

ALLIANCE SPORTS GROUP, L.P.

FINANCIAL REPORT

MARCH 31, 2012

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Partners of
Alliance Sports Group, L.P.
Grand Prairie, Texas

We have reviewed the accompanying balance sheet of Alliance Sports Group, L.P. (the Company) as of March 31, 2012, and the related statements of income, partners' capital, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
June 18, 2012

ALLIANCE SPORTS GROUP, L.P.
BALANCE SHEET
MARCH 31, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,158,490
Trade accounts receivable, net	2,516,648
Inventories	3,467,452
Prepaid expenses	74,167

Total current assets	8,216,757
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PROPERTY AND EQUIPMENT, NET

334,724

OTHER ASSETS

Intangibles, net	14,507
Advances to principal owners and employees	1,114,005
Deposits	23,894

Total other assets	1,152,406
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TOTAL ASSETS

\$ 9,703,887

LIABILITIES AND PARTNERS' CAPITAL

CURRENT LIABILITIES

Accounts payable	\$ 1,024,783
Accrued expenses and other liabilities	162,168
Income taxes payable	5,656
Line of credit	250,000
Current maturities of note payable to partner	115,000

Total current liabilities	1,557,607
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TOTAL LIABILITIES

1,557,607

PARTNERS' CAPITAL

8,146,280

TOTAL LIABILITIES AND PARTNERS' CAPITAL

\$ 9,703,887

ALLIANCE SPORTS GROUP, L.P.
STATEMENT OF INCOME
YEAR ENDED MARCH 31, 2012

GROSS SALES	\$ 23,504,580
RETURNS AND ALLOWANCES	(919,897)
Net sales	22,584,683
COST OF GOODS SOLD	10,172,095
GROSS PROFIT	12,412,588
OPERATING EXPENSES	
Distribution	1,214,472
Selling	4,807,068
General and administrative	2,089,539
Total operating expenses	8,111,079
INCOME FROM OPERATIONS	4,301,509
OTHER INCOME (EXPENSES)	
Other income	4,800
Interest income	129,019
Interest expense	(63,622)
Total other income (expenses)	70,197
INCOME BEFORE TAXES	4,371,706
PROVISION FOR STATE INCOME TAXES	5,994
NET INCOME	\$ 4,365,712

The Notes to the Financial Statement are an integral part of this statement.

See independent accountant's review report.

**ALLIANCE SPORTS GROUP, L.P.
STATEMENT OF PARTNERS' CAPITAL
YEAR ENDED MARCH 31, 2012**

PARTNERS' CAPITAL, MARCH 31, 2011	\$ 3,799,729
Distributions	(19,161)
Net income	<u>4,365,712</u>
PARTNERS' CAPITAL, MARCH 31, 2012	<u><u>\$ 8,146,280</u></u>

The Notes to the Financial Statement are
an integral part of this statement.

See independent accountant's review report.

ALLIANCE SPORTS GROUP, L.P.
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 4,365,712
Adjustments to reconcile net income to net cash provided by operating activities:	
Bad debt expense	49,790
Depreciation and amortization	54,160
Interest income	(129,019)
Change in operating assets and liabilities	
Accounts receivable	234,344
Inventories	(1,156,187)
Prepaid expenses	(48,095)
Other current assets	(318,318)
Deposits	(5,600)
Accounts payable	(74,332)
Accrued expenses and other liabilities	65,238
Income taxes	1,984
Net cash provided by operating activities	3,039,677

CASH FLOWS FROM INVESTING ACTIVITIES

Advances to principal owners and employees	(368,000)
Additions to property and equipment	(194,405)
Net cash used in investing activities	(562,405)

CASH FLOWS FROM FINANCING ACTIVITIES

Distributions to partners	(19,161)
Net payments on line of credit	(950,000)
Principal payments on long-term debt	(139,618)
Net cash used in financing activities	(1,108,779)

INCREASE IN CASH AND CASH EQUIVALENTS

1,368,493

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

789,997

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 2,158,490

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for interest	\$ 58,972
Cash paid during the year for income taxes	\$ 4,010

ALLIANCE SPORTS GROUP, L.P.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

History and Organization

Alliance Sports Group, L.P. (referred to herein as the Company), a Texas limited partnership, was formed in October 1993. The Company is engaged in distributing outdoor camping merchandise and specialty small hardware tools.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates relate to allowance for doubtful accounts, inventory valuation and depreciation of property and equipment.

