

UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
Charlotte Division

In re:)	Chapter 11
)	
PORTRAIT INNOVATIONS, INC., et al.)	Case No. 17-31455
)	
Debtors. ¹)	(Jointly Administered)
_____)	

NOTICE OF FILING OF EXHIBIT B TO DISCLOSURE STATEMENT

PLEASE TAKE NOTICE that the Debtors and Debtors-in-Possession (the “Debtors”) in the above-captioned cases have filed the attached Financial Projections, which are Exhibit B to the Disclosure Statement for the Debtors’ Amended Joint Plan of Reorganization [Docket No. 192].

This the 30th day of October, 2017.

RAYBURN COOPER & DURHAM, P.A.

By: /s/ John R. Miller, Jr.
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¹ The Debtors in these jointly administered cases are the following entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Portrait Innovations, Inc. (9394) and Portrait Innovations Holding Company (5553). The Debtors address is 2016 Aysley Town Center Boulevard, Suite 200, Charlotte North Carolina 28273.

EXHIBIT B

FINANCIAL PROJECTIONS

PORTRAIT INNOVATIONS
Financial Statement Assumptions

GENERAL

Portrait Innovations is a retail portraiture provider located traditionally in life style shopping centers and more recently within the front retail locations in selected Walmart's. Since 2000 the Company opened 217 retail studio locations. There are currently 116 studios remaining open post the Chapter 11 filing. The Company has opened 3 studios in Walmart locations since November 2016 and are scheduled to open 7 more Walmart locations by November 1, 2017.

For the legacy studios, sales are driven by introductory price which correlates to customer numbers and ultimately to average sale price per customer. The introductory price is driven by an extensive email and direct mail campaigns. If the price is set low then the number of customers usually increases resulting in lower average sales per customer. A higher introductory price results in fewer customers but a higher average sales per customer. The algorithm used also determines labor based on the number of shoots per day at higher customer counts. The algorithm uses the introductory pricing or special pricing at various times of year which is dependent seasonal demand (Halloween, Thanksgiving, Christmas, Valentine's Day Easter etc.) The Company either increases the price to manage robust demand which decreases customer counts or lowers the price to increase customer counts during slower sales periods. There are also handling fees and sitting fees charged for various products such as paper vs canvas and other specialty products.

The Walmart model consistently uses a \$9.99 introductory price and has few of the changes required by the stand alone legacy studios. There are no sitting or handling fees charged. Assume an end of December 2017 Chapter 11 exit.

INCOME STATEMENT

Sales

Portrait Innovations Studios

2018

- Customer counts for 2018 are projected to be 10% lower for the first 3 quarters and 5% down for the 4th quarter vs 2017.
- Sales Averages are assumed to be \$161 per customer for the first 3 quarters and \$156 for the 4th quarter.

2019

- Customer counts for 2019 are projected to be 4% lower for the first 3 quarters and 3% down for the 4th quarter vs 2018.
- Sales Averages are assumed to be \$165 per customer for the first 3 quarters and \$160 for the 4th quarter.

2020

- Customer counts for 2020 are projected to be 3% lower for the first 3 quarters and 2% down for the 4th quarter vs 2019.
- Sales Averages are assumed to be \$167 per customer for the first 3 quarters and \$161 for the 4th quarter.

Walmart

- During the year in which new Walmart Studios are built, they are projected to perform the same as the 3 studios opened in 2016 regardless of the year in which they open.
- Second fiscal year of operation, their first full year of operation, each new Walmart Studio is projected to average \$253,236 in annual sales (2,661 annual customers with an average purchase of \$95.17).
- Third fiscal year of operation, their second full year of operation, each new Walmart Studio is projected to average \$268,633 in annual sales (2,714 annual customers with an average purchase of \$98.98). This represents a 6.1% comp sales increase.
- Fourth fiscal year of operation, their third full year of operation, each new Walmart Studio is projected to average \$282,226 in annual sales (2,768 annual customers with an average purchase of \$101.95). This represents a 5.1% comp sales increase.
- Fifth fiscal year of operation, their fourth full year of operation, each new Walmart Studio is projected to average \$293,628 in annual sales (2,824 annual customers with an average purchase of \$103.99). This represents a 4.0% comp sales increase.
- Sales from each of the "vintages" above is combined to produce the total annual sales, customers and averages for each year from 2018 – 2020.

Cost of Sales/Gross Margin

All Years

Portrait Innovations Studios

Cost of Sales is assumed to be 13% due to the mix of paper and other products such as canvas and specialty products, resulting in a Gross Margin of 87%.

Walmart

Cost of Sales is assumed to be 11.8% due to the predominately offering of paper products only, resulting in a Gross Margin of 88.2%.

PORTRAIT INNOVATIONS
Financial Statement Assumptions

Occupancy Costs

Occupancy costs mostly consists of rents although the Portrait Innovations Studios also include utilities. The only utilities for Walmart locations are telephone, internet connections which are included in supplies.

Portrait Innovations Studios - Assumed to continue with the 98 studios where leases are in effect and utilizing negotiated reductions in lease rates.

Walmart - Assumed to be 15% "commission" rate paid on sales for all occupancy costs.

Supplies, Fees & Others

Supplies include consumables as well as the backdrops for the portraiture. There is an assumption to reuse and or trade from studio to studio some holiday referenced backdrops.

Portrait Innovations Studios - assumed to be equal to 2017 through early 2018 and then are assumed to be 2.5% of sales.

Walmart - assumed to be 5% of sales.

Labor

Labor includes a store manager, some full time associates and part-time help on a seasonal basis. The cost as a percentage of sales has historically remained relatively constant.

Portrait Innovations Studios - studio level labor is calculated based on the prior year's actual labor reduced based on the assumed lower sales and increased labor costs.

Walmart - labor includes one full time manager, one full time associate and two part time associates. Wages also include a "start-up" charge of \$5,000.

Advertising

Advertising is primarily direct mail and email advertising to targeted customers. The advertising is directed at specific holiday activity and so the larger part of the budget is during the 4th quarter.

Portrait Innovation Studios - Calculated as historical from 2017. This has traditionally averaged approximately \$529 per studio week and \$10 per customer.

Walmart - In order to create brand awareness, the advertising costs are higher than the Legacy Studios with equivalent averages of \$815 per store week and \$13.80 per customer.

G&A

G&A consists of corporate office payroll and related expenses, advertising agency fees, IT support for the retail operations.

Insurance, including property insurance for the studios, and rent for the corporate office and warehouse are also included in G&A..

The assumption is that the corporate offices will move along with the warehouse from the current location (roughly 25,000 square feet at \$20 per sqft. to 15,000 square feet at \$15 per sqft.).

Portrait Innovation Studios - all G&A is allocated to the Legacy Studios in 2018. Allocations to Walmart Stores begins in 2019.

Walmart - a G&A allocation is assumed beginning 2019

Restructuring Expenses

Restructuring Expense are based upon the Approved DIP Budget.

PORTRAIT INNOVATIONS
Financial Statement Assumptions

BALANCE SHEET

GENERAL

In order to determine the greatest possible cash requirements the following balance sheet accounts were assumed to remain constant through-out the projection periods.

Accounts Receivable
Income Tax Receivable
Inventory
Prepaid Expenses
Other Assets

The following liability accounts are assumed to remain constant since the debtor was granted authority to pay these liabilities post -petition and are being paid in the ordinary course and the change in the month end accruals would be reversed immediately the following month.

Accrued Compensation
Accrued Taxes

The following liability accounts also remain constant because their balances are a result of GAAP accrual recording requirements and not necessarily tied to a pre-petition debt owed.

Deferred Revenue
Deferred Rent

The assumptions for the changes to the Balance Sheet as a result of the Chapter 11 filing are detailed on the August Balance Sheet Lead Schedule.
In order to determine the greatest need for cash

The projections assume that the Company is paying all vendors on a COD basis during the balance of the Chapter 11.

Cap-X during 2017 is based on the DIP Budget for the Walmart Expansion.

The assumptions for the changes to the Balance Sheet as a result of the change in ownership at the exit of Chapter 11 are detailed on the December Balance Sheet Lead Schedule.

Exit Secured "New Note" of \$12 million at 12% interest with a 5 year term.
Exit Financing of up to \$5 million at 9% interest with a 5 year term.
Preferred Equity of \$2.750 million with an annual Cash Dividend of 6% included in interest expense.
100% of common equity of the Reorganized Company.

It is assumed that the Company gets back to 30 day terms with most of their vendors. The projections cap the outstanding AP at month end at \$1.5 million in order to determine the most conservative cash requirements.

Cap-X for 2018 - 2020 is broken into maintenance Cap-x for existing studios and Growth Cap-x for opening additional Walmart locations.

