

HOME SHOPPING LATINO, INC.  
PRO FORMA INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3
Total Households	14,152,071	17,256,909	20,031,035
SALES:			
Inventory Merchandise Sales	\$783,010	\$1,578,293	\$2,247,042
Consignment Merchandise Sales	\$38,367,477	\$77,336,343	\$110,105,063
TOTAL SALES	\$39,150,487	\$78,914,636	\$112,352,105
COSTS OF SALES:			
Bank Charges	\$489,381	\$986,433	\$1,404,401
Commissions	\$391,505	\$789,146	\$1,123,521
Bad Debt	\$685,134	\$1,381,006	\$1,966,162
Cost of Goods	\$19,575,243	\$39,457,318	\$56,176,052
TOTAL COSTS OF SALES	\$21,141,263	\$42,613,903	\$60,670,137
GROSS MARGIN	\$18,009,224	\$36,300,732	\$51,681,968
OPERATING EXPENSES:			
Marketing	\$7,605,272	\$9,726,749	\$11,889,364
General & Administrative	\$7,116,383	\$8,685,996	\$10,088,138
Production	\$2,933,948	\$3,084,456	\$3,278,485
Amortization (Real Property)	\$12,731	\$13,889	\$13,889
Depreciation (Equipment)	\$72,500	\$110,000	\$150,000
TOTAL OPERATING EXPENSES	\$17,740,835	\$21,621,090	\$25,419,876
INCOME FROM OPERATIONS	\$268,389	\$14,679,642	\$26,262,092
INTEREST EXPENSE	\$0	\$0	\$0
INTEREST INCOME	\$34,447	\$59,473	\$128,075
NET PRE-TAX INCOME	\$302,836	\$14,739,115	\$26,390,167
TAXES ON INCOME	\$0	\$5,771,912	\$10,752,938
NET INCOME	\$302,836	\$8,967,203	\$15,637,230
CUMULATIVE	(\$573,523)	\$8,393,680	\$24,030,910

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	YEAR 1	YEAR 2	YEAR 3
EXPRESSED AS PERCENTAGES (of Sales)			
SALES:			
Inventory Merchandise Sales	2.00%	2.00%	2.00%
Consignment Merchandise Sales	98.00%	98.00%	98.00%
TOTAL SALES	100.00%	100.00%	100.00%
COSTS OF SALES:			
Bank Charges	0.00%	0.00%	0.00%
Commissions	1.25%	1.25%	1.25%
Bad Debt	1.00%	1.00%	1.00%
Cost of Goods	1.75%	1.75%	1.75%
Cost of Goods	50.00%	50.00%	50.00%

TOTAL COSTS OF SALES	54.00%	54.00%	54.00%
GROSS MARGIN	46.00%	46.00%	46.00%
OPERATING EXPENSES:			
Marketing	19.43%	12.33%	10.58%
General & Administrative	18.18%	11.01%	8.98%
Production	7.49%	3.91%	2.92%
Amortization (Real Property)	0.03%	0.02%	0.01%
Depreciation (Equipment)	0.19%	0.14%	0.13%
TOTAL OPERATING EXPENSES	45.31%	27.40%	22.63%
INCOME FROM OPERATIONS	0.69%	18.60%	23.37%
INTEREST EXPENSE	0.00%	0.00%	0.00%
INTEREST INCOME	0.09%	0.08%	0.11%
NET PRE-TAX INCOME	0.77%	18.68%	23.49%
TAXES ON INCOME	0.00%	7.31%	9.57%
NET INCOME	0.77%	11.36%	13.92%

