Information Relied On - Comparative Income Statement

Company: Peak Strategy

Income Statement months ended	**12** **30-Nov** **2008**	**12** **30-Nov** **2009**	**6** **30-Nov** **2010**	**5** **30-Nov** **Industry Avg.**	**2009**
Sales	$3,000,000	$3,500,000	$3,800,000	$3,700,000	
Sales returns and allowances	$25,000	$100,000	$50,000	$50,000	
Discounts	$10,000	$15,000	$17,000	$20,000	
Net sales	$2,965,000	$3,385,000	$3,733,000	$3,630,000	
Cost of Goods Sold	$1,000,000	$1,200,000	$1,500,000	$1,350,000	
Freight Out	$12,000	$14,000	$15,000	$135,000	
Gross Profit	$1,953,000	$2,171,000	$2,218,000	$2,145,000	
Advertising and Promotion	$75,000	$75,000	$75,000	$62,000	
Research and Development	$5,000	$2,300	$4,000	$4,000	
Repairs and Maintenance	$16,000	$16,000	$13,000	$14,000	
Wages and Benefits	$800,000	$750,000	$923,000	$699,000	
Training	$13,000	$8,500	$5,000	$7,800	
Bad Debt Expense	$2,000	$1,300	$1,500	$1,200	
Interest on Current Debt	$2,300	$1,200	$500	$1,500	
Other Variable Costs	$1,000	$1,300	$1,400	$1,300	
Total Variable Costs	$914,300	$855,600	$1,023,400	$790,800	
Utilities	$2,300	$2,400	$2,500	$2,400	
Phone	$1,600	$1,600	$1,700	$1,550	
Office Repairs and Supplies	$1,300	$1,200	$1,500	$1,600	
Audit	$3,000	$3,000	$3,200	$3,000	
Legal	$5,000	$5,000	$5,000	$5,000	
Rent	$24,000	$24,000	$24,000	$24,000	
Interest on Long Term Debt	$120,000	$138,000	$142,000	$138,000	
Other Fixed Costs	$2,500	$3,000	$3,000	$2,800	
Salaries & Benefits	$350,000	$375,000	$400,000	$325,000	
Depreciation	$2,500	$2,500	$1,600	$1,800	
Total Fixed Costs	$512,200	$555,700	$584,500	$505,150	
Operating and Admin Costs	$1,426,500	$1,411,300	$1,607,900	$1,295,950	
Net Operating Income	$526,500	$759,700	$610,100	$849,050	
Extraordinary Income	$3,200	$2,000	$2,500	$2,500	
Net Income Before Taxes	$529,700	$761,700	$612,600	$851,550	
Taxes	$102,000	$110,000	$125,000	$132,000	
Net Income	$427,700	$651,700	$487,600	$719,550	
Dividends Paid	$0	$0	$0	$0	
Retained Income	$427,700	$651,700	$487,600	$719,550	

Information Relied On - Comparative Balance Sheet

Company: Peak Strategy

Balance Sheet	**months ended**	**12 30-Nov 2008**	**12 30-Nov 2009**	**6 30-Nov 2010**	**5 30-Nov Industry Avg.**	**2009**
Cash		$125,000	$110,000	$157,000	$133,000	
Marketable Securities		$25,000	$32,000	$24,000	$21,000	
Accounts Receivable		$150,000	$165,000	$230,000	$189,000	
Inventory		$390,000	$497,000	$625,000	$580,000	
Prepaid Expenses		$2,300	$1,500	$1,900	$2,300	
Total Current Assets		**$692,300**	**$805,500**	**$1,037,900**	**$925,300**	
Land		$25,000	$30,000	$35,000	$27,000	
Building		$25,000	$34,000	$27,000	$38,000	
Equipment		$23,000	$17,000	$34,000	$24,000	
Furniture and Fixtures		$43,000	$42,000	$39,000	$32,000	
Vehicles		$3,900	$4,100	$5,200	$4,400	
Intellectual Properties		$2,300	$2,800	$2,800	$2,700	
		$122,200	**$129,900**	**$143,000**	**$128,100**	
Depreciation - Building		$4,300	$4,100	$4,000	$3,900	
Depreciation - Equipment		$2,300	$1,900	$2,300	$1,200	
Depreciation - Furniture and Fixtures		$3,400	$3,600	$3,600	$3,500	
Depreciation - Vehicles		$700	$650	$590	$600	
Amortization - Intellectual Properties		$26	$28	$29	$32	
Total depreciation and Amortization		**$10,726**	**$10,278**	**$10,519**	**$9,232**	
Net Fixed Assets		**$111,474**	**$119,622**	**$132,481**	**$118,868**	
Total Assets		**$803,774**	**$925,122**	**$1,170,381**	**$1,044,168**	
Overdraft		$150	$200	$300	$350	
Trade Accounts Payable		$3,500	$3,700	$3,900	$2,790	
Other Current Payables		$102,000	$115,000	$132,000	$116,000	
Current Portion of Long Term Liabilities		$450,000	$1,000,000	$260,000	$278,000	
Current Liabilities		**$105,750**	**$1,118,900**	**$396,200**	**$397,140**	
Loans		$23,000	$22,000	$20,000	$15,000	
Mortgages		$3,400	$3,500	$3,800	$2,900	
Long Term liabilities		**$26,400**	**$25,500**	**$23,800**	**$17,900**	
Unearned Income		$45,000	$42,000	$33,000	$27,000	
Common Shares		$1,000,000	$1,200,000	$1,100,000	$1,500,000	
Retained Earnings		$230,000	$265,000	$423,000	$333,000	
Total Liabilities and Equity		**$1,407,150**	**$2,651,400**	**$1,976,000**	**$2,275,040**	