Portrait Innovations
Projected Year Financial Statements

Statement of Operations

	<u>2017 Projected</u>	<u>Projected 2018</u>	<u>Projected 2019</u>	<u>Projected 2020</u>
Ending Number of Studios	116	123	138	153
Studio Customers	407,277	332,381	359,193	393,267
Total Net Sales	<u>\$60,912,556</u>	<u>\$49,775,457</u>	<u>\$52,603,930</u>	<u>\$56,113,631</u>
Cost of Sales				
In Studio Product Costs	9,877,106	6,421,623	6,742,511	7,148,866
Online Product Costs	122,525	0	0	0
Total Cost of Sales	<u>9,999,632</u>	<u>6,421,623</u>	<u>6,742,511</u>	<u>7,148,866</u>
Gross Profit				
Gross Profit	<u>50,912,924</u>	<u>43,353,834</u>	<u>45,861,419</u>	<u>48,964,765</u>
Operating Expenses				
Occupancy Costs	15,150,675	10,218,045	10,803,217	11,427,045
Studio Supplies, Charge Card Fees and Other	1,687,120	1,230,038	1,403,370	1,600,787
Studio Labor Cost	21,085,632	16,336,146	16,917,567	17,845,417
Advertising Cost	3,862,833	3,373,760	3,771,606	4,227,166
Corporate G&A	9,611,884	6,173,497	6,419,999	7,094,295
Total Operating Expenses	<u>51,398,144</u>	<u>37,331,486</u>	<u>39,315,760</u>	<u>42,194,710</u>
Restructuring Expenses	4,097,240			
Income from Operations Post Restructuring Expenses	<u>(4,582,460)</u>			
Depr. & Amort.	5,009,055	3,102,773	2,605,964	2,222,453
Income from Operations	<u>(\$5,494,275)</u>	<u>\$2,919,575</u>	<u>\$3,939,695</u>	<u>\$4,547,603</u>
Net Interest Expense	1,953,651	1,802,023	1,638,214	1,605,000
Income Before Taxes	<u>(\$7,447,926)</u>	<u>\$1,117,552</u>	<u>\$2,301,481</u>	<u>\$2,942,603</u>
Provision for Inc. Taxes	0	0	0	0
Net Income	<u>(\$7,447,926)</u>	<u>\$1,117,552</u>	<u>\$2,301,481</u>	<u>\$2,942,603</u>
Studio Level EBITDA	<u>\$9,126,664</u>	<u>\$12,195,845</u>	<u>\$12,965,658</u>	<u>\$13,864,351</u>
EBITDA	<u>(\$485,220)</u>	<u>\$6,022,348</u>	<u>\$6,545,659</u>	<u>\$6,770,056</u>

Portrait Innovations
Projected Year Financial Statements

Balance Sheet

	<u>2017 Projected</u>	<u>Projected 2018</u>	<u>Projected 2019</u>	<u>Projected 2020</u>
ASSETS				
Cash & Cash Equivalents	\$200,000	\$200,000	\$1,729,186	\$4,521,841
Accounts Receivable (net)	200,000	200,000	200,000	200,000
Income Tax Receivable	290,318	290,318	290,318	290,318
Inventory	713,169	713,169	713,169	713,169
Prepaid Expenses	593,512	593,512	593,512	593,512
Other Assets	113,587	113,587	113,587	113,587
Total Current Assets	<u>\$2,110,587</u>	<u>\$2,110,587</u>	<u>\$3,639,773</u>	<u>\$6,432,428</u>
Property and Equipment (net)	8,094,032	7,511,861	\$7,295,750	7,445,699
Deferred Financing Costs	242,151	42,951	-	-
Total Long Term Assets	<u>\$8,336,183</u>	<u>\$7,554,812</u>	<u>\$7,295,750</u>	<u>\$7,445,699</u>
Total Assets	<u>\$10,446,770</u>	<u>\$9,665,397</u>	<u>\$10,935,523</u>	<u>\$13,878,127</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Accounts Payable	\$750,000	\$1,500,000	\$1,500,000	\$1,500,000
DIP Loan	-	-	-	-
Exit Loan	3,624,184	1,031,356	-	-
Unsecured Creditor Claims - Pre-Petition	-	-	-	-
Accrued Compensation	390,506	390,506	390,506	390,506
Accrued Taxes	354,755	300,000	300,000	300,000
Income Taxes Payable	(0)	(0)	(0)	(0)
Other Current Liabilities	283,960	283,960	283,960	283,960
Current Portion of Deferred Rent	721,222	721,222	721,222	721,222
Current Portion of Capital Lease Obligations	1,342	-	-	-
Deferred Revenue	1,095,556	1,095,556	1,095,556	1,095,556
Total Current Liabilities	<u>\$7,221,527</u>	<u>\$5,322,601</u>	<u>\$4,291,245</u>	<u>\$4,291,245</u>
Term Loan	12,000,000	12,000,000	12,000,000	12,000,000
Deferred Rent	1,197,738	1,197,739	1,197,739	1,197,739
Total Long Term Liabilities	<u>\$13,197,738</u>	<u>\$13,197,739</u>	<u>\$13,197,739</u>	<u>\$13,197,739</u>
Total Liabilities	<u>\$20,419,265</u>	<u>\$18,520,340</u>	<u>\$17,488,984</u>	<u>\$17,488,984</u>
Preferred Stock - Class A	2,750,000	2,750,000	2,750,000	2,750,000
Common Stock	35,626,789	35,626,789	35,626,789	35,626,789
Retained Earnings	(48,349,284)	(47,231,733)	(44,930,251)	(41,987,648)
Shareholder's Equity	(9,972,495)	(8,854,944)	(6,553,462)	(3,610,859)
Total Liabilities and Equity	<u>\$10,446,770</u>	<u>\$9,665,397</u>	<u>\$10,935,523</u>	<u>\$13,878,127</u>

Portrait Innovations
Projected Year Financial Statements

Statement of Cash Flows

	<u>2017 Projected</u>	<u>Projected 2018</u>	<u>Projected 2019</u>	<u>Projected 2020</u>
<u>Operating Activities</u>				
Net Income:	(\$11,545,166)	\$1,117,552	\$2,301,481	\$2,942,603
Adjustments to reconcile net loss to net cash flows:				
Depreciation & amortization	4,926,055	2,903,573	2,563,013	2,222,453
Amortization of debt financing costs	199,200	199,200	42,951	-
Loss on disposal of equipment	2,374,228	-	-	-
Share-based compensation	32,764	-	-	-
Change in operating assets and liabilities:				
Accounts receivable	601,072	-	-	-
Store supplies inventory	231,601	-	-	-
Prepaid expenses	(241,653)	-	-	-
Other assets	16,850	-	-	-
Accounts payable	(636,863)	750,000	-	-
Accrued expenses and other current liabilities	79,774	(54,755)	-	-
Income taxes receivable / payable	2,022	-	-	-
Other Liabilities	(761,369)	-	-	-
Net cash provided by operating activities	<u>(\$4,721,483)</u>	<u>\$4,915,570</u>	<u>\$4,907,445</u>	<u>\$5,165,056</u>
<u>Investing Activities</u>				
Capital expenditures - Maintenance	(996,211)	(879,402)	(879,402)	(879,402)
Capital expenditures - Growth	(683,002)	(1,442,000)	(1,467,500)	(1,493,000)
Proceeds Received from disposal of equipment	571,316	-	-	-
Net cash provided by investing activities	<u>(\$1,107,897)</u>	<u>(\$2,321,402)</u>	<u>(\$2,346,902)</u>	<u>(\$2,372,402)</u>
<u>Financing Activities</u>				
Principal payments on capital lease obligations	(15,192)	(1,340)	-	(0)
Net repayments & borrowings from DIP Loan	-	-	-	-
Net repayments & borrowings from Exit Loan	3,624,184	(2,592,828)	(1,031,356)	-
Net repayments & borrowings	(3,000,000)	-	-	-
Debt financing costs	(78,125)	-	-	-
Change in Previous Retained Earnings	(3,498,725)	-	-	-
Change in Equity	3,000,000	-	-	-
Dividend payments	-	-	-	-
Net cash provided by financing activities	<u>\$32,143</u>	<u>(\$2,594,169)</u>	<u>(\$1,031,356)</u>	<u>(\$0)</u>
Net change in cash	(5,797,238)	0	1,529,186	2,792,655
Beginning cash balance	5,997,238	200,000	200,000	1,729,186
Ending cash balance	<u>\$200,000</u>	<u>\$200,000</u>	<u>\$1,729,186</u>	<u>\$4,521,841</u>

