

EXHIBIT D
TO
THE SPORTS SECTION, INC.
FRANCHISE OFFERING CIRCULAR

FINANCIAL STATEMENTS OF FRANCHISOR

UNAUDITED FINANCIAL STATEMENTS

We have compiled: (i) our balance sheet as of August 31, 2005; and (ii) our income statement for the period between the end of our fiscal year and August 31, 2005, and have attached them to this Exhibit D.

These statements are not audited or reviewed, and management has elected to omit the disclosures that generally accepted accounting principles require. If the omitted disclosures were included in the financial statements, they might influence your conclusions about our financial position, results of operations, and changes in financial position. Accordingly, these unaudited financial statements are not designed for those who are not informed and skilled in evaluating financial statements and information.

THESE FINANCIAL STATEMENTS PERTAINING TO THE PERIOD ENDED AUGUST 2005 ARE PREPARED WITHOUT AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES FOR AUGUST 2005 OR EXPRESSED HIS OR HER OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

Balance Sheet
August 31, 2005

ASSETS

Current Assets		
SSCB Operating Account	\$	(48,823.66)
Petty Cash		200.00
Accounts Receivable		19,000.71
		<hr/>
Total Current Assets		(29,622.95)
Property and Equipment		<hr/>
Total Property and Equipment		0.00
Other Assets		
Intercompany Receivable		2,423,852.31
		<hr/>
Total Other Assets		2,423,852.31
Total Assets	\$	<u>2,394,229.36</u>

LIABILITIES AND CAPITAL

Current Liabilities		
Accounts Payable	\$	44,092.84
Accrued Salaries		18,518.42
Flex Plan Withholding		1,212.05
		<hr/>
Total Current Liabilities		63,823.31
Long-Term Liabilities		<hr/>
Total Long-Term Liabilities		0.00
Total Liabilities		<hr/> 63,823.31
Capital		
Common Stock		500.00
APIC		17,737.68
Retained Earnings		2,480,544.04
Net Income		(168,375.67)
		<hr/>
Total Capital		2,330,406.05
Total Liabilities & Capital	\$	<u>2,394,229.36</u>

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Income Statement
For the Three Months Ending August 31, 2005

	Current Month		Year to Date	
Revenues				
Franchise Sales	\$ 9,914.49	44.08	\$ 133,078.76	91.36
TSS Express Sales	12,579.09	55.92	12,579.09	8.64
SALES-TSSP ROYALTIES	0.00	0.00	0.00	0.00
Interest Income	0.00	0.00	0.00	0.00
Other Income	0.00	0.00	0.00	0.00
	<hr/>		<hr/>	
Total Revenues	22,493.58	100.00	145,657.85	100.00
Cost of Sales				
TSS Express Cost of Sales	1,334.00	5.93	1,119.95	0.77
Commissions	23,000.00	102.25	16,415.70	11.27
Meals & Entertainment	0.00	0.00	0.00	0.00
Travel	43,716.28	194.35	43,716.28	30.01
Equipment Costs	0.00	0.00	0.00	0.00
Other Cost of Sales	0.00	0.00	0.00	0.00
	<hr/>		<hr/>	
Total Cost of Sales	68,050.28	302.53	61,251.93	42.05
Gross Profit	(45,556.70)	(202.53)	84,405.92	57.95
Expenses				
Officers' Salaries	0.00	0.00	0.00	0.00
Officers' Bonus	0.00	0.00	0.00	0.00
Administrative Salaries	48,863.73	217.23	131,534.24	90.30
Payroll Tax Expense	2,642.58	11.75	7,705.58	5.29
Employee Benefits	(1,071.12)	(4.76)	2,541.74	1.75
Advertising	10,320.00	45.88	24,872.59	17.08
Auto Expense	316.61	1.41	1,987.32	1.36
Bad Debt Expense	0.00	0.00	0.00	0.00
Bank Charges	39.38	0.18	125.04	0.09
Consulting Fees	495.00	2.20	495.00	0.34
Contributions	0.00	0.00	109.27	0.08
Depreciation Expense	0.00	0.00	0.00	0.00
Dues & Subscriptions	0.00	0.00	201.95	0.14
Equipment Rental	0.00	0.00	0.00	0.00
Gifts	0.00	0.00	49.22	0.03
Insurance Expense	0.00	0.00	0.00	0.00
Meals & Entertainment	3,345.16	14.87	16,446.39	11.29
Miscellaneous Expense	4,000.00	17.78	4,000.00	2.75
Office Supplies	0.00	0.00	501.25	0.34
Payroll Processing Fees	281.62	1.25	853.00	0.59
Postage	0.00	0.00	147.86	0.10
Printing	0.00	0.00	0.00	0.00
Product Development	0.00	0.00	0.00	0.00
Professional Fees	5,007.96	22.26	(10,541.79)	(7.24)
Rebates	0.00	0.00	0.00	0.00
Repairs & Maintenance	0.00	0.00	0.00	0.00
Rent Expense	6,519.45	28.98	19,558.35	13.43
Seminars	149.00	0.66	3,599.00	2.47
Taxes & Licenses	3,350.00	14.89	3,350.00	2.30
Trade Shows	2,550.00	11.34	4,300.00	2.95
Travel	16,536.28	73.52	30,321.10	20.82
Telephone	1,287.56	5.72	4,125.81	2.83
Utilities	2,103.12	9.35	6,498.67	4.46
Provision for Income Taxes	0.00	0.00	0.00	0.00
Gain/Loss on Sale of Assets	0.00	0.00	0.00	0.00
Interest Expense	0.00	0.00	0.00	0.00