Cash and Cash Equivalents

The Company maintains cash and cash equivalents with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). At times, the balances on deposit exceed FDIC insured limits.

For purposes of the statement of cash flows, management considers all highly liquid investments with an initial maturity of less than three months to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market. Inventory cost is determined on a standard cost basis that approximates the first-in, first-out (FIFO) method. Market is determined based on the net realizable value. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value.

Accounts Receivable

Accounts receivable arise from the extension of trade credit to customers and are reported at the value of shipped but unpaid sales transactions, and are presented net of an allowance for doubtful accounts. An allowance for doubtful accounts is estimated based on the Company's historical losses, the existing economic conditions, and the financial stability of its customers. Accounts receivable are delinquent based on the terms and conditions of the sales. Accounts receivable are charged against the allowance for doubtful accounts when they are determined to be uncollectible.

See independent accountant's review report.

ALLIANCE SPORTS GROUP, L.P.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable – Continued

The following is a summary of the activity for the allowance for doubtful accounts:

Allowance for doubtful accounts, beginning of year		\$	64,203
Accounts charged off during the year	\$ (109,905)		
Recoveries made during the year	<u>60,115</u>		
Bad debt expense for the year			(49,790)
Provisions to the allowance			<u>63,520</u>
Allowance for doubtful accounts, end of year		<u>\$</u>	<u>77,933</u>

Property and Equipment

Property and equipment are recorded at cost and are depreciated by the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are depreciated by the straight-line method over the shorter of useful life of the leasehold improvement or the life of the lease. The estimated useful lives of the assets are as follows:

Computer equipment	5 years
Furniture and fixtures	7 years
Machinery and equipment	3 to 7 years
Vehicles	3 years
Leasehold improvements	15 to 39 years

Improvements are capitalized, while expenditures for repairs and maintenance that do not extend the useful lives or increase the productive capacity of the assets are charged against operations as incurred.

Upon disposal of depreciable property and equipment, the appropriate accounts are reduced by the related cost and accumulated depreciation. The resulting gain or loss, if any, is reflected on the statement of operation.

Long-lived Assets

Long-lived assets are reviewed for potential write-downs when impairment indicators are present. If circumstances require a long-lived asset be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third party independent appraisals as considered necessary.

See independent accountant's review report.

ALLIANCE SPORTS GROUP, L.P.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Patents and Trademarks

Intangible assets consist of patents and trademarks that were initially measured based on their fair value. The patents and trademarks are being amortized on a straight-line basis over a period of 15 years and are presented net of accumulated amortization of \$17,993. Amortization expense charged to general and administrative expenses was \$2,160 for the year ended March 31, 2012.

Revenue Recognition

The Company generally recognizes revenue when persuasive evidence of an arrangement exists, products have been shipped, the customer takes ownership and assumes risk of loss, the sales price is fixed and determinable and collection of the relevant receivable is reasonably assured. The Company permits its customers to return or exchange products. Revenue is recorded net of an estimated allowance for returns and discounts.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expense totaled \$195,421 for the year ended March 31, 2012, and is included in selling expenses.

Shipping and Freight Costs

Shipping and freight costs associated with the procurement of packaging materials and merchandise inventory are included in the cost of goods sold. Shipping and freight costs associated with the shipping and handling of products sold to customers totaled \$996,102 net of freight billed to customers of \$295,573 for the year ended March 31, 2012, and are included in distribution expenses.

Income Taxes

The Company is a disregarded entity for Federal income tax purposes and, accordingly, does not file a separate Federal income tax return. Income or losses are reported on the consolidated tax return of the ultimate parent, Bollinger Industries, Inc. No provision or liability for federal income taxes has been included in the accompanying financial statements. However, the Company is subject to state income taxes.

Uncertain Tax Positions

GAAP requires that the Company recognize in its financial statements the financial effects of a tax position, if that position is more likely than not of being sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position.

See independent accountant's review report.

ALLIANCE SPORTS GROUP, L.P.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Uncertain Tax Positions – Continued

Management is of the opinion that tax positions related to the Company's pass through status as a limited partnership would more likely than not, be sustained by examination. Accordingly, the Company has not recorded an income tax liability for uncertain tax benefits. For federal taxes, as of March 31, 2012, the Company's tax years 2008 through 2010 remain subject to examination. For state taxes, as of March 31, 2012, the Company's tax years 2007 through 2010 remain subject to examination.