**PORTRAIT INNOVATIONS
2017**

Statement of Operations

	February 2017 Actual	March 2017 Actual	April 2017 Actual	May 2017 Actual	June 2017 Actual	July 2017 Actual	August 2017 Actual	September 2017 Projected	October 2017 Projected	November 2017 Projected	December 2017 Projected	January 2018 Projected	Year 2017 Projected
Ending Number of Studios	181	181	180	179	179	179	116	116	116	116	116	116	116
Studio Customers	44,444	41,921	54,930	37,900	21,456	21,404	22,298	17,916	17,297	57,478	58,153	12,081	407,277
Total Sales	\$6,462,750	\$6,626,381	\$7,339,585	\$5,742,251	\$3,383,012	\$3,407,399	\$3,571,254	\$2,408,217	\$2,690,519	\$8,784,762	\$8,563,829	\$1,932,595	\$60,912,556
Cost of Sales													
Total Cost of Sales	1,038,654	1,104,749	1,297,932	927,676	620,710	440,412	668,710	385,315	430,483	1,405,562	1,370,213	309,215	9,999,632
Gross Profit													
Gross Profit	\$5,424,097	\$5,521,632	\$6,041,653	\$4,814,575	\$2,762,301	\$2,966,986	\$2,902,544	\$2,022,903	\$2,260,036	\$7,379,200	\$7,193,617	\$1,623,380	\$50,912,924
Operating Expenses													
Occupancy Costs	1,873,508	1,380,096	1,447,207	1,643,924	1,351,741	1,328,251	1,187,514	987,687	987,687	987,687	987,687	987,687	15,150,675
Studio Supplies, Charge Card Fees and Other	183,951	173,296	182,611	175,720	109,301	84,558	143,804	62,614	69,954	228,404	222,660	50,247	1,687,120
Studio Labor Cost	2,353,916	1,982,672	2,001,897	2,041,113	1,504,948	1,447,530	1,696,363	1,131,832	1,273,788	2,256,093	2,285,741	1,109,741	21,085,632
Advertising Cost	163,839	369,946	885,354	96,276	53,450	67,025	85,938	97,300	111,800	1,567,705	289,200	75,000	3,862,833
Corporate G&A	917,726	867,181	743,635	852,033	730,601	740,077	1,060,630	740,000	740,000	740,000	740,000	740,000	9,611,884
Total Operating Expenses	5,492,939	4,773,191	5,260,704	4,809,066	3,750,041	3,667,441	4,174,249	3,019,432	3,183,229	5,779,889	4,525,288	2,962,675	51,398,144
Restructuring Expenses							2,344,240	175,000	453,700	399,350	624,650	100,300	4,097,240
Income from Operations Post Restructuring Expenses	\$ (68,842)	\$ 748,442	\$ 780,948	\$ 5,509	\$ (987,740)	\$ (700,455)	\$ (3,615,945)	\$ (1,171,530)	\$ (1,376,893)	\$ 1,199,961	\$ 2,043,679	\$ (1,439,595)	\$ (4,582,460)
Depr. & Amort.	537,631	529,297	522,105	453,091	488,632	470,596	450,991	334,272	309,206	297,716	311,267	304,253	5,009,055
Income from Operations	(\$606,474)	\$219,145	\$258,844	(\$447,582)	(\$1,476,372)	(\$1,171,050)	(\$4,066,936)	(\$1,505,802)	(\$1,686,098)	\$902,245	\$1,732,413	(\$1,743,849)	(\$9,591,515)
Net Interest Expense	191,740	156,730	156,719	245,875	180,032	179,530	220,691	120,000	120,000	120,000	120,000	142,334	1,953,651
Income Before Taxes	(798,213)	62,415	102,125	(693,457)	(1,656,404)	(1,350,580)	(4,287,627)	(1,625,802)	(1,806,098)	782,245	1,612,413	(1,886,183)	(11,545,166)
Provision for Inc. Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income	(\$798,213)	\$62,415	\$102,125	(\$693,457)	(\$1,656,404)	(\$1,350,580)	(\$4,287,627)	(\$1,625,802)	(\$1,806,098)	\$782,245	\$1,612,413	(\$1,886,183)	(\$11,545,166)
Studio Level EBITDA	\$848,884	\$1,615,623	\$1,524,584	\$857,542	(\$257,139)	\$39,622	(\$2,555,315)	(\$431,530)	(\$636,893)	\$1,939,961	\$2,783,679	(\$699,595)	\$5,029,423
EBITDA	(\$68,842)	\$748,442	\$780,948	\$5,509	(\$987,740)	(\$700,455)	(\$3,615,945)	(\$1,171,530)	(\$1,376,893)	\$1,199,961	\$2,043,679	(\$1,439,595)	(\$4,582,460)

**PORTRAIT INNOVATIONS
2017**

Balance Sheet

	February 2017 Actual	March 2017 Actual	April 2017 Actual	May 2017 Actual	June 2017 Actual	July 2017 Actual	August 2017 Actual	September 2017 Projected	October 2017 Projected	November 2017 Projected	December 2017 Projected	January 2018 Projected	Year 2017 Projected
ASSETS													
Cash & Cash Equivalents	\$ 2,224,187	\$ 3,724,936	\$ 6,713,044	\$ 3,829,213	\$ 2,749,420	\$ 1,821,672	\$ 256,911	\$ 1,087,166	\$ 1,281,657	\$ 1,198,457	\$ 200,000	\$ 200,000	\$200,000
Accounts Receivable (net)	1,470,208	1,808,238	1,155,565	914,227	895,434	1,036,991	1,111,788	200,000	425,116	386,976	386,976	200,000	200,000
Income Tax Receivable	292,240	292,240	292,425	306,031	306,018	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318
Inventory	890,875	848,361	825,955	787,291	786,864	778,464	713,169	713,169	713,169	713,169	713,169	713,169	713,169
Prepaid Expenses	2,104,511	1,023,235	517,602	1,654,223	601,772	593,512	948,694	593,512	593,512	593,512	593,512	593,512	593,512
Other Assets	129,784	118,712	118,712	116,142	116,042	114,677	113,587	113,587	113,587	113,587	113,587	113,587	113,587
Total Current Assets	7,111,806	7,815,722	9,623,303	7,607,126	5,455,549	4,635,634	3,434,467	2,997,753	3,417,360	3,296,020	2,297,563	2,110,587	2,110,587
Property and Equipment (net)	13,730,039	13,332,321	12,935,598	12,603,058	12,235,281	11,883,369	8,884,743	9,167,863	8,957,468	8,676,352	8,381,685	8,094,032	8,094,032
Deferred Financing Costs	424,751	408,151	391,551	374,951	358,351	341,751	325,151	308,551	291,951	275,351	258,751	242,151	242,151
Deferred Tax Assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Long Term Assets	14,154,790	13,740,472	13,327,149	12,978,010	12,593,633	12,225,120	9,209,894	9,476,414	9,249,419	8,951,703	8,640,436	8,336,183	8,336,183
Total Assets	\$21,266,596	\$21,556,194	\$22,950,452	\$20,585,136	\$18,049,182	\$16,860,754	\$12,644,361	\$12,474,168	\$12,666,779	\$12,247,723	\$10,937,999	\$10,446,770	\$10,446,770
LIABILITIES AND SHAREHOLDERS' EQUITY													
Accounts Payable	\$1,740,939	\$1,318,302	\$2,979,896	\$2,153,359	\$1,191,441	\$1,403,779	\$143,111	\$0	\$0	\$0	\$0	\$750,000	\$750,000
DIP Loan								\$1,600,000	\$3,600,000	\$2,400,000	\$0		
Exit Loan											2,977,910	3,624,184	3,624,184
Unsecured Pre-Petition Claims							\$6,538,974	\$6,538,974	\$6,538,974	\$6,538,974	\$0	\$0	
Accrued Compensation	634,105	715,688	625,457	528,388	489,047	490,774	390,506	390,506	390,506	390,506	390,506	390,506	390,506
Accrued Taxes	511,399	634,494	735,329	(0)	(0)	366,821	354,755	354,755	354,755	354,755	354,755	354,755	354,755
Income Taxes Payable	0	0	0	553,652	425,626	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Other Current Liabilities	1,299,761	1,837,872	1,522,645	1,036,431	1,370,442	1,456,752	283,960	283,960	283,960	283,960	283,960	283,960	283,960
Current Portion of Deferred Rent	1,003,098	976,338	949,917	923,477	909,284	896,903	721,222	721,222	721,222	721,222	721,222	721,222	721,222
Current Portion of Capital Lease Obligations	15,327	14,108	12,879	11,639	10,389	9,129	7,857	6,576	5,285	3,984	2,663	1,342	1,342
Deferred Revenue	1,088,511	1,090,356	1,085,078	1,097,263	1,094,873	1,095,608	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556
Total Current Liabilities	6,293,139	6,587,158	7,911,202	6,304,210	5,491,103	5,719,765	9,535,942	10,991,550	12,990,259	11,788,958	5,826,573	7,221,527	7,221,527
Long Term Portion of Capital Lease Obligations	0	0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Notes Payable	0	0	0	0	0	0	0	0	0	0	0	0	0
Term Loan	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	12,000,000	12,000,000	12,000,000
Deferred Rent	1,889,663	1,822,827	1,758,151	1,693,285	1,626,841	1,560,332	1,197,738	1,197,738	1,197,738	1,197,738	1,197,738	1,197,738	1,197,738
Total Long Term Liabilities	16,889,663	16,822,827	16,758,151	16,693,285	16,626,841	16,560,332	16,197,738	16,197,738	16,197,738	16,197,738	13,197,738	13,197,738	13,197,738
Total Liabilities	23,182,802	23,409,985	24,669,354	22,997,495	22,117,944	22,280,097	25,733,680	27,189,288	29,187,997	27,986,696	19,024,311	20,419,265	20,419,265
Preferred Stock - Class A	5,024,073	5,047,087	5,070,100	5,098,867	5,121,881	5,144,895	5,173,662	5,173,662	5,173,662	5,173,662	2,750,000	2,750,000	2,750,000
Preferred Stock - Class B	30,159,153	30,159,153	30,159,153	30,159,153	30,159,153	30,159,153	30,159,153	30,159,153	30,159,153	30,159,153	0	0	0
Preferred Stock - Class C	27,119	27,119	27,119	27,119	27,119	27,119	27,119	27,119	27,119	27,119	0	0	0
Common Stock	16,855	16,855	16,855	16,855	16,855	16,855	16,855	16,855	16,855	16,855	35,626,789	35,626,789	35,626,789
Additional Paid-in Capital	0	0	9,750	0	0	0	0	0	0	0	0	0	0
Retained Earnings	(36,345,192)	(36,368,206)	(36,368,206)	(36,387,223)	(36,410,236)	(36,433,250)	(39,844,367)	(39,844,367)	(39,844,367)	(39,844,367)	(46,463,101)	(46,463,101)	(46,463,101)
Current Year Retained Earnings	(798,213)	(735,798)	(633,673)	(1,327,130)	(2,983,534)	(4,334,114)	(8,621,741)	(10,247,543)	(12,053,641)	(11,271,396)	-	(1,886,183)	(1,886,183)
Shareholder's Equity	(1,916,206)	(1,853,791)	(1,718,902)	(2,412,359)	(4,068,762)	(5,419,343)	(13,089,318)	(14,715,120)	(16,521,218)	(15,738,973)	(8,086,312)	(9,972,495)	(9,972,495)
Total Liabilities and Equity	\$21,266,596	\$21,556,194	\$22,950,452	\$20,585,136	\$18,049,182	\$16,860,754	\$12,644,361	\$12,474,168	\$12,666,779	\$12,247,723	\$10,937,999	\$10,446,770	\$10,446,770