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Income Statement
For the Three Months Ending August 31, 2005

	Current Month		Year to Date	
Other Expense	0.00	0.00	0.00	0.00
Federal Income Taxes	0.00	0.00	0.00	0.00
State Income Taxes	0.00	0.00	0.00	0.00
Rounding Account	0.00	0.00	0.00	0.00
	<hr/>		<hr/>	
Total Expenses	106,736.33	474.52	252,781.59	173.54
	<hr/>		<hr/>	
Net Income	\$ (152,293.03)	(677.05)	\$ (168,375.67)	(115.60)
	<hr/> <hr/>		<hr/> <hr/>	

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THE SPORTS SECTION, INC.

FINANCIAL STATEMENTS
May 31, 2005 AND 2004

THE SPORTS SECTION, INC.

**FINANCIAL STATEMENTS
MAY 31, 2005 AND 2004**

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SIMMONS & JAMIESON P.C.

CERTIFIED PUBLIC ACCOUNTANTS

5440 BUFORD HIGHWAY

NORCROSS, GEORGIA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

THE SPORTS SECTION, INC.

We have audited the accompanying balance sheet of THE SPORTS SECTION, INC. (the "Company"), a wholly owned subsidiary of TSS Photography, Inc. (formerly B&H Products, Inc.), as of May 31, 2005 and 2004, and the related statement of income, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 May 31, 2005 and 2004 financial statements referred to above present fairly, in all material respects, the financial position of THE SPORTS SECTION, INC. at May 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Simmons & Jamieson, P.C.

August 23, 2005.

THE SPORTS SECTION, INC.
BALANCE SHEET
MAY 31, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
CURRENT ASSETS:		
Cash and equivalents	\$ 40,057	\$ 200
Accounts receivable	20,689	25,997
Prepaid expense	<u>-0-</u>	<u>9,111</u>
Total current assets	<u>60,746</u>	<u>35,308</u>
FIXED ASSETS:		
Furniture and equipment, at cost	-0-	21,283
Less - accumulated depreciation	<u>-0-</u>	<u>(21,109)</u>
	<u>-0-</u>	<u>174</u>
OTHER ASSETS:		
Due from parent company	<u>2,604,615</u>	<u>2,179,948</u>
Total assets	<u>\$2,665,361</u>	<u>\$2,215,430</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Cash overdraft	\$ -0-	\$ 36,237
Accounts payable	74,258	62,973
Unearned revenue/deposits	1,500	3,000
Accrued expenses	<u>90,821</u>	<u>76,843</u>
Total current liabilities	<u>166,579</u>	<u>179,053</u>
STOCKHOLDERS' EQUITY:		
Common stock: \$1 par value, 100,000 shares authorized and 500 shares outstanding for 2005 and 2004	500	500
Paid-in capital	17,738	17,738
Retained earnings	<u>2,480,544</u>	<u>2,018,139</u>
Total stockholders' equity	<u>2,498,782</u>	<u>2,036,377</u>
Total liabilities and stockholders' equity	<u>\$2,665,361</u>	<u>\$2,215,430</u>

The accompanying notes are an integral part of these statements.

