IncreMentalAdvantage

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MAGLA PRODUCTS, LLC

February 22, 2011 **OTCBB: ADSO** **Rating: Long-Term Buy**

Company Highlights

- Magla Products presents investors with a unique pure play opportunity to capitalize on the trend of rising glove usage.
- Magla has refined a business process for delivering branded merchandise to previously unbranded retail sectors.
- Management is highly focused on pursuing only those lines of business which offer barriers to entry, high margins and substantial growth opportunities.
- The Company sells its products in approximately 100,000 stores throughout the United States and Canada and maintains close relationships with leading retailers such as Wal-Mart, Target and Walgreens.
- Magla's revenue streams are highly protected by intellectual property: The Company has five issued utility patents, one utility patent application, seven issued design patents, 35 issued trademarks and several trade secrets. In addition, Magla's licensors are responsible for protecting—and vigorously policing—the brands under license to Magla.
- Management has more than 100 years of relevant experience and is incentivized to deliver returns to shareholders as insiders own 82% of ADSO.
- We anticipate that Magla will deliver both top- and bottom-line growth in the coming years. Our model indicates that revenues will rise 9.9%, to $36.4 million, in 2011 and will advance a further 16.7%, to $42.4 million, in 2012. We believe that net profits will reach $0.25 million in 2011 and then rise 460% to $1.4 million in 2012. We expect that EPS will rise, 350%, from $0.02 in 2011 to $0.09 in 2012.

Snapshot of Financial Performance and Projections

	2009	2010	2011E	2012E	2013E
Revenues	**$**43.2 mn	$33.1 mn	$36.4 mn	$42.4 mn	$50.4mn
EBITDA	($.162 mn)	($5.7 mn)	$.415 mn	$2.1 mn	$4.5 mn
Net Income	NA	NA	$0.25 mn	$1.4 mn	$3.1mn
EPS	NM	($0.36)	$0.02	$0.09	$0.19

Valuation Metrics Other

Shares Outstanding (basic)	15.9 mn
Shares Outstanding (diluted)	22.9 mn

Investment Metrics

Average Trading Volume	NA
Insider Ownership (including Directors)	82%

Company Website www.magla.com

Please read important disclosures on page 27 before making investment decisions.

Company Overview

Magla Products' history dates back more than sixty years, when the Company was founded by Herbert Glatt. Magla was an ironing cover and laundry accessories manufacturer until that business was sold in 1994. Since 1994, Magla has become a leading manufacturer of work, household and medical gloves. Going forward, management intends to solidify the Company's position as a leading glove producer while leveraging its ability to brand a portfolio of heretofore unbranded products. With a well-established design team, stable of contract manufacturers, and massive distribution channels, Magla is focusing on leveraging the relationships it has with Stanley Black & Decker, Inc. and The Procter & Gamble Company by selecting new products to brand. One of the Company's growth initiatives is its current launch of a line of Dickies work gloves.

Company Strategy

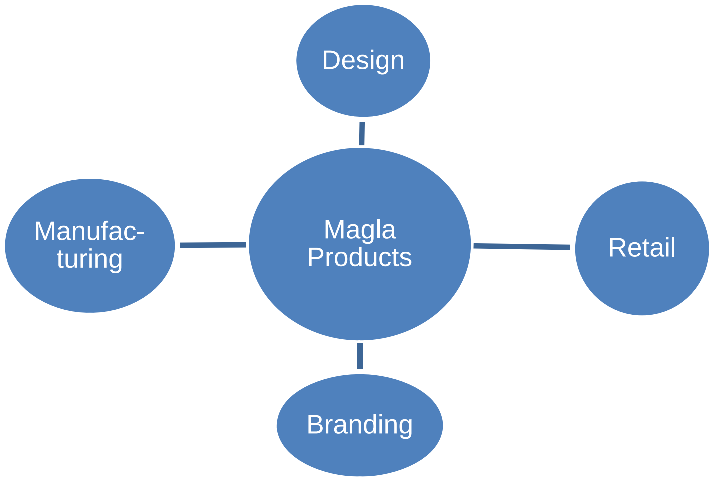
Magla's strategy is to bring national brands to unbranded categories. In so doing, the Company (and its private label products in particular) benefit from the reputational halo of world renowned brands that have hundreds of millions of dollars of equity behind them.

Since 1998 Magla has orchestrated the entire supply chain necessary to bring innovative and nationally branded gloves to more than 200,000 departments in retail stores throughout the United States and Canada. Magla licenses the Stanley name for much of its line of work gloves and the Mr. Clean name from The Procter & Gamble Company for much of its line of household gloves. These gloves—together with Magla's repertoire of private label gloves—are delivered to retailers at compelling prices due to Magla managing a portfolio of some 30 manufacturing contractors located in many of the most price competitive regions of the world.

Management has repeatedly taken bold steps to focus the business on the most lucrative opportunities. For instance, management exited Magla's legacy ironing board business in 1994 to focus on becoming the leading designer and manufacturer of gloves. More recently, in just the past year, management has decided to cease branding its gloves with the Red Cross trademarks and to discontinue its line of Burpee garden gloves. Additionally, management has demonstrated its focus by refusing to sell its gloves to industrial customers as doing so would commoditize its offerings. Our discussions with management revealed that the Company will remain focused on the United States for the foreseeable future as the opportunities that the domestic market offers do not require as much investment in infrastructure as do international markets.

Finally, management's recent review of all of its operating costs resulted in the termination of 18 employees in the second half of 2010 as well as the renegotiations with landlords, phone carriers and insurance providers. Most convincing of CEO Jordan Glatt's laser focus on driving Magla to profitability was his decision to preclude members of his family from continuing to extract funds out of Magla for non-business purposes.

Magla Lies at the Epicenter of the Delivery of its Products from the Backwaters of Asia into the Hands of its Customers



Defensible Position

We believe that Magla's position as the leading producer of branded gloves for national retail chains is secure for several reasons. First, the glove category in general is becoming more important. The use of gloves is now ubiquitous in the medical and food processing industries as well as in other spheres of society such as policing. Our research indicates that between 5% and 10% of visits to hospital emergency rooms are due to hand injuries. Thus, it is not surprising that more manufacturers of paints, stains and pool chemicals include advisories on their products to use gloves when handling their products. (Not coincidentally, Magla is well positioned to benefit from such warnings as it places its chemical resistant gloves in close proximity to such products in many of its retailers.)

Second, it is unlikely that a smaller rival could displace Magla in retail stores. Magla benefits from the hundreds of millions of dollars that its licensors have spent on building their brands. There is virtually no possibility of a small company harnessing the budgets necessary to build brands that could rival Stanley and Mr. Clean. Any attempts by the contract manufacturers to produce unlicensed knock-offs of the Stanley or Mr. Clean names or trade dress would be met with fierce resistance by Stanley Corporation and The Procter & Gamble Company. These companies own the intellectual rights to their trademarks, trade-names and trade dress. They also have brand managers who guardian their properties against infringement of their marks. Further, as a function of the licensing agreements that Magla has executed with its licensors, the licensors have retained the responsibility for prosecuting infringement. In other words, infringers would have to battle some of the largest companies in the world.

For similar reasons, it is unlikely that the retailers would attempt to contract directly with the manufacturers to produce rival gloves. Further reducing the likelihood of retailers circumventing Magla is the fact that the largest retailers wish to contract with suppliers who can deliver entire product categories, rather than one-off products. No one manufacture can deliver an entire ensemble of gloves. Also, managing the manufacturing process is quite complicated as Magla is constantly rotating its manufacturing contracts among dozens of contractors. This is not to mention the logistical pirouettes that must be surmounted to manage the sourcing of materials from locales as distant and remote as Pakistan, Malaysia and Columbia. Even if a retailer was to attempt to circumvent Magla, it would soon realize that designing a line of gloves is no easy task. Depending on the glove style and materials used, competitors could be confronted with sourcing products from four or five different suppliers in multiple countries.

One of the advantages that Magla has over Wells Lamont (a glove producer owned by The Marmon Group) is the fact that it can offer its retailers one stop shopping. Wells Lamont offers work gloves but not household or disposable medical gloves. Another advantage that Magla has over Wells Lamont is that the latter only markets its own labels while Magla includes some of the most well-recognized brands in the country.

Finally, we believe that competition from large companies is unlikely as the glove business is simply too small of an opportunity to merit the diversion of substantial resources on the part of a conglomerate.