PORTRAIT INNOVATIONS

2017

Statement of Cashflows

	February 2017 Actual	March 2017 Actual	April 2017 Actual	May 2017 Actual	June 2017 Actual	July 2017 Actual	August 2017 Actual	September 2017 Projected	October 2017 Projected	November 2017 Projected	December 2017 Projected	January 2018 Projected	Year 2017 Projected
Operating Activities													
Net Income:	(\$798,213)	\$62,415	\$102,125	(\$693,457)	(\$1,656,404)	(\$1,350,580)	(\$4,287,627)	(\$1,625,802)	(\$1,806,098)	\$782,245	\$1,612,413	(\$1,886,183)	(\$11,545,166)
Adjustments to reconcile net loss to net cash flows:													
Depreciation & amortization	\$537,631	\$529,296.86	\$522,105	\$453,091	\$488,632	\$470,596	\$450,991	\$317,672	\$292,606	\$281,116	\$294,667	\$287,653	\$4,926,055
Amortization of debt financing Costs	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	199,200
Impairment of long-lived assets													-
Loss on disposal of equipment	2,432	867	3,040	23,285	208	156	2,344,240						2,374,228
Share-based compensation	-	-	32,764	-	-	-	-						32,764
Deferred income taxes													-
Change in operating assets and liabilities:													
Accounts receivable	(\$669,136)	(\$338,030)	\$652,673	\$241,338	\$18,794	(\$141,558)	(\$74,797)	\$911,788	(\$225,116)	\$38,140	\$0	\$186,976	601,072
Store supplies inventory	53,895	42,514	22,406	38,664	427	8,400	65,294	-	-	-	-	-	231,601
Prepaid expenses	(1,752,652)	1,081,276	505,633	(1,136,621)	1,052,451	8,260	(355,182)	355,182	-	-	-	-	(241,653)
Other assets	653	11,072	-	2,570	100	1,365	1,090	-	-	-	-	-	16,850
Accounts payable	(793,478)	(422,637)	1,661,594	(826,537)	(961,918)	212,338	(113,114)	(143,111)	-	-	-	750,000	(636,863)
Accrued expenses and other current liabilities	(238,421)	717,874	(336,321)	(779,216)	150,061	17,585	548,021	-	-	-	191	-	79,774
Unsecured Pre-Petition Claim payments							6,538,974	-	-	-	(6,538,974)	-	-
Income taxes receivable / payable	100	-	(185)	(13,606)	13	15,700	-	-	-	-	-	-	2,022
Other Liabilities	(69,444)	(66,836)	(64,676)	(64,866)	(66,444)	(66,509)	(362,594)	-	-	-	-	-	(761,369)
Net cash provided by operating activities	(3,710,034)	1,634,413	3,117,758	(2,738,754)	(957,481)	(807,647)	4,771,897	(167,671)	(1,722,008)	1,118,101	(4,615,104)	(644,954)	(4,721,483)
Investing Activities													
Capital expenditures - Maintenance	(\$258,784)	(\$132,446)	(\$130,516)	(\$143,837)	(\$121,147)	(\$118,839)	(\$90,641)						(\$996,211)
Capital expenditures - Growth								(600,792)	(82,210)				(683,002)
Proceeds Received from disposal of equipment	275,100		2,095	-	85	-	294,036						571,316
Net cash provided by investing activities	16,316	(132,446)	(128,421)	(143,837)	(121,063)	(118,839)	203,395	(600,792)	(82,210)	-	-	-	(1,107,897)
Financing Activities													
Principal payments on capital lease obligations	(\$1,208)	(\$1,219)	(\$1,229)	(\$1,240)	(\$1,250)	(\$1,261)	(\$1,271)	(\$1,281)	(\$1,291)	(\$1,301)	(\$1,321)	(\$1,321)	(\$15,193)
Net repayments & borrowings from DIP Loan								1,600,000	2,000,000	(1,200,000)	(2,400,000)	-	-
Net repayments & borrowings from Exit Loan								-	-	-	2,977,910	646,275	3,624,184
Net repayments & borrowings											(3,000,000)		(3,000,000)
Proceeds from exercise of stock options													-
Excess tax benefit from share-based compensation													-
Debt financing costs	(\$78,125)												(78,125)
Change in Previous Retained Earnings							(\$6,538,783)				\$3,040,058		(3,498,725)
Change in Equity											\$3,000,000		3,000,000
Dividend payments													-
Net change in cash	(\$3,773,051)	\$1,500,749	\$2,988,108	(\$2,883,831)	(\$1,079,793)	(\$927,747)	(\$1,564,762)	\$830,255	\$194,491	(\$83,200)	(\$998,457)	\$0	(\$5,797,239)
Beginning cash balance	\$5,997,238	\$2,224,187	\$3,724,936	\$6,713,044	\$3,829,213	\$2,749,420	\$1,821,673	\$256,911	\$1,087,166	\$1,281,656	\$1,198,457	\$200,000	\$5,997,238
Ending cash balance	\$ 2,224,187	\$3,724,936	\$6,713,044	\$3,829,213	\$2,749,420	\$1,821,673	\$256,911	\$1,087,166	\$1,281,656	\$1,198,457	\$200,000	\$200,000	\$200,000
	\$2,224,187	\$3,724,936	\$6,713,044	\$3,829,213	\$2,749,420	\$1,821,672	\$256,911	\$1,087,166	\$1,281,657	\$1,198,457	\$200,000	\$200,000	\$200,000

**PORTRAIT INNOVATIONS
2018**

Statement of Operations

	February 2018 Projected	March 2018 Projected	April 2018 Projected	May 2018 Projected	June 2018 Projected	July 2018 Projected	August 2018 Projected	September 2018 Projected	October 2018 Projected	November 2018 Projected	December 2018 Projected	January 2019 Projected	Year 2018 Projected
Ending Number of Studios	108	108	108	108	108	108	108	108	115	123	123	123	123
Studio Customers	29,088	26,720	35,518	24,902	14,037	13,662	17,246	15,768	15,986	60,640	62,859	15,956	332,381
Total Sales	\$4,455,635	\$4,655,203	\$5,202,828	\$3,815,205	\$2,251,029	\$2,213,280	\$2,884,440	\$2,194,679	\$2,505,585	\$8,677,897	\$8,503,409	\$2,416,266	\$49,775,457
Cost of Sales													
Total Cost of Sales	576,141	602,632	673,238	493,886	291,314	286,800	372,976	283,528	323,294	1,115,246	1,091,966	310,602	6,421,623
Gross Profit													
Gross Profit	\$3,879,494	\$4,052,571	\$4,529,590	\$3,321,320	\$1,959,716	\$1,926,480	\$2,511,464	\$1,911,151	\$2,182,290	\$7,562,652	\$7,411,443	\$2,105,664	\$43,353,834
Operating Expenses													
Occupancy Costs	838,911	832,074	839,388	826,406	816,772	811,845	825,283	822,521	830,663	961,278	968,733	844,172	10,218,045
Studio Supplies, Charge Card Fees and Other	111,589	104,003	111,598	103,377	61,167	59,398	78,998	60,622	70,008	218,054	214,710	36,514	1,230,038
Studio Labor Cost	1,498,435	1,254,629	1,279,525	1,328,287	976,818	938,072	1,284,784	955,113	1,149,955	2,183,193	2,119,330	1,368,006	16,336,146
Advertising Cost	116,928	286,940	539,424	65,680	39,938	47,806	67,799	83,033	94,370	1,630,070	304,082	97,689	3,373,760
Corporate G&A	514,458	514,458	514,458	514,458	514,458	514,458	514,458	514,458	514,458	514,458	514,458	514,458	6,173,497
Total Operating Expenses	3,080,321	2,992,104	3,284,392	2,838,209	2,409,154	2,371,578	2,771,322	2,435,747	2,659,454	5,507,053	4,121,312	2,860,839	37,331,486
Depr. & Amort.	271,572	269,207	266,842	264,477	262,112	259,747	257,382	255,017	252,652	250,287	247,922	245,557	3,102,773
Income from Operations	\$527,602	\$791,260	\$978,356	\$218,634	(\$711,550)	(\$704,846)	(\$517,240)	(\$779,613)	(\$729,816)	\$1,805,312	\$3,042,209	(\$1,000,732)	\$2,919,575
Net Interest Expense	147,181	143,272	136,954	127,327	125,219	130,089	134,963	138,485	142,940	150,823	139,769	285,000	1,802,023
Income Before Taxes	380,420	647,987	841,402	91,307	(836,769)	(834,935)	(652,204)	(918,097)	(872,756)	1,654,489	2,902,439	(1,285,732)	1,117,552
Provision for Inc. Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income	\$380,420	\$647,987	\$841,402	\$91,307	(\$836,769)	(\$834,935)	(\$652,204)	(\$918,097)	(\$872,756)	\$1,654,489	\$2,902,439	(\$1,285,732)	\$1,117,552
Studio Level EBITDA	\$1,313,632	\$1,574,925	\$1,759,656	\$997,569	\$65,020	\$69,359	\$254,600	(\$10,138)	\$37,294	\$2,570,057	\$3,804,589	(\$240,717)	\$12,195,845
EBITDA	\$799,174	\$1,060,466	\$1,245,198	\$483,111	(\$449,438)	(\$445,099)	(\$259,859)	(\$524,596)	(\$477,164)	\$2,055,599	\$3,290,131	(\$755,175)	\$6,022,348

