

Fabrikam Works, Inc.
Balance Sheet—Comparative
As Of April 30, 2007

	<u>This Year</u>	<u>Last Year</u>
ASSETS		
Cash		
Cash - Checking	\$357,477	\$377,795
Money Market Accounts	129,423	46,518
Total Cash	<u>486,900</u>	<u>424,313</u>
Other Assets		
Net Trade A/R	233,907	160,764
Due from FWC	10,139	2,104
Inventories	1,649,803	738,660
Prepaid Other	2,123	3,462
Total Other Assets	<u>1,895,972</u>	<u>904,990</u>
Total Current Assets	2,382,872	1,329,303
Investment in FWC	495,893	375,915
Fixed Assets		
Furniture & Fixtures	160,300	141,800
Less Accumulated Depreciation	<u>(96,396)</u>	<u>(35,780)</u>
Net Fixed Assets	<u>63,904</u>	<u>106,020</u>
Total Assets	<u><u>\$2,942,669</u></u>	<u><u>\$1,811,238</u></u>
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts Payable	\$66,437	\$86,742
Other Accrued Liabilities	<u>324,664</u>	<u>108,689</u>
Total Current Liabilities	<u>391,101</u>	<u>195,431</u>
Long Term Liabilities		
Notes Payable	127,836	144,178
Leases Payable	<u>5,050</u>	<u>10,100</u>
Total Long Term Liabilities	<u>132,886</u>	<u>154,278</u>
Total Liabilities	523,987	349,709
Equity		
Retained Earnings	1,606,839	554,954
Common Stock	61,000	50,000
Add'l Paid-In Capital	519,269	500,269
Year to Date Income	<u>231,574</u>	<u>356,306</u>
Total Equity	2,418,682	1,461,529
Total Liabilities and Equity	<u><u>\$2,942,669</u></u>	<u><u>\$1,811,238</u></u>

Fabrikam Works, Inc.
Consolidating Balance Sheet
As Of April 30, 2007

	<u>USA</u>	<u>Canada</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
Cash				
Cash - Checking	\$357,477	\$43,852		\$401,330
Money Market Accounts	129,423	33,555		162,978
Total Cash	<u>486,900</u>	<u>77,407</u>		<u>564,307</u>
Other Assets				
Net Trade A/R	233,907	178,603		412,510
Due from FWC	10,139		10,139	
Inventories	1,649,803	342,786		1,992,589
Prepaid Other	2,123	1,618		3,741
Total Other Assets	<u>1,895,972</u>	<u>523,007</u>	<u>10,139</u>	<u>2,408,839</u>
Total Current Assets	2,382,872	600,414	10,139	2,973,147
Investment in FWC	495,893		495,893	
Fixed Assets				
Furniture & Fixtures	160,300	141,800		302,100
Less Accumulated Depreciation	(96,396)	(70,184)		(166,580)
Net Fixed Assets	<u>63,904</u>	<u>71,616</u>		<u>135,520</u>
Total Assets	<u><u>\$2,942,669</u></u>	<u><u>\$672,030</u></u>	<u><u>\$506,032</u></u>	<u><u>\$3,108,666</u></u>
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts Payable	\$66,437	\$72,070		\$138,507
Other Accrued Liabilities	324,664	11,459	10,139	325,984
Total Current Liabilities	<u>391,101</u>	<u>83,528</u>	<u>10,139</u>	<u>464,491</u>
Long Term Liabilities				
Notes Payable	127,836	89,274		217,110
Leases Payable	5,050	3,334		8,384
Total Long Term Liabilities	<u>132,886</u>	<u>92,608</u>		<u>225,494</u>
Total Liabilities	523,987	176,136	10,139	689,985
Equity				
Retained Earnings	1,606,839	213,200	213,200	1,606,839
Common Stock	61,000	45,000	45,000	61,000
Add'l Paid-In Capital	519,269	201,879	201,879	519,269
Treasury Stock		(4,000)	(4,000)	
Year to Date Income	231,574	39,814	39,814	231,574
Total Equity	2,418,682	495,893	495,893	2,418,682
Total Liabilities and Equity	<u><u>\$2,942,669</u></u>	<u><u>\$672,030</u></u>	<u><u>\$506,032</u></u>	<u><u>\$3,108,666</u></u>

