SAMPLE

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Your Company's Consulting Report, used in conjunction with the Group Benchmarking Study, is designed to be an extremely powerful tool to improve the cash flow and profitability of your business. This report card identifies how your operation sizes up against the top performers in your network and outlines action plans that specifically address the areas of profitability, productivity, working capital, financial position, and working capital.

COLOR CENTERS, INC.

Company Consulting Report "CCR"

Table of Contents

How To Use Your
Company Consulting Report

This is your Company Consulting Report, which you are receiving as a result of your participation in the Benchmarking Study for Color Centers, Inc. When used together with the Benchmarking Study, it can be a valuable tool to improve your financial management decisions. Before reviewing the pages that follow, please take a few moments to read our suggestions for gaining maximum benefit from this report.

Steps for Effective Use of this Report

First . . .

- If you have not already done so, read the Benchmarking Study.
- Review Appendix A of the Study for an overview of using financial statements as working tools.
- Review Appendix B of the Study for details on what the ratios mean and how they are used, including key influences on balance sheet and income statement ratios.

Next . . .

- Go to pages one through three of this report and compare your center's ratios and common-sized statements to the statistics for:

1. All Centers -- All of the centers that sent financial information for the survey are included in this column.
2. Top 25% -- These are the top twenty five percent, based on owner's discretionary profit percentage, of all participating centers (for more information on how the top 25% were selected, refer to the Benchmarking Study).
3. Sales Categories -- These are the centers reporting total revenues similar to yours. Centers were classified into these categories:

   Less than $400,000
   $400,000 to $600,000
   $600,000 to $1,000,000
   More than $1,000,000

Then . . .

- Read the remainder if this Company Consulting Report to help you to identify the strengths and weaknesses of your center. Then review Section V of the Benchmarking Study (Action Plans for Success) to identify specific actions you can take to improve your financial performance.

New This Year. . .

- If you participated in the study last year we've included a two-year comparison of your company's ratios, common-sized balance sheet and common-sized profit and loss. Review the comparison to spot important trends for your company.

Finally . . .

- Fill out and return the evaluation form you'll find enclosed with this report. Return it in the attached envelope, or fax it to: (206) 283-9648. Changes to future studies will be made based on franchisee input.

Your Guide to Interpreting the Benchmarks

PROFITABILITY

Name of The Ratio	How It's Computed	What It Says In Words	Top 25%	Good Direction
COST OF GOODS SOLD	**Cost of Goods Sold** / **Sales**	For every dollar in sales, about 27 cents is spent on materials (paper, supplies and click charges)	**27.0%**	↓
GROSS MARGIN	**Gross Profit** / **Sales**	For every dollar in sales, there is about 73 cents in gross profit margin	**72.9%**	↑
STAFF COSTS (Excluding Owners)	**Non-Owner Salaries, PR Taxes, Benefits** / **Sales**	For every dollar in sales, about 21 cents is spent on staff costs for non-owners	**21.0%**	↓
OPERATING EXPENSES	**Operating Expenses** / **Sales**	For every dollar in sales, about 26 cents is spent on operating expenses	**25.8%**	↓
NET PROFIT MARGIN	**Net Income Before Tax** / **Sales**	For every dollar in sales there is about 9 cents in net profit margin	**9.2%**	↑
OWNER'S DISCRETIONARY PROFIT MARGIN	**Net Income Before Tax Plus Owner Salary** / **Sales**	For every dollar in sales there is about 25 cents in owner's discretionary profit	**24.6%**	↑
OWNER'S DISCRETIONARY PROFIT DOLLARS	**Net Income Before Tax Plus Owner Salary**	Half of the top 25% had Owner's Discretionary Profit Dollars greater than $285,000 and half had less	**$285,000**	↑