**PORTRAIT INNOVATIONS
2018**

Balance Sheet

	February 2018 Projected	March 2018 Projected	April 2018 Projected	May 2018 Projected	June 2018 Projected	July 2018 Projected	August 2018 Projected	September 2018 Projected	October 2018 Projected	November 2018 Projected	December 2018 Projected	January 2019 Projected	Year 2018 Projected
ASSETS													
Cash & Cash Equivalents	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 283,517	\$ 200,000	\$200,000
Accounts Receivable (net)	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Income Tax Receivable	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318
Inventory	713,169	713,169	713,169	713,169	713,169	713,169	713,169	713,169	713,169	713,169	713,169	713,169	713,169
Prepaid Expenses	593,512	593,512	593,512	593,512	593,512	593,512	593,512	593,512	593,512	593,512	593,512	593,512	593,512
Other Assets	113,587	113,587	113,587	113,587	113,587	113,587	113,587	113,587	113,587	113,587	113,587	113,587	113,587
Total Current Assets	2,110,587	2,110,587	2,110,587	2,110,587	2,110,587	2,110,587	2,110,587	2,110,587	2,110,587	2,110,587	2,194,104	2,110,587	2,110,587
Property and Equipment (net)	7,913,760	7,735,853	7,560,312	7,387,135	7,216,323	7,047,876	6,881,795	7,074,328	7,269,226	7,466,490	7,666,118	7,511,861	7,511,861
Deferred Financing Costs	225,551	208,951	192,351	175,751	159,151	142,551	125,951	109,351	92,751	76,151	59,551	42,951	42,951
Deferred Tax Assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Long Term Assets	8,139,311	7,944,805	7,752,663	7,562,886	7,375,474	7,190,428	7,007,746	7,183,679	7,361,977	7,542,641	7,725,669	7,554,812	7,554,812
Total Assets	\$10,249,898	\$10,055,391	\$9,863,250	\$9,673,473	\$9,486,061	\$9,301,014	\$9,118,333	\$9,294,266	\$9,472,564	\$9,653,227	\$9,919,773	\$9,665,398	\$9,665,398
LIABILITIES AND SHAREHOLDERS' EQUITY													
Accounts Payable	\$750,000	\$750,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
DIP Loan													-
Exit Loan	3,102,990	2,260,496	976,952	695,868	1,345,225	1,995,113	2,464,635	3,058,666	4,109,720	2,635,895	-	1,031,356	1,031,356
Unsecured Pre-Petition Claims													-
Accrued Compensation	390,506	390,506	390,506	390,506	390,506	390,506	390,506	390,506	390,506	390,506	390,506	390,506	390,506
Accrued Taxes	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Income Taxes Payable	0	0	0	0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Other Current Liabilities	283,960	283,960	283,960	283,960	283,960	283,960	283,960	283,960	283,960	283,960	283,960	283,960	283,960
Current Portion of Deferred Rent	721,222	721,222	721,222	721,222	721,222	721,222	721,222	721,222	721,222	721,222	721,222	721,222	721,222
Current Portion of Capital Lease Obligations	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556
Total Current Liabilities	6,644,235	5,801,741	4,768,197	4,487,113	5,136,470	5,786,358	6,255,880	7,349,911	8,400,965	6,927,140	4,291,245	5,322,601	5,322,601
Long Term Portion of Capital Lease Obligations	0	0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Notes Payable	0	0	0	0	0	0	0	0	0	0	0	0	0
Term Loan	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Deferred Rent	1,197,738	1,197,738	1,197,738	1,197,738	1,197,738	1,197,738	1,197,738	1,197,738	1,197,738	1,197,738	1,197,738	1,197,739	1,197,739
Total Long Term Liabilities	13,197,738	13,197,738	13,197,738	13,197,738	13,197,738	13,197,738	13,197,738	13,197,738	13,197,738	13,197,738	13,197,738	13,197,739	13,197,739
Total Liabilities	19,841,972	18,999,479	17,965,935	17,684,851	18,334,208	18,984,096	19,453,618	20,547,649	21,598,703	20,124,878	17,488,983	18,520,340	18,520,340
Preferred Stock - Class A	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000
Preferred Stock - Class B	0	0	0	0	0	0	0	0	0	0	0	0	0
Preferred Stock - Class C	0	0	0	0	0	0	0	0	0	0	0	0	0
Common Stock	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789
Additional Paid-in Capital	0	0	0	0	0	0	0	0	0	0	0	0	0
Retained Earnings	(48,349,284)	(48,349,284)	(48,349,284)	(48,349,284)	(48,349,284)	(48,349,284)	(48,349,284)	(48,349,284)	(48,349,284)	(48,349,284)	(48,349,284)	(48,349,284)	(48,349,284)
Current Year Retained Earnings	380,420	1,028,407	1,869,809	1,961,116	1,124,348	289,413	(362,791)	(1,280,888)	(2,153,644)	(499,156)	2,403,284	1,117,552	1,117,552
Shareholder's Equity	(9,592,075)	(8,944,088)	(8,102,686)	(8,011,379)	(8,848,148)	(9,683,083)	(10,335,286)	(11,253,384)	(12,126,140)	(10,471,651)	(7,569,211)	(8,854,944)	(8,854,944)
Total Liabilities and Equity	\$10,249,898	\$10,055,391	\$9,863,250	\$9,673,473	\$9,486,061	\$9,301,014	\$9,118,333	\$9,294,266	\$9,472,564	\$9,653,227	\$9,919,773	\$9,665,398	\$9,665,398

**PORTRAIT INNOVATIONS
2018**

Statement of Cashflows

	February 2018 Projected	March 2018 Projected	April 2018 Projected	May 2018 Projected	June 2018 Projected	July 2018 Projected	August 2018 Projected	September 2018 Projected	October 2018 Projected	November 2018 Projected	December 2018 Projected	January 2019 Projected	Year 2018 Projected
Operating Activities													
Net Income:	\$380,420	\$647,987	\$841,402	\$91,307	(\$836,769)	(\$834,935)	(\$652,204)	(\$918,097)	(\$872,756)	\$1,654,489	\$2,902,439	(\$1,285,732)	\$1,117,552
Adjustments to reconcile net loss to net cash flows:													
Depreciation & amortization	254,972	252,607	250,242	247,877	245,512	243,147	240,782	238,417	236,052	233,687	231,322	228,957	2,903,573
Amortization of debt financing Costs	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	16,600	199,200
Impairment of long-lived assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on disposal of equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in operating assets and liabilities:													
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Store supplies inventory	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	-	-	250,000	-	-	-	-	500,000	-	-	-	-	750,000
Accrued expenses and other current liabilities	(54,755)	-	-	-	-	-	-	-	-	-	-	-	(54,755)
Unsecured Pre-Petition Claim payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes receivable / payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	1	1
Net cash provided by operating activities	\$597,238	\$917,194	\$1,358,244	\$355,784	(\$574,657)	(\$575,188)	(\$394,822)	(\$163,081)	(\$620,104)	\$1,904,776	\$3,150,361	(\$1,040,174)	\$4,915,571
Investing Activities													
Capital expenditures - Maintenance	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(879,402)
Capital expenditures - Growth	(1,417)	(1,417)	(1,417)	(1,417)	(1,417)	(1,417)	(1,417)	(357,667)	(357,667)	(357,667)	(357,667)	(1,417)	(1,442,000)
Proceeds Received from disposal of equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by investing activities	(\$74,700)	(\$74,700)	(\$74,700)	(\$74,700)	(\$74,700)	(\$74,700)	(\$74,700)	(\$430,950)	(\$430,950)	(\$430,950)	(\$430,950)	(\$74,700)	(\$2,321,402)
Financing Activities													
Principal payments on capital lease obligations	(1,342)	-	-	(0)	(0)	-	-	(0)	0	-	-	-	(1,342)
Net repayments & borrowings from DIP Loan	-	-	-	-	-	-	-	-	-	-	-	-	-
Net repayments & borrowings from Exit Loan	(521,195)	(842,494)	(1,283,544)	(281,084)	649,357	649,888	469,522	594,031	1,051,054	(1,473,826)	(2,635,895)	1,031,356	(2,592,828)
Net repayments & borrowings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-
Proceeds from exercise of stock options	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess tax benefit from share-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt financing costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Previous Retained Earnings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-
Change in Equity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-
Dividend payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by financing activities	(\$522,537)	(\$842,494)	(\$1,283,544)	(\$281,084)	\$649,357	\$649,888	\$469,522	\$594,031	\$1,051,054	(\$1,473,826)	(\$2,635,895)	\$1,031,356	(\$2,594,171)
Net change in cash	\$0	\$0	\$0	(\$0)	\$0	\$0	(\$0)	\$0	\$0	\$0	\$83,517	(\$83,518)	(\$1)
Beginning cash balance	\$ 200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$283,517	\$200,000
Ending cash balance	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$283,517	\$200,000	\$200,000