HOME SHOPPING LATINO, INC.  
CASH FLOW PROJECTIONS

	YEAR 1	YEAR 2	YEAR 3
BEGINNING CASH BALANCE	\$32,469	\$100,000	\$100,000
CASH RECEIPTS:			
Cash Sales	\$7,830,097	\$15,782,927	\$22,470,421
Collection of Receivables	\$27,546,504	\$61,153,291	\$87,621,573
TOTAL CASH RECEIPTS	\$35,376,601	\$76,936,218	\$110,091,994
CASH DISBURSEMENTS:			
Accounts Payable	\$5,978,502	\$10,427,728	\$13,907,134
Payment of Other Expenses	\$32,094,556	\$53,419,579	\$71,774,406
Income Tax Payments	\$0	\$5,771,912	\$10,752,938
TOTAL CASH DISBURSEMENTS	\$38,073,058	\$69,619,219	\$96,434,478
NET CASH FROM OPERATIONS	(\$2,696,457)	\$7,317,000	\$13,657,516
Sale of Capital Stock	\$10,000,000	\$0	\$0
Placement Commissions	(\$200,000)	\$0	\$0
Escrow Fees	(\$10,000)	\$0	\$0
Preferred Dividend	(\$600,000)	(\$600,000)	(\$600,000)
Purchase of Real Property Improvements	(\$250,000)	\$0	\$0
Purchase of Equipment	(\$425,000)	(\$200,000)	(\$200,000)
Inventory Purchases	(\$200,000)	(\$300,000)	(\$400,000)
Long-term Debt (Repayments)	\$0	\$0	\$0
Short-term Borrowings (Repayments)	(\$821,239)	\$0	\$0
Interest Income (Expense)	\$34,447	\$59,473	\$128,075
Decrease (Increase) in Funds Invested	(\$4,764,220)	(\$6,276,472)	(\$12,585,591)
ENDING CASH BALANCE	\$100,000	\$100,000	\$100,000

HOME SHOPPING LATINO, INC.  
PRO FORMA BALANCE SHEETS

MONTH	12	24	36
<b>CURRENT ASSETS:</b>			
Cash	\$100,000	\$100,000	\$100,000
Investments	\$4,764,220	\$11,040,693	\$23,626,284
Inventory	\$200,000	\$500,000	\$900,000
Receivables	\$3,773,886	\$5,752,303	\$8,012,414
<b>TOTAL CURRENT ASSETS</b>	<b>\$8,838,106</b>	<b>\$17,392,996</b>	<b>\$32,638,698</b>
<b>FIXED ASSETS</b>			
Real Property Improvements, at cost	\$250,000	\$250,000	\$250,000
Less: accumulated amortization	(\$12,731)	(\$26,620)	(\$40,509)
Equipment and Tooling, at cost	\$425,000	\$625,000	\$825,000
Less: accumulated depreciation	(\$72,500)	(\$182,500)	(\$332,500)
<b>TOTAL Property-Net</b>	<b>\$589,769</b>	<b>\$665,880</b>	<b>\$701,991</b>
<b>OTHER ASSETS:</b>			
Investments - Pegasus Corp	\$215,000	\$215,000	\$215,000
<b>TOTAL OTHER ASSETS</b>	<b>\$215,000</b>	<b>\$215,000</b>	<b>\$215,000</b>
<b>TOTAL ASSETS</b>	<b>\$9,642,874</b>	<b>\$18,273,875</b>	<b>\$33,555,689</b>
<b>CURRENT LIABILITIES:</b>			
Short-Term Debt	\$0	\$0	\$0
Accounts Payable	\$723,809	\$987,607	\$1,232,190
Income Tax Payable	\$0	\$0	\$0
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$723,809</b>	<b>\$987,607</b>	<b>\$1,232,190</b>
<b>LONG-TERM DEBT</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>STOCKHOLDERS' EQUITY:</b>			
Common Stock	\$302,589	\$302,589	\$302,589
Series A Preferred Stock	\$10,000,000	\$10,000,000	\$10,000,000
Additional Paid In Capital	(\$210,000)	(\$210,000)	(\$210,000)
Retained Earnings (Deficit)	(\$1,173,523)	\$7,193,680	\$22,230,910
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$8,919,066</b>	<b>\$17,286,269</b>	<b>\$32,323,499</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$9,642,874</b>	<b>\$18,273,875</b>	<b>\$33,555,689</b>
<b>STATISTICS:</b>			
Return on Equity (YTD)	3.40%	51.87%	48.38%
Current Ratio	12.21	17.61	26.49
Debt-to-Equity Ratio	0.00	0.00	0.00
Working Capital	\$8,114,297	\$16,405,389	\$31,406,508
Net Worth	\$8,919,066	\$17,286,269	\$32,323,499
Book Value Per Share	0.16	0.32	0.59