ASU) "Fair Value Measurements and Disclosures: *Investments in Certain Entities that Calculate Net Asset Value (NAV) per Share (or Equivalent)*" was issued in September 2009. This update allows the use of net asset value to estimate the fair value of certain alternative investments. The adoption of this update did not impact the Plan's financial statements.

In January 2010, the FASB issued a standard to improve disclosures about fair value measurements. Certain provisions are effective for years beginning after December 15, 2009, while other provisions are effective for periods beginning after December 15, 2010.

Investment Valuation and Income Recognition

Following is a description of the valuation methodologies used for assets measured at fair value.

Pooled separate accounts: Pooled separate accounts are valued at the net asset value of shares held by an underlying mutual fund at the Plan at year end, calculated by ING.

Guaranteed interest contract: The ING Fixed Account is a fully benefit responsive investment contract valued at contract value, which is equal to contributions made under the contract, plus interest at the contract rate, less funds used to pay benefits. Contract value may be subject to adjustments in connection with the Company's directed withdrawals that are subject to a market value adjustment. The fair value of the ING Fixed Account is calculated by discounting the related cash flows based on current yields of similar instruments with comparable durations.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Benefit Payments

Benefits are recorded when paid.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the plan administrator to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE C - INVESTMENTS

The following table presents the fair values of investments. Investments that represent 5% or more of the Plan's net assets are separately identified.

	December 31, 2009	December 31, 2008
American Balanced Fund	$ -	$ 46,229
Fidelity VIP Contrafund	111,237	56,712
The Growth Fund of America	154,281	58,832
ING Fixed Account	279,733	101,066
ING Solution 2015 Portfolio	165,781	57,598
ING Solution 2025 Portfolio	164,656	82,421
ING Solution 2035 Portfolio	120,391	46,223
Other Investments Less Than 5% of Plan's Net Assets	748,355	389,542
	$ 1,744,434	$ 838,623

During 2009, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by $279,507 as follows:

Pooled separate accounts	$ 279,507
	$ 279,507

NOTE D - INVESTMENT CONTRACT WITH INSURANCE COMPANY

In 2007, The Plan entered into a fully benefit responsive investment contract with ING. ING maintains the contributions in a general account (ING Fixed Account). The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed interest contract issuer is contractually obligated to repay the principal and a specified interest rate guaranteed to the Plan.

The contract is included in the financial statements at fair value with a corresponding adjustment to contract value as required by ASC Topic 962. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to pay participant's benefits and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investments at contract value.

NOTE D - INVESTMENT CONTRACT WITH INSURANCE COMPANY (continued)

There are no reserves against contract value for credit risk. The contract value of the ING Fixed account was $279,676 and $101,066 for December 31, 2009 and 2008, respectively. The crediting interest rate guaranteed to participants may not be less than 3 percent.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include: (1) amendments to the Plan documents (including complete or partial plan termination or merger with another plan), (2) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the Company or other company events that cause a significant withdrawal from the Plan, (4) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA. The Company does not believe that the occurrence of any such value event, which would limit the Plan's ability to transact at contract value with participants, is probable.

The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

	2009	2008
Average yields:		
Based on actual earnings	3.50%	2.60%
Based on interest rate credited to participants	3.00%	3.00%

NOTE E - FAIR VALUE MEASUREMENTS

ASC Topic 820 (formerly SFAS 157) establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC Topic 820 are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Quoted prices in markets that are not considered to be active for financial instruments for which all the significant inputs are observable, either directly or indirectly.

Level 3 Prices determined using significant unobservable inputs that are significant to the fair value measurement.

NOTE E - FAIR VALUE MEASUREMENTS (continued)

The following table presents the Plan's hierarchy for its assets measured at fair value on a recurring basis as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Pooled separate accounts	$ -	$ 1,464,701	$ -	$ 1,464,701
Guaranteed interest contract	-	-	279,733	279,733
Total investments at fair value	$ -	$ 1,464,701	$ 279,733	$ 1,744,434

The following table presents the Plan's hierarchy for its assets measured at fair value on a recurring basis as of December 31, 2008:

	Level 1	Level 2	Level 3	Total
Pooled separate accounts	$ -	$ 737,557	$ -	$ 737,557
Guaranteed interest contract	-	-	101,066	101,066
Total investments at fair value	$ -	$ 737,557	$ 101,066	$ 838,623