Information Relied On - Other Comparisons

Company: Peak Strategy

months ended	12 30-Nov 2008	12 30-Nov 2009	6 30-Nov 2010	5 30-Nov 2009 Industry Avg.
Investment Income	$15,000	$11,000	$2,300	$7,500
Assets Purchased	$45,000	$37,000	$24,000	$15,000
Marketable Assets Purchased	$23,000	$25,000	$14,000	$12,000
Cash From Securities Issued	$32,000	$45,000	$54,000	$37,000
Cash From Increased Long term Debt	$5,000	$7,000	$9,000	$8,500
Cash Paid For Acquisitions	$333,000	$0	$125,000	$54,000
Bad Debts	$2,300	$2,800	$3,000	$4,200
Interest Rate	7.00%	7.00%	7.00%	7.50%
Annual Credit Sales	$1,999,000	$2,500,000	$3,000,000	$2,800,000
Number of Shares Outstanding	1,250	1,400	1,500	1,300
Share Market Price	$0.000	$0.000	$0.000	$0.000
Employees (man-years)	10	12	12	11
Cash Flow From Operations	$200,000	$450,000	$495,000	$432,000
Cash Flow From Investing	$15,000	$11,000	$2,300	$7,500
Cash Flow From Financing	$5,000	$7,000	$9,000	$6,500

Percent Comparisons - Income Statement **Percent of Net Sales**

Company: Peak Strategy

Income Statement months ended	**12** **30-Nov** **2004**	**12** **30-Nov** **2000**	**6** **30-Nov** **1999**	**5** **30-Nov** **Ind. Std.**	**2009**
Sales	101.2%	103.4%	101.8%	101.9%	
Sales returns and allowances	0.8%	3.0%	1.3%	1.4%	
Discounts	0.3%	0.4%	0.5%	0.6%	
Net sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	
Cost of Goods Sold	33.7%	35.5%	40.2%	37.2%	
Freight Out	0.4%	0.4%	0.4%	3.7%	
Gross Profit	**65.9%**	**64.1%**	**59.4%**	**59.1%**	
Advertising and Promotion	2.5%	2.2%	2.0%	1.7%	
Research and Development	0.2%	0.1%	0.1%	0.1%	
Repairs and Maintenance	0.5%	0.5%	0.3%	0.4%	
Wages and Benefits	27.0%	22.2%	24.7%	19.3%	
Training	0.4%	0.3%	0.1%	0.2%	
Bad Debt Expense	0.1%	0.0%	0.0%	0.0%	
Interest on Current Debt	0.1%	0.0%	0.0%	0.0%	
Other Variable Costs	0.0%	0.0%	0.0%	0.0%	
Total Variable Costs	**30.8%**	**25.3%**	**27.4%**	**21.8%**	
Utilities	0.1%	0.1%	0.1%	0.1%	
Phone	0.1%	0.0%	0.0%	0.0%	
Office Repairs and Supplies	0.0%	0.0%	0.0%	0.0%	
Audit	0.1%	0.1%	0.1%	0.1%	
Legal	0.2%	0.1%	0.1%	0.1%	
Rent	0.8%	0.7%	0.6%	0.7%	
Interest on Long Term Debt	4.0%	4.1%	3.8%	3.8%	
Other Fixed Costs	0.1%	0.1%	0.1%	0.1%	
Salaries & Benefits	11.8%	11.1%	10.7%	9.0%	
Depreciation	0.1%	0.1%	0.0%	0.0%	
Total Fixed Costs	**17.3%**	**16.4%**	**15.7%**	**13.9%**	
Operating and Admin Costs	48.1%	41.7%	43.1%	35.7%	
Net Operating Income	**17.8%**	**22.4%**	**16.3%**	**23.4%**	
Extraordinary Income	0.0%	0.0%	0.0%	0.0%	
Net Income Before Taxes	**0.1%**	**0.1%**	**0.1%**	**0.1%**	
Taxes	0.0%	0.0%	0.0%	0.0%	
Net Income	**17.9%**	**22.5%**	**16.4%**	**23.5%**	
Dividends Paid	0.0%	0.0%	0.0%	0.0%	
Retained Income	**3.4%**	**3.2%**	**3.3%**	**3.6%**	