The Company recognizes interest and penalties on state income taxes in general and administrative expenses. For the year ended March 31, 2012, the Company had no interest or penalties on state income taxes.

Compensated Absences

Employees of the Company are entitled to paid vacation days, sick days, and personal days off depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences; accordingly, no liability has been recognized in the accompanying financial statements.

Fair Value of Financial Instruments Approximates Carrying Amounts

The Company's financial instruments are cash and cash equivalents, accounts receivable, advances to principal owners and employees, accounts payable, accrued expenses, line of credit and notes payable. The recorded values of cash and cash equivalents, accounts receivable, due from factor, accounts payable and accrued expenses approximate their fair values based on their short-term nature. The recorded values of line of credit, advances to principal owners and employees, and notes payable approximate their fair values, as interest approximates market rates.

Subsequent Events

The Company evaluated all events or transactions that occurred after March 31, 2012 up through June 18, 2012, the date the financial statements were available to be issued, and did not have any material recognizable subsequent events.

NOTE 2. ADVANCES TO PRINCIPAL OWNERS AND EMPLOYEES

During the year ended March 31, 2012, advances were made to principal owners and employees of \$368,000. Interest is accrued annually at 5% and due at maturity. For the year ended March 31, 2012 the Company recognized \$129,019 of interest income. At March 31, 2012, advances to principal owners, employees, and accrued interest totaled \$1,114,005. The advances are unsecured and are expected to be repaid in annual installments on or before March 2014.

See independent accountant's review report.

ALLIANCE SPORTS GROUP, L.P.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. FACTORING AGREEMENT

During 2011, the Company sold certain trade accounts receivable to a commercial financing institution, Marquette Commercial Finance, (the Factor) that assumes the full risk of collection beyond the residual amounts withheld, without recourse to the Company, in the event of loss. The factoring agreement ended on March 31, 2011. Proceeds remaining to be collected from the Factor as of March 31, 2011 were \$234,344. All remaining collections were collected as of March 31, 2012.

NOTE 4. INVENTORIES

Inventories consist of the following as of March 31, 2012:

Packaging materials	\$ 4,840
Inventory in transit	641,115
Merchandise inventory	<u>2,821,497</u>
	<u>\$ 3,467,452</u>

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of March 31, 2012:

Computer equipment	\$ 1,695,689
Furniture and fixtures	311,067
Machinery and equipment	68,331
Leasehold improvements	202,292
Vehicles	<u>38,690</u>
	2,316,069
Less accumulated depreciation	<u>1,981,345</u>
	<u>\$ 334,724</u>

Depreciation expense was \$52,000 for the year ended March 31, 2012, and is included in general and administrative expenses.

NOTE 6. OPERATING LEASE

The Company leases its office and warehouse space under a non-cancelable operating lease with a third party. The Company is also liable for certain common area maintenance expenses, property taxes, and other expenses. Total rent expense under this agreement for the year ended March 31, 2012 was \$179,900, and is included in distribution expenses.

See independent accountant's review report.

ALLIANCE SPORTS GROUP, L.P.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. OPERATING LEASE – CONTINUED

The lease was extended on June 1, 2011 and expires December 31, 2015.

Future minimum lease payments related to the office and warehouse space are expected to be as follows:

<u>Years Ending March 31,</u>	
2013	\$ 166,655
2014	188,097
2015	196,674
2016	<u>150,833</u>
Total	<u><u>\$ 702,259</u></u>

NOTE 7. LINE OF CREDIT

On March 31, 2011, the Company entered into a loan agreement with a commercial bank for a revolving line of credit of up to \$3,000,000. The agreement is governed by a borrowing base generally defined as 80% of eligible accounts receivable and 50% of eligible inventory, not to exceed 50% of outstanding borrowings under the agreement at any one time. The line expires March 31, 2013 and is collateralized by account receivables and inventories. The line of credit agreement is subject to a continuing limited guarantee by the principal owners of the Company. The line bears interest on the monthly outstanding financed balance at Prime plus 1.25% (effective interest rate was 4.50% at March 31, 2012). Outstanding borrowings on this line were \$250,000, as of March 31, 2012.

NOTE 8. NOTES PAYABLE TO PARTNER

Note payable to partner consists of the following as of March 31, 2012:

Unsecured note payable to one of the principal owners; interest accrues at 10% per annum and is payable monthly; principal balance is due March 2013.	\$ 115,000
Less current maturities	<u>(115,000)</u>
Long-term portion	<u><u>\$ -</u></u>

Interest paid to the principal owner totaled \$10,000 for the year ended March 31, 2012. This employee is also a minority owner of the entity that owns the Company's partnership units.