The following table lists the summary of changes in the fair value of the Plan's Level 3 assets for the years ended December 31, 2009 and 2008:

	2009 Guaranteed Interest Contract	2008 Guaranteed Interest Contract
Balance, beginning of year	$ 101,066	$ 30,551
Net realized capital gains (losses)	6,696	1,705
Net unrealized capital gains (losses)	57	-
Purchases, sales, issuances and settlements (net)	171,914	68,810
Balance, end of year	$ 279,733	$ 101,066

Gains and losses (realized and unrealized) included in changes in net assets available for benefits for the year ended December 31, 2009 are reported in net appreciation in fair value of investments.

NOTE F - TAX STATUS

The Plan has adopted a prototype non-standardized profit sharing plan, which obtained its latest determination letter in March 2008, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving that determination letter. However, the plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan.

NOTE G - RELATED PARTY AND PARTY-IN-INTEREST TRANSACTIONS

Most administrative expenses and audit and tax preparation fees of the Plan are to be paid by the Company. The Plan is not responsible for reimbursing the Company for any fees paid by the Company.

The Plan investments are pooled separate accounts and a guaranteed interest contract all managed by ING Life Insurance and Annuity Company. ING Life Insurance and Annuity Company is the custodian of the Plan, and therefore, these transactions qualify as party-in-interest transactions.

NOTE H - PLAN TERMINATION

Although the Company has expressed no such intention, the Plan can be terminated at the Company's election. In the event of plan termination, all plan benefits would become 100% vested and distributed to the participants in accordance with plan provisions.

NOTE I - RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statement of Net Assets Available for Benefits.

NOTE J - INFORMATION PREPARED AND CERTIFIED BY CUSTODIAN

The following information included in the accompanying financial statements and supplemental schedule was obtained from data that has been prepared and certified as complete and accurate by the custodian.

Investments, at fair value	$	1,744,434
Investments, at contract value	$	1,744,377
Net appreciation in fair value of investments	$	279,507
ING Fixed Account interest	$	6,696

NOTE K - SUBSEQUENT EVENTS

The Plan has evaluated subsequent events for recognition and disclosure through the date of issuance of the financial statements.

SUPPLEMENTAL SCHEDULE

KESTREL ENGINEERING, INC. 401(k) PLAN
SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
December 31, 2009
EIN: 02-0790800
Plan #: 001

Schedule H, Line 4i - Schedule of Assets Held for Investments Purposes at December 31, 2009

(a)	(b)	(c)	(d)	(e)
	Identity of issuer, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par or maturity value	Cost	Current value
*	Franklin Small Cap Value	Pooled Separate Account		$ 27,401
*	ING Clarion Real Estate	Pooled Separate Account		10,188
*	Allianz NFJ Dividend Value Fund	Pooled Separate Account		37,465
*	Artisan International Fund	Pooled Separate Account		23,054
*	ING Global Resources	Pooled Separate Account		26,216
*	ING VP International Value	Pooled Separate Account		5,459
*	New Perspectives Fund	Pooled Separate Account		43,766
*	American Balanced Fund	Pooled Separate Account		81,678
*	Franklin Rising Dividends Fund	Pooled Separate Account		32,735
*	Mutual Discovery Fund	Pooled Separate Account		17,115
*	Mutual Shares Fund	Pooled Separate Account		32,446
*	ING Int'l Small Cap Multi-Mgr Fund	Pooled Separate Account		24,465
*	Fidelity VIP Contrafund	Pooled Separate Account		111,237
*	ING Baron Small Cap Growth Portfolio	Pooled Separate Account		45,927
*	ING Growth and Income Fund	Pooled Separate Account		9,381
*	The Income Fund of America	Pooled Separate Account		41,805
*	The Growth Fund of America	Pooled Separate Account		154,281
*	Europacific Growth Fund	Pooled Separate Account		62,968
*	ING Fixed Account	Guaranteed Interest Contract		279,676
*	ING Solution 2015 Portfolio	Pooled Separate Account		165,781
*	ING Solution 2025 Portfolio	Pooled Separate Account		164,656
*	ING Solution 2035 Portfolio	Pooled Separate Account		120,391
*	ING Solution 2045 Portfolio	Pooled Separate Account		27,369
*	ING Solution Income Portfolio	Pooled Separate Account		39,802
*	ING MFS Utilities Portfolio	Pooled Separate Account		18,924
*	ING JPMorgan Emerging Mkt Equity	Pooled Separate Account		42,576
*	ING T. Rowe Price Capital Appreciation	Pooled Separate Account		29,433
*	Wanger Select	Pooled Separate Account		18,505
*	Pioneer High Yield	Pooled Separate Account		30,350
*	Pioneer Equity Income Fund	Pooled Separate Account		19,327
				$ 1,744,377