Retail Strategy

Magla sells its gloves exclusively to the retail segment of the market where profit margins are substantially higher than in the commercial sector. Typical end consumers are weekend warriors, small contractors, and—with the roll-out of the Dickies' line of gloves—workers, ranchers and farmers. The Company estimates that its retailers earn gross margins of between 40% and 60% on Magla's lines of household and work gloves.

Magla has long-standing relationships with the largest retailers in the United States including Wal-Mart, Target and Lowe's. The Company produces more than 140 different work gloves; more than 40 different styles of reusable and disposable household gloves; and, at least six medical gloves. Taking into account that most of these gloves are available in Small, Medium, Large and Extra-Large sizes, Magla produces some 500 stock keeping units (sku's). The retail prices of Magla's gloves range from under $1.00 for the commodity canvas and brown jersey-style gloves to more than $20 for a pair of high-dexterity work gloves.

The 25 million household gloves and 200 million disposable gloves that Magla produces annually are sold in all classes of retail trade including mass merchandise, hardware, drug, grocery, club and discount stores. Magla's gloves can be found in over 100,000 stores nationwide as well as through e-commerce sites such as Amazon.com and Alice.com. Importantly, all of its retailers take Magla gloves on a sales basis, rather than on consignment.

Magla has solidified its position in large retailers by providing its gloves in multiple departments which is unique to Magla. For instance, Magla sells its gloves in three departments—household, hardware, and paint—at Wal-Mart. This multi-departmental sales strategy is not only congruous with the large retailers' desires to consolidate the number of vendors with whom they deal but it is also rewarded. Retailers like Wal-Mart encourage Magla to deepen its product assortment so that they can purchase more from fewer vendors. Magla's multi-departmental approach also spurs sales, as gloves, which are often an impulse purchase, are positioned in the appropriate departments. (The warning labels that some paint and pool supply manufacturers, inter alia, place on their products, makes this product placement strategy even more accretive to Magla's profitability.)

Magla's relationships with its licensors results in higher sales which is not only a benefit to Magla but also its retailers. One example of the virtuous cycle of the strong relationships among Magla, its licensors and its retailers is that they all benefit from the millions of dollars that Stanley, Mr. Clean and Dickies spend on advertising their brands. It is not uncommon for a retailer to build a feature ad across a brand that would include core products as well as licensed goods.

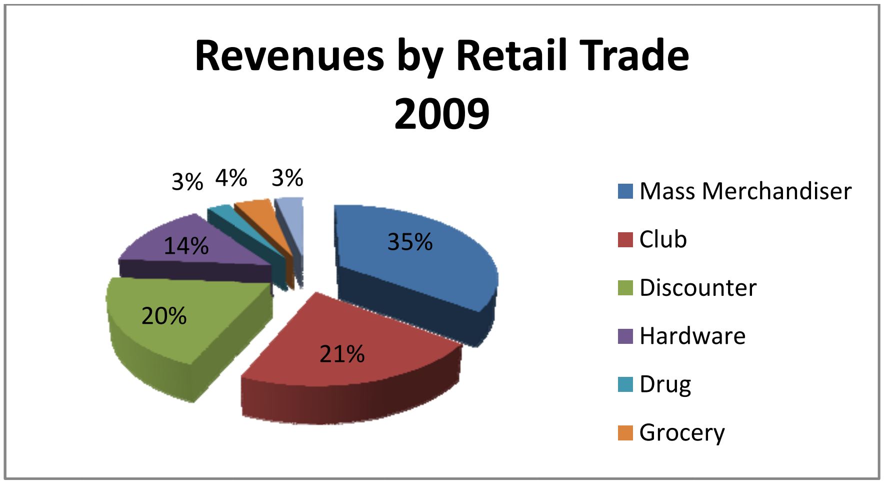
The Company bolsters its relationships with retailers by jointly calling on retail accounts. Also, the sharing of data is conducive to generating higher sales levels. Licensors appreciate reviewing the data that Magla generates from its electronic data interexchange initiatives and Magla benefits from its licensors sharing their data. For instance, when The Procter & Gamble Company was preparing to release its orange Mr. Clean with an orange scent, Magla produced an orange Mr. Clean Glove to ensure consistency of the color theme. In another permutation of mutually beneficial relations, Magla periodically delivers The Procter & Gamble Company product samples in glove packages which are an inexpensive form of distribution for the licensors' new product launches.

Sales Efforts So as to keep its relationships with vendors tight, 99% of the Company's sales are generated through its direct sales force while independent sales representatives account for less than one percent of sales. Magla is dedicated to optimizing its sales execution. The Company's sales force has tremendous experience and loyalty to Magla as the Senior Vice-President Sales & Marketing has been an employee of Magla for six years. Each of the other three full-time sales professionals has served Magla for between three to eight years.

Recognizing that its sales to retailers are largely a function of assisting the retailers maximize their sales of Magla's gloves on the allotted shelf space, the sales force is compensated on a salary basis rather than a commission basis. These sales professionals are akin to retail analysts charged with moving Magla's merchandise through the retail channels by distilling trends from the voluminous sales data.

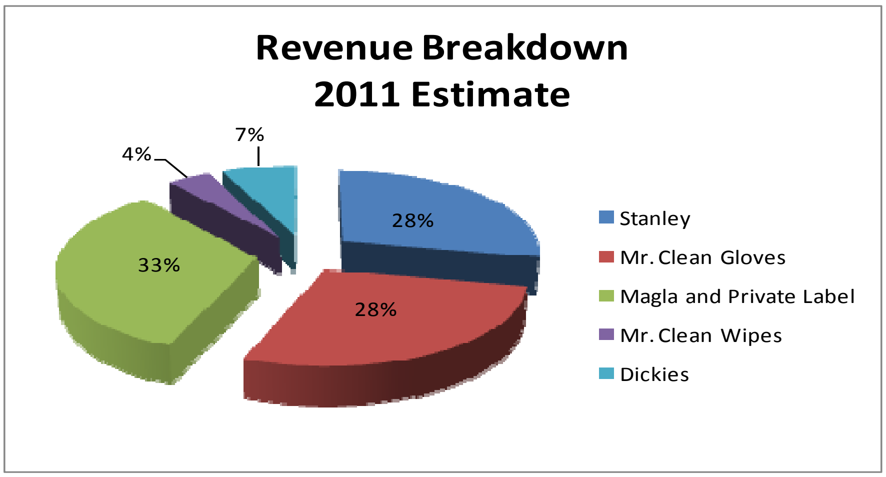
To convert data about sales trends into higher levels of sales, the Company's sales force receives weekly point-of-sales data from two staffers who manage the Company's electronic data interexchange. These reports indicate how each of the sku's is selling in each of the stores. This information pinpoints how these products are performing in terms of their gross margin contribution, in-stock levels, replenishment cycles and many other metrics.

Magla's revenues are diversified in terms of retail channels. Its top twenty customers account for approximately 90% of the Company's revenues. While management is literally plugged into the sales scene of its large customers, the Company manages its forty-year relationship with Wal-Mart particularly closely. For instance, one of the sales professionals is based in Bentonville, Arkansas and one of the two staffers who interpret data is dedicated exclusively to reviewing data from Wal-Mart's Retail Link program. This program, among other things, allows Magla to see Market Basket data that indicates what other items are being purchased when they purchase Magla's gloves.



Brand Management

A fundamental tenet of Magla's business strategy is to brand unbranded lines of merchandise for delivery to the retail sector. From the point of view of its licensors, Magla represents an inexpensive delivery system for putting their brands in the hands of their customers. Magla began licensing the Stanley name from Stanley Black & Decker in 1998, the Mr. Clean brand from The Procter & Gamble Company in 2000 and is now in the process of launching the Dickies line of gloves. These well-recognized brands are sufficiently broad to allow Magla the opportunity to license them for a wide portfolio of household and work products beyond gloves. Magla's proven stewardship of powerful brands should yield leverage in negotiations should the Company choose to license in other dominant brands.



In Stanley, Mr. Clean and Dickies, Magla clearly selected licensors whose investments in their brands have resulted in tremendous brand equity. We estimate that tens of millions of dollars—perhaps as much as $80 million—are annually invested in enhancing the brands of both Stanley and Mr. Clean.

