

TONY RICH, INC
Income Statement (Partial)
For the Year Ended December 31, 2007

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| Income from continuing operations before taxes |
| Income tax |
| Income from continuing operations |
| Discontinued operations: |
| Loss from disposal of recreational divisions |
| Less: Applicable income tax reduction |
| Income before extraordinary item |
| Extraordinary item: |
| Major casualty loss |
| Less: Applicable income tax reduction |
| Net income |

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|---|
| Per share of common stock: |
| Income from continuing operations |
| Discontinued operations, net of tax |
| Income before extraordinary items |
| Extraordinary item, net of tax |
| Net income per share (\$454,450 ÷ 80,000) |

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|---|
| Computation of income from cont. operations before taxes: |
| As previously stated |
| Loss on sale of securities |
| Gain on proceeds of life insurance policy |
| Policy (\$110,000 - \$46,000) |
| Error in computation of depreciation |
| As computed (\$54,000 ÷ 6) |
| Corrected (\$54,000 - \$9,000) ÷ 6) |
| As restated |

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| Computation of income tax: |
| Income from continuing operations before taxes |
| Nontaxable income (gain on life insurance) |
| Taxable income |
| Tax rate |
| Income tax expense |

(***) Because a new method is reported in 2007 income, there is not adjustment need

method change. The cumulative effect on prior years will be recorded in retained earn

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|-----------|
| \$798,500 |
| 220,350 |
| 578,150 |

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|-----------|
| \$115,000 |
| 34,500 |
| 80,500 |
| 497,650 |

| |
|-----------|
| 80,000 |
| 36,800 |
| 43,200 |
| \$454,450 |

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|--------|
| \$7.23 |
| (1.01) |
| 6.22 |
| (0.54) |
| \$5.68 |

| |
|-----------|
| \$790,000 |
| (57,000) |

| |
|--------|
| 64,000 |
|--------|

| |
|-----------|
| \$9,000 |
| (7,500) |
| 1,500 |
| \$798,500 |

| |
|-----------|
| \$798,500 |
| (64,000) |
| 734,500 |
| X .30 |
| \$220,350 |

led for the inventory