Percent Comparisons - Balance Sheet — **Percent of Total Assets**

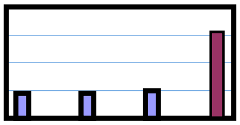
Company: Peak Strategy

Balance Sheet months ended	**12** **30-Nov** **2008**	**12** **30-Nov** **2009**	**6** **30-Nov** **2010**	**5** **30-Nov 2009** **Industry Avg.**
Cash	15.6%	11.9%	13.4%	12.7%
Marketable Securities	3.1%	3.5%	2.1%	2.0%
Accounts Receivable	18.7%	17.8%	19.7%	18.1%
Inventory	48.5%	53.7%	53.4%	55.5%
Prepaid Expenses	0.3%	0.2%	0.2%	0.2%
Total Current Assets	**86.1%**	**87.1%**	**88.7%**	**88.6%**
Land	3.1%	3.2%	3.0%	2.6%
Building	3.1%	3.7%	2.3%	3.6%
Equipment	2.9%	1.8%	2.9%	2.3%
Furniture and Fixtures	5.3%	4.5%	3.3%	3.1%
Vehicles	0.5%	0.4%	0.4%	0.4%
Intellectual Properties	0.3%	0.3%	0.2%	0.3%
Total Fixed Assets	**15.2%**	**14.0%**	**12.2%**	**12.3%**
Depreciation - Building	0.0%	0.0%	0.0%	0.0%
Depreciation - Equipment	0.5%	0.4%	0.3%	0.4%
Depreciation - Furniture and Fixtures	0.3%	0.2%	0.2%	0.1%
Depreciation - Vehicles	0.4%	0.4%	0.3%	0.3%
Amortization - Intellectual Properties	0.1%	0.1%	0.1%	0.1%
Total depreciation and Amortization	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Net Fixed Assets	**1.3%**	**1.1%**	**0.9%**	**0.9%**
Total Assets	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Overdraft	0.0%	0.0%	0.0%	0.0%
Trade Accounts Payable	0.0%	0.0%	0.0%	0.0%
Other Current Payables	0.4%	0.4%	0.3%	0.3%
Current Portion of Long Term Liabilities	12.7%	12.4%	11.3%	11.1%
Current Liabilities	**56.0%**	**108.1%**	**22.2%**	**26.6%**
Loans	13.2%	120.9%	33.9%	38.0%
Mortgages	2.9%	2.4%	1.7%	1.4%
Long Term liabilities	**0.4%**	**0.4%**	**0.3%**	**0.3%**
Unearned Income	3.3%	2.8%	2.0%	1.7%
Common Shares	5.6%	4.5%	2.8%	2.6%
Retained Earnings	124.4%	129.7%	94.0%	143.7%
Total Liabilities and Equity	**28.6%**	**28.6%**	**36.1%**	**31.9%**

Cash Flow

Cash Flow from Operations to Current Portion of LTD

cash flow from operations / current portion of long term debt



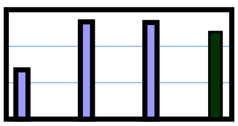
2008	2009	2010	Industry Avg.
44.4%	45.0%	49.5%	155.4%

indicates ability to retire debt as currently structured

a ratio of less than 1:1 (100%) indicates that debt is structured to be repaid quicker than company has the ability to.

Cash Flow From Sales to Total Sales

cash flow from operations - dividends / total sales



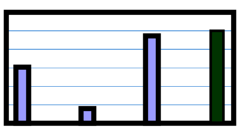
2008	2009	2010	Industry Avg.
6.75%	13.29%	13.26%	11.90%

indicates the degree to which sales generate cash retained by the business

a positive ratio means that sales are generating cash flow

Cash Debt Coverage

cash flow from operations - dividends / total debt



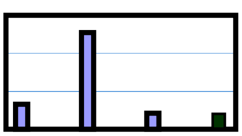
2008	2009	2010	Industry Avg.
151.34%	39.32%	235.71%	249.81%

shows the percent of debt that current cash flow can retire

a ratio of 1:1 (100%) or greater shows that the company can repay all debt within one year

Years Debt

1 / cash debt coverage

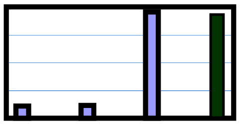


2008	2009	2010	Industry Avg.
0.7	2.5	0.4	0.4

indicates the number of years that cash flows at the current rate will be needed to repay all debt

Cash Maturity Coverage

cash flow from operations - dividends
current portion of long term maturities



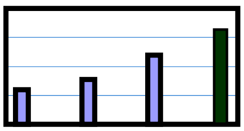
2008	2009	2010	Industry Avg.
44.4%	45.0%	380.8%	372.9%

indicates ability to repay long term debt as they mature

indicates whether long term debt maturities are in line with operating cash flow

Sales to Cash

sales
cash



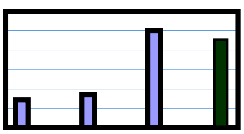
2008	2009	2010	Industry Avg.
23.7 times	30.8 times	47.6 times	65.5 times

indicates the number of times that cash turns over per year

a high turnover rate points to cash inadequacy and may lead to financial problems if further financing is not available at reasonable rates

Cash from Operations to Total Debt and Equity

cash flow from operations
total liabilities and equity



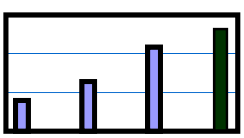
2008	2009	2010	Industry Avg.
0.1 times	0.2 times	0.5 times	0.5 times

indicates the internal generation of cash available to creditors and investors

indicates the rate of return after interest payments

Cash Return on Assets (excluding interest)

cash flows from operations before interest and taxes
total assets



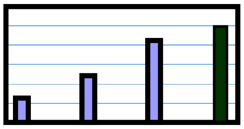
2008	2009	2010	Industry Avg.
40.1%	63.7%	108.9%	131.4%

a higher ratio indicates a greater cash return

this ratio contains no provision for replacing assets or future commitments

Cash Return on Assets (including interest)

cash flow from operations / total assets

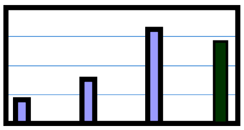


2008	2009	2010	Industry Avg.
24.9%	48.6%	84.6%	99.3%

indicates internal generation of cash available to creditors and investors

Cash Return to Shareholders

cash flow from operations / shareholders equity

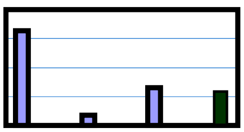


2008	2009	2010	Industry Avg.
16.26%	30.72%	65.00%	56.56%

indicates a return earned by shareholders

Current Ratio

current assets / current liabilities



2008	2009	2010	Industry Avg.
654.7%	72.0%	262.0%	233.0%

used to determine whether surplus funds are excessive and non-productive or deficient