**PORTRAIT INNOVATIONS
2019**

Statement of Operations

	February 2019 Projected	March 2019 Projected	April 2019 Projected	May 2019 Projected	June 2019 Projected	July 2019 Projected	August 2019 Projected	September 2019 Projected	October 2019 Projected	November 2019 Projected	December 2019 Projected	January 2020 Projected	Year 2019 Projected
Ending Number of Studios	123	123	123	123	123	123	123	123	130	138	138	138	138
Studio Customers	32,023	28,398	38,045	26,589	15,062	14,151	18,907	17,395	17,527	66,925	70,293	13,880	359,193
Total Sales	\$4,776,707	\$4,902,225	\$5,515,779	\$4,018,394	\$2,382,077	\$2,294,132	\$3,092,281	\$2,386,047	\$2,666,554	\$9,322,480	\$9,181,994	\$2,065,261	\$52,603,930
Cost of Sales													
Total Cost of Sales	613,148	630,850	709,131	517,099	306,329	295,893	396,932	305,681	341,806	1,190,648	1,171,400	263,593	6,742,511
Gross Profit													
Gross Profit	\$4,163,559	\$4,271,375	\$4,806,648	\$3,501,295	\$2,075,748	\$1,998,239	\$2,695,349	\$2,080,366	\$2,324,748	\$8,131,832	\$8,010,594	\$1,801,667	\$45,861,419
Operating Expenses													
Occupancy Costs	898,063	880,760	899,269	866,417	842,034	829,565	863,575	856,583	860,838	1,066,201	1,078,513	861,400	10,803,217
Studio Supplies, Charge Card Fees and Other	131,306	120,232	131,558	115,062	68,617	64,335	90,528	71,048	79,022	251,600	249,918	30,145	1,403,370
Studio Labor Cost	1,577,749	1,319,003	1,345,479	1,397,777	1,035,174	997,675	1,355,675	1,014,168	1,211,286	2,301,372	2,212,136	1,150,073	16,917,567
Advertising Cost	144,866	386,059	547,930	75,543	50,985	58,491	77,564	92,097	102,913	1,804,713	338,978	91,468	3,771,606
Corporate G&A	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	6,419,999
Total Operating Expenses	3,286,984	3,241,054	3,459,236	2,989,799	2,531,809	2,485,066	2,922,343	2,568,896	2,789,058	5,958,886	4,414,544	2,668,085	39,315,760
Depr. & Amort.	243,192	240,827	231,613	219,497	217,132	214,767	212,402	210,037	207,672	205,307	202,942	200,577	2,605,964
Income from Operations	\$633,383	\$789,494	\$1,115,798	\$291,998	(\$673,193)	(\$701,594)	(\$439,395)	(\$698,566)	(\$671,983)	\$1,967,639	\$3,393,109	(\$1,066,995)	\$3,939,695
Net Interest Expense	127,735	122,695	120,000	120,000	120,000	120,000	120,000	120,000	126,489	134,168	122,126	285,000	1,638,214
Income Before Taxes	505,648	666,799	995,798	171,998	(793,193)	(821,594)	(559,395)	(818,566)	(798,472)	1,833,471	3,270,983	(1,351,995)	2,301,481
Provision for Inc. Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income	\$505,648	\$666,799	\$995,798	\$171,998	(\$793,193)	(\$821,594)	(\$559,395)	(\$818,566)	(\$798,472)	\$1,833,471	\$3,270,983	(\$1,351,995)	\$2,301,481
Studio Level EBITDA	\$1,411,575	\$1,565,321	\$1,882,411	\$1,046,495	\$78,939	\$48,173	\$308,006	\$46,470	\$70,689	\$2,707,946	\$4,131,050	(\$331,418)	\$12,965,658
EBITDA	\$876,575	\$1,030,321	\$1,347,411	\$511,495	(\$456,061)	(\$486,827)	(\$226,993)	(\$488,530)	(\$464,311)	\$2,172,946	\$3,596,051	(\$866,418)	\$6,545,659

**PORTRAIT INNOVATIONS
2019**

Balance Sheet

	February 2019 Projected	March 2019 Projected	April 2019 Projected	May 2019 Projected	June 2019 Projected	July 2019 Projected	August 2019 Projected	September 2019 Projected	October 2019 Projected	November 2019 Projected	December 2019 Projected	January 2020 Projected	Year 2019 Projected
ASSETS													
Cash & Cash Equivalents	\$ 200,000	\$ 671,457	\$ 1,822,044	\$ 2,136,714	\$ 1,483,828	\$ 800,175	\$ 376,357	\$ 200,000	\$ 200,000	\$ 200,000	\$ 2,957,430	\$ 1,729,186	\$ 1,729,186
Accounts Receivable (net)	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Income Tax Receivable	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318
Inventory	713,169	713,169	713,169	713,169	713,169	713,169	713,169	713,169	713,169	713,169	713,169	713,169	713,169
Prepaid Expenses	593,512	593,512	593,512	593,512	593,512	593,512	593,512	593,512	593,512	593,512	593,512	593,512	593,512
Other Assets	113,587	113,587	113,587	113,587	113,587	113,587	113,587	113,587	113,587	113,587	113,587	113,587	113,587
Total Current Assets	2,110,587	2,582,044	3,732,631	4,047,301	3,394,415	2,710,762	2,286,944	2,110,587	2,110,587	2,110,587	4,868,016	3,639,773	3,639,773
Property and Equipment (net)	7,362,094	7,214,693	7,069,656	6,926,984	6,786,677	6,648,736	6,513,159	6,736,197	6,961,600	7,189,369	7,419,502	7,295,750	7,295,750
Deferred Financing Costs	26,351	9,751	0	0	0	0	0	0	0	0	0	0	0
Deferred Tax Assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Long Term Assets	7,388,446	7,224,444	7,069,656	6,926,984	6,786,677	6,648,736	6,513,159	6,736,197	6,961,600	7,189,369	7,419,502	7,295,750	7,295,750
Total Assets	\$9,499,032	\$9,806,487	\$10,802,286	\$10,974,285	\$10,181,091	\$9,359,497	\$8,800,102	\$8,846,784	\$9,072,187	\$9,299,955	\$12,287,518	\$10,935,523	\$10,935,523
LIABILITIES AND SHAREHOLDERS' EQUITY													
Accounts Payable	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
DIP Loan													
Exit Loan	359,342	-	-	-	-	-	-	865,248	1,889,124	283,421	-	-	-
Unsecured Pre-Petition Claims													
Accrued Compensation	390,506	390,506	390,506	390,506	390,506	390,506	390,506	390,506	390,506	390,506	390,506	390,506	390,506
Accrued Taxes	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Income Taxes Payable	0	0	0	0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Other Current Liabilities	283,960	283,960	283,960	283,960	283,960	283,960	283,960	283,960	283,960	283,960	283,960	283,960	283,960
Current Portion of Deferred Rent	721,222	721,222	721,222	721,222	721,222	721,222	721,222	721,222	721,222	721,222	721,222	721,222	721,222
Current Portion of Capital Lease Obligations	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556
Total Current Liabilities	4,650,587	4,291,245	4,291,245	4,291,245	4,291,245	4,291,245	4,291,245	5,156,493	6,180,369	4,574,666	4,291,245	4,291,245	4,291,245
Long Term Portion of Capital Lease Obligations	0	0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Notes Payable	0	0	0	0	0	0	0	0	0	0	0	0	0
Term Loan	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Deferred Rent	1,197,739	1,197,739	1,197,739	1,197,739	1,197,739	1,197,739	1,197,739	1,197,739	1,197,739	1,197,739	1,197,739	1,197,739	1,197,739
Total Long Term Liabilities	13,197,739	13,197,739	13,197,739	13,197,739	13,197,739	13,197,739	13,197,739	13,197,739	13,197,739	13,197,739	13,197,739	13,197,739	13,197,739
Total Liabilities	17,848,326	17,488,984	17,488,984	17,488,984	17,488,984	17,488,984	17,488,984	18,354,232	19,378,108	17,772,405	17,488,984	17,488,984	17,488,984
Preferred Stock - Class A	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000
Preferred Stock - Class B	0	0	0	0	0	0	0	0	0	0	0	0	0
Preferred Stock - Class C	0	0	0	0	0	0	0	0	0	0	0	0	0
Common Stock	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789
Additional Paid-in Capital	0	0	0	0	0	0	0	0	0	0	0	0	0
Retained Earnings	(47,231,733)	(47,231,733)	(47,231,733)	(47,231,733)	(47,231,733)	(47,231,733)	(47,231,733)	(47,231,733)	(47,231,733)	(47,231,733)	(47,231,733)	(47,231,733)	(47,231,733)
Current Year Retained Earnings	505,648	1,172,447	2,168,245	2,340,243	1,547,050	725,456	166,061	(652,505)	(1,450,977)	382,493	3,653,476	2,301,481	2,301,481
Shareholder's Equity	(8,349,296)	(7,682,497)	(6,686,699)	(6,514,700)	(7,307,894)	(8,129,487)	(8,688,883)	(9,507,449)	(10,305,921)	(8,472,450)	(5,201,467)	(6,553,462)	(6,553,462)
Total Liabilities and Equity	\$9,499,032	\$9,806,487	\$10,802,286	\$10,974,285	\$10,181,091	\$9,359,497	\$8,800,102	\$8,846,784	\$9,072,187	\$9,299,955	\$12,287,518	\$10,935,523	\$10,935,523