See independent accountant's review report.

ALLIANCE SPORTS GROUP, L.P.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. CONCENTRATION RISK

Purchases from one vendor accounted for 61% of total inventory purchases for the year ended March 31, 2012.

Accounts payable to one vendor represented approximately 49% of the total accounts payable balance at March 31, 2012.

ALLIANCE SPORTS GROUP, L.P.
BALANCE SHEET
MARCH 31, 2011

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 789,997
Trade accounts receivable, net	2,248,120
Due from factor	234,344
Inventories	2,311,265
Prepaid expenses	26,072
Total current assets	5,609,798
PROPERTY AND EQUIPMENT, NET	192,319
OTHER ASSETS	
Intangibles, net	16,667
Advances to principal owners and employees	616,986
Deposits	18,294
Total other assets	651,947
TOTAL ASSETS	\$ 6,454,064

LIABILITIES AND PARTNERS' CAPITAL

CURRENT LIABILITIES	
Accounts payable	\$ 1,099,115
Accrued expenses and other liabilities	96,930
Income taxes payable	3,672
Line of credit	1,200,000
Current maturities of notes payable	224,506
Total current liabilities	2,624,223
NOTES PAYABLE, NET OF CURRENT PORTION	30,112
TOTAL LIABILITIES	2,654,335
PARTNERS' CAPITAL	3,799,729
TOTAL LIABILITIES AND PARTNERS' CAPITAL	\$ 6,454,064

ALLIANCE SPORTS GROUP, L.P.
STATEMENT OF PARTNERS' CAPITAL
YEAR ENDED MARCH 31, 2011

PARTNERS' CAPITAL, MARCH 31, 2010	\$ 2,501,073
Distributions	(81,043)
Net income	<u>1,379,699</u>
PARTNERS' CAPITAL, MARCH 31, 2011	<u><u>\$ 3,799,729</u></u>

The Notes to the Financial Statement are
an integral part of this statement.

See independent accountant's review report

ALLIANCE SPORTS GROUP, L.P.
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,379,699
Net income	1,379,699
Adjustments to reconcile net income to net cash provided by operating activities:	
Bad debt expense	38,992
Depreciation and amortization	41,658
Change in operating assets and liabilities	
Accounts receivable	(1,833,955)
Inventories	(233,239)
Prepaid expenses	(1,453)
Other current assets	99,462
Deposits	(14,580)
Accounts payable	504,306
Accrued expenses and other liabilities	42,465
Income taxes	(3,828)
Net cash provided by operating activities	<u>19,527</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Advances to principal owners and employees	(42,500)
Purchases of property and equipment	(76,888)
Net cash used in investing activities	<u>(119,388)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Purchase of treasury stock	(56,434)
Distributions to partners	(24,609)
Net borrowings on line of credit	652,677
Principal payments on long-term debt	(104,176)
Net cash provided by financing activities	<u>467,458</u>
INCREASE IN CASH	367,597
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>422,400</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 789,997</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION	
Cash paid during the year for interest	<u>\$ 47,776</u>
Cash paid during the year for income taxes	<u><u>\$ 7,724</u></u>

The Notes to the Financial Statement are an integral part of this statement.

See independent accountant's review report.

ALLIANCE SPORTS GROUP, L.P.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

History and Organization

Alliance Sports Group, L.P. (referred to herein as the Company), a Texas limited partnership, was formed in October 1993. The Company is engaged in distributing outdoor camping merchandise and specialty small hardware tools.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates relate to allowance for doubtful accounts, inventory valuation and depreciation of property and equipment.

Cash and Cash Equivalents

The Company maintains cash and cash equivalents with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). At times, the balances on deposit exceed FDIC insured limits.

For purposes of the statement of cash flows, management considers all highly liquid investments with an initial maturity of less than three months to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market. Inventory cost is determined on a standard cost basis that approximates the first-in, first-out (FIFO) method. Market is determined based on the net realizable value. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value.