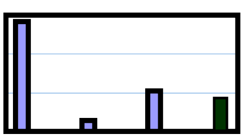
used to determine the margin of safety for possible losses in current assets due to inventory shrinkage, collections problems, etc.

the minimum acceptable current ratio is 1:1 (100%)

the generally acceptable current ratio is 2:1 (200%)

Quick Ratio

cash + marketable securities + accounts receivable / current liabilities



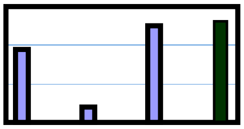
2008	2009	2010	Industry Avg.
283.7%	27.4%	103.7%	86.4%

used to determine the adequacy of cash of near cash assets to pay current liabilities

a 1:1 (100%) ratio is considered satisfactory unless the majority of quick assets are in accounts receivable and the Collection Period to Payment Period (see page 12) is above 100%

Operations Cash Flow to Current Liabilities

cash flow from operations / current liabilities



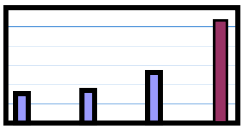
2008	2009	2010	Industry Avg.
189.1%	40.2%	249.9%	261.1%

if the ratio keeps increasing, it can indicate that cash inflows are increasing and need to be invested

cash from investments and financing need to be taken into account

Bad Debt Ratio

bad debts / accounts receivable



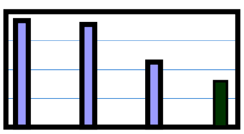
2008	2009	2010	Industry Avg.
1.5%	1.7%	2.6%	5.3%

overall measure of the possibility of incurring bad debts

the higher the ratio, the greater the cost of extending credit

Average Collection Period

accounts receivable x 365 days / sales



2008	2009	2010	Industry Avg.
18.5 days	17.8 days	11.2 days	7.9 days

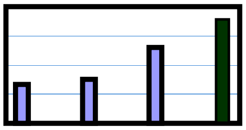
a higher ratio shows higher costs in extending credit to customers

ratio must be compared to customers to see whether credit given, and customer risk, is in line with the industry

Accounts Payable or Accounts Receivable

Accounts Receivable Turnover

$$\frac{\text{annual credit sales}}{\text{average accounts receivable}}$$



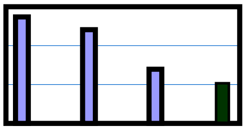
2008	2009	2010	Industry Avg.
13.3 times	15.2 times	26.1 times	35.6 times

a high turnover indicates a tight credit policy

a low or declining rate indicates a collection problem, part of which may be due to bad debts

Collection Period

$$\frac{\text{365 days}}{\text{accounts receivable turnover}}$$



2008	2009	2010	Industry Avg.
27.4 days	24.1 days	14.0 days	10.3 days

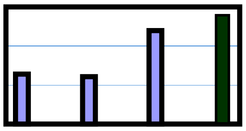
a short collection period may indicate a tight collection policy

individual accounts should be examined to determine whether tighter credit is required for marginal or slow paying customers

Inventory

Inventory Turnover

cost of goods sold / average inventory



2008	2009	2010	Industry Avg.
256.4%	241.4%	480.0%	558.6%

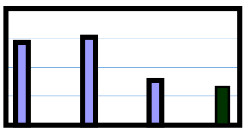
measures the number of times a company sells its inventory during the year

should be done by inventory categories or individual product

a high turnover indicates that the product is selling well

Number of Days Inventory

365 days / inventory turnover



2008	2009	2010	Industry Avg.
142.4 days	151.2 days	76.0 days	65.3 days

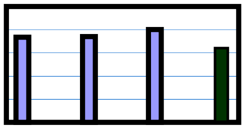
a low turnover indicates a lack of demand for the product

a high turnover may indicate that the company is not keeping enough stock on hand to meet demands

Profit and Contribution Margin

Cash Breakeven Point

fixed costs - depreciation
contribution margin per unit

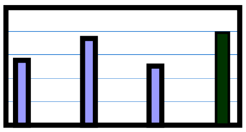


2008	2009	2010	Industry Avg.
$736,949	$740,327	$803,058	$643,548

minimum amount of sales required to contribute a positive cash flow

EBIT to Sales Ratio

earnings - interest - taxes
sales



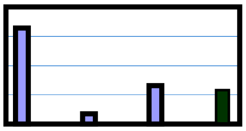
2008	2009	2010	Industry Avg.
13.7%	18.4%	12.6%	19.6%

determines whether the fixed cost is too high for the production volume

Financial Statements

Current Ratio

current assets / current liabilities



2008	2009	2010	Industry Avg.
654.7%	72.0%	262.0%	233.0%

used to evaluate liquidity (ability to meet short term debts)

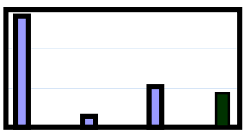
high ratios are needed when a company has difficulty borrowing on short notice

generally acceptable ratio is 2:1 (200%)

minimum acceptable ratio is 1:1 (100%)

