

AL International, Inc.

As of December 31, 2011

Consolidated Statement of Assets, Liabilities and Equity (unaudited)

Combined

Assets

December 31, 2011

Cash and Cash Equivalents	\$	1,015,896
Accounts Receivable		1,010,675
Credit Card Income Receivable		708,846
Inventory		5,370,159
Prepaid Expenses and Other Current Assets		1,145,312
Property and Equipment, Net		1,093,445
Intangible Assets, Net		10,076,926

Total Assets \$ 20,421,259

Liabilities and Shareholders' Equity

Liabilities:

Accounts Payable	\$	2,096,359
Accrued Commissions		1,527,655
Other Current Liabilities		1,878,068
Loans Payable to Related Parties		-
Notes Payable		7,846,579

\$ 13,348,660

Shareholders' Equity:

Preferred Stock, \$0.001 par value: 1,000,000 share authorized 271,135 shares issued and outstanding		271
Common Stock, \$0.001 par value: 600,000,000 share authorized; 385,237,309 shares issued and outstanding		385,237
Additional Paid in Capital		4,122,477
Accumulated Comprehensive Income (Foreign Exchange)		
Retained Earnings		2,564,614

\$ 7,072,599

Total Liabilities and Shareholders' Equity \$ 20,421,259

AL International, Inc.

Calendar Quarter Ending December 31, 2011

Consolidated Statement of Revenue and Expenses (unaudited)

	COMBINED Year-to-Date December 31, 2011	COMBINED Quarter-to-Date December 31, 2011
Net Sales	\$ 40,232,949	\$ 11,364,367
Cost of Sales	10,229,409	2,154,054
Gross Profit	\$ 30,003,539	\$ 9,210,312
Operating Expenses:		
Selling Expenses	16,877,248	5,141,702
Payroll and Related Benefits	3,691,625	899,191
Delivery, Freight, and Postage	3,252,498	944,186
Royalties & Licensing	1,561,623	967,798
Credit Card Processing Fees	894,278	257,214
Outside Services	630,057	249,594
Office Expenses	371,261	216,204
Advertising and Promotion	367,252	20,207
Other Operating Expenses	659,299	87,250
Rent, Building Maintenance, and Utilities	768,115	154,003
Depreciation and Amortization	378,186	100,040
Insurance	53,500	24,014
Travel	259,621	8,740
	<u>\$ 29,764,564</u>	<u>\$ 9,070,143</u>
Net Income/(Loss) from Operations	\$ 238,975	\$ 140,170
Other Income (Expenses):		
Interest Income	2,028	2,028
Other Income	1,780,601	1,772,943
Income Taxes	(173,805)	(91,546)
Interest & Finance Expense	(152,640)	(7,212)
Foreign Currency Gain or (Loss)	(3,013)	(968)
	<u>\$ 1,453,170</u>	<u>\$ 1,675,244</u>
Net Income/(Loss)	\$ 1,692,145	\$ 1,815,413
EBITDA	\$ 2,396,776	\$ 2,014,212

AL International, Inc.

As of December 31, 2011

Consolidated Statement of Cash Flows (unaudited)

Net earnings	\$	1,815,413
Adjustments to reconcile net earnings to net cash used by operations:		
Depreciation and amortization		100,040
Changes in operating assets and liabilities		
Accounts Receivable		(470,070)
Credit Card Income Receivable		(289,838)
Inventory		(2,370,570)
Prepaid Expenses and Other Current Assets		(515,707)
Accounts Payable		754,656
Accrued Commissions		201,226
Other Current Liabilities		1,776,167
Total adjustments		(814,098)
Net cash provided by operating activities		<u>1,001,315</u>
Cash flows used in investing activities		
Acquisitions		(6,230,000)
Fixed Asset Additions		(249,495)
Net cash used in investing activities		<u>(6,479,495)</u>
Cash flows from financing activities		
Increase in notes payable		6,438,484
Payments of notes payable		(108,345)
Net cash provided by financing activities		<u>6,330,139</u>
Net decrease in cash and cash equivalents		<u>851,960</u>
Cash and cash equivalents, beginning of period		<u>163,936</u>
Cash and cash equivalents, end of period		<u><u>1,015,896</u></u>

AL International, Inc.

As of December 31, 2011

Consolidated Statement of Changes in Stockholders Equity (unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount	Shares	Amount			
Balance at September 30, 2011	351,135	\$ 351	383,006,580	\$ 383,007	\$ 4,124,628	\$ 749,200	\$ 5,257,185
Net earnings						1,815,413	1,815,413
Issuance of common stock pursuant to the exercise of stock warrants			1,800,000	1,800	(1,800)		-
Issuance of common stock pursuant to the conversion of convertible debentures, preferred and accrued interest (post-split)	(80,000)	(80)	430,729	431	(351)		-
Balance at December 31, 2011	<u>271,135</u>	<u>\$ 271</u>	<u>385,237,309</u>	<u>\$ 385,238</u>	<u>\$ 4,122,477</u>	<u>\$ 2,564,613</u>	<u>\$ 7,072,599</u>