THE SPORTS SECTION, INC.
STATEMENT OF INCOME
FOR THE YEARS ENDED MAY 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
REVENUE AND SALES		
Franchising revenue	\$ 786,720	\$ 932,407
Royalty income	<u>1,341,250</u>	<u>1,204,713</u>
	2,127,970	2,137,120
COST OF REVENUE AND SALES		
	<u>146,544</u>	<u>265,411</u>
Gross Profit	<u>1,981,426</u>	<u>1,871,709</u>
OPERATING EXPENSES:		
Personnel	679,949	669,678
General and administrative	<u>513,956</u>	<u>370,537</u>
	<u>1,193,905</u>	<u>1,040,215</u>
Income from Operations	787,521	831,494
OTHER INCOME (EXPENSE):		
	<u>(116)</u>	<u>-0-</u>
Income Before Income Taxes	787,405	831,494
PROVISION FOR INCOME TAXES (Note 1)		
	<u>(325,000)</u>	<u>(347,000)</u>
Net Income	<u>\$ 462,405</u>	<u>\$ 484,494</u>

The accompanying notes are an integral part of these statements.

THE SPORTS SECTION, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED MAY 31, 2005 AND 2004

	<u>Common Stock</u>		<u>Paid-in capital</u>	<u>Retained earnings</u>	<u>Total</u>
	<u>Number of shares</u>	<u>Amount</u>			
Balance, May 31, 2003, as previously stated	500	\$ 500	\$ 17,738	\$2,292,645	\$2,310,883
Adjustment for prior year income tax provisions	<u>-</u>	<u>-</u>	<u>-</u>	<u>(759,000)</u>	<u>(759,000)</u>
Balance, May 31, 2003, as restated	500	500	17,738	1,533,645	1,551,883
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>484,494</u>	<u>484,494</u>
Balance, May 31, 2004	500	\$ 500	\$ 17,738	2,018,139	2,036,377
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>462,405</u>	<u>462,405</u>
Balance, May 31, 2005	<u>500</u>	<u>\$ 500</u>	<u>\$ 17,738</u>	<u>\$2,480,544</u>	<u>\$2,498,782</u>

The accompanying notes are an integral part of these statements.

THE SPORTS SECTION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income	\$ 462,405	\$ 484,494
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	58	116
Loss on disposal of fixed assets	116	-0-
Decrease (increase) in operating assets:		
Accounts receivable	5,308	37,105
Prepaid expense	9,111	(3,447)
Increase (decrease) in operating liabilities:		
Accounts payable/cash overdraft	(24,952)	33,749
Unearned revenue/deposits	(1,500)	3,000
Accrued expenses	<u>13,978</u>	<u>51,400</u>
Net Cash Provided (Utilized) By Operating Activities	<u>464,524</u>	<u>606,417</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Due from parent company	<u>(424,667)</u>	<u>(625,574)</u>
Net Cash Provided (Utilized) By Investing Activities	<u>(424,667)</u>	<u>(625,574)</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 39,857	 (19,157)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>200</u>	<u>19,357</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 40,057</u>	<u>\$ 200</u>
 SUPPLEMENTAL DISCLOSURE:		
Cash paid during the year for:		
Interest	\$ -0-	\$ -0-
Income taxes	\$ -0-	\$ -0-

The accompanying notes are an integral part of these statements.

**THE SPORTS SECTION, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2005 AND 2004**

1. ACCOUNTING POLICIES

Nature of Business

The Sports Section, Inc. (the Company) is a wholly-owned subsidiary of TSS Photography, Inc. (formerly B&H Products, Inc.). The Company is a Georgia corporation formed on December 19, 1984, for the purpose of marketing and selling franchise agreements. The franchise agreements license photographers of school and similar sports groups to use trade names and trademarks owned by the Company. The Company has franchisees throughout the United States and has recently expanded to international sales. Subsequent to the sale of a franchise, TSS Photography, Inc., assumes from the Company the rights and duties under the contract, including processing film and selling supplies to franchisees. The Company in turn has an agreement with TSS Photography, Inc. to receive commission income based on the gross revenues from the processing and developing of film, and various products sales to franchisees.

The accounting policies employed by the Company are consistent with generally accepted accounting principles. In instances where more than one generally accepted accounting principle may be applied, the Company has adopted the one that it believes most accurately and fairly reflects the circumstances.

Concentration of Credit Risk

Financial instruments which potentially subject the Company to a concentration of credit risk principally consist of cash and trade receivables. The Company grants credit to customers in the normal course of business but performs ongoing credit evaluations of its customers' financial conditions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all temporary cash investments with a maturity of three months or less to be cash equivalents.

