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 01/01/2008 and ending 12/31/2008

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;
- [X] 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:
- [ ] Form 5558;
- [ ] automatic extension;
- [ ] the DFVC program;
- [ ] special extension (enter description)

Part II Basic Plan Information—enter all requested information

1a Name of plan
PENCOM 401 (K) PROFIT SHARING PLAN

1b Three-digit plan number (PN) ▶ 001

1c Effective date of plan 01/01/2000

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

1300 INDUSTRIAL ROAD, SUITE 21
SAN CARLOS, CA 94070

2b Employer Identification Number (EIN)
94-3252971

2c Sponsor's telephone number
650-593-3288

2d Business code (see instructions)
541519

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.	01/06/2011	NANCY WONG
	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")
SAME

3b Administrator's EIN

3c Administrator's telephone number

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**	136
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**	128
b	Retired or separated participants receiving benefits	**6b**	0
c	Other retired or separated participants entitled to future benefits	**6c**	5
d	Subtotal. Add lines **6a**, **6b**, and **6c**	**6d**	133
e	Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	**6e**	0
f	Total. Add lines **6d** and **6e**	**6f**	133
g	Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	**6g**	95
h	Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	**6h**	0
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 2F 2G 2J 2R

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)		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)		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)		**A** (Insurance Information)
(4)	X	**C** (Service Provider Information)
(5)	X	**D** (DFE/Participating Plan Information)
(6)		**G** (Financial Transaction Schedules)

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 01/01/2008 and ending 12/31/2008

A Name of plan
PENCOM 401 (K) PROFIT SHARING PLAN

B Three-digit plan number (PN) ▶ 001

C Plan sponsor's name as shown on line 2a of Form 5500
PENINSULA COMPONENTS

D Employer Identification Number (EIN)
94-3252971

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)	12533	14179
(3) Other	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	518	582
(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)	114371	71450
(9) Value of interest in common/collective trusts	1c(9)	2460	641371
(10) Value of interest in pooled separate accounts	1c(10)		
(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)	2839763	1564271
(14) Value of funds held in insurance company general account (unallocated contracts)	1c(14)		
(15) Other	1c(15)	60328	19979

			(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	3029973	2311832
	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		
	Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	3029973	2311832

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)		
	(B) Participants	2a(1)(B)	364360	
	(C) Others (including rollovers)	2a(1)(C)		
	(2) Noncash contributions	2a(2)		
	(3) Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)**	2a(3)		364360
b	**Earnings on investments:**			
	(1) Interest:			
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	94	
	(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)	5247	
	(F) Other	2b(1)(F)		
	(G) Total interest. Add lines **2b(1)(A)** through **(F)**	2b(1)(G)		5341
	(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)		
	(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)		

			(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)		
	(6) Net investment gain (loss) from common/collective trusts	2b(6)		5928
	(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
	(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)		-709019
c	Other income	2c		-21402
d	Total income. Add all **income** amounts in column (b) and enter total	2d		-354792
	Expenses			
e	Benefit payment and payments to provide benefits:			
	(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	339861	
	(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)		339861
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)	5196	
	(3) Investment advisory and management fees	2i(3)	15657	
	(4) Other	2i(4)	2635	
	(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		23488
j	Total expenses. Add all **expense** amounts in column (b) and enter total	2j		363349
	Net Income and Reconciliation			
k	Net income (loss). Subtract line 2j from line 2d	2k		-718141
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: D.H. SCOTT & COMPANY **(2)** EIN: 68-0397834

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		350000
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			
m	If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m			
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)

PENCOM
401(K) PROFIT SHARING PLAN

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
DECEMBER 31, 2008 AND 2007

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D·H·SCOTT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
a limited liability partnership

David H. Scott, CPA
a professional corporation
Keith E. Hunting, CPA
Vivian R. Piché, CPA
Patrick D. Hanly, CPA, M.B.A.
Paul J. Catanese, CPA, M.B.A.
a professional corporation
Larry Dahl, CPA

Julie W. Catanese, CPA
Gerald R. Tadina, CPA

REPORT OF INDEPENDENT AUDITORS

To the Trustees
Pencom 401(k) Profit Sharing Plan
San Carlos, California

We were engaged to audit the accompanying statement of net assets available for benefits of Pencom 401(k) Profit Sharing Plan as of December 31, 2008, the related statement of changes in net assets available for benefits and the supplemental schedule for the year ended December 31, 2008. These financial statements and schedule are the responsibility of the Plan's management.