* A party-in-interest

See independent auditors' report and accompanying notes to the financial statements.

KESTREL ENGINEERING, INC. 401(k) PLAN

FINANCIAL STATEMENTS

December 31, 2009

KESTREL EGINEERING, INC. 401(k) PLAN
December 31, 2009

Table of Contents

Independent Auditors' Report	3
Financial Statements	
Statements of Net Assets Available for Benefits	4
Statement of Changes in Net Assets Available for Benefits	5
Notes to the Financial Statements	6-12
Supplemental Schedule	
Schedule of Assets Held for Investment Purposes	14

KOLKHORST & KOLKHORST
CERTIFIED PUBLIC ACCOUNTANTS

9977 W. SAM HOUSTON PKWY. N., SUITE 150
HOUSTON, TEXAS 77064

(281) 477-9100
FAX: (281) 477-9191
WWW.KOLKHORSTCPAS.COM

Independent Auditors' Report

Plan Administrator
Kestrel Engineering, Inc. 401(k) Plan
Houston, Texas

We were engaged to audit the financial statements and supplemental schedule of Kestrel Engineering, Inc. 401(k) Plan as of December 31, 2009 and for the year then ended, as listed in the accompanying table of contents. These financial statements and supplemental schedule are the responsibility of the Plan's management. The financial statements of the Plan as of December 31, 2008 were audited by other auditors. As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed the other auditors not to perform, and they did not perform, any auditing procedures with respect to the information certified by ING Life Insurance and Annuity Company, the custodian of the Plan. Their report dated September 29, 2009, indicated that (a) because of the significance of the information they did not audit, they were unable to, and did not, express an opinion on the financial statements taken as a whole and (b) the form and content of the information included in the financial statements other than that derived from the information certified by the Custodian, were presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note J, which was certified by ING Life Insurance and Annuity Company, the custodian of the Plan, except for comparing the information with the related information included in the financial statements and supplemental schedule. We have been informed by the plan administrator that the custodian holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the custodian as of and for the year ended December 31, 2009, that the information provided to the plan administrator by the custodian is complete and accurate.

Because of the significance of the information in the Plan's 2009 financial statements and supplemental schedule that we did not audit, we are unable to, and do not, express an opinion on the accompanying 2009 financial statements and supplemental schedule taken as a whole. The form and content of the information included in the 2009 financial statements and supplemental schedule, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Kolkhorst & Kolkhorst

Houston, Texas
August 25, 2010

KESTREL ENGINEERING, INC. 401(k) PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2009 and 2008

ASSETS	2009	2008
Investments - at fair value		
Pooled separate accounts	$ 1,464,701	$ 737,557
Guaranteed interest contract	279,733	101,066
Net assets available for benefits at fair value	1,744,434	838,623
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(57)	-
Net assets available for benefits	$ 1,744,377	$ 838,623

See independent auditors' report and accompanying notes to the financial statements.

KESTREL EGINEERING, INC. 401(k) PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the year ended December 31, 2009

ADDITIONS TO NET ASSETS		
Investment income		
Net appreciation in fair value of investments	$	279,507
Interest		6,696
Total investment income		286,203
Contributions		
Employer		227,173
Participant		483,023
Rollover		14,321
Total contributions		724,517
TOTAL ADDITIONS		1,010,720
DEDUCTIONS FROM NET ASSETS		
Benefits paid to participants		104,744
Administrative expenses		222
TOTAL DEDUCTIONS		104,966
NET INCREASE		905,754
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of year		838,623
End of year	$	1,744,377

See independent auditors' report and accompanying notes to the financial statements.