Quick Ratio

cash + marketable securities + accounts receivable / current liabilities



2008	2009	2010	Industry Avg.
283.7%	27.4%	103.7%	86.4%

used to evaluate liquidity

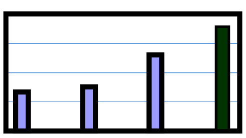
higher ratios are needed when a company has difficulty borrowing on short term notice

a ratio of 1:1 (100%) is satisfactory unless the majority of "quick assets" are in accounts receivable and the pattern of accounts receivable collection lags behind the schedule for paying current liabilities

a ratio of over 1:1 (100%) indicates that if all sales revenue disappeared, the business could meet its current obligations with the readily convertible "quick" funds on hand

Accounts Receivable Turnover

credit sales / average accounts receivable



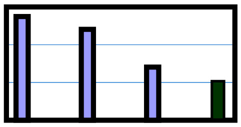
2008	2009	2010	Industry Avg.
13.3 times	15.2 times	26.1 times	35.6 times

gives the number of times receivables are collected during the year

a higher turnover means the company is collecting quickly from customers

Collection Period

$$\frac{\text{365 days}}{\text{accounts receivable turnover}}$$



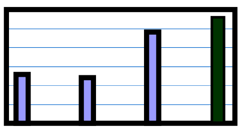
2008	2009	2010	Industry Avg.
27.4 days	24.1 days	14.0 days	10.3 days

indicates how long it takes to collect from customers

a long collection period indicates a danger that some customer balances may not be collectable

Inventory Turnover

$$\frac{\text{cost of goods sold}}{\text{average inventory}}$$



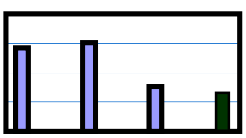
2008	2009	2010	Industry Avg.
2.6 times	2.4 times	4.8 times	5.6 times

reveals how many times average inventory is sold during the year

a decline indicates a buildup of inventory, overestimated sales, a lack of balance in inventories or deficiencies in the product or marketing effort

Age of Inventory

$$\frac{\text{365 days}}{\text{inventory turnover}}$$



2008	2009	2010	Industry Avg.
142.4 days	151.2 days	76.0 days	65.3 days

the number of days that inventory is held prior to its sale

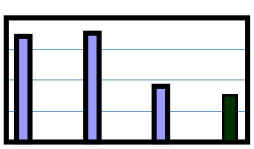
an increasing holding period indicates a risk of the company's inability to sell its product

an increasing holding period may indicate product obsolescence

a decreasing holding period may represent under-investment in inventory

Operating Cycle

age of inventory + collection period



2008	2009	2010	Industry Avg.
169.7 days	175.3 days	90.0 days	75.6 days

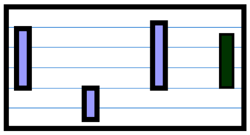
the number of days from cash to inventory to accounts receivable to cash

reveals how long cash is tied up in receivables and inventory

a long operating cycle means cash is less available to meet short term obligations

Working Capital

current assets - current liabilities



2008	2009	2010	Industry Avg.
$586,550	-$313,400	$641,700	$528,160

the liquid reserve available to satisfy contingencies and uncertainties

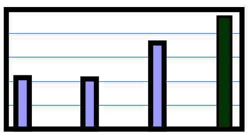
a high working capital balance is mandated if the business is unable to borrow on short notice

banks look at working capital over time to determine a company's ability to weather financial crises

loans are often tied to minimum working capital requirements

Sales to Current Assets

sales
current assets

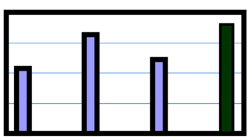


2008	2009	2010	Industry Avg.
428.3%	420.2%	719.3%	941.5%

a high turnover rate indicates deficient working capital (current liabilities may be due and payable
inventory and receivables are converted into cash)

Working Capital Provided by Net Income

net income - depreciation

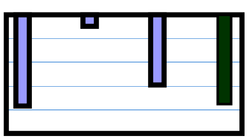


2008	2009	2010	Industry Avg.
$430,200	$654,200	$489,200	$721,350

a company's liquidity position is improved when net profits result in liquid funds

Working Capital from Operations to Total Liabilities

working capital provided from operations
total liabilities

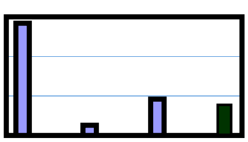


2008	2009	2010	Industry Avg.
-76.7%	-9.66%	-59.10%	-75.93%

degree by which internally generated working capital cash flow is available to satisfy obligations

Cash and Marketable Securities to Current Liabilities

cash + marketable securities
current liabilities

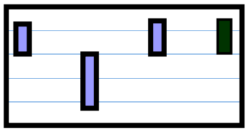


2008	2009	2010	Industry Avg.
141.8%	12.7%	45.7%	38.8%

immediate amount of cash available to satisfy short term debt

Cash and Marketable Securities to Working Capital

cash + marketable securities
working capital

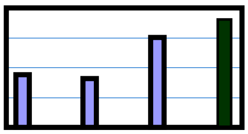


2008	2009	2010	Industry Avg.
25.6%	-45.3%	28.2%	29.2%

shows protection to short term creditors in meeting debt shortly coming due

Expenses to Current Assets

cost of sales + operating expenses + taxes
average current assets

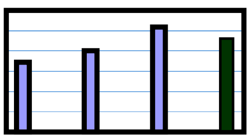


2008	2009	2010	Industry Avg.
352.2%	325.9%	601.8%	721.3%

shows adequacy of current assets to satisfy ongoing business related expenses

Quick Assets

cash + marketable securities + accounts receivable

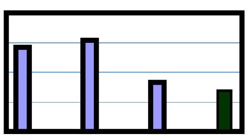


2008	2009	2010	Industry Avg.
$690,000	$804,000	$1,036,000	$923,000

The amount of assets that can quickly be converted to cash

Days of Liquidity

quick assets x 365 days
year's cash expenses

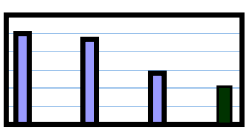


2008	2009	2010	Industry Avg.
0.3 days	0.3 days	0.2 days	0.1 days

indicates the number of days of total operating expenses that highly liquid assets could support