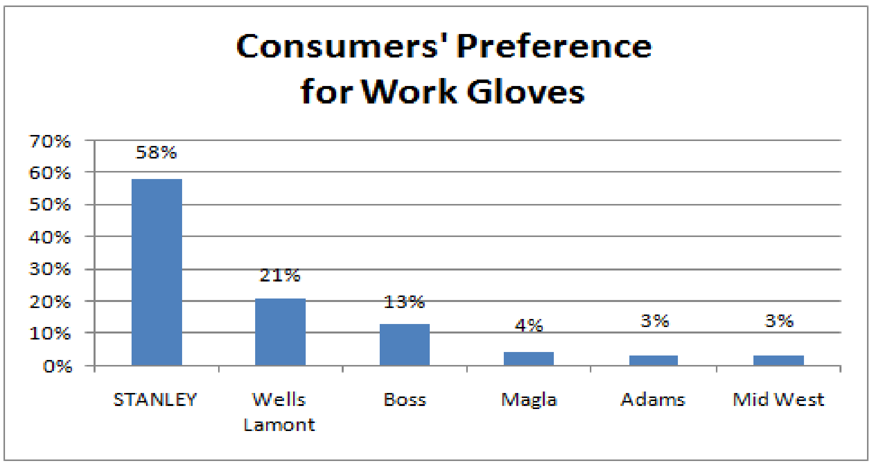
Magla has proven to be a phenomenal ambassador for the properties that it licenses. The Company has had virtually no product liability issues in its entire 60-year history and the few claims that arose were settled for a few hundred dollars apiece. The Company maintains essentially a zero defect rate in the products it sells.

In addition to the broad retail distribution that Magla offers its licensors (discussed above), brand owners appreciate Magla's ability to place their brands in consumers' hands for several hours a day. Magla makes a concerted effort to place its licensors' brands in front of customers every time they use a product. For instance, by embossing, using heat transfers or sewing in labels with the particular brand name, Magla strives to keep the branding strong even after the product has been removed from its original packaging and is put in use.

Magla's value to its licensors is evidenced by Magla's ability to negotiate increasingly favorable agreements. Not only have Magla's licensors repeatedly renewed their licensing agreements, but Magla has gained valuable experience in negotiating licensing agreements which has proven to be an asset to the Company.

Stanley Stanley Tools, which celebrated its 166th year in 2010, have been used in the construction of nearly every home, school, hospital and automobile produced in America. Stanley has been rated one of the top 50 brands in America by Discount Store News. The strength of the iconic American brand continues to resonate with the American public as evidenced by Stanley scoring an impressive 94% brand awareness in 2009. This was nearly a 10% rise from the previous year and was due in large part to Stanley Black & Decker's commitment to continued marketing efforts.

The Stanley name clearly resonates with glove purchasers as the Suburban Associates Work Glove Study reported that nearly 85% of consumers rated Stanley as either Excellent or Very Good. As the chart below indicates, 58% of consumers prefer the Stanley name when choosing work gloves, a preference that far exceeds that of any other name of work gloves. When Stanley is compared to the Wells Lamont brand (the second most preferred brand), the preference is even more dramatic: By a margin of nearly three to one—73% for Stanley and 27% for Wells Lamont—consumers preferred Stanley.



The combined firepower of Stanley's multi-million annual TV and print advertising aimed at the consumer and trade channels as well as its active public relations program was estimated to have generated over three billion impressions for the Stanley brand in 2010. Stanley is a supporter of NASCAR with popular drivers like Elliott Sadler and Kasey Kahne as part of their team. Stanley has gone from one Major League Baseball team sponsorship in 2008 (with Boston) to a dozen team deals in 2010, adding the New York Yankees, Chicago White Sox, Los Angeles Angels and Dodgers, along with the teams from Florida, Houston, Kansas City, Minnesota, Tampa Bay, Texas and Toronto during that time.

Stanley's trilingual packaging and full color displays are a catalyst to sales. Recently, Stanley has been augmenting its ties with local retailers and Magla has literally been strengthening its relationship with Stanley: When Stanley placed a new grip on its hammers, Magla made its gloves more compatible by placing a complementing grip on its gloves.

Magla's management is highly covetous of its relationship with Stanley. In fact, Magla sought Stanley's consent to license in the Dickies trademark for purposes of selling Dickie's branded work gloves even though it was not required to do so. As a result of its success in marketing Stanley branded gloves, Stanley has indicated that several other of its highly reputable brands—which include Black & Decker, DeWalt and Mac Tools—may be available for Magla to license.

Mr. Clean Magla serves the household glove market primarily with its Mr. Clean branded gloves. Mr. Clean was launched as a household cleaner by The Procter & Gamble Company in 1958. Within six months of its creation, Mr. Clean was America's No. 1 cleaning agent and inspired the longest-running jingle in TV history. In light of Nielsen Monitor-Plus reporting that The Procter & Gamble Company spent $45 million on measured media (not including online spending) behind Mr. Clean in 2008, we estimate that The Procter & Gamble Company spends $100 million a year promoting the Mr. Clean brand. According to the Suburban Associates Household Glove Study, 86% of consumers rated Mr. Clean gloves from Good to Excellent.

Even going back as much as a decade, Mr. Clean gloves produced by Magla have consistently performed better than much of the competition. For instance, according to independent laboratory tests performed by Consumer Testing Laboratories, the Mr. Clean Neoprene Dipped Glove offered the following advantages over the Playtex Living Glove:

- Is thicker than the Playtex Living Glove
- Is 26% heavier than the Playtex Living Glove
- Is more puncture resistant than the Playtex Living Glove
- Has more than twice the tear resistance of the Playtex Living Glove
- Is superior in tensile strength and elongation to the Playtex Living Glove

Glove Usage When Performing Household Chores

Cleaning Oven / Stove	70%
Using Strong Chemicals	67%
Washing Walls / Bathrooms	43%
Washing Dishes	39%
Gardening / Planting	38%
General Housework	36%
Washing Floors	33%

Source: Household Rubber Glove Usage Study

Also, according to tests conducted by Consumer Testing Laboratories, the Mr. Clean MegaGrip Glove offered the following advantages over the Playtex Hand Saver Glove:

- Is thicker than the Playtex Hand Saver Glove
- Is 36% heavier than the Playtex Hand Saver Glove
- Is more puncture and tear resistant than the Playtex Hand Saver Glove
- Is superior in tensile strength and elongation to the Playtex Hand Saver Glove
- Has superior gripping and slip resistance to the Playtex Hand Saver Glove on both wet and dry surfaces

Dickies Since it was founded in 1922, Dickies has been recognized for the quality and toughness of its workwear. This recognition is now worldwide as Dickies workwear is currently sold in all 50 states and throughout the world in countries such as South Africa, Australia, Russia, Chile, Japan, Iceland, Canada, Europe and Mexico.

The accolades that Dickies is winning and the publicity it is receiving confirm that there is value to the Dickies brand. According to Retailing Today, Dickies was the tenth most sought after brand in the men's apparel category in 2010. Similarly, Made Man ranked Dickies the ninth best clothing brand in America in 2010. Dickies has recently signed on to work with the leading marketing, design and product placement/event companies like Goodby, Silverstein & Partners and Landor Associates to increase the exposure and craft a targeted message for their iconic brand.

Magla is in the process of rolling out its line of Dickies branded gloves. These gloves feature the color themes of Dickies' clothing line so as to maximize their recognizability. We anticipate that the Dickies gloves will be sold through many of Magla's existing retailers. This should allow for efficiency as well as avoid cannibalization as most Dickies gloves will be sold alongside apparel so as not to detract from the Stanley glove sales (most of which are located in the hardware and paint departments) or the Mr. Clean glove sales (most of which are placed in the cleaning / household departments). Dickies is also expected to open up new retail outlets that cater to farmers and ranchers as well as truck stops.

Private & Multi-Labeled Gloves Magla generates a substantial portion of its revenues from its private and co-labeled products. Typically, private label gloves are sold at discounts to the branded gloves and these lower prices were well received during the recession.

These gloves are co-marketed under the Magla, Hidex, Hand Gear, Extreme Utility, Hand Helpers, and Super Chem names, all of which are trademarked. By labeling many of its gloves with a nationally-known brand as well as its own brand, Magla is accelerating the build-up of the equity in its own brands. Another advantage of Magla maintaining its private and multi-labeled products is that once they demonstrate proof of concept, the Company has more leverage in solidifying an attractive licensing agreement.

This all-purpose Hidex glove features a reinforced synthetic leather palm; neoprene knuckle strap; reinforced fingertips; breathable mesh back; terry brow wipe; and, a velco strap.