ALLIANCE SPORTS GROUP, L.P.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable

Accounts receivable arise from the extension of trade credit to customers and are reported at the value of shipped but unpaid sales transactions, and are presented net of an allowance for doubtful accounts. An allowance for doubtful accounts is estimated based on the Company's historical losses, the existing economic conditions, and the financial stability of its customers. Accounts receivable are delinquent based on the terms and conditions of the sales. Accounts receivable are charged against the allowance for doubtful accounts when they are determined to be uncollectible. The following is a summary of the activity in the allowance for doubtful account:

Allowance for doubtful accounts, beginning of year		\$ 46,685
Accounts charged off during the year	\$ (105,884)	
Recoveries made during the year	<u>66,892</u>	
Bad debt expense for the year		(38,992)
Provisions to the allowance		<u>56,510</u>
Allowance for doubtful accounts, end of year		<u>\$ 64,203</u>

Property and Equipment

Property and equipment are recorded at cost and are depreciated by the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are depreciated by the straight-line method over the shorter of useful life of the leasehold improvement or the life of the lease. The estimated useful lives of the assets are as follows:

Computer equipment	5 years
Furniture and fixtures	7 years
Machinery and equipment	3 to 7 years
Vehicles	3 years
Leasehold improvements	15 to 39 years

Improvements are capitalized, while expenditures for repairs and maintenance that do not extend the useful lives or increase the productive capacity of the assets are charged against operations as incurred.

Upon disposal of depreciable property and equipment, the appropriate accounts are reduced by the related cost and accumulated depreciation. The resulting gain or loss, if any, is reflected on the statement of operation.

See independent accountant's review report.

ALLIANCE SPORTS GROUP, L.P.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Long-lived Assets

Long-lived assets are reviewed for potential write-downs when impairment indicators are present. If circumstances require a long-lived asset be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third party independent appraisals as considered necessary.

Patents and Trademarks

Intangible assets consist of patents and trademarks that were initially measured based on their fair value. The patents and trademarks are being amortized on a straight-line basis over a period of 15 years and are presented net of accumulated amortization of \$15,833. Amortization expense charged to general and administrative expenses was \$2,166 for the year ended March 31, 2011.

Revenue Recognition

The Company generally recognizes revenue when persuasive evidence of an arrangement exists, products have been shipped, the customer takes ownership and assumes risk of loss, the sales price is fixed and determinable and collection of the relevant receivable is reasonably assured. The Company permits its customers to return or exchange products. Revenue is recorded net of an estimated allowance for returns and discounts.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expense totaled \$168,803 for the year ended March 31, 2011, and is included in selling expenses.

Shipping and Freight Costs

Shipping and freight costs associated with the procurement of packaging materials and merchandise inventory are included in the cost of goods sold. Shipping and freight costs associated with the shipping and handling of products sold to customers totaled \$706,658 net of freight billed to customers of \$196,705 for the year ended March 31, 2011, and is included in distribution expenses.

ALLIANCE SPORTS GROUP, L.P.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

The Company is a disregarded entity for Federal income tax purposes and, accordingly, does not file a separate Federal income tax return. Income or losses are reported on the consolidated tax return of the ultimate parent, Bollinger Industries, Inc. No provision or liability for federal income taxes has been included in the accompanying financial statements. However, the Company is subject to state income taxes.

Uncertain Tax Positions

GAAP requires that the Company recognize in its financial statements the financial effects of a tax position, if that position is more likely than not of being sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position. Management is of the opinion that tax positions related to the Company's pass through status as a limited partnership would more likely than not, be sustained by examination. Accordingly, the Company has not recorded an income tax liability for uncertain tax benefits. For federal taxes, as of March 31, 2011, the Company's tax years 2007 through 2009 remain subject to examination. For state taxes, as of March 31, 2011, the Company's tax years 2006 through 2009 remain subject to examination.

The Company recognizes interest and penalties on state income taxes in general and administrative expenses. For the year ended March 31, 2011, the Company had no interest or penalties on state income taxes.

Compensated Absences

Employees of the Company are entitled to paid vacation days, sick days, and personal days off depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences; accordingly, no liability has been recognized in the accompanying financial statements.

Fair Value of Financial Instruments Approximates Carrying Amounts

The Company's financial instruments are cash and cash equivalents, accounts receivable, due from factor, advances to principal owners and employees, accounts payable, accrued expenses, line of credit and notes payable. The recorded values of cash and cash equivalents, accounts receivable, due from factor, accounts payable and accrued expenses approximate their fair values based on their short-term nature. The recorded values of line of credit, advances to principal owners and employees, and notes payable approximate their fair values, as interest approximates market rates.