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 4, which was certified by Charles Schwab Trust Company, the trustee 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 trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of December 31, 2008 and for the year then ended, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedule taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the trustee, 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.

We have compiled the accompanying statement of net assets available for benefits of Pencom 401(k) Profit Sharing Plan as of December 31, 2007, in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying statement of net assets available for benefits as of December 31, 2007 and, accordingly, do not express an opinion or any other form of assurance on it.

D. H. Scott & Company LLP

Redding, California
December 21, 2009

PENCOM
401(K) PROFIT SHARING PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2008 AND 2007

ASSETS

	2008 (Audited)	2007 (Compiled)
Cash	$ 1,082	$ 1,461
Investments at fair value	2,192,391	2,902,551
Receivables:		
Participant contributions	-	507
Participant loans	71,450	114,371
Total assets	2,264,923	3,018,890

LIABILITIES

Total liabilities	-	-
Net assets reflecting investments at fair value	2,264,923	3,018,890
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	33,230	-
Net assets available for benefits	$ 2,298,153	$ 3,018,890

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

PENCOM
401(K) PROFIT SHARING PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2008

Additions to net assets attributed to:	
Investment income:	
Net (depreciation) in fair value of investments	$(810,225)
Interest and dividend income	87,592
Contributions:	
Participant	364,336
Total additions (net of decrease in fair value of investments)	(358,297)
Deductions from net assets attributed to:	
Benefits paid to participants	338,952
Administrative expenses	23,488
Total deductions	362,440
Net decrease	(720,737)
Net assets available for benefits:	
Beginning of year	3,018,890
End of year	$ 2,298,153

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

PENCOM
401(K) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

Note 1: DESCRIPTION OF PLAN

The following description of the Pencom 401(k) Profit Sharing 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 available to all employees of the Company who have one year of service (1,000 hours) and meet the minimum age requirement of twenty-one. Employees whose employment is governed by a collective bargaining agreement in which retirement benefits were the subject of good faith bargaining, employees who are non-resident aliens who do not receive earned income from the Company which constitutes income from sources within the United States, and anyone who is a leased employee, are not covered by the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions - Participants may contribute up to $15,500 plus an additional $5,000 if the participant reaches age 50 or older during the plan year.

Employer non-elective contributions are discretionary and are determined by the Plan sponsor.

Participant Accounts - Each participant's account is credited with the participant's contribution, the Company's non-elective contributions, and allocation of plan earnings. Allocations are based on participant account balances. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Forfeitures - Forfeited balances of terminated participants' non-vested accounts may be used for Plan expenses or used to reduce future employer's contributions. At December 31, 2008 and 2007, forfeited non-vested accounts totaled $14,263 and $11,818, respectively. During the year ended December 31, 2008, $-0- in forfeitures was used to offset employer contributions.

(Continued)

PENCOM
401(K) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

Note 1: DESCRIPTION OF PLAN (Continued)

Investment Direction - Participants can direct all contributions to the account of their choice of available investments.

Vesting - Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Vesting in the participant's non-elective contribution account is based on years of continuous service. A participant is 100 percent vested after four years of credited service as follows:

Years of Service	Vesting Percentage
1	0%
2	30%
3	60%
4	100%

Distribution of Benefits - Benefits are paid upon death, disability, termination of service, or retirement. A participant may elect to receive an amount equal to the value of the participant's vested interest in his or her account in either a lump-sum amount, or in monthly installments over a period not to exceed his or her life expectancy. Options may be available for surviving spouse. Distributions of $1,000 or less shall be distributed in a lump sum.

Administrative Expenses - The Plan sponsor may pay certain administrative expenses on behalf of the Plan.

Retirement - Normal retirement age under the Plan is 55 years of age.

Participant Loans - Participant loans are allowed under the Plan in amounts not less than $1,000 up to a maximum of $50,000 or 50% of the participant's vested account balance, whichever is less. Loans are secured by the balance in the participant's account with principal and interest repaid through monthly payroll deductions. Participants are only allowed two loans with balances outstanding at a given time.

PENCOM
401(K) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Plan are prepared under the accrual method of accounting with the exception of benefits which are recorded when paid. Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The statement of net assets available for benefits represents the fair value of the investment contract as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Investment Valuation - The Plan's investments are reflected at market values which are established by market quotations on the trade date closest to the Plan's year end. See Note 5 for discussion of fair value measurements.

Payment of Benefits - Benefits are recorded when paid.

