

**INITIO, INC. AND SUBSIDIARY**  
**FINANCIAL STATEMENTS**  
**APRIL 30, 2008 AND 2007**

Independent Auditor's Report

The Board of Directors and Stockholders  
Initio, Inc. and Subsidiary  
Rochelle Park, NJ

We have audited the accompanying consolidated balance sheets of Initio, Inc. and Subsidiary (the "Company") as of April 30, 2008 and 2007, and the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Initio, Inc. and Subsidiary at April 30, 2008 and 2007, and the results of its operations and its cash flows for the years the ended in conformity with accounting principles generally accepted in the United States of America.

NEW YORK, N.Y.  
June 9, 2008

*Rogoff + Company P.C.*

INITIO, INC. AND SUBSIDIARY  
Consolidated Balance Sheets  
April 30, 2008 and 2007

	2008	2007
<u>ASSETS</u>		
Cash	\$ 181,674	\$ 772,340
Marketable securities	2,348,957	1,453,693
Fixed assets, net	4,941	7,613
Purchase money mortgage receivable	825,000	825,000
Other assets	138,407	13,758
Total assets	\$ 3,498,979	\$ 3,072,404
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Accounts payable and accrued expenses	\$ 6,500	\$ 5,000
Commitments and contingencies		
Stockholders' Equity:		
Common Stock, \$ .01 par value, 10,000,000 shares authorized; 6,901,725 issued in 2008; 6,876,725 in 2007	69,017	68,767
Additional paid in capital	9,597,996	9,582,100
Accumulated deficit	(6,237,003)	(6,441,565)
Accumulated other comprehensive income (loss)	62,469	(141,898)
Total stockholders' equity	3,492,479	3,067,404
Total liabilities and stockholders' equity	\$ 3,498,979	\$ 3,072,404

The accompanying notes are an integral part of these financial statements

INITIO, INC. AND SUBSIDIARY  
Consolidated Statements of Operations and Comprehensive Income (Loss)

	Years Ended April 30,	
	2008	2007
Revenues:		
Interest and dividends	\$ 133,820	\$ 104,808
Gain on the sale of marketable securities	215,141	91,514
Gain on sale of building	-	373,844
Net gain on settlement of ASM litigation	135,000	-
Consulting income	53,300	51,600
Other	10,520	12,313
	547,781	634,079
Expenses:		
General and administrative	190,809	179,135
Depreciation and amortization	4,169	36,809
Interest	10,206	10,131
	205,184	226,075
Income before provision for taxes	342,597	408,004
Provision for federal income taxes - current	100,995	145,076
Provision for federal income taxes - deferred	(100,995)	(145,076)
Net Income	\$ 342,597	\$ 408,004
Net income per share - Basic and diluted	\$ 0.05	\$ 0.06
Weighted average common shares	6,884,944	6,205,492
Comprehensive Income:		
Net Income	\$ 342,597	\$ 408,004
Unrealized Gains on marketable securities	204,367	42,120
Comprehensive Income	\$ 546,964	\$ 450,124

The accompanying notes are an integral part of these financial statements

INITIO, INC. AND SUBSIDIARY  
Consolidated Statement of Stockholders' Equity

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance April 30, 2006	5,876,725	\$ 58,767	\$ 9,573,412	\$ (6,712,034)	\$ (184,018)	\$ 2,736,127
Issuance of shares	1,000,000	10,000	8,688	-	-	18,688
Dividends paid - \$.02 per share				(137,535)	-	(137,535)
Unrealized gains on marketable securities					42,120	42,120
Net income				408,004	-	408,004
Balance April 20, 2007	6,876,725	68,767	9,582,100	(6,441,565)	(141,898)	3,067,404
Issuance of shares	25,000	250	15,896	-	-	16,146
Dividends paid - \$.02 per share				(138,035)	-	(138,035)
Unrealized gains on marketable securities					204,367	204,367
Net income				342,597	-	342,597
Balance April 30, 2008	6,901,725	\$ 69,017	\$ 9,597,996	\$ (6,237,003)	\$ 62,469	\$ 3,492,479

