

Condensed store income and expense statement, Nov 09

	Nov 09		Nov 08			Comparison		Jun - Nov 09		Jun - Nov 08		Comparison	
	Actual	Actual	Difference	Change, %	F/U	Actual	Actual	Difference	Change, %	F/U			
Sales													
Total sales	121650	128601	-6951	-5.4%	U	703951	664141	39810	+6.0%	F			
Total COGS	-97300	-106880	9579	-9.0%		-568562	-549495	-19067	+3.5%				
Gross margin, \$	24350	21721	2629	+12.1%	F	135389	114646	20743	+18.1%	F			
Gross margin, % of total sales	20.0%	16.9%	3.1%		F	19.2%	17.3%	2.0%		F			
Expenses													
Total wages and benefits paid out	18903	23529	-4626	-19.7%	F	112094	140111	-28017	-20.0%	F			
Non-working offsets	-3107	-3249	142	-4.4%		-17292	-18564	1272	-6.9%				
Wages & benefits net of offsets	15795	20280	-4484	-22.1%	F	94802	121547	-26745	-22.0%	F			
Other expenses excl. consulting	8245	6188	2057	+33.2%	U	53145	42494	10651	+25.1%	U			
Total expenses excl. consulting	24041	26468	-2427	-9.2%	F	147947	164041	-16094	-9.8%	F			
Total expenses excl. consulting, % of sales	19.8%	20.6%	-0.8%		F	21.0%	24.7%	-3.7%		F			
Operating Income	309	-4747	5056	N/A	F	-12559	-49395	36837	-74.6%	F			
Miscellaneous store income (excl. building fees)	80	131	-51	-38.9%	U	494	1345	-851	-63.3%	U			
Building fees	3555	0	3555	N/A	F	4923	0	4923	N/A	F			
Contract negotiations and other consulting	-4484	-41	-4443	+10971%	U	-15957	-382	-15575	+4079.7%	U			
Net Store Income	-540	-4657	4117	-88.4%	F	-23099	-48432	25334	-52.3%	F			

Condensed membership income and expense statement, Nov 09

Membership revenue (excl. building fees)	864	702	162	+23.1%	F	12113	13093	-980	-7.5%	U
Membership administration	218	218	0	+0.0%		1142	1297	-155	-11.9%	F
Newsletter	0	0	0	N/A		0	280	-280	-100.0%	F
Other committee expenses	118	354	-236	-66.6%	F	3435	3434	0	+0.0%	U
Total committee & membership expenses	118	354	-236	-66.6%	F	3435	3714	-280	-7.5%	F
Net Membership Income	528	130	398	+305.7%	F	7536	8082	-546	-6.8%	U

Balance sheet highlights, Nov 09

	Nov 09		Nov 08			Comparison		Nov 09		Start of FY		Comparison	
	Actual	Actual	Difference	Change, %	F/U	Actual	Start of FY	Difference	Change, %	F/U			
Cash, net of current liabilities (excl. building loans)	-135898	-117141	-18757	16%	U	-135898	-175750	39851	-23%	F			
Building loans (incl. accrued interest)	-65866	-53274	-12593	24%	F	-65866	-60000	-5866	10%	F			
Accounts receivable	1102	14429	-13327	-92%		1102	35590	-34487	-97%				
Inventory	111537	137695	-26157	-19%		111537	112635	-1098	-1%				
Fixed assets (building & equipment)	284632	266515	18117	7%		284632	291299	-6666	-2%				
Active mandatory member loans	133206	133578	-372	0%		133206	128959	4247	3%				
Co-op net worth	-58562	-33319	-25243	76%	U	-58562	-42999	-15563	36%	U			
Value of each \$70 member loan	\$39	\$53	-\$13	-25%	U	\$39	\$47	-\$7	-16%	U			

Analysis of Operations, year-to-date, Jun - Nov 09, 6 months**The last physical inventory was taken in Oct 2009**