Income Recognition - Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

PENCOM
401(K) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

Note 3: INVESTMENTS

The following investments represent investments in excess of 5% of net assets available for benefits at December 31,:

	2008	2007
Morley Capital Stable Value Fund	$ 608,141	$ -
The Fusion Fund	166,317	-
Russell Lifepoint Balanced	199,687	-
Russell Lifepoint Moderate	282,805	-
Schwab S&P 500	132,329	202,535
Growth Portfolio	-	165,342
Balanced Portfolio	-	372,995
Moderate Portfolio	-	407,790
Schwab Investor Fund	-	496,229

Note 4: INFORMATION PREPARED AND CERTIFIED BY TRUSTEE

The following investment information included in the accompanying financial statements and supplemental schedule was obtained from data that has been prepared and certified by the trustee to be complete and accurate:

	2008
Cash on cash basis	$ 2,525
Investments at fair value (except Stable Value Fund which is at contract value)	2,225,621
Contributions (cash basis and including loan repayments)	410,866
Net decrease in fair value of investments	(810,225)
Interest and dividend income (cash basis and not including loan interest)	5,137
Benefits paid to participants (not including defaulted loans)	336,506
Administrative expenses (cash basis)	23,053

Note 5: FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification (ASC) 820-10 establishes a framework for measuring fair value. That framework provides a fair value 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 820-10 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that the Plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

(Continued)

Note 5: FAIR VALUE MEASUREMENTS (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2008 and 2007:

Mutual Funds: Valued at the net asset value (NAV) of shares held by the Plan at year end.

Stable Value Fund: The fair value of wrap contracts is determined using a discounting methodology which incorporates the difference between current market level rates for a contract level wrap fees and the wrap fee being charged. The difference is calculated as a dollar value and discounted by the prevailing interpolated yield curve as of year end. Investments in units of collective trust funds and short-term investment funds are valued at their respective net asset values as reported by the funds daily. Short-term money market investments are stated at amortized cost, which approximates market value.

Common Stocks: Common stocks are valued at the closing price reported in the active market in which the individual securities are traded.

(Continued)

Note 5: FAIR VALUE MEASUREMENTS (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value of as December 31,:

	Assets at Fair Value as of December 31, 2008			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 1,569,005	$ -	$ -	$ 1,569,005
Stable value fund	-	608,141	-	608,141
Common stock	15,245	-	-	15,245
Participant loans	-	-	71,450	71,450
Total assets at fair value	$ 1,584,250	$ 608,141	$ 71,450	2,263,841
Less: Participant loans				(71,450)
Total investments, excluding participant loans at fair value				$ 2,192,391

(Continued)

Note 5: FAIR VALUE MEASUREMENTS (Continued)

	Assets at Fair Value as of December 31, 2007			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 2,842,223	$ -	$ -	$ 2,842,223
Common stock	60,328	-	-	60,328
Participant loans	-	-	114,371	114,371
Total assets at fair value	$ 2,902,551	$ -	$ 114,371	3,016,922
Less: Participant loans				(114,371)
Total investments, excluding participant loans at fair value				$ 2,902,551

Level 3 Gains and Losses:

The following table sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 2008:

Balance, beginning of year	$ 114,371
Purchases, sales, issuances, repayments, and settlements, net	(42,921)
Balance, end of year	$ 71,450

Note 6: STABLE VALUE FUND

A stable value contract is an investment contract issued by an insurance company or bank that provides for the payment of a specified rate of interest to the fund and for the repayment of principal when the contract matures. These securities are "wrapped" by a synthetic investment contract issued by a bank or insurance company that insures that participant-initiated withdrawals from the stable value fund will be paid at book value. There is no immediate recognition of gains and losses on the pool of securities. Instead, the gain or loss is recognized over time by adjusting the interest rate credited to the fund under the synthetic wrap.

Stable value investment contracts carry a "benefit-responsiveness" feature that allows plan participants to make exchanges or request benefit payments at contract value. Only "fully benefit-responsive" investment contracts are eligible for contract value accounting treatment. "Fully benefit-responsive" is a term used within the stable value industry to describe a contract that satisfies the requirements for contract value accounting. Generally, the term "fully benefit-responsive" describes the contract's guarantee that the crediting rate provided under the contract will not fall below zero and participant-initiated withdrawals from the fund will be covered at contract value.

In the event that the Plan is terminated, there is a material adverse change to the provisions of the Plan, or the employer elects to withdraw from a contract in order to switch to a different investment provider, the amount withdrawn from the contract would be payable at fair value rather than at contract value. We are not aware of any circumstances that would limit the ability of the fund to transact at contract value.