Fabrikam Works, Inc.
Income Statement
For the Five Months Ending May 31, 2007

Denver and San Francisco Regions

	<u>May</u>	<u>%</u>	<u>YTD</u>	<u>%</u>
Revenue				
Sales	\$1,189,919	103.5%	\$4,614,016	104.7%
Sales Returns	5,471	0.5%	40,580	0.9%
Sales Discounts	34,910	3.0%	167,477	3.8%
Net Sales	1,149,539	100.0%	4,405,960	100.0%
Cost of Goods Sold	838,488	72.9%	3,104,834	70.5%
Gross Profit	311,050	27.1%	1,301,127	29.5%
Operating Expenses				
Salaries and Wages	93,736	63.3%	455,562	69.5%
Office Expense	4,820	3.3%	23,201	3.5%
Supplies Expense	30,657	20.7%	85,724	13.1%
Rent Expense	11,564	7.8%	55,904	8.5%
Travel Expense	7,346	5.0%	35,493	5.4%
Total Operating Expenses	148,123	100.0%	655,884	100.0%
Income From Operations	162,928	14.2%	645,242	14.6%
Income Before Income Taxes	162,928	14.2%	645,242	14.6%
Net Income	\$162,928	14.2%	\$645,242	14.6%

Fabrikam Works, Inc.
Income Statement—Budget Variance
For the Nine Months Ending September 30, 2007

Denver Region

	September			YTD		
	<u>Actual</u>	<u>Budget</u>	<u>Fav <Unfav></u>	<u>Actual</u>	<u>Budget</u>	<u>Fav <Unfav></u>
Revenue						
Sales	\$1,051,916	\$219,373	\$832,543	\$7,228,050	\$1,858,146	\$5,369,904
Sales Returns	6,303	3,936	(2,367)	49,889	33,342	(16,547)
Sales Discounts	21,006	13,121	(7,885)	166,262	111,137	(55,125)
Net Sales	1,024,607	202,316	822,291	7,011,899	1,713,667	5,298,232
Cost of Goods Sold	775,349	126,481	(648,868)	5,219,069	1,071,325	(4,147,744)
Gross Profit	249,258	75,835	173,423	1,792,830	642,342	1,150,488
Gross Profit %	24.33%	37.48%		25.57%	37.48%	
Operating Expenses						
Salaries and Wages	61,492	36,604	(24,889)	495,236	310,045	(185,191)
Depreciation Expense	3,213	2,161	(1,052)	25,592	18,433	(7,158)
Office Expense	2,834	1,530	(1,304)	22,440	12,960	(9,480)
Supplies Expense	35,683	6,606	(29,077)	191,688	50,107	(141,581)
Maintenance Expense	557	562	5	4,481	4,761	280
Rent Expense	6,640	4,780	(1,860)	52,809	40,488	(12,321)
Travel Expense	2,414	3,782	1,368	19,200	32,039	12,839
Advertising Expense	7,735	3,748	(3,987)	61,341	31,749	(29,592)
Commission Expense	12,891	14,286	1,395	102,232	121,009	18,777
Total Operating Expenses	133,459	74,060	(59,399)	975,019	621,590	(353,428)
Income From Operations	115,799	1,775	114,023	817,811	20,751	797,060
Income Before Income Taxes	115,799	1,775	114,023	817,811	20,751	797,060
Net Income	\$115,799	\$1,775	\$114,023	\$817,811	\$20,751	\$797,060