Trademark Analysis

Column1	Registration	Serial	Registration	Filing	Assignment	Description
Trademark	Number	Number	Date	Date		
XSORB		85123000		September 3, 2010	No	Non-woven cloths, sponges and wipes
FOAMX		85122963		September 3, 2010	No	Protective work gloves
SAFETY PLUS	3617612		May 5, 2009		Yes	Protective work gloves
HIDEX	3317141		October 23, 2007		Yes	Protective work gloves
NYPLEX	2897503		October 26, 2004		Yes	Gloves for medical use; Household gloves for general use, and disposable plastic gloves for general use
MEDI-SHIELD	2856851		June 22, 2004		Yes	Glove dispensers
LEATHER FOR WEATHER	2687488		February 11, 2003		Yes	Work gloves made primarily of leather
WARMTEC	2742113		July 29, 2003		Yes	Protective gloves for industrial and general use
HUSKY	3033071		December 20, 2005		Yes	Work gloves
UTILITY PLUS	2938240		April 5, 2005		Yes	Protective work gloves
PRETTY HANDS	2966694		July 12, 2005		Yes	Household gloves for general use
FASHION CUFF		77833078		September 23, 2009	No	Household gloves for general use
FOAMFIT	3804067		June 15, 2010		No	Household gloves for general use; disposable plastic gloves for general use; and gardening gloves

Trademark Analysis

Column1 Trademark	Registration Number	Serial Number	Registration Date	Filing Date	Assignment	Description
OPTIDERM	3776116		April 13, 2010		No	Disposable gloves for home use; Disposable latex gloves for general use
AIRPLEX	3654326		July 14, 2009		No	Protective work gloves
XSORB	3726333		December 15, 2009		No	Odor neutralizing preparations for use with refrigerators, automobiles, closets, footwear, and pet cages
HOMECHEM	3315759		October 23, 2007		Yes	Insulated protective household gloves, namely, heavy duty waterproof and chemical resistant gloves for general use
<Design Only>	2657751		December 10, 2002		Yes	Protective gloves for industrial use, namely, work gloves
						The mark comprises a yellow cloth segment comprising a major portion of back opposite to the palm of the glove and having a plurality of black stripes thereon. The stippling contained in the drawing page is a design feature of the mark.
<Design Only>	2679132		January 21, 2003		Yes	PROTECTIVE FABRIC GRIPPING GLOVES FOR INDUSTRIAL USE
						The mark consists of a configuration of a glove comprised of a plurality of black dots on a yellow fabric.
WARM MAX	2318717		February 15, 2000		Yes	Lined Work Gloves
TUFF STUFF	2370218		July 25, 2000		Yes	Leather Work Gloves
POWER DOTS	2311510		January 25, 2000		Yes	Cotton Work Gloves
SUPER CHEM	2622822		September 24, 2002		Yes	Insulated protective gloves, namely, heavy duty waterproof and chemical resistant gloves for general and industrial use
FARM CHEM	2622821		September 24, 2002		Yes	Insulated protective gloves, namely, heavy duty waterproof and chemical resistant gloves for general and industrial use
MEGA GRIP	2489209		September 11, 2001		Yes	PROTECTIVE KNIT WORK GLOVES
WET SOIL	2532438		January 22, 2002		Yes	Heavy Duty Protective Gardening Gloves
HAND HELPERS	2532498		January 22, 2002		Yes	Protective clothing, namely, heavy duty protective work gloves for industrial use and heavy duty waterproof and chemical resistant gloves; gardening gloves
NYPLEX	2434450		March 13, 2001		Yes	WATERPROOF STRETCHABLE PLASTIC MATERIAL FOR USE IN THE MANUFACTURE OF WATERPROOF HOUSEHOLD GLOVES FOR GENERAL USE
FASHION FIT	1919793		September 19, 1995		Yes	Household gloves for general use
HAND HELPERS	1436448		April 14, 1987		Yes	LATEX GLOVES FOR CLEANING AND POLISHING
SKIN EEZ	1363441		October 1, 1985		Yes	DISPOSABLE GLOVES
EXTRA HANDS	1157357		June 9, 1981		Yes	Latex Gloves
LOVING HANDS	1176293		November 3, 1981		Yes	RUBBER OR PLASTIC NON-DRESS PROTECTIVE ELASTIC GLOVES
MAGLA	1221765		December 28, 1982		Yes	Ironing Board Covers and Pads, Wiping Cloths Made of Non-Woven Fabric, Latex Gloves for Household Use, Sponges and Abrasive Surface Sponges
EASY WIPE	1015527		July 8, 1975		Yes	CLEANING CLOTHS

Innovation

Magla's research efforts are led by Henry Mattesky, Vice-President Product Development & Sourcing, who has secured 34 patents on his inventions. Mr. Mattesky has been a Magla employee for the past 50 years. He has been responsible for dozens of enhancements to Magla's products including better thumb constructions; improving fit and comfort; increasing chemical resistance; adapting glove reliefs for greater flexibility; and, developing increasingly better processes for manufacturing reusable wipes by enhancing both their strength and absorbency.

Many of Magla's garden gloves feature reinforced fingertips to protect women's fingernails. The Company has secured many patents on gloves. Some of these patents cover significant features such as embedded magnets which allow construction workers to more easily pick up screws and nails. (See picture below.) While other patents describe retractable fingertips which allow users–such as warehouse workers or delivery people–to more conveniently use stylists and writing instruments..

Among the innovations that Magla incorporates into its gloves are:

- Airplex® – Airplex® is an expanded elastomeric compound that will outlast comparable grain leather gloves. The material provides an excellent stretch for making the gloves extremely comfortable to wear while providing superior grip on both wet and dry surfaces. Airplex® is water resistant, features an easily cleaned non-absorbent surface and excellent tactile response.

- Ergonomic Palm Patch – Wearers of gloves with this feature benefit from the strategic stress reliefs placed along major wear points which prevent material from bunching up in the palm when a fist is made.

- MegaGrip® – This unique diamond pattern allows for a greater area of the gripping surface to be in contact with the work area providing for a more confident and secure grip.

- Hidex® – These ergonomically engineered gloves are designed to match the contour of the wearer's hand. With the dexterity offered by Hidex®, users can pick up a dime without removing their gloves.

- Embedded Terry Cloth Bands - Embedding terry cloth material in the arch between the thumb and index finger facilitates glove wearers wiping their faces.

Magla's internal research efforts are supplemented by periodically retaining outside consultants and design experts. In one case, Magla hired Metaphase of St. Louis, Missouri (the firm that added ergonomic design to the computer mouse and the Gatorade bottle) to design new features in gloves. Like other leading design firms, Metaphase observed how people actually behave and use products in the relevant operating theaters. When working under contract for Magla, Metaphase observed how gloves are used in the most demanding environments by videoing how workers use gloves in a variety of settings. Among the improvements that Metaphase proposed was to place creases in the gloves that parallel the natural creases in the hand.

Intellectual Property The Company has five issued utility patents, one utility patent application, seven issued design patents, 35 issued trademarks and several trade secrets. In general the patents have significant remaining lives. We believe that the patents have low risks of invalidity and have value as deterrents to infringers. A further indicator of patent value is that highly competent counsel drafted the patents and managed the patent prosecution process.

Magla Products

Utility Patents

Patent Number	Provisional Filing	Date of Patent	Prosecution Period (Yrs.)	Date of Expiration	Claims	References Cited	References Cited by Examiner	Percent Examiner References	Drawings Sheets	Filing Law Firm
6,427,249	Yes	8/6/2002	2.1	7/25/2020	14	13	13	100.0%	6	Selitto, Behr & Kim
6,391,933	Yes	5/21/2002	4.1	4/29/2018	25	2	2	100.0%	0	Selitto, Behr & Kim
5,380,581	No	1/10/1995	1.0	1/10/2012	24	2	0	0.0%	2	Behr, McDonald
6,446,819	Yes	9/10/2002	4.4	4/9/2018	87	29	16	55.2%	3	Selitto, Behr & Kim
6,488,147	No	12/3/2002	3.6	5/25/2019	23	15	15	100.0%	3	Selitto, Behr & Kim

The relatively long prosecution times for the utility patents indicates that Magla believed the underlying inventions were worth the time and expense of securing patents. The high levels of cited references and high percentage of references cited by the examiner for both the utility and design patents indicate that significant prior art searches were performed. Such thoroughness of the prior art searches generally indicates a reduced possibility of new prior art surfacing and invalidating patents. The high claim counts act to dissuade invalidity challenges to the corresponding patents. The drawings associated with the utility and design patents put potential infringers on notice as to the embodiments protected by the patents.

