

Exhibit 1
The Potential Impact on Sales and Profits
Of a 5% Reduction in Inventory
For a Typical CIPH Member

	<u>Current</u>	<u>5% Reduction in Inventory</u>		
		<u>No Change in Sales</u>	<u>5% Sales Decline</u>	<u>Profit Neutral: 0.5% Sales Decline</u>
Net Sales	\$60,000,000	\$60,000,000	\$57,000,000	\$59,706,667
Cost of Goods Sold	<u>44,100,000</u>	<u>44,100,000</u>	<u>41,895,000</u>	<u>43,884,400</u>
Gross Margin	15,900,000	15,900,000	15,105,000	15,822,267
Carrying Costs (12% of Inventory)	1,320,000	1,254,000	1,254,000	1,254,000
Variable Expenses (4% of Sales)	2,400,000	2,400,000	2,280,000	2,388,267
Fixed Expenses	<u>9,180,000</u>	<u>9,180,000</u>	<u>9,180,000</u>	<u>9,180,000</u>
Total Expenses	<u>12,900,000</u>	<u>12,834,000</u>	<u>12,714,000</u>	<u>12,822,267</u>
Profit Before Taxes	\$3,000,000	\$3,066,000	\$2,391,000	\$3,000,000
Change in Profit		\$66,000	-\$609,000	0
Percentage Change in Profit		2.2%	-20.3%	0.0%
Inventory	\$11,000,000	\$10,450,000	\$10,450,000	\$10,450,000
Cash	\$50,000	\$600,000	\$600,000	\$600,000