Income Taxes

The Company files a consolidated tax return with its parent, TSS Photography, Inc. The provision for income taxes is based on the taxable income of the Company as if it were filing a separate return. There are no material temporary timing differences in amounts reportable for financial statement as compared to income tax reporting and, accordingly, deferred income taxes have not been recorded. The liability for income taxes has been recorded as an offset to the "Due from parent company" as the parent will be responsible for any tax payable on the consolidated tax return. Consequently, there is no liability for "Income tax payable" on the balance sheet.

Revenue Recognition

The Company's revenue is primarily generated from franchise fees and franchise royalties. Franchise fees are recorded as revenue upon execution of the franchise agreement. The franchise royalties on sales allocated from TSS Photography, Inc. are recorded as revenue upon the related sales being earned and allocated from TSS Photography, Inc., in accordance with the agreement between the Company and TSS Photography, Inc.

Fixed Assets

Fixed assets are stated at cost. Depreciation is provided under accelerated methods over the estimated useful lives of the assets. Depreciation expense for the years ended May 31, 2005 and 2004 amounted to \$58 and \$116, respectively.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2004 totals to conform to the classifications used in 2005.

2. RELATED PARTY TRANSACTIONS

The Company maintains its offices with TSS Photography, Inc. (parent company) in Duluth, Georgia and is managed by the officers and majority shareholders of TSS Photography, Inc. Various general and administrative expenses incurred jointly by the Company and TSS Photography, Inc. are allocated between the two entities based on estimated actual use. In addition, the Company has a contract with TSS Photography, Inc. to receive commission income based on a percentage (15%) of the gross revenues recorded by TSS Photography, Inc. from film processing and development. Royalty income booked to the Company amounted to \$1,341,250 and \$1,202,083 for the years ended May 31, 2005 and 2004, respectively.

As of May 31, 2005 and 2004, the Company had a receivable from its parent, TSS Photography, Inc. of \$2,604,615 and \$2,179,948, respectively, related to the allocation of these revenues and expenses. The amount and timing of cash settlements on this receivable between the Company and TSS Photography, Inc. are based on the liquidity needs of the entities. This is classified as a non-current asset on the balance sheet.

3. COMMON STOCK

The Company has 100,000 shares of \$1 par value stock authorized and 500 shares issued and outstanding.

4. **COMPENSATED ABSENCES**

Employees of the Company are entitled to paid vacation and paid sick days, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when actually paid to employees.

5. **COMMITMENTS AND CONTINGENT LIABILITIES**

Debt Obligation -

The Company is contingently liable on debt of its parent company, TSS Photography, Inc. The debt consists of operating loans payable to the bank.

Litigation -

During the course of normal business operations, the Company was named as a defendant in a legal claim. The case was dismissed, went to arbitration and was subsequently settled.

6. **EMPLOYEE RETIREMENT PLAN**

The Company has a qualified profit sharing and deferred compensation plan which generally includes all employees and provides for contributions by the Company at the discretion of the Board of Directors. There were no Company contributions for the years ended May 31, 2005 and 2004.

The Company also maintains an I.R.S. Section 125 employee health care plan. The plan is funded out of voluntary contributions by employees and the Company's only expense is administration cost.

THE SPORTS SECTION, INC.

**FINANCIAL STATEMENTS
MAY 31, 2004 AND 2003**

THE SPORTS SECTION, INC.
FINANCIAL STATEMENTS
MAY 31, 2004 AND 2003

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SIMMONS & JAMIESON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
5440 BUFORD HIGHWAY
NORCROSS, GEORGIA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

THE SPORTS SECTION, INC.

We have audited the accompanying balance sheet of THE SPORTS SECTION, INC. (the "Company"), a wholly owned subsidiary of TSS Photography, Inc. (formerly B&H Products, Inc.), as of May 31, 2004 and 2003, and the related statement of income, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 May 31, 2004 and 2003 financial statements referred to above present fairly, in all material respects, the financial position of THE SPORTS SECTION, INC. at May 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Simmons & Jamieson, P.C.

July 22, 2004.