PRODUCTIVITY

Name of The Ratio	How It's Computed	What It Says In Words	Top 25%	Good Direction
SALES PER EMPLOYEE	**Sales** / **Number of Employees (Including Owners)**	Each employee generated an average of $133,000 in annual sales	**$133,000**	↑
STAFF COSTS PER EMPLOYEE	**Staff Costs (Excluding Owner Salary)** / **Number of Employees (Excluding Owners)**	Employees earned an annual average of $36,000 in total wages, taxes and benefits	**$36,000**	↓
SALES PER SQUARE FOOT	**Sales** / **Square Feet in the Center**	For every square foot of space there was $800 in annual sales	**$800**	↑
RENT PER SQUARE FOOT	**Rent** / **Square Feet in the Center**	On average, rent expense equates to $16 per foot per year.	**$16**	↑
MEDIAN SALES	**Group Middle Point**	Half of the top 25% had sales greater than $1,200,000 and half had less	**$1,200,000**	↑

Your Guide to Interpreting the Benchmarks

FINANCIAL POSITION

Name of The Ratio	How It's Computed	What It Says In Words	Top 25%	Good Direction
SALES TO ASSETS	Sales / Total Assets	For every dollar of total assets, the center generated sales of $2.25	2.25	↑
RETURN ON ASSETS	Owner's Discretionary Profit / Total Assets	For every dollar of assets, the center earned about 41 cents in owner's discretionary profit	50.0%	↑
RETURN ON INVESTMENT	Owner's Discretionary Profit / Net Worth + Shareholder Loans	For every dollar the owners had invested, the center earned about 98 cents in owner's discretionary profit	98.0%	↑ (Although an extremely high number shows lack of owner investment)
DEBT TO WORTH	Total Liabilities - Shareholder Loans / Net Worth + Shareholder Loans	For every dollar that the owners have invested into the center, the creditors have invested $1.29	1.29	↓

CASH FLOW

CURRENT	Current Assets / Current Liabilities	For every dollar in current liabilities there is $1.40 in current assets with which to pay them	1.40	↑
QUICK	Cash + Accounts Receivable / Current Liabilities	For every dollar in current liabilities, there is $1.12 in cash and accounts receivable with which to pay them	1.12	↑
INVENTORY TURNOVER	Cost of Goods Sold / Inventory	The inventory investment turned over 34.7 times during the year	34.7	↑
INVENTORY TURN DAYS	365 / Inventory Turnover	At year end there was 10 days worth of inventory on hand	10 days	↓
ACCOUNTS RECEIVABLE TURNOVER	365 / Accounts Receivable Turnover	On average, accounts receivable turned 8.1 times during the year	8.1	↓
AVERAGE ACCOUNTS RECEIVABLE COLLECTION PERIOD	365 / Accounts Receivable Turnover	On average, credit customers paid the center 45 days after the sale was made	45 days	↓
ACCOUNTS PAYABLE TURNOVER	365 / Accounts Payable Turnover	On average, accounts payable turned 8.1 times during the year	8.1	↓
AVERAGE ACCOUNTS PAYABLE PAYMENT PERIOD	365 / Accounts Payable Turnover	On average, trade supplier invoices were paid 45 days after the purchase date	45 days	↓

Color Centers, Inc. **Control No:** 199

Financial Benchmarks

Seagate

Center No: 99999

	All Companies	Top 25%	$600k to $1mm	Your Results 12/31/2005
Profitability				
Cost of Goods Sold	29.6%	27.0%	29.7%	28.0%
Gross Profit	71.4%	72.9%	70.2%	72.0%
Staff Cost	21.4%	21.5%	21.3%	25.0%
Operating Expenses	28.9%	25.8%	28.3%	32.8%
Net Profit	4.3%	9.3%	6.2%	3.1%
Owner's Discretionary Profit Percent	15.2%	24.6%	21.6%	13.1%
Owner's Discretionary Profit Dollars	$120,000	$285,000	$147,000	$98,500
Productivity				
Sales Per Employee	$115,349	$133,094	$124,612	$75,000
Staff Cost Per Employee	$35,224	$36,373	$36,290	$20,833
Sales Per Square Foot	$600	$800	$500	$500
Rent Per Square Foot	$13	$16	$12	$13
Median Sales	$625,000	$1,200,000	$735,000	$750,000
Financial Position				
Sales to Assets	2.22	2.25	2.38	2.62
Return on Assets	37.0%	50.0%	34.0%	34.4%
Return on Investment	65.0%	98.0%	75.0%	93.2%
Debt to Worth	2.59	1.29	1.60	1.71
Cash Flow				
Current Ratio	1.15	1.40	1.14	1.42
Quick Ratio	0.92	1.12	0.92	1.31
Inventory Turnover	33.2	34.7	35.9	36.2
Inventory Turn Days	11	10	12	10
Average Accounts Receivable Collection Days	41	45	50	66
Average Accounts Payable Repayment Days	50	45	54	49