NOTE A - DESCRIPTION OF THE PLAN

The following description of Kestrel Engineering, Inc. 401(k) Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan established January 1, 2007. The Plan covers all employees of Kestrel Engineering, Inc., (the "Company") who are twenty-one years of age or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and subsequent related amendments and revisions. The Plan's custodian is ING Life Insurance and Annuity Company (ING).

Contributions

Qualified participants may elect to defer a percent or dollar amount of their salary at each pay period, subject to federal limitations. Participants who have attained age 50 before the end of the calendar year are eligible to make additional catch up contributions. Participants may also contribute amounts representing distributions from other qualified plans. Participants direct the investing of the contributions in any of the Plan's available investment options. The Company contributes an amount equal to 100% of the employee's contribution up to 3% of the employee's compensation plus 50% of the employee's contribution that exceeds 3% up to a maximum of 5% of the employee's compensation. For year ended December 31, 2009, the Company contributed $227,173 to the Plan. The matching Company contribution is invested at the participant's direction. Contributions are subject to certain limitations.

Participant Accounts

Each participant's account is credited with the participant's contribution and allocation of the Company's contribution, plan earnings and administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Expenses

The Company incurs expenses for administration, audit, and tax return preparation for the Plan. Expenses paid by the Plan are generally fees for processing benefit payments.

Vesting

Participants are immediately vested in their voluntary contributions, rollover contributions, and employer safe harbor contributions, plus actual earnings thereon.

NOTE A - DESCRIPTION OF THE PLAN (continued)

Payment of Benefits

Subsequent to termination of service, death, disability or retirement, participants are entitled to a distribution equal to the total value of their accounts and paid out either as a lump-sum distribution or a direct rollover. Other withdrawals from participants' account balances may be made under certain circumstances as defined in the Plan document.

Investment Options

The Plan offers several investment options in which the employees may elect to participate. Investment options consist of a guaranteed interest contract and pooled separate accounts.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FASB Accounting Standards Codification

In June 2009, the FASB issued the FASB Accounting Standards Codification (the Codification), which establishes the Codification as the source of authoritative accounting guidance to be applied in the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The Codification, which changes the referencing of financial standards, became effective for interim and annual periods ending on or after September 15, 2009. The Codification is now the single official source of authoritative U.S. GAAP, superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force and related literature. Only one level of authoritative U.S. GAAP now exists. All other literature is considered non-authoritative. The Codification does not change U.S. GAAP. The Plan adopted the Codification during the fiscal year ended December 31, 2009.

Basis of Accounting

The financial statements have been prepared under the accrual method of accounting in conformity with GAAP.

As required by ASC Topic 946, "Financial Services – Investment Companies" and ASC Topic 962, "Plan Accounting – Defined Contribution Pension Plans," investments in the accompanying Statements of Net Assets Available for Benefits include fully benefit responsive investment contracts recognized at fair value. ASC Topic 962 requires fully benefit responsive investment contracts to be reported at fair value in the Plan's Statement of Net Assets Available for Benefits with a corresponding adjustment to reflect these investments at contract value. The Statement of Changes in Net Assets Available for benefits is prepared on a contract value basis.

Reclassifications

Certain reclassifications have been made to the 2008 presentation to conform to the current year's format. Net assets available for benefits and the change in net assets available for benefits are unchanged due to these classifications.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Standards

In April 2009, the FASB issued guidance for determining fair value when the volume and level of activity for the asset or liability have significantly decreased and guidance on identifying circumstances that indicate a transaction is not orderly. The adoption of this guidance did not impact the Plan's financial statements.

In May 2009, subsequent event standards were issued by the FASB, establishing the accounting of and disclosure standards for events that occur after the balance sheet date but before financial statements are issued or available to be issued.

The FASB Accounting Standards Update (ASU) "Fair Value Measurements and Disclosures: *Investments in Certain Entities that Calculate Net Asset Value (NAV) per Share (or Equivalent)*" was issued in September 2009. This update allows the use of net asset value to estimate the fair value of certain alternative investments. The adoption of this update did not impact the Plan's financial statements.

In January 2010, the FASB issued a standard to improve disclosures about fair value measurements. Certain provisions are effective for years beginning after December 15, 2009, while other provisions are effective for periods beginning after December 15, 2010.

Investment Valuation and Income Recognition

Following is a description of the valuation methodologies used for assets measured at fair value.