Defensive Interval Period

cash +marketable securities + accounts receivable
average daily purchases



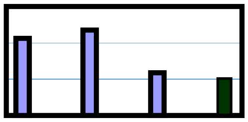
2008	2009	2010	Industry Avg.
24.9	23.3	14.0 days	10.3 days

indicates how long the business can operate on its liquid assets without needing next period's revenues

reveals corporate near-term liquidity as a basis to meet expenses

Liquidity Index

(A/R x collection period) + (inventory x cycle period)
cash + accounts receivable + inventory

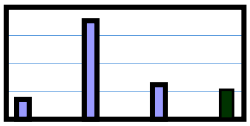


2008	2009	2010	Industry Avg.
105.7 days	118.0 days	58.8 days	50.8 days

indicates the number of days during which assets are removed from cash

Financial Leverage (Debt to Equity)

liabilities
equity



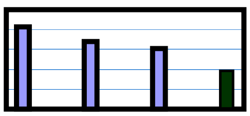
2008	2009	2010	Industry Avg.
14.2%	70.4%	24.8%	21.0%

indicates the extent to which the business relies on debt financing

a high ratio indicates possible difficulty in paying interest and principal while obtaining more funding

Long Term Debt to Shareholders Equity

long term debt
shareholders equity

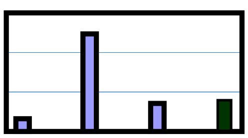


2008	2009	2010	Industry Avg.
2.1%	1.7%	1.5%	1.0%

a high ratio is unfavorable because it indicates possible difficulty in long term obligations

Debt Ratio

liabilities
assets



2008	2009	2010	Industry Avg.
16.4%	123.7%	35.9%	39.7%

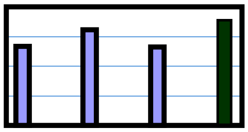
also known as Leverage Ratio

indicates amount of reliance on debt

a high ratio is unfavorable because it indicates that the company is already overburdened with debt

Times Interest Earned

net income - interest - taxes
interest



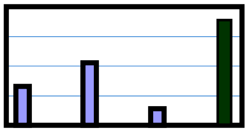
2008	2009	2010	Industry Avg.
533.1%	647.2%	529.9%	710.4%

reflects the number of times interest expense is covered

reveals the magnitude of the decline in income that a firm can absorb and still meet its interest payment obligations

Operations Cash Flow Plus Interest to Interest

operations cash flow + interest
interest



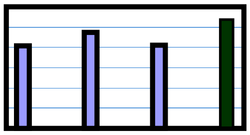
2008	2009	2010	Industry Avg.
263.53%	423.28%	113.05%	709.93%

indicates the cash actually available to the business to meet interest charges

a ratio of less than 1:1 (100%) indicates insufficient cash flow to meet interest payments

Fixed Charge Coverage

NBIT + interest + fixed costs
fixed costs



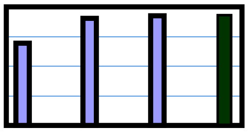
2008	2009	2010	Industry Avg.
203.4%	237.1%	204.8%	268.6%

indicates the risk involved when business activity falls and ability to pay fixed costs

indicates the ability to pay fixed costs when business activity falls

Operations Cash Flow Plus Fixed Charges to Fixed Charges

operations cash flow + fixed charges
fixed charges

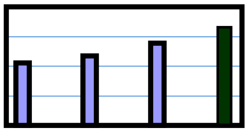


2008	2009	2010	Industry Avg.
139.05%	180.98%	184.69%	185.52%

indicates the available cash to pay fixed charges

a ratio of less than 1:1 (100%) indicates insufficient cash flow to pay fixed charges

Non-Current Assets to Non-Current Liabilities



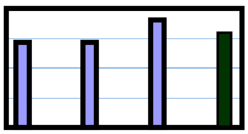
$$\frac{\text{non-current assets}}{\text{non-current liabilities}}$$

2008	2009	2010	Industry Avg.
422.3%	469.1%	556.6%	664.1%

indicates protection for long term creditors

a lower ratio means fewer assets are available to meet long term debt

Retained Earnings to Total Assets



$$\frac{\text{retained earnings}}{\text{total assets}}$$

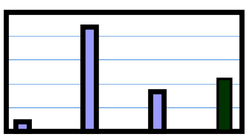
2008	2009	2010	Industry Avg.
28.6%	28.6%	36.1%	31.9%

indicates the extent to which assets have been paid for by company profits

a ratio near 100% indicates that growth has been financed through profits, not increased debt

a low ratio indicates that growth may not be sustainable as it is financed from increased debt, instead of profits

Short Term Debt to Long Term Debt



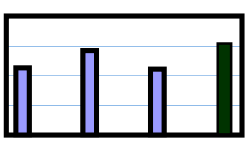
$$\frac{\text{accounts payable + current portion of long term debt}}{\text{long term debt - current portion of long term debt}}$$