Color Center, Inc. **Control No:** 199

Common-Sized Profit and Loss

Seagate

Center No: 9999

	All Companies	Top 25%	$600k to $1mm	Your Results 12/31/2005
SALES	**100.0%**	**100.0%**	**100.0%**	**100.0%**
COST OF GOODS SOLD	**29.7%**	**28.6%**	**29.4%**	**28.0%**
GROSS PROFIT	**70.3%**	**71.4%**	**70.5%**	**72.0%**
STAFF COSTS				
Production and Delivery Wages and Bonuses	11.6%	11.7%	12.4%	16.0%
Sales, Administrative Wages and Bonuses	7.6%	7.2%	6.7%	7.0%
Payroll Tax, Worker's Comp and Benefits	1.8%	2.2%	2.0%	2.0%
Staff Costs Excluding Owners	**21.1%**	**21.1%**	**21.2%**	**25.0%**
Owner Draws, Compensation and Benefits	9.8%	13.1%	11.5%	10.0%
Total Staff Costs Including Owners	**30.9%**	**34.2%**	**32.7%**	**35.0%**
GENERAL AND ADMINISTRATIVE EXPENSES				
Royalties	5.1%	4.9%	5.0%	5.0%
Rent - premises	5.0%	3.8%	4.6%	7.0%
Equipment Operating Leases and Rents	6.9%	6.6%	6.8%	7.3%
Equipment Depreciation	2.2%	1.2%	2.3%	1.0%
Accounting and Legal	0.8%	0.7%	0.5%	0.6%
Advertising	0.4%	0.3%	0.3%	0.2%
Bad Debts	0.1%	0.1%	0.1%	0.2%
Bank Charges	0.6%	0.5%	0.6%	0.3%
Computer Expenses	0.5%	0.3%	0.3%	0.6%
Electricity/Gas	0.5%	0.3%	0.4%	0.8%
Insurance	0.5%	0.4%	0.4%	0.9%
Automobile Expense	1.6%	1.4%	1.8%	2.4%
Office Supplies	0.3%	0.2%	0.3%	0.2%
Freight and Postage	0.3%	0.3%	0.4%	0.4%
Taxes and Licenses	0.2%	0.1%	0.1%	0.9%
Repairs, Maintenance and Cleaning	1.1%	1.0%	1.3%	2.0%
Seminars, Conference and Training	0.2%	0.2%	0.1%	0.2%
Telephone	1.2%	0.9%	1.1%	1.0%
General and Other Operating Expenses	1.3%	1.1%	1.6%	1.3%
TOTAL Operating Expenses	**29.4%**	**25.1%**	**28.7%**	**32.8%**
OPERATING PROFIT	**9.8%**	**11.8%**	**8.9%**	**4.1%**
OTHER (INCOME) EXPENSE				
Interest Expense	1.2%	0.9%	1.0%	1.0%
Interest Income	-0.4%	-0.6%	-0.3%	0.0%
Other Expense	0.5%	0.3%	0.5%	0.0%
Other Income	-0.2%	-0.0%	0.0%	0.0%
TOTAL OTHER (INCOME) AND EXPENSE	**1.2%**	**0.6%**	**1.3%**	**1.0%**
PROFIT BEFORE TAX	**8.5%**	**11.2%**	**7.6%**	**3.1%**

Actual categories are determined in the design phase of the project.