The accompanying notes are an integral part of these financial statements

INITIO, INC. AND SUBSIDIARY  
Consolidated Statements of Cash Flows

	Years Ended April 30, 2008	2007
Cash flows from operating activities:		
Net income (loss)	\$ 342,597	\$ 408,004
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	4,169	36,809
Gain on sale of building	-	(373,844)
(Gain) on sale of marketable securities	(215,141)	(91,514)
Unrealized gain on marketable securities	204,367	42,120
Non-cash compensation due to issuance of stock	16,146	18,688
Changes in operating assets and liabilities:		
Other assets	(124,649)	(1,599)
Accounts payable and accrued expenses	1,500	5,000
Net cash provided (used) by operating activities	228,989	43,664
Cash flows from investing activities:		
Net proceeds from sales of marketable securities	6,160,219	2,629,822
Purchases of marketable securities	(6,840,342)	(3,329,293)
Sale of building	-	1,000,000
Purchases of fixed assets	(1,497)	(2,768)
Net cash provided (used) by investing activities	(681,620)	297,761
Cash flows from financing activities:		
Reduction of mortgage payable	-	(435,998)
Dividends paid	(138,035)	(137,535)
Net cash (used) provided by financing activities	(138,035)	(573,533)
Net (decrease) increase in cash	(590,666)	(232,108)
Cash at the beginning of the year	772,340	1,004,448
Cash at the end of the year	\$ 181,674	\$ 772,340
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	\$ 10,206	\$ 10,131
Taxes	\$ 1,100	\$ 625
Non-cash investing and financing activities:		
Purchase money mortgage received	\$ -	\$ (825,000)
Increase in fair value of available-for-sale securities	\$ 204,367	\$ 42,120

The accompanying notes are an integral part of these financial statements

# INITIO, INC. AND SUBSIDIARY

## Notes To Financial Statements

### 1. Summary of Significant Accounting Policies

#### Nature of Business

In past years Initio, Inc., through its wholly owned subsidiary, Initio Consulting Corp. (formerly called Deerskin Trading Post, Inc. "Deerskin"), primarily marketed leather goods by way of the Deerskin catalog and gifts and house wares through its' Joan Cook catalog.

In May 1999, the Company sold materially all of the assets of its Deerskin operation. Since May 1999, the Company began the process of identifying new business opportunities including, but not limited to, making an appropriate acquisition.

During the fiscal year ended April 30, 2002 the Company began selling management and consulting services.

#### Basis of Presentation

The consolidated financial statements include the accounts of the Initio Inc. and its wholly owned subsidiary Initio Consulting Corp. All material inter-company transactions and balances have been eliminated.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### Marketable Securities

The Company classifies its marketable securities as either available for sale or held to maturity in accordance with Statement of Financial Accounting Standards No. 115 (SFAS 115). Available for sale securities are presented at their estimated fair market value, which has been determined based upon security market quotes. Realized gains and losses, calculated based upon specific identification of shares sold, are included in the determination of Net Income (Loss). Unrealized gains and losses are included as a component of Other Comprehensive Income (Loss).

#### Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash, accounts payable and accrued expenses approximate their fair value due to their short-term maturities. The amounts presented for the purchase money mortgage receivable, and mortgage payable also approximate fair value.

# INITIO, INC. AND SUBSIDIARY

## Notes To Financial Statements

### 1. Summary of Significant Accounting Policies - (continued)

#### Fixed Assets

Fixed assets are stated at cost net of accumulated depreciation and amortization. Depreciation and amortization is computed by the straight-line method over the estimated useful life of the assets.

#### Long-Lived Assets

The Company's policy is to record long-lived assets at cost, amortizing these costs over the expected useful lives of the related assets. Long-lived assets are reviewed on a quarterly and annual basis for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be reasonable. Assets are evaluated for continuing value and proper useful lives by comparison to expected future cash flows. Impairments if any, are recognized in the consolidated statements of operations and comprehensive income (loss) in the period identified.

#### Stock Based Compensation

The Company accounts for stock based compensation of employees, using the value approach, described in SFAS No. 123(R).

#### Earnings Per Common Share

Basic Earnings per Common Share, as well as Diluted Earnings Per Common Share have been computed based upon the weighted average number of actually outstanding shares of the Company's common stock.

#### Income Taxes

Income taxes have been provided using the asset and liability method. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured by applying estimated tax rates and laws to taxable years in which such differences are expected to reverse. A valuation allowance has been provided to reduce the net carrying value to an amount that is more likely than not to be realized.



## INITIO, INC. AND SUBSIDIARY

### Notes To Financial Statements

#### 2. Marketable Securities

The Company has determined that all its equity and debt marketable securities are available for sale. Marketable securities classified as current assets at April 30, 2008 and 2007 are as follows:

	April 30, 2008		
	Costs	Gross Unrealized Gains	Fair Value
Marketable equity securities	\$ 2,286,488	\$ 62,469	\$ 2,348,957

	April 30, 2007		
	Costs	Gross Unrealized (Losses)	Fair Value
Marketable equity securities	\$ 1,595,591	\$ (141,898)	\$ 1,453,693

#### 3. Sale of Property

On August 17, 2006, the Company sold its real property in Carson City, Nevada for \$1,825,000, resulting in a net gain of approximately \$370,000. In connection with the sale, the Company received a cash payment of \$1,000,000 and an \$825,000 purchase money mortgage from the purchaser. The Company utilized approximately \$408,000 of the cash proceeds to satisfy the previous existing first mortgage. The purchase money mortgage has a term of 48 months and bears interest at the rate of 7.5% per annum, payable monthly. Under the terms of the mortgage, a principal payment of \$375,000 is due on August 17, 2008 and the balance of \$450,000 is due on August 17, 2010. The principals of the purchaser have personally guaranteed the mortgage.