Magla Products Design Patents									
Patent Number	Date of Patent	Prosecution Period (Yrs.)	Date of Expiration	Claims	References Cited	References Cited by Examiner	Percent Examiner References	Drawings Sheets	Filing Law Firm
516,277	3/7/2006	1.08	3/7/2020	1	53	5	9.4%	6	McCarter & English
428,214	7/11/2000	0.92	8/11/2013	1	7	0	NA	5	Omri M. Behr, Esq.
528,264	9/19/2006	0.92	10/17/2019	1	5	3	60.0%	5	McCarter & English
515,782	2/28/2006	1.00	2/1/2019	1	34	0	NA	6	McCarter & English
523,330	6/20/2006	1.00	6/17/2019	1	8	8	100.0%	5	McCarter & English
515,783	2/28/2006	1.00	2/1/2019	1	34	0	NA	6	McCarter & English
515,784	3/1/2006	2.00	2/2/2019	1	25	0	NA	7	McCarter & English

New Initiatives

Magla has a robust pipeline of new products that could potentially be released over the next few years. According to our discussions with management, the Company is reasonably confident that it will launch the following products during the first half of 2011:

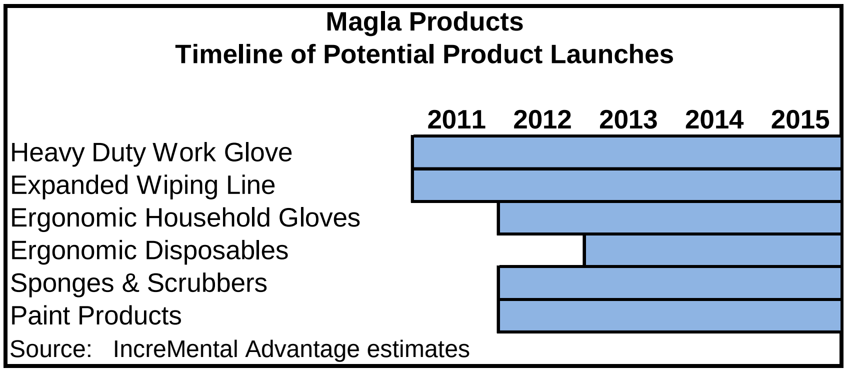
- Non-leather heavy duty work gloves that offer high performance at a reasonable cost to the customer. The launch of these gloves should prove to be fortuitous as work gloves are less sensitive to commodity prices than are disposable gloves. A patent covering this product has already been submitted to the United States Patent and Trademark Office.

- An expanded line of wipes that feature higher strength and unsurpassed absorbency.

In the intermediate term, Magla intends to introduce ergonomic household gloves. These gloves are expected to offer greater flexibility and improved fit and comfort. Also, expected to be developed in 2012 or 2013 are ergonomic disposables that will be suitable for a variety of household chores. These gloves are projected to sell at higher prices even though costs will be similar to legacy disposable gloves. Also, the Company is contemplating targeting a $350 million domestic market opportunity by introducing a line of branded sponges and scrubbers for household use.

Management has a number of promising potential product introductions for the 2012 and beyond timeframe. These opportunities include an array of paint products which may include drop clothes, sanding sponges and paper, wet wipes and steel wool for removing paint.

It is important to realize that management will continue to be flexible and opportunistic about the products that it licenses, manufacturers and markets. For example, the Company is considering developing liquid cleaning concentrates which require the customer to add water to concentrates, thereby achieving reduced delivery costs and lowering the overall carbon footprint of the products.



We believe that new product launches could deliver another $700,000 in revenue in 2011 and $10.5 million in additional revenue in 2013.

Magla Products
Potential Revenues from New Sources

Product Launch	**2011**	**2012**	**2013**
Heavy Duty Work Glove	$700,000	$1,500,000	$2,500,000
Expanded Wiping Line		$800,000	$2,000,000
Ergonomic Household Gloves		$500,000	$1,500,000
Ergonomic Disposables			$1,000,000
Sponges & Scrubbers		$1,000,000	$2,000,000
Paint Products		$750,000	$1,500,000
Total Revenues from New Sources	**$700,000**	**$4,550,000**	**$10,500,000**

Source: IncreMental Advantage estimates

Manufacturing Strategy

Magla has developed an extensive network of contract manufacturers who consistently produce its gloves and other products at competitive prices while meeting very high quality standards. The vetting and supervision of the manufacturing contractors falls to Kenney Cheng, Overseas Sourcing Manager, who has been with Magla for 12 years and was previously employed by Wal-Mart Asia for 5 years.

Magla sources materials and orchestrates its manufacturing with vendors located all over the world. While most of the 20 to 30 manufacturers under contract to Magla at any given time are located in Asia, the Company sources goat-skin and synthetic leather gloves from Pakistan, commissions high volume stitching from China and is undergoing trial production runs in Columbia.

Magla is able to contract with its manufacturers on attractive terms due to its long roster of contractors and the competition that bidding for assignments creates among them. When contractors in the large Chinese cities raise their prices, Magla is often able to avoid sustaining such price increases by taking advantage of the incentives that the Chinese government offers for contracting with manufacturers located in more remote regions of China. Another factor that results in lower manufacturing costs is that Magla buys directly from primary sources, not through trading companies.

It is important to note that quality is not compromised by Magla's sourcing from contractors located in developing countries: There is virtually a zero defect rate relating to products produced by Magla's contractors. To ensure that there is an absence of defects, Magla rigorously inspects production from its new vendors while inspecting products manufactured by all of its contractors at its distribution facility in North Carolina.

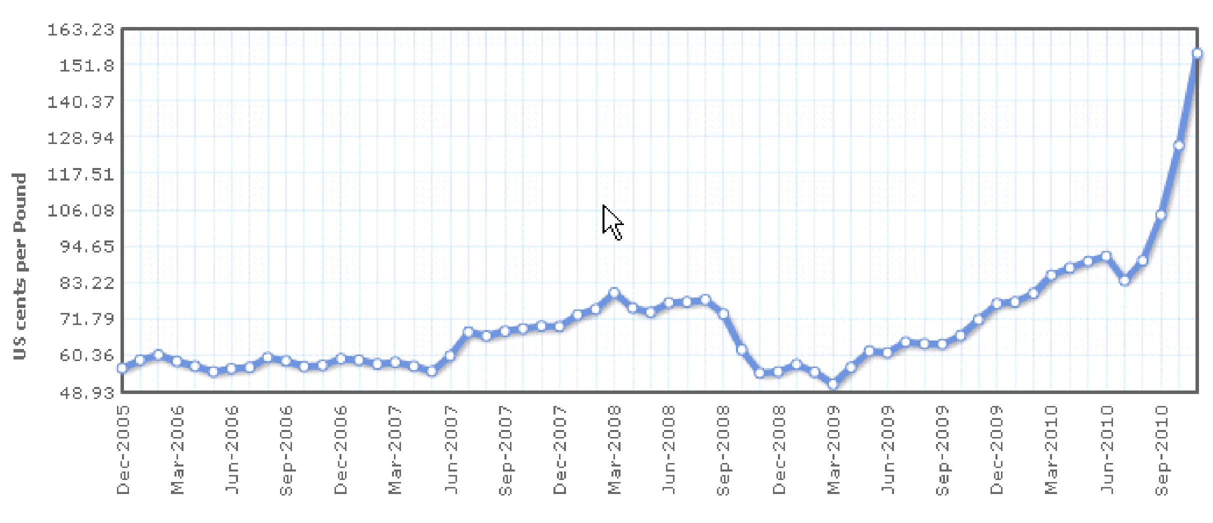
While Magla is focused on costs and quality standards in dealing with its contractors, it is also considering broadening its relationships with selected contractors. For instance, expensive molds will be required to produce a new line of ergonomic gloves the Company wishes to launch. Management is evaluating the possibility of co-investing in these molds with manufacturers with the proviso that the manufacturers will have the right to sell production from these molds in the Far East.

Rising Commodity Prices Prices of cotton and latex—both important materials for Magla—have been rising significantly in recent quarters. Magla has a multi-pronged strategy for contending with higher prices of its raw materials. First, the Company is constantly experimenting with new materials as well as designing its products with new combinations of fibers, rubbers and chemicals that are not experiencing drastic price increases. Second, many of its contractors have hedging and inventory management programs designed to minimize vulnerability to rising prices of some of the commodities (such as latex) they purchase. Third, Magla has provisions in many of its contracts with manufacturers which stipulate that the manufacturers must provide Magla with 90 to 120 days' notice prior to passing through commodity price increases.

While both cotton and latex have recently experienced dramatically rising prices it does not appear that these steep price increases will remain on their precipitous upward trajectory indefinitely. First, cotton prices recently reached their highest levels—-$1.1980 per pound for the December 2010 futures contract—in 140 years, since the New York Cotton Exchange began keeping records when it opened in 1870. The primary culprits for these prices are major flooding in Pakistan, drought in the United States and strong demand from China.