Pooled separate accounts: Pooled separate accounts are valued at the net asset value of shares held by an underlying mutual fund at the Plan at year end, calculated by ING.

Guaranteed interest contract: The ING Fixed Account is a fully benefit responsive investment contract valued at contract value, which is equal to contributions made under the contract, plus interest at the contract rate, less funds used to pay benefits. Contract value may be subject to adjustments in connection with the Company's directed withdrawals that are subject to a market value adjustment. The fair value of the ING Fixed Account is calculated by discounting the related cash flows based on current yields of similar instruments with comparable durations.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Benefit Payments

Benefits are recorded when paid.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the plan administrator to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE C - INVESTMENTS

The following table presents the fair values of investments. Investments that represent 5% or more of the Plan's net assets are separately identified.

	December 31, 2009	December 31, 2008
American Balanced Fund	$ -	$ 46,229
Fidelity VIP Contrafund	111,237	56,712
The Growth Fund of America	154,281	58,832
ING Fixed Account	279,733	101,066
ING Solution 2015 Portfolio	165,781	57,598
ING Solution 2025 Portfolio	164,656	82,421
ING Solution 2035 Portfolio	120,391	46,223
Other Investments Less Than 5% of Plan's Net Assets	748,355	389,542
	$ 1,744,434	$ 838,623

During 2009, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by $279,507 as follows:

Pooled separate accounts	$ 279,507
	$ 279,507

NOTE D - INVESTMENT CONTRACT WITH INSURANCE COMPANY

In 2007, The Plan entered into a fully benefit responsive investment contract with ING. ING maintains the contributions in a general account (ING Fixed Account). The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed interest contract issuer is contractually obligated to repay the principal and a specified interest rate guaranteed to the Plan.

The contract is included in the financial statements at fair value with a corresponding adjustment to contract value as required by ASC Topic 962. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to pay participant's benefits and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investments at contract value.

NOTE D - INVESTMENT CONTRACT WITH INSURANCE COMPANY (continued)

There are no reserves against contract value for credit risk. The contract value of the ING Fixed account was $279,676 and $101,066 for December 31, 2009 and 2008, respectively. The crediting interest rate guaranteed to participants may not be less than 3 percent.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include: (1) amendments to the Plan documents (including complete or partial plan termination or merger with another plan), (2) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the Company or other company events that cause a significant withdrawal from the Plan, (4) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA. The Company does not believe that the occurrence of any such value event, which would limit the Plan's ability to transact at contract value with participants, is probable.

The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

	2009	2008
Average yields:		
Based on actual earnings	3.50%	2.60%
Based on interest rate credited to participants	3.00%	3.00%

NOTE E - FAIR VALUE MEASUREMENTS

ASC Topic 820 (formerly SFAS 157) establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC Topic 820 are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Quoted prices in markets that are not considered to be active for financial instruments for which all the significant inputs are observable, either directly or indirectly.

Level 3 Prices determined using significant unobservable inputs that are significant to the fair value measurement.

NOTE E - FAIR VALUE MEASUREMENTS (continued)

The following table presents the Plan's hierarchy for its assets measured at fair value on a recurring basis as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Pooled separate accounts	$ -	$ 1,464,701	$ -	$ 1,464,701
Guaranteed interest contract	-	-	279,733	279,733
Total investments at fair value	$ -	$ 1,464,701	$ 279,733	$ 1,744,434

The following table presents the Plan's hierarchy for its assets measured at fair value on a recurring basis as of December 31, 2008:

	Level 1	Level 2	Level 3	Total
Pooled separate accounts	$ -	$ 737,557	$ -	$ 737,557
Guaranteed interest contract	-	-	101,066	101,066
Total investments at fair value	$ -	$ 737,557	$ 101,066	$ 838,623

The following table lists the summary of changes in the fair value of the Plan's Level 3 assets for the years ended December 31, 2009 and 2008:

	2009 Guaranteed Interest Contract	2008 Guaranteed Interest Contract
Balance, beginning of year	$ 101,066	$ 30,551
Net realized capital gains (losses)	6,696	1,705
Net unrealized capital gains (losses)	57	-
Purchases, sales, issuances and settlements (net)	171,914	68,810
Balance, end of year	$ 279,733	$ 101,066

Gains and losses (realized and unrealized) included in changes in net assets available for benefits for the year ended December 31, 2009 are reported in net appreciation in fair value of investments.