The fair value of the investment contract at December 31, 2008 was $608,141. The average yield earned by the plan for the fully benefit-responsive stable value contract for the year ended 2008 was 4.28%. The average yield earned by the plan for the fully benefit-responsive stable value contract with an adjustment to reflect the actual interest rate credited to the participants in the plan for the year ended 2008 was 3.681%.

(Continued)

Note 6: STABLE VALUE FUND (Continued)

Reconciliation of adjustment of contract value to fair value - The increase in the adjustment from investments at fair value to contract value during the year ended December 31, 2008 is as follows:

Adjustment at December 31, 2007	$ -
Change in adjustment of fair value to contract value	33,230
Adjustment at December 31, 2008	$ 33,230

No changes in the adjustment of investments at fair value to contract value were the result of changes in the fully benefit-responsive status of the Fund's investment contracts.

Note 7: PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants will become 100 percent vested in their accounts.

Note 8: BENEFITS PAYABLE

At December 31, 2008, $42,191 was due to terminated employees.

Note 9: TAX STATUS

The Plan obtained its latest determination letter on September 26, 2001, 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 (IRC). The Plan has been amended since receiving the determination letter. However, the plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in accordance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 10: RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500:

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 at December 31, 2008:

Net assets available for benefits per the financial statements	$ 2,298,153
Adjustment to receivables due to third-party administrator's recognition of pay dates	13,679
Net assets available for benefits per the Form 5500	$ 2,311,832

Note 11: RISKS AND UNCERTAINTIES

Participants may invest 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.

SUPPLEMENTAL INFORMATION

PENCOM
401(K) PROFIT SHARING PLAN

SCHEDULE OF ASSETS HELD FOR INVESTMENT
AT END OF YEAR DECEMBER 31, 2008
EIN: 94-3252971
PLAN NO.: 001

Column A Parties In Interest (If any)	Column B Identity of Issue	Column C Description of Investment	Column D Cost	Column E Current Value
	Cash		$ -	$ 1,082
	Morley Capital	Stable Value Fund	-	608,141
	Russell Lifepoint Moderate	Mutual Fund	-	282,805
	Russell Lifepoint Balanced	Mutual Fund	-	199,687
	The Fusion Fund	Mutual Fund	-	166,317
*	Schwab S&P 500	Mutual Fund	-	132,329
	Russell Lifepoint Growth	Mutual Fund	-	100,061
	Eaton Vance Large Cap Value	Mutual Fund	-	86,131
	Artisan International	Mutual Fund	-	74,753
	Janus Balanced Fund	Mutual Fund	-	74,377
	Harbor International Investor Class	Mutual Fund	-	74,369
	Columbia Value & Restructuring	Mutual Fund	-	61,428
	Janus Growth & Income Fund	Mutual Fund	-	57,613
	Janus Research Fund	Mutual Fund	-	53,501
	Royce Value Plus Inv.	Mutual Fund	-	43,375
	Dreyfus Mid Cap Index	Mutual Fund	-	36,924
	JP Morgan US Real Estate CI A	Mutual Fund	-	25,992
	Pimco Total Return D	Mutual Fund	-	18,868
	Pioneer Strategic Income CI A	Mutual Fund	-	18,859
	WF Advantage Gov't Securities	Mutual Fund	-	17,712
	Blackrock US Opportunities Inv.	Mutual Fund	-	13,115
	Keeley Small Cap Value	Mutual Fund	-	10,887
	Loomis Sayles Bond I	Mutual Fund	-	9,675

(Continued)

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SCHEDULE OF ASSETS HELD FOR INVESTMENT
AT END OF YEAR DECEMBER 31, 2008
EIN: 94-3252971
PLAN NO.: 001

(Continued)

Column A Parties In Interest (If any)	Column B Identity of Issue	Column C Description of Investment	Column D Cost	Column E Current Value
	Plantronics, Inc.	Common Stock	-	7,656
	Ebay, Inc.	Common Stock	-	5,584
	Calvert Income Fund	Mutual Fund	-	4,748
*	Charles Schwab	Mutual Fund	-	4,734
	Ciena Corp new	Common Stock	-	952
	Russell Lifepoint Equity Growth	Mutual Fund	-	745
	Sun Microsystems	Common Stock	-	573
	Fuwei Films Holding Co.	Common Stock	-	384
	World Hockey Association	Common Stock	-	70
	Nortel Networks CP	Common Stock	-	26
	Totals		$ -	$ 2,193,473
*	Participant Loans	Collateralized by vested balance, interest rates ranging from 5.00% to 9.25%, monthly payments due through February, 2033	$ -	$ 71,450