

CCOM GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	September 30, 2013	December 31, 2012
	(Unaudited)	
Assets		
Current assets:		
Cash	\$ 303,243	\$ 297,128
Accounts receivable, net of allowance for doubtful accounts of \$578,205 and \$429,186, respectively	9,538,443	11,131,317
Inventory	12,574,121	12,029,400
Prepaid expenses and other current assets	1,373,151	1,372,390
Deferred income tax asset	200,000	-
Total current assets	23,988,958	24,830,235
Property and equipment, net	831,238	1,036,710
Goodwill	1,416,929	1,416,929
Other assets – noncurrent	127,325	270,265
Deferred income tax asset – noncurrent	1,608,250	100,000
	\$27,972,700	\$27,654,139
Liabilities and Stockholders' Equity		
Current liabilities:		
Borrowings under credit facility - revolving credit	\$12,233,440	\$12,297,180
Notes payable, current portion; includes related party notes of \$1,386,040 and \$607,999, respectively	1,520,728	745,500
Convertible notes payable-related party	200,000	-
Trade payables	3,783,680	5,242,044
Accrued liabilities	1,592,322	1,630,792
Total current liabilities	19,330,170	19,915,516
Convertible notes payable-related party	-	200,000
Notes payable, non-current portion; includes related party notes of \$570,971 and \$1,440,015, respectively	973,975	1,947,813
Deferred income tax liability – noncurrent	527,500	496,000
Total liabilities	20,831,645	22,559,329
Commitments and contingencies		
Stockholders' equity:		
Redeemable convertible preferred stock, \$.05 par value, 2,500,000 shares authorized, 293,057 shares issued and outstanding, liquidation preference of \$1,465,285	14,653	14,653
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	12,659,782	12,659,782
Accumulated deficit	(5,991,127)	(8,037,372)
Total stockholders' equity	7,141,055	5,094,810
	\$27,972,700	\$27,654,139

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

	For The Three Months Ended		For The Nine Months Ended	
	September 30,		September 30,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Sales	\$ 23,303,793	\$ 21,357,739	\$ 66,477,048	\$ 61,187,346
Cost of sales	<u>17,470,816</u>	<u>15,959,714</u>	<u>49,985,097</u>	<u>45,716,548</u>
Gross profit	5,832,977	5,398,025	16,491,951	15,470,798
Selling, general and administrative expenses, net	<u>5,181,216</u>	<u>5,012,185</u>	<u>15,813,009</u>	<u>15,447,642</u>
Operating income	651,761	385,840	678,942	23,156
Other income	43,392	52,696	156,821	161,288
Interest expense, net; includes related party interest of \$31,597 and \$17,913 for three months ended September 30, 2013 and 2012, respectively, and \$99,061 and \$52,827 for the nine months ended September 30, 2013 and 2012, respectively	<u>(156,193)</u>	<u>(155,678)</u>	<u>(458,018)</u>	<u>(459,197)</u>
Income (loss) before income tax benefit	538,960	282,858	377,745	(274,753)
Income tax benefit	<u>1,689,500</u>	<u>-</u>	<u>1,668,500</u>	<u>-</u>
Net income (loss)	<u>\$ 2,228,460</u>	<u>\$ 282,858</u>	<u>\$ 2,046,245</u>	<u>\$ (274,753)</u>
Income (loss) per common share:				
Basic	<u>\$ 0.24</u>	<u>\$ 0.03</u>	<u>\$ 0.22</u>	<u>\$ (0.03)</u>
Diluted	<u>\$ 0.24</u>	<u>\$ 0.03</u>	<u>\$ 0.22</u>	<u>\$ (0.03)</u>
Weighted average shares outstanding:				
Basic	<u>9,154,953</u>	<u>9,154,953</u>	<u>9,154,953</u>	<u>9,154,953</u>
Diluted	<u>9,448,010</u>	<u>9,448,010</u>	<u>9,448,010</u>	<u>9,154,953</u>

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

	For Nine Months Ended	
	September 30,	
	2013	2012
Cash flows from operating activities:		
Net income (loss)	\$ 2,046,245	\$ (274,753)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Deferred income taxes	(1,676,750)	-
Provision for doubtful accounts	279,807	307,083
Depreciation	240,165	277,213
Net gain on disposal of fixed assets	(9,759)	(1,113)
Changes in operating assets and liabilities:		
Accounts receivable	1,313,067	531,533
Inventory	(544,721)	(1,237,760)
Prepaid expenses and other current assets	(761)	121,208
Other assets - noncurrent	142,940	152,052
Trade payables	(1,458,364)	137,867
Accrued liabilities	(38,470)	(167,149)
Income taxes payable	-	(586)
Net cash provided by (used in) operating activities	293,399	(154,405)
Cash flows from investing activities:		
Additions to property and equipment	(48,618)	(129,070)
Proceeds from disposal of property and equipment	51,148	2,600
Net cash provided by (used in) investing activities	2,530	(126,470)
Cash flows from financing activities:		
Repayments of notes payable; includes related party repayments of \$1,590,784 and \$874,007, respectively	(1,726,074)	(1,144,837)
Issuance of notes payable, related party	1,500,000	1,200,000
(Repayments) borrowings under credit facility - revolving credit, net	(63,740)	247,342
Net cash (used in) provided by financing activities	(289,814)	302,505
Increase in cash	6,115	21,630
Cash - beginning of period	297,128	271,697
Cash - end of period	\$ 303,243	\$ 293,327