

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31,

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INDEPENDENT AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS
., INC.**

We have audited the accompanying balance sheet of _____ Inc. as of December 31, 20____ and the related statements of income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of _____ Co., Inc. as of December 31, _____, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Stamp number _____ was
affixed to the original of this
report.

BALANCE SHEET
DECEMBER 31,

ASSETS

CURRENT ASSETS

Cash	\$
Accounts receivable:	
Trade, net	
Other	
Inventory	
Prepaid expenses and other current assets	_____
Total current assets	

PROPERTY AND EQUIPMENT, net

OTHER ASSETS

Deposits	_____
	<u>\$ _____</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Revolving credit facility	\$
Current portion of long-term debt	
Current installments of capital lease obligations	
Trade accounts payable	
Accrued expenses and other current liabilities	_____
Total current liabilities	_____

LONG-TERM DEBT, excluding current portion

CAPITAL LEASE OBLIGATIONS, excluding current installments

SUBORDINATED NOTE PAYABLE

Total long-term debts	_____
Total liabilities	_____

STOCKHOLDERS' EQUITY

Common stock of \$1.00 par value; 1,000,000 shares authorized; 10,000 shares issued and outstanding	
Additional paid-in capital	
Retained earnings	_____

	<u>\$ _____</u>

See independent auditors' report and notes to financial statements.

STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31,

SALES	\$
COST OF SALES	_____
GROSS PROFIT	
GENERAL AND ADMINISTRATIVE EXPENSES	_____
OPERATING INCOME	
OTHER INCOME (EXPENSES)	
Depreciation and amortization	
Interest expense	
Rental income and other income	
Gain on sale of building	
Other	_____
Total other expenses, net	_____
INCOME BEFORE INCOME TAX EXPENSE	
INCOME TAX EXPENSE	_____
NET INCOME	
RETAINED EARNINGS, BEGINNING OF YEAR	_____
RETAINED EARNINGS, END OF YEAR	\$ _____

See independent auditors' report and notes to financial statements.

INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31,

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	
Gain on sale of building	
Deferred tax asset	
Provision for doubtful accounts	
(Increase) decrease in:	
Accounts receivable trade and other	
Prepaid expenses and other current assets	
Inventory	
Other assets	
Increase (decrease) in:	
Bank overdraft	
Trade accounts payable	
Accrued expenses and other current liabilities	_____
Total adjustments	_____

NET CASH PROVIDED BY OPERATING ACTIVITIES

CASH FLOWS FROM INVESTING ACTIVITIES

Net proceeds from sale of building	
Purchase of equipment and improvements to new leased premises	_____

NET CASH PROVIDED BY FINANCING ACTIVITIES

CASH FLOWS FROM FINANCING ACTIVITIES

Payment to stockholder	
Line of credit advance	
Principal payments of:	
Long-term debt	
Capital leases	
Line of credit	_____

NET CASH USED IN FINANCING ACTIVITIES

NET INCREASE IN CASH

CASH, BEGINNING OF YEAR

CASH, END OF YEAR

\$ _____

See independent auditors' report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Inc. (the Company) is a corporation organized under the laws of the Commonwealth of Puerto Rico and is engaged in in Puerto Rico.

The following summarize the significant accounting policies followed by management to prepare the accompanying financial statements:

Inventory

The inventory is stated at the lower of average cost or market (net realizable value). Average cost approximates the cost determined on a first-in, first-out (FIFO) basis.

Deferred Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, measured by enacted tax rates for years in which taxes are expected to be paid or recovered. Valuation allowance is established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

Depreciation and Amortization

Property and equipment are stated at cost. Major renewals and betterments are capitalized; replacements, maintenance and repairs that do not improve or extend the life of the respective assets are charged to operations as incurred.

Depreciation of property and equipment is provided by charging against earnings amounts sufficient to amortize the cost of properties over their estimated useful lives. Depreciation is provided using the straight-line method. Leasehold improvements are amortized over the term of the lease or the estimated useful lives of the improvements, whichever is shorter.

Gain or loss on disposition of assets is credited or charged to operations, and the related asset cost and accumulated depreciation are removed from the respective accounts.

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