Color Centers, Inc. **Control No:** 199

Common-Sized Balance Sheets

Seagate

Center No: 99999

	All Companies	Top 25%	$600k to $1mm	Your Results 12/31/2005
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	0.8%	4.4%	-0.9%	7.0%
Accounts Receivable	33.5%	30.5%	33.8%	44.4%
Inventory	2.4%	2.3%	2.5%	2.0%
Other Current Assets	5.5%	6.8%	9.2%	2.1%
Total Current Assets	**42.2%**	**44.2%**	**44.6%**	**55.5%**
Net Fixed Assets	**31.7%**	**31.1%**	**24.8%**	**30.4%**
OTHER ASSETS	**25.9%**	**24.6%**	**30.5%**	**14.0%**
TOTAL ASSETS	**100.0%**	**100.0%**	**100.0%**	**100.0%**
LIABILITIES AND OWNERS' EQUITY				
CURRENT LIABILITIES				
Notes Payable Within One Year	9.2%	12.0%	7.7%	17.4%
Accounts Payable	18.0%	14.1%	17.3%	12.9%
Other Current Liabilities	8.6%	5.6%	9.2%	8.7%
Total Current Liabilities	**35.9%**	**31.7%**	**34.3%**	**39.1%**
LONG TERM LIABILITIES				
Notes Payable to Owners	15.7%	10.4%	14.2%	3.5%
Other Long Term Liabilities	29.9%	31.2%	28.4%	23.8%
Total Long Term Liabilities	**45.7%**	**41.6%**	**42.6%**	**27.3%**
TOTAL LIABILITIES	**81.6%**	**73.3%**	**77.0%**	**66.5%**
TOTAL OWNER'S EQUITY	**18.4%**	**26.6%**	**22.9%**	**33.4%**
TOTAL LIABILITIES AND EQUITY	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Color Centers, Inc. **Control No:** 199
Company Consulting Report
Seagate
Center No: 99999

This report is designed to help you interpret your 2005 financial results. It is separated into the same four key financial areas as the 2005 Benchmarking Study for Color Centers, Inc. franchisees.

Profitability
Productivity
Financial Position
Working Capital

Review the comments in this report and determine which areas, if any, require management's attention. Then refer to Section IV of the Benchmarking Study for some specific actions you can take to improve your situation.

Based on your Owner's Discretionary Profit percentage, your center was included in the third highest quartile. For purposes of this report, your results have been compared to results of the top 25% (based on their owner's discretionary profit percentage).

Productivity

Staff costs as a percentage of sales are higher than the average staff costs for the top 25%. Evaluate your staff productivity and compensation plans to determine whether adjustments should be made.

	Your Company	**Top 25%**
Production and Delivery Wages and Bonuses	16.00%	11.71%
Sales and Administrative Wages and Bonuses	7.00%	7.26%
Payroll Taxes, Workers' Comp and Benefits	2.00%	2.20%
Total Staff Costs Except Owners	**25.00%**	**21.17%**
Owner Draws, Compensation and Benefits	10.00%	13.15%
Total Staff Costs Including Owners	**35.00%**	**34.32%**
Sales Per Employee	***$75,000***	***$133,094***

Your low sales per full time equivalent employee indicates that you may be operating with excess staff for your existing sales volume.

Color Centers, Inc. **Control No:** 199
Company Consulting Report
Seagate
Center Number: 99999

Profitability

	Your Company	Top 25%
Cost of Goods Sold		
Red Products	10.50%	12.53%
Green Products	3.00%	1.45%
Blue Products	8.50%	4.23%
Yellow Products	2.00%	2.43%
Outsourced Services	3.00%	7.04%
Shipping and Delivery	0.50%	0.38%
Shop Supplies	0.50%	0.43%
Miscellaneous	0.00%	0.12%
Total Cost of Goods Sold	**28.00%**	**28.61%**
Gross Profit	**72.00%**	**71.39%**

Your cost of goods sold is lower than the average for the top 25% as detailed above.

Sales mix has a substantial impact on gross profit and your results will vary depending on your product emphasis. For example, centers with blue products and low red products emphasis can generally expect higher overall cost of goods sold and lower gross profit percentages. To help you to evaluate your center's performance at the gross profit level, we've summarized how your center's sales mix and departmental profitability compares to the top 25%.