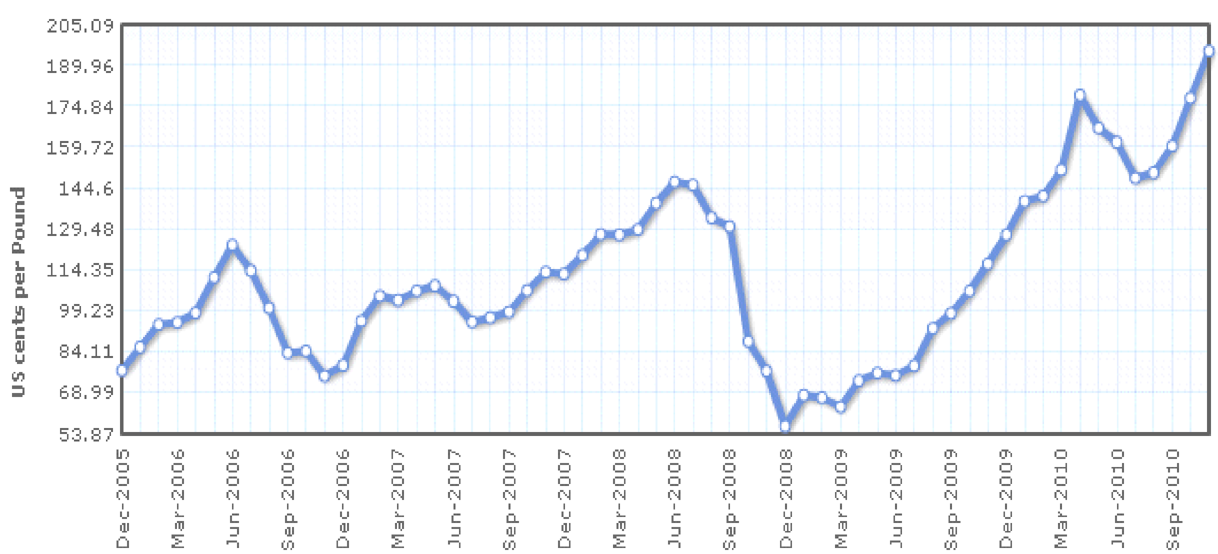
However, it appears that cotton prices will recede in mid- or late-2011. Sharon Johnson, senior cotton analyst at First Capitol Group, was quoted in The Wall Street Journal as having said, "I've seen a lot of big moves, and this exceeds everything. It's not something you're going to see again in your lifetime." Our research indicates that higher cotton prices are encouraging more cotton planting: The US Department of Agriculture expects that cotton planting will increase roughly 15% in 2011-2012. Also, more apparel designers, and other major cotton buyers, are shifting to other fabrics and textiles.

Cotton Prices – December 2005 to November 2010



Similar to cotton, prices for natural rubber latex have continued to rise throughout 2010. However, there are signs that prices for latex will retreat in 2011. Some of latex's rising prices were a function of heavy rain and flooding reducing rubber output in Thailand and other Asian latex producing nations. Also, China was expected to end tax incentives for cars at the end of December 2010 which would weaken demand for the rubber used in tires.

Rubber Prices from December 2005 to November 2010



Operations

Magla is positioned to efficiently receive deliveries of its products, quickly fulfill orders, and rapidly deliver its products to retail outlets all over the United States. Management can track its shipments along their routes from the contractors' facilities to its warehouse in North Carolina and is benefitting from stable shipping costs.

Most shipments are delivered to the port in Savannah, Georgia and are then transported to the Company's 165,000 square foot warehouse and distribution facility located just ninety minutes away in Statesville, North Carolina. The warehouse is strategically located in both close proximity to the port and in western North Carolina which allows shipments to be delivered to the West Coast in just three days. Other benefits of the location of the warehouse are that employee, taxes and energy costs of operating the facility are very reasonable.

The warehouse is managed by the Vice-President of Operations with the help of a non-unionized staff of 11 full-time employees (including a plant manager, purchasing manager, sales support manager, and MIS manager) and as many as 35 hourly workers who assist with the loading and unloading of containers. The warehouse's state-of-the-art enterprise resource planning (ERP) technology developed by Computer Associates integrates forecasting, fulfillment and accounting of orders. The combination of the cutting edge technology and dedicated managers has produced fill rates in excess of 95%. There are redundancies built into the ERP technology and the warehouse has the capacity to double its throughput.

Growth Strategy

The hallmark of Magla's growth strategy can be described as a disciplined drive for profitable growth. Management is clearly more intent on delivering bottom-, rather than top-line, growth. Magla has decided to concentrate its efforts on the retail market to the exclusion of the commercial market since profit margins are more attractive in the former. Magla has elected not to pursue international opportunities (other than Canada) in the near-term because it calculates that there is a higher probability for successfully seizing profitable growth opportunities in the United States.

Management has repeatedly and recently demonstrated its ability to shed underperforming ventures so as not to restrain the Company's earnings growth prospects. For instance, Magla has ceased distributing Red Cross branded gloves and has discontinued its Burpees line of garden gloves. The Company will take steps to further shift its product mix towards work and household gloves and away from non-branded disposable gloves for medical applications (such as the home delivery of insulin shots for diabetics) due to the latter category offering thin margins.

As discussed above, Magla has an array of potential products under consideration for launching over the next few years. Many of these products will be branded with trademarks under license to Magla. Among the stringent set of criteria that management will apply in determining which brands to license in are:

- Magla will only license a known brand that is relevant to the underlying product. Ideally, the target market should believe that the brand owner was already producing the products. For example, according to the Suburban Associates Work Glove Study, many consumers believed that Stanley already made work gloves before Magla began selling Stanley branded work gloves.

- The Company will refrain from competing in categories that are already branded since the centerpiece of Magla's strategy is to bring brands to unbranded categories.

- According to our discussions with CEO Jordan Glatt, Magla will never tether any of its revenue streams to any one person since indiscretions on the part of one celebrity would jeopardize Magla's business.

- The targeted niche must be able to produce at least $5 million in revenue to Magla within the first three years of product launch. This benchmark will rise in lockstep with the growth of the Company's revenue streams.

It is important to note that Magla has been able to amend its existing licensing agreements—rather than having to negotiate new licensing agreements—with Stanley Black & Decker and The Procter & Gamble Company to include new product categories. This enables Magla to save time and resources on negotiating new licensing agreements and allows the Company to be more responsive to customer demand. On a related note, Magla's new licensing agreement with Dickies is expected to enable Magla to sell its work-related hand apparel through truck stops and Club Stores.

Another factor that will enable Magla to grow is that several of its retail chain customers have been significantly expanding their store counts. For instance, Dollar General opened 500 stores in 2009, intended to open an additional 600 stores in 2010; and, relocate or redesign another 500 stores during the same period of time. Also, in 2009, Dollar Tree opened 240 stores while Family Dollar opened 180 stores.

Among the non-glove products that provide the Company with growth opportunities are:

- Microfiber Chenille Mitt – The hundreds of "cleaning fingers" that have been sewn into the palm of the mitt allows for optimum cleaning by maximizing the surface area of the microfiber surface allowing the mitt to hold more debris. It cleans without chemicals, is lint free and reusable.

- Reusable Wiping Cloth – These reusable wiping cloths absorb up to ten times their weight. They are biodegradable, made from 100% natural material that will not scratch, streak, or leave lint.

- Xsorb Shammy Cloth – This super absorbent cloth works both wet and dry, is two times more absorbent than cotton cloths and will soak up to ten times its weight in liquid.

Management Profile

Magla's senior management team collectively has more than 100 years of relevant experience. The team is cohesive as demonstrated by the high number of years in which the team has worked together. Moreover, the team is highly motivated to seize the opportunities that lie before Magla: Directors and executive officers own 82% of Magla's shares and an employee stock option program will be put in place during the first half of 2011for the benefit all of its full-time employees.