ALLIANCE SPORTS GROUP, L.P.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Subsequent Events

The Company evaluated all events or transactions that occurred after March 31, 2011 up through May 31, 2011, the date the financial statements were available to be issued, and did not have any material recognizable subsequent events.

NOTE 2. ADVANCES TO PRINCIPAL OWNERS AND EMPLOYEES

During the year ended March 31, 2011, advances were made to principal owners and employees of \$42,500. At March 31, 2011, advances to principal owners and employees totaled \$616,986. The advances are unsecured and are expected to be repaid in annual installments on or before March 2014.

NOTE 3. FACTORING AGREEMENT

During the year the Company sold certain trade accounts receivable to a commercial financing institution, Marquette Commercial Finance, (the Factor) that assumes the full risk of collection beyond the residual amounts withheld, without recourse to the Company, in the event of loss. The factoring agreement ended on March 31, 2011. Proceeds remaining to be collected from the factor as of March 31, 2011 were \$234,344.

As part of this factoring agreement, the Company had a line of credit agreement with the Factor, which provided for advances up to \$750,000. The line expired in March 2011 and was paid in full.

NOTE 4. INVENTORIES

Inventories consist of the following as of March 31, 2011:

Packaging materials	\$ 20,630
Inventory in transit	354,037
Merchandise inventory	<u>1,936,598</u>
	<u>\$ 2,311,265</u>

See independent accountant's review report.

ALLIANCE SPORTS GROUP, L.P.
NOTES TO FINANCIAL STATEMENTS

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of March 31, 2011:

Computer equipment	\$ 1,547,013
Furniture and fixtures	286,017
Machinery and equipment	58,282
Leasehold improvements	191,662
Vehicles	<u>38,690</u>
	2,121,664
Less accumulated depreciation	<u>1,929,345</u>
	<u>\$ 192,319</u>

Depreciation expense was \$39,492 for the year ended March 31, 2011, and is included in general and administrative expenses.

NOTE 6. OPERATING LEASE

The Company leases its office and warehouse space under a non-cancelable operating lease with a third party. The Company is also liable for certain common area maintenance expenses, property taxes, and other expenses. Total rent expense under this agreement for the year ended March 31, 2011 was \$199,200, and is included in distribution expenses. The lease expires December 31, 2011. The future minimum lease payments required under this operating lease are \$152,775 for the year ending March 31, 2011.

NOTE 7. LINE OF CREDIT

On March 31, 2011, the Company entered into a loan agreement with a Commercial Bank for a revolving line of credit of up to \$3,000,000. The agreement is governed by a borrowing base generally defined as 80% of eligible accounts receivable and 50% of eligible inventory, not to exceed 50% of outstanding borrowings under the agreement at any one time. The line expires March 31, 2013 and is collateralized by account receivables and inventories. The line of credit agreement is subject to a continuing limited guarantee by the principal owners of the Company. The line bears interest on the monthly outstanding financed balance at Prime plus 1.25% (effective interest rate was 4.50% at March 31, 2011). Outstanding borrowings on this line were \$1,200,000, as of March 31, 2011.

See independent accountant's review report.

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NOTES TO FINANCIAL STATEMENTS**

NOTE 8. NOTES PAYABLE

Notes payable consists of the following as of March 31, 2011:

Unsecured note payable to an unrelated party; payable in monthly installments of \$9,500 including interest at 5% per annum; final payment of \$30,112 due at maturity in April 2012.	\$ 139,618
Unsecured note payable to one of the principal owners; interest accrues at 10% per annum and is payable monthly; principal balance is due March 2012.	<u>115,000</u>
	254,618
Less current maturities	<u>224,506</u>
	<u><u>\$ 30,112</u></u>

Interest paid to the principal owner totaled \$10,000 for the year ended March 31, 2011. This employee is also a minority owner of the entity that owns the Company's partnership units.

Future maturities of long-term debt are as follows:

<u>Year Ending March 31:</u>	<u>Vendor</u>	<u>Principal Owner</u>	<u>Total</u>
2012	\$ 109,506	\$ 115,000	\$ 224,506
2013	<u>30,112</u>	<u>-</u>	<u>30,112</u>
	<u>\$ 139,618</u>	<u>\$ 115,000</u>	<u>\$ 254,618</u>

NOTE 9. CONCENTRATION RISK

Purchases from one vendor accounted for 38% of total inventory purchases for the year ended March 31, 2011.

Accounts payable to one vendor represented approximately 75% of the total accounts payable balance at March 31, 2011.