	Sales Mix		***Gross Profit***	
	Your Company	**Top 25%**	**Your Company**	**Top 25%**
Red Products	43.48%	48.70%	75.85%	74.27%
Blue Products	37.16%	22.59%	77.13%	81.27%
Yellow Products	7.89%	11.60%	74.65%	79.05%
Outsourced Services	5.87%	11.73%	48.89%	39.98%
Green Products	5.60%	5.38%	46.43%	73.05%
Total Sales	**100.00%**	**100.00%**	**72.00%**	**71.39%**

Operating expenses as a percentage of sales are higher than the average for the top 25%. Achieving the average expense efficiency would result in additional profit totaling $27,575

You could improve company net profits by implementing action plans to control:

high staff costs
high operating expenses
high interest expense

Refer to Section IV of the Benchmarking Study for specific actions that you can take to improve your performance in the areas outlined in this report.

Financial Position

Your assets are more productive, that is, they generates more sales for each dollar invested in assets than the median for the top 25%. This could indicate that you are reaching the capacity of your equipment and may need to reinvest soon.

For purposes of this study, owner loans were treated as equity in computing the return on investment and debt to worth ratios.

Your Return on Investment of 93.28% means that for every $1.00 of Net Worth, the company earned $0.93 in Owner's Salary, Compensation, Benefits and Net Profit Before Tax.

Your company gets a high return on investment. Care must be taken in evaluating ROI since a high figure can be produced by either high profits or low net worth. Low net worth implies high liabilities, which in turn implies high risk.

Your company has less equity (more debt) than the top 25% based on the debt to worth ratio. This could be due to operating losses or insufficient initial capital. Future profits and/or new capital from owners will improve this condition.

Cash Flow

The Working Capital Cycle represents the funds that are "tied up" in the cyclic process that runs from cash, to stock, to debtors, and back to cash. Here is how your company's Working Capital Cycle compares to the cycle for the top 25%:

Cash Goes Out To…	**Your Company**	**Top 25%**
Days Inventory Outstanding	10	10
Days Accounts Receivable Outstanding	66	45
Total Days Cash is Out	**76**	**55**
Less: Days Financed by Trade Suppliers	49	45
Net Days in Cycle	**27**	**10**

The "Net Days in Cycle" are financed by the owners and/or the creditors, depending on the extent of equity or non-trade account debt on the balance sheet.

Refer to Section IV of the Benchmarking Study for specific actions for improving cash flow.

Accounts Receivable Management

As shown on the previous page, your center's average accounts receivable collection is slower than the median for the top 25%. To determine the effect of this condition on your cash flow (and your financing needs) we calculated the amount that would have been due from customer accounts on December 31 had your collection rate been equal to the median for the top 25%.

If $\dfrac{\textit{Credit Sales}}{\textit{Accounts Receivable}}$ **=** *Accounts Receivable Turnover*

Then $\dfrac{\textit{Credit Sales}}{\textit{Targeted Accounts Receivable Turnover}}$ **=** *Targeted Accounts Receivable Balance*

If you could improve your average collection period to 45 days (8 times per year) you could actually "free up" some cash.

Your Credit Sales:

83.00%	***x***	$750,000	**=**	$622,500			*Your targeted*
					=	$77,813	*accounts receivable*
Divided by Targeted Turns Per Year				8			*balance*
(Based on the median turns for the top 25%)							

Next we can compare your targeted debtor accounts balance to your actual balance as of 30 June to find out how much excess cash you had invested in customer accounts.

Your Actual Debtor Accounts	$127,000
Less: Your Targeted Balance	$77,813
Excess Debtor Accounts	$49,187

Excess accounts receivable represents capital held by customers that would otherwise be cash on hand (or reduced debt) if you collected as quickly (as efficiently) as the median for the top 25%. See Section IV of the Benchmarking Study for a list of action plans that you can implement to improve your collections.

Color Centers, Inc
Financial Benchmarks
Seagate
Center No: 99999

	Your Results 12/31/2004	Your Results 12/31/2005
Profitability		
Cost of Goods Sold	27.0%	28.0%
Gross Profit	73.0%	72.0%
Staff Cost	27.2%	25.0%
Operating Expenses	34.5%	32.8%
Net Profit	1.5%	3.1%
Owner's Discretionary Profit Percent	10.0%	13.1%
Owner's Discretionary Profit Dollars	$65,100	$98,500
Productivity		
Sales Per Employee	$89,655	$75,000
Staff Cost Per Employee	$28,288	$20,833
Sales Per Square Foot	$200	$500
Rent Per Square Foot	$13	$13
Median Sales	$650,000	$750,000
Financial Position		
Sales to Assets	2.60	2.62
Return on Assets	26.0%	34.4%
Return on Investment	58.5%	93.2%
Debt to Worth	1.25	1.71
Cash Flow		
Current Ratio	1.67	1.42
Quick Ratio	1.50	1.31
Inventory Turnover	20.17	36.21
Inventory Turn Days	18	10
Average Accounts Receivable Collection Days	59	66
Average Accounts Payable Repayment Days	45	49