2008	2009	2010	Industry Avg.
400.0%	4387.1%	1663.4%	2216.7%

indicates liquidity

a higher ratio means less liquidity

Times Interest Earned



$$\frac{\text{net income + interest}}{\text{interest}}$$

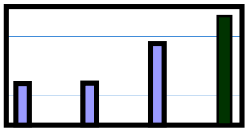
2008	2009	2010	Industry Avg.
449.7%	568.2%	442.2%	615.8%

indicates earnings available to meet interest payments

a lower ratio means less earnings are available to meet interest payments and vulnerability to increases in interest rates

Sales to Accounts Payable

$\frac{\text{sales}}{\text{accounts payable}}$

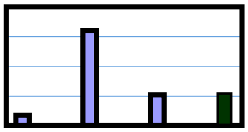


2008	2009	2010	Industry Avg.
2810.4%	2851.7%	5493.7%	7334.0%

a high ratio indicates the inability to obtain short-term credit in the form of cost-free funds to finance sales growth

Current Liabilities to Sales

$\frac{\text{current liabilities}}{\text{sales}}$

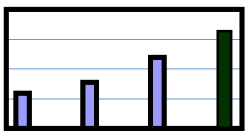


2008	2009	2010	Industry Avg.
3.5%	32.0%	10.4%	10.7%

indicates whether short term debt is being stretched to support sales growth

Sales to Cash Ratio

$\frac{\text{sales}}{\text{cash}}$



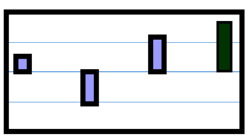
2008	2009	2010	Industry Avg.
2372.0%	3077.3%	4755.4%	6550.4%

a high turnover may indicate a cash shortage

a low turnover may reflect the holding of idle and unnecessary cash balances

Sales to Working Capital

$\frac{\text{sales}}{\text{working capital}}$

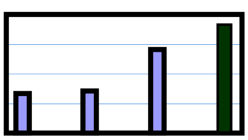


2008	2009	2010	Industry Avg.
5.05	-10.80	11.63	16.49500151

a high ratio may indicate inadequate working capital, which reflects negatively on liquidity

Sales to Fixed Assets

$\frac{\text{sales}}{\text{fixed assets}}$



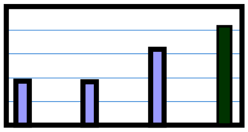
2008	2009	2010	Industry Avg.
2659.8%	2829.7%	5635.5%	7329.1%

a low ratio means inefficient utilization or obsolescence of fixed assets

there may be excess capacity and interruptions in the supply of raw materials

Sales to Total Assets

sales / total assets

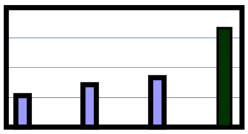


2008	2009	2010	Industry Avg.
368.9%	365.9%	637.9%	834.3%

a low ratio indicates that the total assets of the business are not providing adequate revenue

Return on Assets

net profit before taxes / total assets



2008	2009	2010	Industry Avg.
53.2%	70.4%	83.3%	165.4%

provides a standard for evaluating how efficiently financial management employs the average dollar invested in the firm's assets, whether that dollar came from investors or creditors

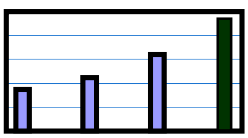
a low return indicates the earnings is deficient for the amount of assets

measures how efficiently profits are being generated from the assets employed

a low ratio in comparison to industry averages indicates an inefficient use of business assets

Return on Investment

net profit before taxes / stockholders equity

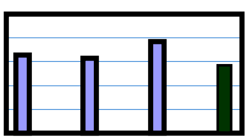


2008	2009	2010	Industry Avg.
34.8%	44.5%	64.0%	94.2%

provides standard return on investors' investment

Equity Multiplier

total assets / shareholders equity



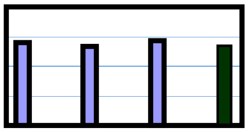
2008	2009	2010	Industry Avg.
65.3%	63.1%	76.8%	57.0%

discloses the amount of investment leverage

Labor

Labor Costs to Total Costs

salaries, wages and benefits / total costs

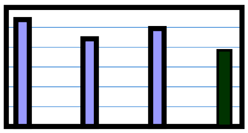


2008	2009	2010	Industry Avg.
56.1%	53.1%	57.4%	53.9%

measures extent to which labor is a cost factor

Labor Costs to Sales

salaries, wages and benefits / sales

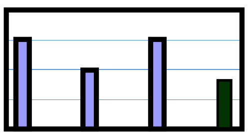


2008	2009	2010	Industry Avg.
27.0%	22.2%	24.7%	19.3%

indicates the extent to which labor costs must be absorbed into sales prices

Labor Costs to Net Income

salaries, wages and benefits / net income



2008	2009	2010	Industry Avg.
151.0%	98.5%	150.7%	82.1%

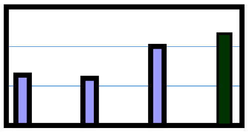
measures the extent to which the number of employees or the average wage and benefit per employee affects net income

measures the extent to which a reduction in unproductive labor (as a percent of total labor costs) may increase net income

Leverage/Stability

Fixed Costs to Total Assets

fixed costs / total assets

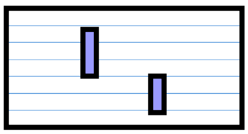


2008	2009	2010	Industry Avg.
63.7%	60.1%	99.9%	116.1%

an increase may indicate higher fixed charges, possibly resulting in greater instability in operations and earnings