Executive	Title	Relevant Experience
Jordan Glatt	Chief Executive Officer	Jordan Glatt has run Magla as CEO since 1995. Earlier in his career, Mr. Glatt was a buyer for JC Penney.
Alison Carpinello	Chief Financial Officer	Over her 27 year career with Magla, Ms. Carpinello has held the position of Cost Accountant and Assistant Controller before being named the CFO in 1998.
Henry Mattesky	VP – Product Development & Sourcing	Over his 50-year career with Magla, Mr. Mattesky has held the positions of Production Manager; Technical Director; Vice-President for Manufacturing/Product Development; and, Vice-President of Product Development and Sourcing. Mr. Mattesky has 34 issued patents pertaining to products or materials in Magla's industry.
Ken Parker	Vice President of Operations	Mr. Parker joined Magla in 1996. His initial role was Logistics Manager, but Mr. Parker was promoted to plant manager in 1998 and, in 2001, he was promoted to Vice-President of Operations. He has held supervisory and managerial roles in industrial plants since 1984.
Steve Golub	VP – Marketing	Mr. Golub joined Magla in 1998 as Product Manager and was promoted to Vice-President of Marketing in 2008. He is responsible for the management of the Company's licensing programs and has over 17 years of experience in the consumer packaged goods industry.
Chris Pavain	Senior Vice President Sales and Marketing	Mr. Pavain joined Magla in May of 2004. Prior to joining Magla Products, Mr. Pavain served as a portfolio company President and CEO for Brynwood Partners L.P. II, a middle-market private equity fund focused on consumer products manufacturers. Pavain has over 25 years of experience in the consumer packaged goods industry.

Risks

There are risks inherent in any investment. Among the risks that investors should take into account when considering purchasing shares of ADSO, or similarly situated companies, are:

- Large retailers could attempt to circumvent Magla with the intention of directly obtaining supply from contractors.
- Magla's licensors could cause a diminution of the equity in their brands which would impede Magla's ability to sell such brands.
- Any number of problems could arise throughout the Company's supply chain. A contractor could be found to be corrupt, to infringe the brands that it is charged with producing or fail to produce the volumes or quality of product required by Magla. Costs of shipping could rise dramatically or delays could occur. A fire or other natural disasters could befall the Company's warehouse in North Carolina.
- There may be some degree of non-arms length transactions. Magla founder Herbert Glatt owns the warehouse utilized by Magla in North Carolina and leases it to the Company. We have been told that the lease is at, or below, fair market value but have not seen an independent broker appraisal to verify that contention.

Financial Position

Magla's financial position will improve dramatically as a result of aggressive cost cutting and inventory management. For instance, Jordan Glatt has ended the practice of his family members withdrawing funds from Magla for purposes unrelated to running Magla. These withdrawals alone amounted to nearly $7 million from 2007 to the end of 2010. Also, Magla reduced its inventory—to some extent by selling it for less than cost—from $12 million to $7.5 million over the past two years.

As a result of initiatives such as these, the Company's long-term liabilities were slashed from $14.3 million as of August 31, 2010 to $1.7 million as of December 31, 2010. Management expects that its long-term liabilities will be further reduced to approximately $550,000 for fiscal year end 2011 (which ends November 30, 2011).

On February 8, 2011, Magla completed a private offering with a group of accredited investors. This capital raise yielded the Company gross proceeds of more than $1.4 million. These convertible debentures were issued with an 8% original issue discount. In late January 2011, Magla entered into an accounts receivable financing agreement with Faunus Group International which allows Magla to sell its accounts receivable to Faunus, up to a maximum outstanding balance of $10 million. These financing transactions further deleverage Magla's balance sheet as well as provide management with the working capital and credit facility necessary to operate more efficiently.

Financial Performance and Projections

Magla is highly leveraged to sales of gloves in the United States: 98% of Company-wide revenues are derived from the United States while the remaining 2% of revenues hail from Canada. Also, 98% of the firm's revenues are generated from gloves while 2% are attributable to sales of other products. The Company's revenue streams are consistent throughout the year—49% of revenues have been historically produced in the first half of the year and 51% in the second half—which enables the Company to better manage its contractors, inventory and staffing levels.

The Company was impacted by the most severe recession that the country experienced in at least the past 80 years. Magla's revenues declined from $50.5 million in 2007 to an estimated $33.1 million in 2010. Earnings before interest, taxes, depreciation and amortization (EBITDA) were negative or nominal over the same period of time.

However, it is important to note that these financial results mask three crucial developments that will become more apparent in the years ahead. First, the revenue drop in 2009 was largely due to management's decision to shed a portion of the disposable glove business. The disposable glove industry experienced a sharp increase in latex prices as well as resistance to higher prices on the part of retailers. Had Magla retained this business, its bottom-line results would have suffered. Similarly, revenue growth will be depressed by some $6.5 million in 2011 due to management's decision to discontinue a line of gloves it was selling through Club stores.

Second, leading up to the financing transactions that occurred in early 2011, Magla's order flow exceeded its ability to produce and deliver product. Thus, the financing that Magla recently received will enable the Company to fill more of the orders that it receives.

Third, management has taken numerous aggressive steps to reduce cash outflows and streamline the cost structure. Jordan Glatt has halted cash disbursements to members of his family not in the employ of Magla. While these disbursements cost Magla nearly $7 million over the last four years, they totaled less than $1.1 million in 2010.

Family Related Expense Adjustments (in $000s)	**2007**	**2008**	**2009**	**2010E**	**Total 2007-2010**
Sporting Events (Season Tickets)	$26	$33	$34	$0	$93
Miscellaneous Family Expenses	$1,174	$1,341	$853	$856	$4,224
Cash Payments to Family Members	$366	$449	$369	$0	$1,184
Family Professional Fees	$589	$320	$250	$248	$1,407
Total Family Related Expenses	**$2,155**	**$2,143**	**$1,506**	**$1,104**	**$6,908**

Magla terminated 18 workers in 2010. Despite this significant downsizing, revenues should not be affected as no salespeople were terminated. Most of the employees dismissed were hourly workers at the North Carolina warehouse. We estimate that the Company will be able to save $184,000 a year due to its putting inbound container freight logistics and outbound trucking deliveries out for competitive bid. Also, thousands of dollars have been saved as a result of renegotiating rates with insurance carriers and telephone service providers. A further $50,000 to $60,000 could be saved annually should Magla relocate to a less expensive headquarters when its current lease expires at the end of 2011.

Operational / Restructuring Adjustments	2007	2008	2009	2010E
(in $000s)				
Terminations				$384
Reduced Inbound / Outbound Freight Cost				$184
Outsourced Warehouse Operations				
Miscellaneous Expense Reductions				$65
Total Operating Adjustments				**$632**

In recent years, the Company incurred penalties as a result of not having sufficient liquidity to pay vendors and transportation companies. The capital raise and credit line will enable the Company to avoid these fees going forward. Thus, the financing provides a low-risk, high-probability means for Magla to boost its financial results.

Extraordinary Business Expense Adjustments	Comments	2009	2010E
(in $000s)			
Labor	1,4	$289	$914
Demurrage	2	$85	$163
Expedited Freight	3		$580
Buying Domestically	4		$139
Shipment Penalties	5		$96
Missed Opportunities for Supplier Discounts	6		$270
Total Extraordinary Business Expense Adj.		**$374**	**$2,162**
1,4 Due to overseas suppliers holding back product, Magla had to open a domestic packaging operation in order to pack more expensive, domestically sourced goods.			
2 Daily fees charge by the port due to overseas suppliers holding goods over in customs while waiting for payment			
3 Expedited freight was necessitated by supply chain delays caused by suppliers holding back product			
5 Chargebacks from customers due to late shipments caused by overseas suppliers holding back product			
6 Due to payment issues to suppliers, there were missed opportunities to seek volume based discounts			

Total Adjustments (in $000s)	2007	2008	2009	2010E
Family Related Expense Adjustments	$2,155	$2,143	$1,506	$1,104
Operational / Restructuring Adjustments			$0	$632
Extraordinary Business Expense Adjustments			$374	$2,162
Total Expense Adjustments	**$2,155**	**$2,143**	**$1,880**	**$3,898**

Magla Products Historical Income Statement				
Fiscal Year Ending (in 000s)	**2007**	**2008**	**2009**	**2010E**
Net Sales	$50,455	$48,423	$43,185	$33,085
Cost of Goods Sold	38,826	36,861	33,774	31,952
Gross Profit	**$11,629**	**$11,562**	**$9,411**	**$1,133**
Gross Margin (%)	23.0%	23.9%	21.8%	3.4%
Royalty Expense	$2,089	$2,106	$2,264	$1,515
Selling & Marketing	$6,075	$5,906	$4,417	$4,180
G&A Expense	$3,633	$3,531	$2,892	$1,140
Total Operating Expense	11,797	11,543	9,573	6,835
EBITDA	**($168)**	**$19**	**($162)**	**($5,702)**
Adjustments	$2,155	$2,143	$1,880	$3,898
Adjusted EBITDA	**$1,987**	**$2,162**	**$1,718**	**($1,804)**
Adjusted EBTDA Margin	3.9%	4.5%	4.0%	-5.5%

We believe that beginning in fiscal 2011 (which began December 1, 2010) financial results will be propelled primarily by two factors. First, new product launches should begin delivering revenues. Second, most of the restructuring costs will be behind Magla.

