

CCOM GROUP, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	March 31, 2014 <u>(Unaudited)</u>	December 31, 2013 <u></u>
Assets		
Current assets:		
Cash	\$ 259,174	\$ 377,461
Accounts receivable, net of allowance for doubtful accounts of \$699,887 and \$658,765, respectively	8,315,860	9,729,122
Inventory	13,718,216	12,349,272
Prepaid expenses and other current assets	892,319	1,065,101
Deferred tax asset	200,000	200,000
Total current assets	<u>23,385,569</u>	<u>23,720,956</u>
Property and equipment	958,953	865,764
Goodwill	1,416,929	1,416,929
Other assets - noncurrent	20,472	107,718
Deferred tax asset - noncurrent	2,016,500	2,016,500
	<u>\$ 27,798,423</u>	<u>\$ 28,127,867</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Borrowings under credit facility - revolving credit	\$ 11,358,532	\$ 11,952,588
Notes payable - current portion; includes related party notes of \$641,573 and \$638,779, respectively	782,602	776,746
Trade payables	4,358,509	3,307,881
Accrued liabilities	1,702,792	1,664,558
Income taxes payable	-	14,175
Total current liabilities	<u>18,202,435</u>	<u>17,715,948</u>
Convertible notes payable, excluding current portion-related party	200,000	200,000
Notes payable, excluding current portion; includes related party notes of \$1,248,773 and \$1,285,232, respectively	1,608,786	1,659,235
Deferred tax liability - noncurrent	548,500	538,000
Total liabilities	<u>20,559,721</u>	<u>20,113,183</u>
Commitments and contingencies		
Stockholders' equity:		
Redeemable convertible preferred stock, \$.05 par value, 2,500,000 shares authorized, 284,612 shares issued and outstanding, liquidation preference of \$1,423,060	14,231	14,231
Common stock, \$.05 par value, 20,000,000 shares authorized, 9,154,953 shares issued and outstanding	457,747	457,747
Additional paid-in capital	12,596,866	12,596,866
Accumulated deficit	<u>(5,830,142)</u>	<u>(5,054,160)</u>
Total stockholders' equity	<u>7,238,702</u>	<u>8,014,684</u>
	<u>\$ 27,798,423</u>	<u>\$ 28,127,867</u>

CCOM GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended	
	March 31,	
	2014	2013
Sales	\$ 16,125,700	\$ 18,729,438
Cost of sales	11,627,465	13,905,191
Gross profit	4,498,235	4,824,247
Selling, general and administrative expenses, net	5,173,268	5,443,583
Operating loss	(675,033)	(619,336)
Other income	47,957	49,522
Interest expense, net; includes related party interest of \$31,888 and \$33,409, respectively	(138,406)	(151,663)
Loss before income tax expense	(765,482)	(721,477)
Income tax expense	10,500	10,500
Net loss	\$ (775,982)	\$ (731,977)
Loss per common share:		
Basic and diluted	\$ (0.08)	\$ (0.08)
Weighted average shares outstanding:		
Basic and diluted	9,154,953	9,154,953

CCOM GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For The Three Months Ended	
	March 31,	
	2014	2013
Cash flows from operating activities:		
Net loss	\$ (775,982)	\$ (731,977)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Deferred income taxes	10,500	10,500
Provision for doubtful accounts	76,346	83,773
Depreciation	72,879	81,548
Net gain on sale of fixed assets	-	(2,720)
Changes in operating assets and liabilities		
Accounts receivable	1,336,916	1,696,814
Inventory	(1,368,944)	(1,574,658)
Prepaid expenses and other current assets	172,782	302,537
Other assets - noncurrent	87,246	32,561
Trade payables	1,050,628	210,368
Accrued liabilities	38,234	(295,468)
Income taxes payable	(14,175)	-
Net cash provided by (used in) operating activities	686,430	(186,722)
Cash flows from investing activities:		
Additions to property and equipment	(164,068)	-
Proceeds from disposal of property and equipment	-	31,361
Net cash (used in) provided by investing activities	(164,068)	31,361
Cash flows from financing activities:		
Repayments of notes payable: includes related party repayments of \$533,664 and \$508,002 respectively	(546,593)	(563,163)
Issuance of notes payable, related party	500,000	500,000
Repayments under credit facility - revolving credit, net	(594,056)	123,031
Net cash (used in) provided by financing activities	(640,649)	59,868
Decrease in cash	(118,287)	(95,493)
Cash - beginning of period	377,461	297,128
Cash - end of period	\$ 259,174	\$ 201,635