Fabrikam Works, Inc.
Income Statement Trend
As Of October 31, 2007

	January	February	March	April	May	June	July	August	September	October	YTD
Sales											
Gross Sales	\$547,058	\$556,272	\$1,156,045	\$1,167,722	\$1,190,726	\$1,285,985	\$1,240,975	\$1,247,180	\$1,371,898	\$1,413,055	\$11,176,916
Returns	(9,566)	(5,101)	(10,169)	(10,272)	(5,471)	(11,313)	(10,917)	(10,971)	(6,303)	(12,430)	(92,514)
Discounts	(31,885)	(32,554)	(33,893)	(34,235)	(34,910)	(37,702)	(36,383)	(36,565)	(40,221)	(41,428)	(359,775)
Net Sales	505,607	518,617	1,111,983	1,123,215	1,150,346	1,236,970	1,193,676	1,199,644	1,325,373	1,359,197	10,724,628
Cost of Goods Sold	311,722	318,268	814,066	822,289	838,488	905,567	873,872	878,242	966,066	995,048	7,723,629
Gross Profit	193,885	200,349	297,917	300,926	311,858	331,402	319,803	321,402	359,307	364,149	3,000,998
Compensation Expense	135,027	137,076	142,001	142,169	144,574	155,602	150,607	151,714	165,966	171,051	1,495,786
G & A Expense											
Depreciation	5,155	5,155	5,257	5,310	5,414	5,847	5,643	5,671	6,238	6,425	56,115
Office Expense	4,453	4,522	4,679	4,727	4,820	5,205	5,023	5,048	5,553	5,720	49,751
Supplies	3,024	11,730	21,445	21,662	31,376	23,856	23,021	23,136	36,150	26,213	221,613
Maintenance	1,237	1,230	1,245	1,258	1,282	1,385	1,337	1,343	1,478	1,522	13,316
Rent	10,846	10,927	11,227	11,340	11,564	12,489	12,052	12,112	13,323	13,723	119,602
Travel	6,876	6,936	7,132	7,204	7,346	7,933	7,656	7,694	8,463	8,717	75,957
Advertising	10,213	6,301	10,677	10,785	6,713	11,877	11,462	11,519	7,735	13,051	100,334
Other G&A											
Total G & A Expense	41,804	46,801	61,662	62,285	68,516	68,593	66,192	66,523	78,941	75,371	636,688
Interest Expense	999	989	998	1,008	1,028	1,110	1,072	1,077	1,185	1,220	10,687
Net Income Before Tax	16,055	15,483	93,255	95,464	97,740	106,097	101,933	102,088	113,216	116,506	857,837
Income Tax	6,910	7,012	7,251	7,324	7,469	8,066	7,784	7,823	8,605	8,863	77,107
Net Income After Tax	\$9,145	\$8,471	\$86,004	\$88,139	\$90,271	\$98,030	\$94,149	\$94,265	\$104,611	\$107,643	\$780,730

Fabrikam Works, Inc.
Full Year Forecast
As Of April 30, 2007

	Actual				Budget								Full Year Forecast
	January	February	March	April	May	June	July	August	September	October	November	December	
Sales													
Gross Sales	\$547,058	\$556,272	\$1,156,045	\$1,167,722	\$408,653	\$420,912	\$410,389	\$424,753	\$426,877	\$435,414	\$439,768	\$461,757	\$6,855,621
Returns	(9,566)	(5,101)	(10,169)	(10,272)	(7,215)	(7,432)	(7,246)	(7,499)	(7,537)	(7,688)	(7,764)	(8,153)	(95,642)
Discounts	(31,885)	(32,554)	(33,893)	(34,235)	(24,050)	(24,771)	(24,152)	(24,997)	(25,122)	(25,625)	(25,881)	(27,175)	(334,339)
Net Sales	505,607	518,617	1,111,983	1,123,215	377,388	388,710	378,992	392,257	394,218	402,102	406,123	426,429	6,425,640
Cost of Goods Sold	311,722	318,268	814,066	822,289	235,115	242,169	236,114	244,378	245,600	250,512	253,017	265,668	4,238,919
Gross Profit	193,885	200,349	297,917	300,926	142,273	146,541	142,877	147,878	148,618	151,590	153,106	160,761	2,186,720
Compensation Expense	135,027	137,076	142,001	142,169	95,243	98,100	95,647	98,995	99,490	101,480	102,495	107,619	1,355,340
G & A Expense													
Depreciation	5,155	5,155	5,257	5,310	2,069	3,964	3,865	4,000	2,161	4,101	2,226	4,349	47,611
Office Expense	4,453	4,522	4,679	4,727	3,267	3,365	3,281	3,396	3,413	3,481	3,516	3,691	45,789
Supplies	3,024	11,730	21,445	21,662	5,959	5,258	6,328	6,620	6,928	7,176	7,520	7,465	111,115
Maintenance	1,237	1,230	1,245	1,258	538	554	540	559	562	573	579	608	9,484
Rent	10,846	10,927	11,227	11,340	8,981	9,250	9,019	9,335	9,381	9,569	9,665	10,148	119,687
Travel	6,876	6,936	7,132	7,204	7,609	7,837	7,641	7,908	7,948	8,107	8,188	8,597	91,983
Advertising	10,213	6,301	10,677	10,785	6,876	7,083	6,906	7,147	7,183	7,327	7,400	7,770	95,668
Other G&A													
Total G & A Expense	41,804	46,801	61,662	62,285	35,298	37,311	37,580	38,965	37,576	40,333	39,093	42,628	521,337
Interest Income					105	108	105	109	109	112	113	118	879
Interest Expense	999	989	998	1,008	696	717	699	723	727	742	749	786	9,834
Net Income Before Tax	16,055	15,483	93,255	95,464	11,141	10,521	9,057	9,304	10,934	9,147	10,882	9,846	301,088
Income Tax	6,910	7,012	7,251	7,324	3,720	3,832	3,736	3,867	3,886	3,964	4,004	4,204	59,711
Net Income After Tax	\$9,145	\$8,471	\$86,004	\$88,139	\$7,421	\$6,689	\$5,320	\$5,437	\$7,048	\$5,183	\$6,878	\$5,642	\$241,377