Percentage Change in Operating Income vs. Sales Volume

% change in operating income / % change in sales volume

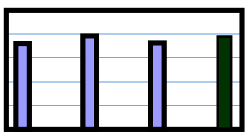


2009	2010
55.5%	-43.0%

an increase may indicate higher fixed charges

Fixed Costs to Total Costs

fixed costs / fixed and variable costs



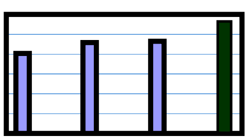
2008	2009	2010	Industry Avg.
35.9%	39.4%	36.4%	39.0%

shows the proportion of costs that are fixed

a high percent shows less flexibility, and likely higher breakeven point

Sales to Break-Even Point

sales / break-even point



2008	2009	2010	Industry Avg.
402.3%	457.2%	464.8%	564.1%

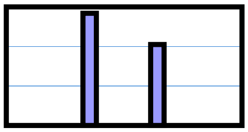
ratio reflects the extent to which profits are not vulnerable to a decline in sales

a ratio near 1:1 (100%) means that the company is quite vulnerable to economic declines

a ratio below 1:1 (100%) indicates that the company's sales are inadequate to cover fixed costs

Sales

Trend in Sales

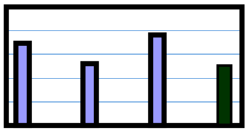


$$\frac{\text{(sales(current) -sales(last year))}}{\text{sales (last year)}}$$

2009	2010
14.2%	10.3%

declining ratios are a cause for concern

Sales to Net Income

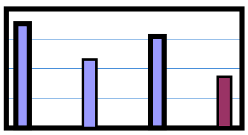


$$\frac{\text{sales}}{\text{net income}}$$

2008	2009	2010	Industry Avg.
693.2%	519.4%	765.6%	504.5%

declining ratios are a cause for concern

Advertising to Net Income



$$\frac{\text{advertising}}{\text{net income}}$$

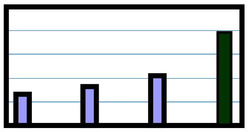
2008	2009	2010	Industry Avg.
17.5%	11.5%	15.4%	8.6%

a high ratio may indicate advertising ineffectiveness

Business Loss

Net Income to Assets

net income / total assets

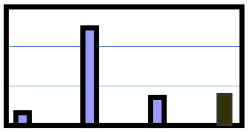


	2008	2009	2010	Industry Avg.
	65.9%	82.3%	104.7%	195.7%

indicates before tax return on investment

Debt to Assets

total debt / total assets



	2008	2009	2010	Industry Avg.
	16.4%	123.7%	35.9%	39.7%

indicates the extent to which assets are encumbered with debt

a ratio of over 65% indicates excessive debt

Optimizer Calculation - Variance to best Net Sales and best percent of sales

		% of Sales	Variance to Optimal 2008	2009	2010	Optimal
Sales		***101.2%***	-$777,066	-$277,066	$22,934	**$3,777,066**
Sales returns and allowances		***0.8%***	-$6,476	$68,524	$18,524	**$31,476**
Discounts		***0.3%***	-$2,590	$2,410	$4,410	**$12,590**
Net sales	**$3,733,000**	***100.0%***	-$768,000	-$348,000	$0	**$3,733,000**
Cost of Goods Sold		***33.7%***	-$259,022	-$59,022	$240,978	**$1,259,022**
Freight Out		***0.4%***	-$3,000	-$1,000	$0	**$15,000**
Gross Profit			-$505,978	-$287,978	-$240,978	**$2,458,978**
Advertising and Promotion		***2.0%***	$0	$0	$0	**$75,000**
Research and Development		***0.1%***	-$2,464	$236	-$1,464	**$2,536**
Repairs and Maintenance		***0.3%***	-$3,000	-$3,000	$0	**$13,000**
Wages and Benefits		***22.2%***	$27,105	$77,105	-$95,895	**$827,105**
Training		***0.1%***	-$8,000	-$3,500	$0	**$5,000**
Bad Debt Expense		***0.0%***	-$566	$134	-$66	**$1,434**
Interest on Current Debt		***0.0%***	-$1,800	-$700	$0	**$500**
Other Variable Costs		***0.0%***	$259	-$41	-$141	**$1,259**
Total Variable Costs			$11,534	$70,234	-$97,566	**$925,834**
Utilities		***0.1%***	$200	$100	$0	**$2,500**
Phone		***0.0%***	$100	$100	$0	**$1,700**
Office Repairs and Supplies		***0.0%***	$23	$123	-$177	**$1,323**
Audit		***0.1%***	$200	$200	$0	**$3,200**
Legal		***0.1%***	$0	$0	$0	**$5,000**
Rent		***0.6%***	$0	$0	$0	**$24,000**
Interest on Long Term Debt		***3.8%***	$22,000	$4,000	$0	**$142,000**
Other Fixed Costs		***0.1%***	$500	$0	$0	**$3,000**
Salaries & Benefits		***10.7%***	$50,000	$25,000	$0	**$400,000**
Depreciation		***0.0%***	-$900	-$900	$0	**$1,600**
Total Fixed Costs			$72,123	$28,623	-$177	**$584,323**
Operating and Admin Costs			$83,657	$98,857	-$97,743	**$1,510,157**
Net Operating Income			-$422,321	-$189,121	-$338,721	**$948,821**
Extraordinary Income		***0.0%***	$3,200	$2,000	$2,500	**$0**
Net Income Before Taxes			-$419,121	-$187,121	-$336,221	**$948,821**
Taxes		***0.0%***	$102,000	$110,000	$125,000	**$0**
Net Income			-$521,121	-$297,121	-$461,221	**$948,821**