Color Centers, Inc.
Common-sized Profit and Loss
Seagate
Center No: 99999

	Your Results 12/31/2004	Your Results 12/31/2005
SALES	**100.0%**	**100.0%**
COST OF GOODS SOLD	**27.0%**	**28.0%**
GROSS PROFIT	**73.0%**	**72.0%**
STAFF COSTS		
Production and Delivery Wages and Bonuses	17.0%	16.0%
Counter, Sales, Administrative Wages and Bonuses	8.0%	7.0%
Payroll Tax, Worker's Comp and Benefits	2.2%	2.0%
Staff Costs Excluding Owners	**27.2%**	**25.0%**
Owner Draws, Compensation and Benefits	8.4%	10.0%
Total Staff Costs Including Owners	**35.6%**	**35.0%**
GENERAL AND ADMINISTRATIVE EXPENSES		
Royalties	9.0%	9.0%
Rent - premises	5.7%	5.0%
Equipment Operating Leases and Rents	4.6%	5.3%
Equipment Depreciation	1.0%	1.0%
Accounting and Legal	0.5%	0.6%
Advertising	0.2%	0.2%
Bad Debts	0.6%	0.2%
Bank Charges	0.3%	0.3%
Computer Expenses	0.6%	0.6%
Electricity/Gas	0.7%	0.8%
Insurance	0.9%	0.9%
Automobile Expense	2.3%	2.4%
Office Supplies	0.2%	0.2%
Freight and Postage	0.3%	0.4%
Taxes and Licenses	0.9%	0.9%
Repairs, Maintenance and Cleaning	1.5%	2.0%
Seminars, Conference and Training	0.4%	0.2%
Telephone	1.0%	1.0%
General and Other Operating Expenses	3.0%	1.3%
TOTAL Operating Expenses	**34.5%**	**32.8%**
OPERATING PROFIT	**2.7%**	**4.1%**
OTHER (INCOME) EXPENSE		
Interest Expense	1.2%	1.0%
Interest Income	0.0%	0.0%
Other Expense	0.0%	0.0%
Other Income	0.0%	0.0%
TOTAL OTHER (INCOME) AND EXPENSE	**1.2%**	**1.0%**
PROFIT BEFORE TAX	**1.5%**	**3.1%**

Color Centers, Inc
Common-Sized Balance Sheets
Seagate
Center No: 99999

	Your Results 12/31/2004	**Your Results** 12/31/2005
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	8.0%	7.0%
Accounts Receivable	39.2%	44.4%
Inventory	3.4%	2.0%
Other Current Assets	2.0%	2.1%
Total Current Assets	**52.7%**	**55.5%**
Net Fixed Assets	**27.2%**	**30.4%**
OTHER ASSETS	**0.0%**	**0.0%**
TOTAL ASSETS	**100.0%**	**100.0%**
<u>LIABILITIES AND OWNERS' EQUITY</u>		
CURRENT LIABILITIES		
Notes Payable Within One Year	9.8%	17.4%
Accounts Payable	11.5%	12.9%
Other Current Liabilities	10.0%	8.7%
Total Current Liabilities	**31.5%**	**39.1%**
LONG TERM LIABILITIES		
Notes Payable to Owners	4.0%	3.5%
Other Long Term Liabilities	24.0%	23.8%
Total Long Term Liabilities	**28.0%**	**27.3%**
TOTAL LIABILITIES	**59.5%**	**66.5%**
TOTAL OWNER'S EQUITY	**40.4%**	**33.4%**
TOTAL LIABILITIES AND EQUITY	**100.0%**	**100.0%**