

CCOM GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	September 30, 2016 (Unaudited)	December 31, 2015
Assets		
Current assets:		
Cash	\$ 427,879	\$ 577,303
Accounts receivable, net of allowance for doubtful accounts of \$ 909,253 and \$1,086,213, respectively	11,280,563	10,043,006
Inventory	14,354,878	13,545,954
Prepaid expenses and other current assets	1,019,191	777,757
Deferred tax asset	170,000	170,000
Total current assets	27,252,511	25,114,020
Property and equipment	780,423	889,866
Goodwill	1,416,929	1,416,929
Other assets - noncurrent	-	6,981
Deferred tax asset - noncurrent	2,026,500	2,296,500
	\$ 31,476,363	\$ 29,724,296
Liabilities and Stockholders' Equity		
Current liabilities:		
Borrowings under credit facility - revolving credit	\$ 13,858,532	\$ 12,716,527
Notes payable - current portion; includes related party notes of \$172,803 and \$162,773, respectively	359,332	325,895
Trade payables	3,728,796	3,833,579
Accrued liabilities	1,898,465	1,373,073
Income taxes payable	300	420
Total current liabilities	19,845,425	18,249,494
Convertible notes payable, excluding current portion-related party	100,000	200,000
Notes payable, excluding current portion; includes related party notes of \$841,276 and \$972,161, respectively	962,749	1,160,717
Deferred tax liability - noncurrent	567,000	567,000
Total liabilities	21,475,174	20,177,211
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, 9,154,928 shares issued and outstanding	457,746	457,746
Additional paid-in capital	12,596,853	12,596,853
Accumulated deficit	(3,067,641)	(3,521,745)
Total stockholders' equity	10,001,189	9,547,085
	\$ 31,476,363	\$ 29,724,296

CCOM Group, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Sales	\$ 23,984,268	\$ 22,247,460	\$ 65,498,808	\$ 60,128,029
Cost of sales	<u>17,774,539</u>	<u>16,780,046</u>	<u>47,953,141</u>	<u>44,182,632</u>
Gross profit	6,209,729	5,467,414	17,545,667	15,945,397
Selling, general and administrative expenses	<u>5,602,748</u>	<u>5,069,673</u>	<u>16,428,581</u>	<u>15,317,576</u>
Operating income	606,981	397,741	1,117,086	627,821
Other income	51,752	66,703	141,257	143,206
Interest expense, net; includes related party interest of \$17,532 and \$28,948 for three months ended September 30, 2016 and 2015, respectively, and \$84,596 and \$88,163 for the nine months ended September 30, 2016 and 2015, respectively	<u>(143,920)</u>	<u>(136,710)</u>	<u>(451,732)</u>	<u>(407,543)</u>
Income before income tax expense	514,813	327,734	806,611	363,484
Income tax expense	<u>352,507</u>	<u>-</u>	<u>352,507</u>	<u>-</u>
Net income	<u>\$ 162,306</u>	<u>\$ 327,734</u>	<u>\$ 454,104</u>	<u>\$ 363,484</u>
Income per common share:				
Basic	<u>\$ 0.02</u>	<u>\$ 0.04</u>	<u>\$ 0.05</u>	<u>\$ 0.04</u>
Diluted	<u>\$ 0.02</u>	<u>\$ 0.03</u>	<u>\$ 0.05</u>	<u>\$ 0.04</u>
Weighted average shares outstanding:				
Basic	<u>9,154,928</u>	<u>9,154,945</u>	<u>9,154,928</u>	<u>9,154,950</u>
Diluted	<u>9,439,540</u>	<u>9,439,557</u>	<u>9,439,540</u>	<u>9,439,562</u>

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

	For The Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income	\$ 454,104	363,484
Adjustments to reconcile net income to net cash used in operating activities:		
Deferred income taxes	270,000	-
Provision for doubtful accounts	187,261	187,565
Depreciation	269,209	239,377
Net gain on sale of fixed assets	(1,757)	(6,040)
Changes in operating assets and liabilities		
Accounts receivable	(1,424,818)	(1,773,160)
Inventory	(808,924)	(220,232)
Prepaid expenses and other current assets	(241,434)	(180,377)
Other assets - noncurrent	6,981	33,647
Trade payables	(104,783)	(217,173)
Accrued liabilities	525,392	407,515
Income taxes payable	(120)	(16,087)
Net cash used in operating activities	(868,889)	(1,181,481)
Cash flows from investing activities:		
Additions to property and equipment	(86,250)	(129,774)
Proceeds from disposal of property and equipment	8,847	6,040
Net cash used in investing activities	(77,403)	(123,734)
Cash flows from financing activities:		
Repurchase of stock	-	(14)
Repayments of notes payable: includes related party repayments of \$2,870,855 and \$2,361,593 respectively	(3,095,137)	(2,478,925)
Issuance of notes payable, related party	2,750,000	3,000,000
Borrowings under credit facility - revolving credit, net	1,142,005	922,895
Net cash provided by financing activities	796,868	1,443,956
(Decrease) increase in cash	(149,424)	138,741
Cash - beginning of period	577,303	238,696
Cash - end of period	\$ 427,879	377,437