Fabrikam Works, Inc.
Income Statement Comparisons
For the Three Months Ending March 31, 2007

March				
Actual	Budget	Budget Fav <Unfav>	Last Year	Last Year Incr <Decr>
\$1,155,284	\$290,550	\$864,734	\$965,520	\$189,765
10,169	5,129	(5,040)	7,719	2,450
33,893	17,098	(16,795)	25,727	8,166
1,111,222	268,323	842,899	932,074	179,148
814,066	167,165	(646,901)	678,277	135,789
297,156	101,158	195,998	253,797	43,359
92,644	46,425	(46,219)	74,698	17,946
4,679	2,521	(2,158)	3,749	930
20,747		(20,747)		20,747
11,227	6,387	(4,840)	9,608	1,619
7,132	5,412	(1,720)	8,142	(1,010)
136,429	60,745	(75,684)	96,197	40,232
160,727	40,413	120,314	157,600	3,127
160,727	40,413	120,314	157,600	3,127
\$160,727	\$40,413	\$120,314	\$157,600	\$3,127

Revenue

Sales
Sales Returns
Sales Discounts

Net Sales

Cost of Goods Sold

Gross Profit

Operating Expenses

Salaries and Wages
Office Expense
Supplies Expense
Rent Expense
Travel Expense

Total Operating Expenses

Income From Operations

Income Before Income Taxes

Net Income

YTD				
Actual	Budget	Budget Fav <Unfav>	Last Year	Last Year Incr <Decr>
\$2,257,158	\$852,198	\$1,404,961	\$2,921,074	(\$663,915)
24,836	15,045	(9,791)	22,633	2,203
98,332	50,151	(48,181)	75,437	22,895
2,133,990	787,002	1,346,988	2,823,004	(689,014)
1,444,056	490,305	(953,752)	2,015,147	(571,091)
689,934	296,698	393,236	807,857	(117,923)
269,512	136,170	(133,342)	217,689	51,823
13,654	7,555	(6,099)	11,041	2,613
34,111		(34,111)		34,111
33,000	18,729	(14,271)	28,172	4,828
20,944	15,874	(5,070)	23,873	(2,929)
371,221	178,329	(192,892)	280,775	90,446
318,713	118,369	200,344	527,082	(208,369)
318,713	118,369	200,344	527,082	(208,369)
\$318,713	\$118,369	\$200,344	\$527,082	(\$208,369)

Fabrikam Works, Inc.
Income Statement—Quarter To Date
For the Quarter Ending June 30, 2007

	<u>April</u>	<u>May</u>	<u>June</u>	<u>QTD</u>
Revenue				
Sales	\$1,167,722	\$1,190,726	\$1,285,985	\$3,644,433
Sales Returns	10,272	5,471	11,313	27,056
Sales Discounts	34,235	34,910	37,702	106,847
Net Sales	1,123,215	1,150,346	1,236,970	3,510,531
Cost of Goods Sold	822,289	838,488	905,567	2,566,345
Gross Profit	300,926	311,858	331,402	944,186
Operating Expenses				
Salaries and Wages	123,913	125,958	135,498	385,369
Depreciation Expense	5,310	5,414	5,847	16,571
Office Expense	4,727	4,820	5,205	14,752
Supplies Expense	21,662	31,376	23,856	76,894
Maintenance Expense	1,258	1,282	1,385	3,925
Rent Expense	11,340	11,564	12,489	35,393
Travel Expense	7,204	7,346	7,933	22,483
Advertising Expense	10,785	6,713	11,877	29,376
Commission Expense	18,256	18,615	20,105	56,976
Total Operating Expenses	204,454	213,089	224,195	641,739
Income From Operations	96,472	98,768	107,207	302,447
Interest Income(Expense)	(1,008)	(1,028)	(1,110)	(3,147)
Income Before Income Taxes	95,464	97,740	106,097	299,300
Income Tax Expense	7,324	7,469	8,066	22,859
Net Income	\$88,139	\$90,271	\$98,030	\$276,441

Fabrikam Works, Inc.
Statement of Cash Flows
For the Four Months Ending April 30, 2007