#### 4. Fixed Assets

Fixed assets are recorded at cost and depreciated, using the straight-line method over their estimated useful lives, which generally approximates 3 to 10 years for vehicles and equipment and 40 years for buildings.

	April 30,	
	2008	2007
Vehicles and equipment	\$ 158,121	\$ 156,625
Less: accumulated depreciation	(153,180)	(149,012)
Net Value	\$ 4,941	\$ 7,613

# INITIO, INC. AND SUBSIDIARY

## Notes To Financial Statements

### 5. Convertible Debenture

In April, 1999, the Company entered into an agreement with America's Shopping Mall, Inc. ("ASM") for the sale of materially all of the assets of its Deerskin operations, which at April 30, 1999 were categorized as a discontinued operation. In May 1999, when the transaction closed, the Company received approximately \$552,000 in cash, a \$3,400,000 convertible debenture of ASM and the discharge of \$2,000,000 of the Company's subordinated convertible debentures payable, thereby reducing the principle balance of \$3,500,000 to \$1,500,000, resulting in a gain before income taxes of approximately \$2,124,000.

As of April 30, 2005, only \$400,000 in principle of the convertible debentures receivable had been collected. The remaining balance of \$3,000,000 is in default. In September 2001, the Company was able to gain possession of the customer list and other intangible assets of The Deerskin and Joan Cook Catalogs, pursuant to its secured interest in these assets. In the year ended April 30, 2001, the Company recorded a \$2,000,000 valuation allowance on the remaining \$3,000,000 in debentures receivable (See note 8).

In November, 2007, the Company sold its interest in the convertible debenture to an unrelated party for \$25,000 in cash and 200,000 shares of Eagle Ventures International, Inc.

### 6. Income Taxes

Tax deferred assets are comprised primarily of the following:

	For the Year Ended April 30,	
	2008	2007
Tax benefits from net operating loss carry-forward	\$2,185,229	\$ 2,159,132
Valuation allowance	<u>(2,185,229)</u>	<u>(2,159,132)</u>
	<u>\$ -</u>	<u>\$ -</u>

At April 30, 2008 the Company had Federal net operating loss carry-forwards of approximately \$6,700,000. Such losses can be utilized against future taxable income, and expire between 2017 and 2026. Under section 382 of the Internal Revenue Code, these losses may be limited due to ownership changes. The Company has recorded a valuation allowance to reduce its net deferred tax asset to an amount that is more likely than not to be realized in future years.

# INITIO, INC. AND SUBSIDIARY

## Notes To Financial Statements

### 7. Stockholders' Equity

#### Common Stock issuances

The Company entered into an agreement with one of its directors to issue 25,000 shares of stock, effective January 1, 2008. Commencing on that date, the shares of stock will vest over a two year period, resulting in a compensation cost of \$1,750 per year. The fair value of the grant was estimated to be \$0.15 per share

The Company entered into an agreement with the Co-Chief Executive Officers whereas the Company issued each of the executive officers 500,000 shares of stock, effective January 1, 2007. Commencing on that date the 1,000,000 shares of common stock will vest over a five-year period, resulting in a compensation cost of \$18,000 per year. The fair value of the grant was estimated to be \$0.10 per share.

### 8. Commitments and Contingencies

#### Lease Agreements

The Company leases its administrative office on a month to month basis at an annual rental expense of \$35,000.

#### Legal Proceedings

The Company has filed claims against their former legal counsel who represented the Company in their sale of its Deerskin operations to ASM in May 1999. The Company alleged that legal counsel was negligent in their representation of the Company, in the aforementioned sale. The Company estimated the recovery with respect to litigation to be \$1,000,000.

In April, 2006 a settlement agreement was reached wherein the Company received an award of \$1,150,000. After incurring \$175,000 in legal fees, the Company received a net cash settlement of \$975,000. For financial statement purposes, the Company recorded a net loss on this transaction of \$25,000, representing the difference between the net cash settlement and the carrying value of the debenture.

#### Company Reporting Status

In May 2003, the Company's Board of Directors approved the termination of the Company's status as a reporting company with the United States Securities and Exchange Commission.