	Jun - Nov 09	Jun - Nov 08
SALES		
Retail, to members	684,143	641,263
Wholesale, to staff	19,808	22,878
SALES REVENUE (excluding non-work charges)	703,951	664,141
PURCHASES		
Cost, net of discounts and inventory changes	568,562	549,495
GROSS PROFIT	135,389	114,646
As a percentage of sales revenue	19.2%	17.3%
OPERATING EXPENSES		
Staff costs: Salaries, wages, contract staff	0	0
Non-work surcharge plus flat fees (offset against staff costs)	0	0
Other expenses	147,947	164,041
TOTAL OPERATING EXPENSES	147,947	164,041
OPERATING PROFIT	-12,559	-49,395
As a percentage of sales revenue	-1.8%	-7.4%
NON-OPERATING ACCOUNTS		
Miscellaneous store income (excl. building fees)	0	225
Building fees	4923	0
Contract negotiations and other consulting	-15957	-382
TOTAL OPERATING AND NON-OPERATING PROFIT	-23593	-49552
As a percentage of sales revenue	-3.4%	-7.5%
SHRINKAGE ANALYSIS		
Average retail mark-up	35.4%	35.2%
Net cost of retail sales (excluding staff sales)	505,121	474,174
Net cost of staff sales	19,378	22,414
Net cost of all goods sold	524,498	496,588
Cost of goods purchased but unsold (shrinkage)	44,064	52,907
Shrinkage as a percentage of wholesale purchases	7.8%	9.6%

How fast are Karma sales recovering from being 12% below 2007-2008 sales?

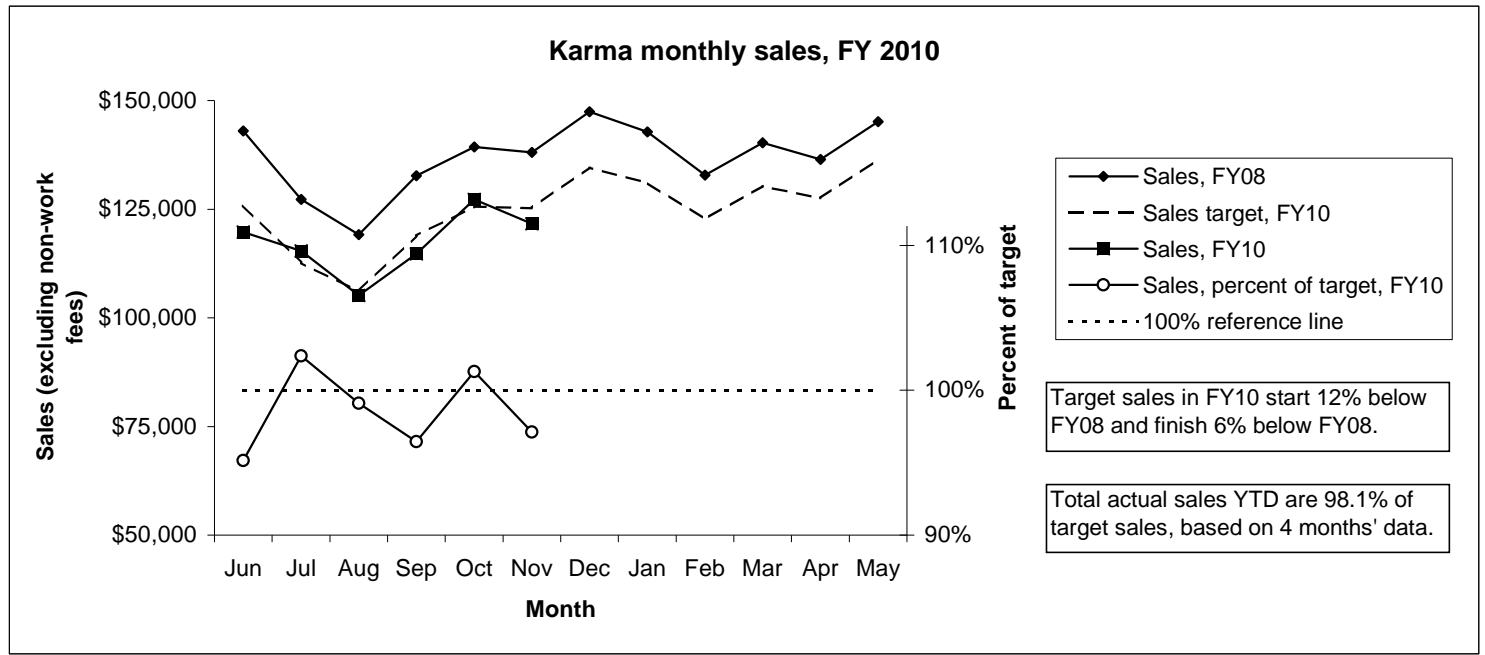
Analysis prepared by Howard Kaplan, December 17, 2009