NOTE F - TAX STATUS

The Plan has adopted a prototype non-standardized profit sharing plan, which obtained its latest determination letter in March 2008, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving that determination letter. However, the plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan.

NOTE G - RELATED PARTY AND PARTY-IN-INTEREST TRANSACTIONS

Most administrative expenses and audit and tax preparation fees of the Plan are to be paid by the Company. The Plan is not responsible for reimbursing the Company for any fees paid by the Company.

The Plan investments are pooled separate accounts and a guaranteed interest contract all managed by ING Life Insurance and Annuity Company. ING Life Insurance and Annuity Company is the custodian of the Plan, and therefore, these transactions qualify as party-in-interest transactions.

NOTE H - PLAN TERMINATION

Although the Company has expressed no such intention, the Plan can be terminated at the Company's election. In the event of plan termination, all plan benefits would become 100% vested and distributed to the participants in accordance with plan provisions.

NOTE I - RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statement of Net Assets Available for Benefits.

NOTE J - INFORMATION PREPARED AND CERTIFIED BY CUSTODIAN

The following information included in the accompanying financial statements and supplemental schedule was obtained from data that has been prepared and certified as complete and accurate by the custodian.

Investments, at fair value	$	1,744,434
Investments, at contract value	$	1,744,377
Net appreciation in fair value of investments	$	279,507
ING Fixed Account interest	$	6,696

NOTE K - SUBSEQUENT EVENTS

The Plan has evaluated subsequent events for recognition and disclosure through the date of issuance of the financial statements.

SUPPLEMENTAL SCHEDULE

KESTREL ENGINEERING, INC. 401(k) PLAN
SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
December 31, 2009
EIN: 02-0790800
Plan #: 001

Schedule H, Line 4i - Schedule of Assets Held for Investments Purposes at December 31, 2009

(a)	(b)	(c)	(d)	(e)
	Identity of issuer, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par or maturity value	Cost	Current value
*	Franklin Small Cap Value	Pooled Separate Account		$ 27,401
*	ING Clarion Real Estate	Pooled Separate Account		10,188
*	Allianz NFJ Dividend Value Fund	Pooled Separate Account		37,465
*	Artisan International Fund	Pooled Separate Account		23,054
*	ING Global Resources	Pooled Separate Account		26,216
*	ING VP International Value	Pooled Separate Account		5,459
*	New Perspectives Fund	Pooled Separate Account		43,766
*	American Balanced Fund	Pooled Separate Account		81,678
*	Franklin Rising Dividends Fund	Pooled Separate Account		32,735
*	Mutual Discovery Fund	Pooled Separate Account		17,115
*	Mutual Shares Fund	Pooled Separate Account		32,446
*	ING Int'l Small Cap Multi-Mgr Fund	Pooled Separate Account		24,465
*	Fidelity VIP Contrafund	Pooled Separate Account		111,237
*	ING Baron Small Cap Growth Portfolio	Pooled Separate Account		45,927
*	ING Growth and Income Fund	Pooled Separate Account		9,381
*	The Income Fund of America	Pooled Separate Account		41,805
*	The Growth Fund of America	Pooled Separate Account		154,281
*	Europacific Growth Fund	Pooled Separate Account		62,968
*	ING Fixed Account	Guaranteed Interest Contract		279,676
*	ING Solution 2015 Portfolio	Pooled Separate Account		165,781
*	ING Solution 2025 Portfolio	Pooled Separate Account		164,656
*	ING Solution 2035 Portfolio	Pooled Separate Account		120,391
*	ING Solution 2045 Portfolio	Pooled Separate Account		27,369
*	ING Solution Income Portfolio	Pooled Separate Account		39,802
*	ING MFS Utilities Portfolio	Pooled Separate Account		18,924
*	ING JPMorgan Emerging Mkt Equity	Pooled Separate Account		42,576
*	ING T. Rowe Price Capital Appreciation	Pooled Separate Account		29,433
*	Wanger Select	Pooled Separate Account		18,505
*	Pioneer High Yield	Pooled Separate Account		30,350
*	Pioneer Equity Income Fund	Pooled Separate Account		19,327
				$ 1,744,377

* A party-in-interest

See independent auditors' report and accompanying notes to the financial statements.