**PORTRAIT INNOVATIONS
2019**

Statement of Cashflows

	February 2019 Projected	March 2019 Projected	April 2019 Projected	May 2019 Projected	June 2019 Projected	July 2019 Projected	August 2019 Projected	September 2019 Projected	October 2019 Projected	November 2019 Projected	December 2019 Projected	January 2020 Projected	Year 2019 Projected
Operating Activities													
Net Income:	\$505,648	\$666,799	\$995,798	\$171,998	(\$793,193)	(\$821,594)	(\$559,395)	(\$818,566)	(\$798,472)	\$1,833,471	\$3,270,983	(\$1,351,995)	\$2,301,481
Adjustments to reconcile net loss to net cash flows:													
Depreciation & amortization	226,592	224,227	221,862	219,497	217,132	214,767	212,402	210,037	207,672	205,307	202,942	200,577	2,563,013
Amortization of debt financing Costs	16,600	16,600	9,751	-	-	-	-	-	-	-	-	-	42,951
Impairment of long-lived assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on disposal of equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in operating assets and liabilities:													
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Store supplies inventory	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued expenses and other current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Unsecured Pre-Petition Claim payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes receivable / payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by operating activities	\$748,839	\$907,626	\$1,227,411	\$391,495	(\$576,061)	(\$606,827)	(\$346,993)	(\$608,530)	(\$590,800)	\$2,038,778	\$3,473,925	(\$1,151,418)	\$4,907,445
Investing Activities													
Capital expenditures - Maintenance	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(879,402)
Capital expenditures - Growth	(3,542)	(3,542)	(3,542)	(3,542)	(3,542)	(3,542)	(3,542)	(359,792)	(359,792)	(359,792)	(359,792)	(3,542)	(1,467,500)
Proceeds Received from disposal of equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by investing activities	(\$76,825)	(\$76,825)	(\$76,825)	(\$76,825)	(\$76,825)	(\$76,825)	(\$76,825)	(\$433,075)	(\$433,075)	(\$433,075)	(\$433,075)	(\$76,825)	(\$2,346,902)
Financing Activities													
Principal payments on capital lease obligations	0	-	-	(0)	(0)	-	-	(0)	0	-	-	-	-
Net repayments & borrowings from DIP Loan	-	-	-	-	-	-	-	-	-	-	-	-	-
Net repayments & borrowings from Exit Loan	(672,014)	(359,342)	-	-	-	-	-	865,248	1,023,875	(1,605,703)	(283,421)	-	(1,031,356)
Net repayments & borrowings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-
Proceeds from exercise of stock options	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess tax benefit from share-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt financing costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Previous Retained Earnings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-
Change in Equity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-
Dividend payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by financing activities	(\$672,014)	(\$359,342)	\$0	(\$0)	(\$0)	\$0	\$0	\$865,248	\$1,023,875	(\$1,605,703)	(\$283,421)	\$0	(\$1,031,356)
Net change in cash	\$0	\$471,457	\$1,150,587	\$314,670	(\$652,887)	(\$683,653)	(\$423,818)	(\$176,357)	(\$0)	\$0	\$2,757,430	(\$1,228,244)	\$1,529,186
Beginning cash balance	\$200,000	\$200,000	\$671,457	\$1,822,044	\$2,136,714	\$1,483,828	\$800,175	\$376,357	\$200,000	\$200,000	\$200,000	\$2,957,430	\$200,000
Ending cash balance	\$200,000	\$671,457	\$1,822,044	\$2,136,714	\$1,483,828	\$800,175	\$376,357	\$200,000	\$200,000	\$200,000	\$2,957,430	\$1,729,186	\$1,729,186

**PORTRAIT INNOVATIONS
2020**

Statement of Operations

	February 2020 Projected	March 2020 Projected	April 2020 Projected	May 2020 Projected	June 2020 Projected	July 2020 Projected	August 2020 Projected	September 2020 Projected	October 2020 Projected	November 2020 Projected	December 2020 Projected	January 2021 Projected	Year 2020 Projected
Ending Number of Studios	138	138	138	138	138	138	138	138	145	153	153	153	153
Studio Customers	35,334	30,408	41,018	28,589	16,263	14,805	20,790	19,226	19,265	73,876	78,419	15,275	393,267
Total Sales	\$5,116,704	\$5,164,298	\$5,847,521	\$4,233,958	\$2,521,021	\$2,380,188	\$3,312,374	\$2,588,510	\$2,837,092	\$9,997,697	\$9,893,154	\$2,221,114	\$56,113,631
Cost of Sales													
Total Cost of Sales	652,362	660,816	747,210	541,750	322,262	305,587	422,316	329,130	361,433	1,269,582	1,254,597	281,821	7,148,866
Gross Profit													
Gross Profit	\$4,464,342	\$4,503,483	\$5,100,311	\$3,692,208	\$2,198,759	\$2,074,601	\$2,890,057	\$2,259,380	\$2,475,659	\$8,728,115	\$8,638,557	\$1,939,293	\$48,964,765
Operating Expenses													
Occupancy Costs	960,388	932,058	962,363	908,575	868,652	848,236	903,920	892,474	892,632	1,176,752	1,194,182	886,813	11,427,045
Studio Supplies, Charge Card Fees and Other	152,081	137,331	152,590	127,412	76,488	69,560	102,706	82,054	88,543	286,844	286,915	38,263	1,600,787
Studio Labor Cost	1,664,566	1,389,628	1,417,816	1,473,890	1,098,515	1,062,123	1,433,030	1,078,129	1,278,063	2,420,557	2,307,079	1,222,022	17,845,417
Advertising Cost	174,277	488,486	564,430	86,290	62,519	69,785	88,247	102,314	112,784	1,998,048	377,307	102,681	4,227,166
Corporate G&A	591,191	591,191	591,191	591,191	591,191	591,191	591,191	591,191	591,191	591,191	591,191	591,191	7,094,295
Total Operating Expenses	3,542,503	3,538,694	3,688,390	3,187,358	2,697,365	2,640,895	3,119,095	2,746,162	2,963,212	6,473,393	4,756,673	2,840,970	42,194,710
Depr. & Amort.	198,212	195,847	193,482	191,117	188,752	186,387	184,022	181,657	179,292	176,927	174,562	172,197	2,222,453
Income from Operations	\$723,627	\$768,941	\$1,218,439	\$313,734	(\$687,358)	(\$752,681)	(\$413,060)	(\$668,439)	(\$666,845)	\$2,077,796	\$3,707,322	(\$1,073,875)	\$4,547,603
Net Interest Expense	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	285,000	1,605,000
Income Before Taxes	603,627	648,941	1,098,439	193,734	(807,358)	(872,681)	(533,060)	(788,439)	(786,845)	1,957,796	3,587,322	(1,358,875)	2,942,603
Provision for Inc. Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income	\$603,627	\$648,941	\$1,098,439	\$193,734	(\$807,358)	(\$872,681)	(\$533,060)	(\$788,439)	(\$786,845)	\$1,957,796	\$3,587,322	(\$1,358,875)	\$2,942,603
Studio Level EBITDA	\$1,513,030	\$1,555,980	\$2,003,112	\$1,096,042	\$92,585	\$24,897	\$362,153	\$104,410	\$103,638	\$2,845,914	\$4,473,075	(\$310,486)	\$13,864,351
EBITDA	\$921,839	\$964,788	\$1,411,920	\$504,851	(\$498,606)	(\$566,294)	(\$229,038)	(\$486,782)	(\$487,553)	\$2,254,723	\$3,881,884	(\$901,678)	\$6,770,056