	<u>April</u>	<u>Year to Date</u>
Net Income from Operations	\$98,107	\$231,574
Add Back Non-Cash Expenses:		
Depreciation & Amortization	<u>5,310</u>	<u>20,876</u>
Net Cash Flow from Operations	<u>103,417</u>	<u>252,450</u>
Sources (Uses) of Cash:		
Accounts Receivable	(8,495)	(32,582)
Inventory	(84,135)	(167,799)
Prepaid Expenses	88	356
Other Assets	(9,968)	(39,814)
Accounts Payable	(12,538)	(31,206)
Accrued Liabilities	538	2,864
Other Liabilities	<u>(2,374)</u>	<u>(7,375)</u>
Total Sources (Uses) of Cash	<u>(116,885)</u>	<u>(275,556)</u>
Net Cash Flow from Operating Activities	<u>(13,468)</u>	<u>(23,106)</u>
Net Increase (Decrease) in Cash	(13,468)	(23,106)
Cash at Beginning of Period	<u>500,369</u>	<u>510,006</u>
Cash and Equivalents at End of Period	<u><u>\$486,900</u></u>	<u><u>\$486,900</u></u>

Fabrikam Works, Inc.
Gross Profit Per Unit
June 30, 2007

	<u>Denver</u>		<u>San Francisco</u>		<u>Combined</u>		
	<u>Retail</u>	<u>Wholesale</u>	<u>Retail</u>	<u>Wholesale</u>	<u>Retail</u>	<u>Wholesale</u>	<u>Total Sales</u>
CURRENT PERIOD ACTIVITY							
Sales	\$173,636	\$709,631	\$156,281	\$64,082	\$329,917	\$773,713	\$1,103,630
Cost of Goods Sold	144,555	582,239	130,896	47,877	275,451	630,116	905,567
Gross Profit	29,081	127,392	25,385	16,205	54,466	143,597	198,063
Total Units Sold	25,230	67,500	28,704	11,413	53,933	78,913	132,846
Gross Profit / Units Sold	\$1.15	\$1.89	\$0.88	\$1.42	\$1.01	\$1.82	\$1.49
YEAR TO DATE ACTIVITY							
Sales	\$948,749	\$2,760,149	\$863,342	\$348,740	\$1,812,091	\$3,108,889	\$4,920,981
Cost of Goods Sold	786,677	2,250,824	712,348	260,552	1,499,026	2,511,376	4,010,401
Gross Profit	162,072	509,325	150,994	88,188	313,066	597,514	910,580
Total Units Sold	147,715	330,470	167,959	67,294	315,674	397,764	713,437
Gross Profit / Units Sold	\$1.10	\$1.54	\$0.90	\$1.31	\$0.99	\$1.50	\$1.28

Fabrikam Works, Inc.
Variance Analysis
For the Seven Months Ending July 31, 2007

	July			YTD		
	Actual	Budget	Fav <Unfav>	Actual	Budget	Fav <Unfav>
Sorted by Monthly Variance in Ascending Order						
COGS	\$873,872	\$236,114	(\$637,758)	\$4,884,274	\$1,590,316	(\$3,293,957)
Salaries and Wages	97,624	65,573	(32,051)	653,884	441,664	(212,220)
Sales Discounts	36,383	24,152	(12,231)	241,562	162,670	(78,891)
Sales Returns	10,917	7,246	(3,671)	62,809	48,803	(14,006)
Rent Expense	12,052	9,019	(3,033)	80,444	60,748	(19,697)
Office Expense	5,023	3,281	(1,742)	33,429	22,098	(11,332)
Travel Expense	7,656	7,641	(15)	51,082	51,469	386
Sales	1,240,119	410,389	829,729	7,139,288	2,764,549	4,374,740
Sorted by YTD Absolute Variance in Descending Order						
Sales	1,240,119	410,389	829,729	7,139,288	2,764,549	4,374,740
COGS	873,872	236,114	(637,758)	4,884,274	1,590,316	(3,293,957)
Salaries and Wages	97,624	65,573	(32,051)	653,884	441,664	(212,220)
Sales Discounts	36,383	24,152	(12,231)	241,562	162,670	(78,891)
Rent Expense	12,052	9,019	(3,033)	80,444	60,748	(19,697)
Sales Returns	10,917	7,246	(3,671)	62,809	48,803	(14,006)
Office Expense	5,023	3,281	(1,742)	33,429	22,098	(11,332)
Travel Expense	7,656	7,641	(15)	51,082	51,469	386