We are forecasting that total revenues will rise from $33.1 million in 2010 to $36.4 million in 2011. Looking further into the future, we are modeling that revenues will reach $42.4 million in 2012 and then approximate $50.4 million in 2013. We believe these revenue growth forecasts are conservative since they are based on the Company achieving an 8% annual sales growth (which will be a function of both price increases and unit growth) in its legacy products from 2011 to 2013. Also, in our model, we only included probability adjusted revenue contributions from the new product launches. We project that total revenue growth will be 9.9% in 2011, 16.7% in 2012 and 18.8% in 2013.

We believe that the Company's rising revenues will be accretive to shareholders. In light of our expectations calling for economies of scale, cross-selling opportunities and retreating commodity prices, our forecasts call for increasingly robust profit margins. We estimate that gross margins will reach 23% in 2011, 25% in 2012, and 27% in 2013. Over the same period of time, we think operating margins will hit 1.1% in 2011, 5.0% in 2012, and 8.8% in 2013. In part due to the benefits of nearly $2 million in accumulated net operating losses, we estimate that net profit margins will attain 0.7% in 2011, 3.3% in 2012 and 6.1% in 2013.

Thus, our revenue forecasts and net profit margin calculations cause us to estimate that net profits will reach approximately $0.25 million in 2011, $1.4 million in 2012 and $3.1 million in 2013. On an earnings-per-share basis, this converts to $0.02 in 2011, $0.09 in 2012 and $0.19 in 2013.

Magla Products
Forward Looking Income Statement

Fiscal Year Ending (in 000s)	2010E	2011E	Yr. / Yr. Change	2012E	Yr. / Yr. Change	2013E	Yr. / Yr. Change
Net Sales - Legacy Products	$33,085,000	35,731,800	8.0%	38,590,344	8.0%	41,677,572	8.0%
Probability Adjusted Net Sales - New Launches		630,000		3,845,000	510.3%	8,725,000	126.9%
Total Sales	**$33,085,000**	**$36,361,800**	9.9%	**$42,435,344**	16.7%	**$50,402,572**	18.8%
Cost of Goods Sold	31,952,000	$27,998,586		$31,826,508		$36,793,877	
Gross Profit	**$1,133,000**	**$8,363,214**		**$10,608,836**		**$13,608,694**	
Gross Margin (%)	3.4%	23%		25%		27%	
Royalty Expense	$1,515,000	$1,818,090		$2,121,767		$2,520,129	
Selling & Marketing	4,180,000	4,280,000		4,380,000		4,480,000	
G&A Expense	1,140,000	1,850,000		2,000,000		2,150,000	
Total Operating Expense	$6,835,000	$7,948,090		$8,501,767		$9,150,129	
EBITDA	**($5,702,000)**	**$415,124**	NM	**$2,107,069**	407.6%	**$4,458,566**	111.6%
EBITDA / Operating Margin	-17.2%	1.1%		5.0%		8.8%	
Interest Expenses	$20,230	$120,000		$350,000		$350,000	
Earnings after Interest	($5,722,230)	$295,124	NM	$1,757,069	495.4%	$4,108,566	133.8%
Taxes	$0	$44,269		$351,414		$1,027,141	
Net Profits	**($5,722,230)**	**$250,855**	NM	**$1,405,655**	460.3%	**$3,081,424**	119.2%
Net Profit Margin	-17.3%	0.7%		3.3%		6.1%	
Shares Outstanding - Issued and Outstanding	15,943,000						
Earnings per Share	($0.36)	$0.02		$0.09		$0.19	

Magla Products
Potential Revenues from New Sources

Product Launch	2011	2012	2013	Probability Factor
Heavy Duty Work Glove	$700,000	$1,500,000	$2,500,000	90%
Expanded Wiping Line		$800,000	$2,000,000	90%
Ergonomic Household Gloves		$500,000	$1,500,000	75%
Ergonomic Disposables			$1,000,000	75%
Sponges & Scrubbers		$1,000,000	$2,000,000	80%
Paint Products		$750,000	$1,500,000	80%
Total Revenues from New Sources	**$700,000**	**$4,550,000**	**$10,500,000**	

Source: IncreMental Advantage estimates

Magla Products
Probability Adjusted Revenues from Product Launches

	2011E	2012E	2013E
Heavy Duty Work Glove	$630,000	$1,350,000	$2,250,000
Expanded Wiping Line		$720,000	$1,800,000
Ergonomic Household Gloves		$375,000	$1,125,000
Ergonomic Disposables			$750,000
Sponges & Scrubbers		$800,000	$1,600,000
Paint Products		$600,000	$1,200,000
Total Revenues from New Sources - Probabilty Adjusted	**$630,000**	**$3,845,000**	**$8,725,000**

Valuation

Based on the trading activity of its peer group, we believe that the current market value of each share of ADSO is worth $3.42. We arrived at this conclusion by reviewing the current trading activity—and implied price-to-earnings, price-to-sales and price-to-book value ratios—of 16 of ADSO's peer companies. From this analysis, we believe that the most suitable ratio upon which to calculate the value of ADSO is the price-to-sales ratio. One reason is that there was price-to-sales data for all 16 comparable companies while there was price-to-earnings data for only ten of the sixteen comparable companies. (We believe that the price-to-book value numbers are less relevant than price-to-sales comparisons for a company about to enter a growth phase.)

Multiplying the average price-to-sales ratio of 1.5 to the $36.4 million in revenue projected in 2011 yields a Company-wide value of $54.5 million. Dividing this Company-wide value by the 15.9 million shares currently outstanding yields a per-share value of $3.42. Further, we believe that the value of $3.42 is conservative given that the comparable price-to-sales valuations were calculated based on training sales. Had the same calculation been conducted on forward-looking sales of comparable companies, ADSO's valuation would have been higher.

Magla Products
Publicly-Traded Comparables

Company	Stock Symbol	Trailing P/E	Forward P/E	Price / Sales	Price / Book
Ironclad Performance	ICPW.OB	N/A	N/A	0.48	1.76
Tandy Leather Factory	TLF	13.58	N/A	0.89	1.82
Helen of Troy	HELE	10.37	8.33	1.26	1.33
Ansell	ANSLF.PK	3.62	N/A	0.34	0.64
LaCrosse Footwear	BOOT	19.50	14.62	0.72	1.66
Wolverine World Wide	WWW	16.01	13.50	1.29	2.98
Weyco Group	WEYS	19.83	N/A	1.15	1.54
Vera Bradley	VRA	25.15	31.45	4.20	28.74
Crocs	CROX	26.89	16.46	1.82	3.72
R.G. Barry	DFZ	10.54	9.60	0.90	2.02
Deckers Outdoor	DECK	20.89	17.40	3.14	5.14
Steven Madden	SHOO	15.24	13.02	1.80	3.31
The Timberland Company	TBL	19.16	16.16	1.03	2.39
Heelys	HLYS	N/A	N/A	2.40	1.04
Kenneth Cole	KCP	N/A	18.0	0.53	1.57
K-Swiss	KSWS	N/A	N/A	2.04	1.74
Average		16.7	15.9	1.5	3.8
Median		17.6	15.4	1.2	1.8

There is interest in specialty household products companies among private equity players as well as larger public companies. For instance, Home Products International was purchased by private equity groups led by Equity Group International, Walnut Group and Trivar Capital in 2004 which in turn sold a majority interest to Third Avenue Management in 2007. More recently, in December 2010, Helen of Troy acquired Kaz for $260 million.

Recommendation

We believe that Magla Products maintains a commanding position in a niche segment of the retail industry. It is leveraging the substantial resources that its licensors invest in their brands and maintains strong relationships with many of the nation's largest retail chains. The Company has proven to be an innovator in the glove and household supplies businesses and we believe that new initiatives will drive substantial revenue growth over the next few years. Management is highly focused on growing Magla's business and, with an 82% ownership stake in ADSO's shares, is highly incentivized to deliver bottom-line results.

In late fiscal 2010 and early fiscal 2011, Magla's orders were clearly in excess of its ability to finance, produce and deliver product. With the recent rounds of financing successfully completed, we believe that Magla will be able to fulfill far more of its orders going forward. We believe the greater order fill rate made possible by the financing will enable the Company to deliver very positive year-over-year performance over the next several years. We are recommending the purchase of shares of ADSO for long-term oriented investors.

Disclosures

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