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Actual sales 2007-2008	143032	127280	119141	132704	139292	138063	147456	142749	132843	140257	136482	145126
Monthly sales that would mean no recovery	125868	112006	104844	116779	122577	121495	129761	125619	116902	123426	120104	127711
YTD actual sales 2007-2008	143032	270312	389454	522158	661449	799512	946968	1089717	1222560	1362816	1499299	1644424
YTD sales that would mean no recovery	125868	237875	342719	459499	582075	703571	833332	958951	1075853	1199278	1319383	1447093
Sales target, % compared to 2007-2008	-12.0%	-11.5%	-10.9%	-10.4%	-9.8%	-9.3%	-8.7%	-8.2%	-7.6%	-7.1%	-6.5%	-6.0%
Sales target	125868	112701	106144	118951	125616	125261	134587	131069	122699	130311	127549	136418
YTD sales target	125868	238569	344713	463664	589280	714541	849127	980197	1102896	1233207	1360756	1497174
YTD sales target relative to no-recovery line	0	694	1994	4165	7205	10970	15796	21246	27043	33928	41373	50080
Actual sales 2009-2010	119766	115380	105191	114734	127231	121650						
YTD actual sales 2009-2010	119766	235145	340336	455070	582301	703951						
YTD sales, relative to no-recovery line	-6103	-2729	-2383	-4428	226	380						
YTD sales, % relative to no-recovery line	95.2%	98.9%	99.3%	99.0%	100.0%	100.1%						
Actual sales, % of target	95.2%	102.4%	99.1%	96.5%	101.3%	97.1%						
YTD sales, relative to target	-6103	-3424	-4377	-8594	-6970	-10590						
YTD sales, % of target	95.2%	98.6%	98.7%	98.1%	98.8%	98.5%						
YTD sales, relative to 2007-2008	16.3%	13.0%	12.6%	12.8%	12.0%	12.0%						
% of desired sales recovery achieved	N.A.	-393.1%	-119.5%	-106.3%	3.1%	3.5%						

When sales are 12% below 2007-2008, we are making no recovery. At this point in the year, we were hoping that YTD sales would be \$10970 ahead of the line of no recovery. Instead, they are only \$380 ahead of the line of no recovery, and YTD sales are still \$10590 behind the targeted sales recovery. In summary, sales are trivially better than they were last year, and we are very unlikely to meet our target.

Total actual sales YTD are 98.5% of target sales, based on 6 months' data.

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Projected year-end summary store income and expense statement, FY10, based on 6 months' results

	Jun - Nov 09	Dec 09 - May 10	FY 10 Total	Basis for projection to the last 6 months of the fiscal year
	Actual	Projected		
Sales				
Total sales	703951	743523	1447474	Projecting 12% below 2007-2008 sales for the same period
Total COGS	<u>-568562</u>	<u>-594818</u>	<u>-1163380</u>	Subtract gross margin in \$ from sales in \$
Gross margin, \$	135389	148705	284094	
Gross margin, % of total sales	19.2%	20.0%	19.6%	Increase the gross margin because of the higher markup
Expenses				
Total wages and benefits paid out	112094	114905	226999	6/6 of what was spent so far *
Non-working offsets	<u>-17292</u>	<u>-17292</u>	<u>-34584</u>	6/6 of what was received so far
Wages & benefits net of offsets	94802	97613	192415	
Other expenses excl. consulting	52605	55005	107610	6/6 of what was spent so far, plus \$1400 for new depreciation, plus \$1000 extra for winter Hydro
Total expenses excl. consulting	<u>147408</u>	<u>152618</u>	<u>300025</u>	
Total expenses excl. consulting, % of sales	20.9%	20.5%	20.7%	
Operating Income	-12019	-3913	-15932	
Miscellaneous store income (excl. building fees)	494	494	988	6/6 of what was received so far
Building fees	4689	4561	9250	Total dollar value is \$11,250, equal to membership fees collected in first half of year, minus \$2000 for members working off their fees
Contract negotiations and other consulting	<u>-15957</u>	<u>-9043</u>	<u>-25000</u>	Bringing the total up to \$25,000 for the year
Net Store Income	<u>-22793</u>	<u>-7901</u>	<u>-30694</u>	

* Based on the current management wage offers (\$30/hr signing bonus, \$12.35 hourly base rate), the increased unionized staff wage costs (including the signing bonus) will be about \$2000 more than we save by implementing the new cash registers. Therefore, we start by assuming that the average staff cost per month after the contract ratification is approximately the same as before ratification, and then we add \$2000. The projected costs do not include any allowance for the costs of increased staff time off the job for union activities or for sick leave exceeding our past experience, nor do they include any changes to the costs of our two salaried staff.

What-if adjustments to the last 6 months of the fiscal year:

Percent of FY08 sales achieved	88%
Gross margin	20.0%
Raises to salaried staff	2.0%