**PORTRAIT INNOVATIONS
2020**

Balance Sheet

	February 2020 Projected	March 2020 Projected	April 2020 Projected	May 2020 Projected	June 2020 Projected	July 2020 Projected	August 2020 Projected	September 2020 Projected	October 2020 Projected	November 2020 Projected	December 2020 Projected	January 2021 Projected	Year 2020 Projected
ASSETS													
Cash & Cash Equivalents	\$ 2,452,075	\$ 3,217,913	\$ 4,430,884	\$ 4,736,784	\$ 4,039,228	\$ 3,273,983	\$ 2,845,996	\$ 1,804,014	\$ 761,260	\$ 2,460,783	\$ 5,787,468	\$ 4,521,841	\$4,521,841
Accounts Receivable (net)	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Income Tax Receivable	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318	290,318
Inventory	713,169	713,169	713,169	713,169	713,169	713,169	713,169	713,169	713,169	713,169	713,169	713,169	713,169
Prepaid Expenses	593,512	593,512	593,512	593,512	593,512	593,512	593,512	593,512	593,512	593,512	593,512	593,512	593,512
Other Assets	113,587	113,587	113,587	113,587	113,587	113,587	113,587	113,587	113,587	113,587	113,587	113,587	113,587
Total Current Assets	4,362,662	5,128,499	6,341,471	6,647,371	5,949,815	5,184,570	4,756,583	3,714,601	2,671,847	4,371,370	7,698,054	6,432,428	6,432,428
Property and Equipment (net)	7,176,489	7,059,592	6,945,060	6,832,893	6,723,092	6,615,655	6,510,583	6,764,126	7,020,035	7,278,308	7,538,946	7,445,699	7,445,699
Deferred Financing Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Tax Assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Long Term Assets	7,176,489	7,059,592	6,945,060	6,832,893	6,723,092	6,615,655	6,510,583	6,764,126	7,020,035	7,278,308	7,538,946	7,445,699	7,445,699
Total Assets	\$11,539,150	\$12,188,090	\$13,286,530	\$13,480,264	\$12,672,906	\$11,800,224	\$11,267,165	\$10,478,727	\$9,691,881	\$11,649,677	\$15,237,000	\$13,878,127	\$13,878,127
LIABILITIES AND SHAREHOLDERS' EQUITY													
Accounts Payable	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
DIP Loan													
Exit Loan	-	-	-	-	-	-	-	-	-	-	-	-	-
Unsecured Pre-Petition Claims													
Accrued Compensation	390,506	390,506	390,506	390,506	390,506	390,506	390,506	390,506	390,506	390,506	390,506	390,506	390,506
Accrued Taxes	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Income Taxes Payable	0	0	0	0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Other Current Liabilities	283,960	283,960	283,960	283,960	283,960	283,960	283,960	283,960	283,960	283,960	283,960	283,960	283,960
Current Portion of Deferred Rent	721,222	721,222	721,222	721,222	721,222	721,222	721,222	721,222	721,222	721,222	721,222	721,222	721,222
Current Portion of Capital Lease Obligations	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556	1,095,556
Total Current Liabilities	4,291,245	4,291,245	4,291,245	4,291,245	4,291,245	4,291,245	4,291,245	4,291,245	4,291,245	4,291,245	4,291,245	4,291,245	4,291,245
Long Term Portion of Capital Lease Obligations	0	0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Notes Payable	0	0	0	0	0	0	0	0	0	0	0	0	0
Term Loan	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Deferred Rent	1,197,739	1,197,739	1,197,739	1,197,739	1,197,739	1,197,739	1,197,739	1,197,739	1,197,739	1,197,739	1,197,739	1,197,739	1,197,739
Total Long Term Liabilities	13,197,739	13,197,739	13,197,739	13,197,739	13,197,739	13,197,739	13,197,739	13,197,739	13,197,739	13,197,739	13,197,739	13,197,739	13,197,739
Total Liabilities	17,488,984	17,488,984	17,488,984	17,488,984	17,488,984	17,488,984	17,488,984	17,488,984	17,488,984	17,488,984	17,488,984	17,488,984	17,488,984
Preferred Stock - Class A	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000	2,750,000
Preferred Stock - Class B	0	0	0	0	0	0	0	0	0	0	0	0	0
Preferred Stock - Class C	0	0	0	0	0	0	0	0	0	0	0	0	0
Common Stock	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789	35,626,789
Additional Paid-in Capital	0	0	0	0	0	0	0	0	0	0	0	0	0
Retained Earnings	(44,930,251)	(44,930,251)	(44,930,251)	(44,930,251)	(44,930,251)	(44,930,251)	(44,930,251)	(44,930,251)	(44,930,251)	(44,930,251)	(44,930,251)	(44,930,251)	(44,930,251)
Current Year Retained Earnings	603,627	1,252,569	2,351,007	2,544,741	1,737,383	864,702	331,643	(456,796)	(1,243,641)	714,155	4,301,477	2,942,603	2,942,603
Shareholder's Equity	(5,949,835)	(5,300,893)	(4,202,455)	(4,008,721)	(4,816,079)	(5,688,760)	(6,221,819)	(7,010,258)	(7,797,103)	(5,839,307)	(2,251,985)	(3,610,859)	(3,610,859)
Total Liabilities and Equity	\$11,539,150	\$12,188,090	\$13,286,530	\$13,480,264	\$12,672,906	\$11,800,224	\$11,267,165	\$10,478,727	\$9,691,881	\$11,649,677	\$15,237,000	\$13,878,127	\$13,878,127

PORTRAIT INNOVATIONS
2020

Statement of Cashflows

	February 2020 Projected	March 2020 Projected	April 2020 Projected	May 2020 Projected	June 2020 Projected	July 2020 Projected	August 2020 Projected	September 2020 Projected	October 2020 Projected	November 2020 Projected	December 2020 Projected	January 2021 Projected	Year 2020 Projected
Operating Activities													
Net Income:	\$603,627	\$648,941	\$1,098,439	\$193,734	(\$807,358)	(\$872,681)	(\$533,060)	(\$788,439)	(\$786,845)	\$1,957,796	\$3,587,322	(\$1,358,875)	\$2,942,603
Adjustments to reconcile net loss to net cash flows:													
Depreciation & amortization	198,212	195,847	193,482	191,117	188,752	186,387	184,022	181,657	179,292	176,927	174,562	172,197	2,222,453
Amortization of debt financing Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment of long-lived assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on disposal of equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in operating assets and liabilities:													
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Store supplies inventory	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued expenses and other current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Unsecured Pre-Petition Claim payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes receivable / payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by operating activities	\$801,839	\$844,788	\$1,291,920	\$384,851	(\$618,606)	(\$686,294)	(\$349,038)	(\$606,782)	(\$607,553)	\$2,134,723	\$3,761,884	(\$1,186,678)	\$5,165,056
Investing Activities													
Capital expenditures - Maintenance	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(73,284)	(879,402)
Capital expenditures - Growth	(5,667)	(5,667)	(5,667)	(5,667)	(5,667)	(5,667)	(5,667)	(361,917)	(361,917)	(361,917)	(361,917)	(5,667)	(1,493,000)
Proceeds Received from disposal of equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by investing activities	(\$78,950)	(\$78,950)	(\$78,950)	(\$78,950)	(\$78,950)	(\$78,950)	(\$78,950)	(\$435,200)	(\$435,200)	(\$435,200)	(\$435,200)	(\$78,950)	(\$2,372,402)
Financing Activities													
Principal payments on capital lease obligations	-	-	-	(0)	(0)	-	-	(0)	0	-	-	-	(0)
Net repayments & borrowings from DIP Loan	-	-	-	-	-	-	-	-	-	-	-	-	-
Net repayments & borrowings from Exit Loan	-	-	-	-	-	-	-	-	-	-	-	-	-
Net repayments & borrowings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-
Proceeds from exercise of stock options	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess tax benefit from share-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt financing costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Previous Retained Earnings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-
Change in Equity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-
Dividend payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash provided by financing activities	\$0	\$0	\$0	(\$0)	(\$0)	\$0	\$0	(\$0)	\$0	\$0	\$0	\$0	(\$0)
Net change in cash	\$722,889	\$765,837	\$1,212,970	\$305,900	(\$697,556)	(\$765,244)	(\$427,988)	(\$1,041,982)	(\$1,042,753)	\$1,699,523	\$3,326,684	(\$1,265,628)	\$2,792,654
Beginning cash balance	\$ 1,729,186	\$2,452,075	\$3,217,913	\$4,430,884	\$4,736,784	\$4,039,228	\$3,273,983	\$2,845,996	\$1,804,014	\$761,260	\$2,460,783	\$5,787,468	\$1,729,186
Ending cash balance	\$2,452,075	\$3,217,913	\$4,430,884	\$4,736,784	\$4,039,228	\$3,273,983	\$2,845,996	\$1,804,014	\$761,260	\$2,460,783	\$5,787,468	\$4,521,841	\$4,521,841