THE SPORTS SECTION, INC.
BALANCE SHEET
MAY 31, 2004 AND 2003

ASSETS

	<u>2004</u>	<u>2003</u>
CURRENT ASSETS:		
Cash	\$ 200	\$ 19,357
Accounts receivable	25,997	63,102
Prepaid expense	<u>9,111</u>	<u>5,663</u>
Total current assets	<u>35,308</u>	<u>88,122</u>
FIXED ASSETS:		
Furniture and equipment, at cost	21,283	21,283
Less - accumulated depreciation	<u>(21,109)</u>	<u>(20,993)</u>
	<u>174</u>	<u>290</u>
OTHER ASSETS:		
Due from parent company	<u>3,285,948</u>	<u>2,313,374</u>
Total assets	<u>\$3,321,430</u>	<u>\$2,401,786</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Cash overdraft	\$ 36,237	\$ -0-
Accounts payable	62,973	65,461
Unearned revenue/deposits	3,000	-0-
Accrued expenses	<u>76,843</u>	<u>25,442</u>
Total current liabilities	<u>179,053</u>	<u>90,903</u>
STOCKHOLDERS' EQUITY:		
Common stock: \$1 par value, 100,000 shares authorized and 500 shares outstanding for 2004 and 2003	500	500
Paid-in capital	17,738	17,738
Retained earnings	<u>3,124,139</u>	<u>2,292,645</u>
Total stockholders' equity	<u>3,142,377</u>	<u>2,310,883</u>
Total liabilities and stockholders' equity	<u>\$3,321,430</u>	<u>\$2,401,786</u>

The accompanying notes are an integral part of these statements.

THE SPORTS SECTION, INC.
STATEMENT OF INCOME
FOR THE YEARS ENDED MAY 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
REVENUE AND SALES	\$2,137,120	\$1,866,658
COST OF REVENUE AND SALES	<u>265,411</u>	<u>174,033</u>
Gross Profit	<u>1,871,709</u>	<u>1,692,625</u>
OPERATING EXPENSES:		
Personnel	669,678	502,635
General and administrative	<u>370,537</u>	<u>580,219</u>
	<u>1,040,215</u>	<u>1,082,854</u>
Income from Operations	831,494	609,771
OTHER INCOME (EXPENSE):	<u>-0-</u>	<u>-0-</u>
Income Before Income Taxes	831,494	609,771
PROVISION FOR INCOME TAXES (Note 1)	<u>-0-</u>	<u>-0-</u>
Net Income	<u>\$ 831,494</u>	<u>\$ 609,781</u>

The accompanying notes are an integral part of these statements.

THE SPORTS SECTION, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED MAY 31, 2004 AND 2003

	<u>Common Stock</u>		<u>Paid-in capital</u>	<u>Retained earnings</u>	<u>Total</u>
	<u>Number of shares</u>	<u>Amount</u>			
Balance, May 31, 2002	500	\$ 500	\$ 17,738	\$1,682,874	\$1,701,112
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>609,771</u>	<u>609,771</u>
Balance, May 31, 2003	500	\$ 500	\$ 17,738	2,292,645	2,310,883
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>831,494</u>	<u>831,494</u>
Balance, May 31, 2004	<u>500</u>	<u>\$ 500</u>	<u>\$ 17,738</u>	<u>\$3,124,139</u>	<u>\$3,142,377</u>

The accompanying notes are an integral part of these statements.

THE SPORTS SECTION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income	\$ 831,494	\$ 609,771
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	116	193
Decrease (increase) in operating assets:		
Accounts receivable	37,105	10,381
Prepaid expense	(3,447)	(5,063)
Due from parent company	(972,574)	(571,252)
Increase (decrease) in operating liabilities:		
Accounts payable/cash overdraft	33,749	(11,492)
Unearned revenue/deposits	3,000	(4,000)
Accrued expenses	<u>51,400</u>	<u>(9,381)</u>
 Net Cash Provided (Utilized) By Operating Activities	 <u>(19,157)</u>	 <u>19,157</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of fixed assets	-0-	-0-
Disposal of fixed assets, net	<u>-0-</u>	<u>-0-</u>
 Net Cash Provided (Utilized) By Investing Activities	 <u>-0-</u>	 <u>-0-</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (19,157)	 19,157
CASH AND CASH EQUIVALENTS - BEGINNING	<u>19,357</u>	<u>200</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 200</u>	<u>\$ 19,357</u>
 SUPPLEMENTAL DISCLOSURE:		
Cash paid during the year for:		
Interest	\$ -0-	\$ -0-
Income taxes	\$ -0-	\$ -0-

The accompanying notes are an integral part of these statements.

THE SPORTS SECTION, INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2004 AND 2003

1. **ACCOUNTING POLICIES**

Nature of Business

The Sports Section, Inc. (the Company) is a wholly-owned subsidiary of TSS Photography, Inc. (formerly B&H Products, Inc.). The Company is a Georgia corporation formed on December 19, 1984, for the purpose of marketing and selling franchise agreements. The franchise agreements license photographers of school and similar sports groups to use trade names and trademarks owned by the Company. The Company has franchisees throughout the United States and has recently expanded to international sales. Subsequent to the sale of a franchise, TSS Photography, Inc., assumes from the Company the rights and duties under the contract, including processing film and selling supplies to franchisees. The Company in turn has an agreement with TSS Photography, Inc. to receive commission income based on the gross revenues from the processing and developing of film, and various products sales to franchisees.

The accounting policies employed by the Company are consistent with generally accepted accounting principles. In instances where more than one generally accepted accounting principle may be applied, the Company has adopted the one that it believes most accurately and fairly reflects the circumstances.

Concentration of Credit Risk

Financial instruments which potentially subject the Company to a concentration of credit risk principally consist of cash and trade receivables. The Company grants credit to customers in the normal course of business but performs ongoing credit evaluations of its customers' financial conditions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all temporary cash investments with a maturity of three months or less to be cash equivalents.

Income Taxes

The Company files a consolidated tax return with its parent, TSS Photography, Inc. Beginning in 1999, under the Company's tax-sharing agreement with TSS Photography, Inc., a loss company is not reimbursed for the tax benefit of tax losses utilized in the consolidated return. Therefore, the Company has not recorded any separate income tax expense or tax payable to its parent because of the taxable loss position of TSS Photography, Inc. There are no significant differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases; thus, no deferred income taxes have been recorded. In addition, there are no significant differences between the amount of income tax expense recorded and the amount computed by applying the statutory income tax rate to pre-tax earnings.

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~~THE SPORTS SECTION, INC.~~

Revenue Recognition

Franchise fees are recorded as revenue upon execution of the franchise agreement. Commission on sales allocated from TSS Photography, Inc. is recorded as revenue upon the related sales being earned and allocated from TSS Photography, Inc., in accordance with the agreement between the Company and TSS Photography, Inc.

Fixed Assets

Fixed assets are stated at cost. Depreciation is provided under accelerated methods over the estimated useful lives of the assets. Depreciation expense for the years ended May 31, 2004 and 2003 amounted to \$116 and \$193, respectively.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2003 totals to conform to the classifications used in 2004.

2. RELATED PARTY TRANSACTIONS

The Company maintains its offices with TSS Photography, Inc. (parent company) in Duluth, Georgia and is managed by the officers and majority shareholders of TSS Photography, Inc. Various general and administrative expenses incurred jointly by the Company and TSS Photography, Inc. are allocated between the two entities based on estimated actual use. In addition, the Company has a contract with TSS Photography, Inc. to receive commission income based on a percentage (15%) of the gross revenues recorded by TSS Photography, Inc. from film processing and development. Royalty income booked to the Company amounted to \$1,202,083 and \$1,065,911 for the years ended May 31, 2004 and 2003, respectively.

As of May 31, 2004 and 2003, the Company had a receivable from its parent, TSS Photography, Inc. of \$3,285,948 and \$2,313,374, respectively, related to the allocation of these revenues and expenses. The amount and timing of cash settlements on this receivable between the Company and TSS Photography, Inc. are based on the liquidity needs of the entities. This is classified as a non-current asset on the balance sheet.

3. COMMON STOCK

The Company has 100,000 shares of \$1 par value stock authorized and 500 shares issued and outstanding.

~~MAY 31, 2003 AND~~
2002

4. COMPENSATED ABSENCES

Employees of the Company are entitled to paid vacation and paid sick days, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when actually paid to employees.

5. COMMITMENTS AND CONTINGENT LIABILITIES

Debt Obligation -

The Company is contingently liable on debt of its parent company, TSS Photography, Inc. The debt consists of operating loans payable to the bank.

Litigation -

During the course of normal business operations, the Company has been named as a defendant in a legal claim. The amount of the claim is \$75,000 and the Company's legal counsel cannot estimate the potential outcome at this time. The Company intends to vigorously defend itself in this matter.

6. EMPLOYEE RETIREMENT PLAN

The Company has a qualified profit sharing and deferred compensation plan which generally includes all employees and provides for contributions by the Company at the discretion of the Board of Directors. There were no Company contributions for the years ended May 31, 2004 and 2003.

The Company also maintains an I.R.S. Section 125 employee health care plan. The plan is funded out of voluntary contributions by employees and the Company's only expense is administration cost.