V. RETAINED EARNINGS APPROPRIATION

On December 15, the Board of Directors voted not to allow the amount of Retained Earnings to fall below the value of Common Stock held in the Treasury. This was accomplished with an appropriation of Retained Earnings equal to Treasury Stock of $2,500.

		DR.	CR.
Dec. 31	Retained Earnings	2,500	
	Appropriated Retained Earnings		2 500
	To appropriate retained earnings equal to the value of Treasury Stock.		

VI. STATEMENT OF RETAINED EARNINGS

Future Horizons Corporation
Statement of Retained Earnings
For the Year Ended December 31, 2000

Retained Earnings, January 1, 2000 (See page 81)			$16,400
Add: Prior period adjustment net of taxes to correct for error during 1999 in recording depreciation.			1,400
Retained Earnings, adjusted, January 1, 2000			$17,800
Net Income, 2000		$43,600	
Preferred Stock Dividend	$ 8,000		
Dividend of Common Stock	19,200	27,200	
Increase in Retained Earnings			16,400
Retained Earnings, December 31, 2000			$34,200

VII. STOCKHOLDERS' EQUITY

Future Horizons Corporation
Statement of Stockholders' Equity
December 31, 2000

CONTRIBUTED CAPITAL:		
Capital Stock		
Common Stock, $5 Par value, authorized 40,000 shares, issued 17,600 of which 250 are in the Treasury.	$ 88,000	
Preferred Stock, $100 Par value 8% cumulative, callable at $110, 5,000 authorized, 1,000 issued.	100,000	$188,000
Contributed Capital in Excess of Par:		
Common Stock	$ 51,200	
Preferred Stock	5,000	
Treasury Stock	500	56,700
Total Contributed Capital		$244,700
Retained Earnings (See Note 1)		34,200
Total Contributed Capital and Retained Earnings		$278,900
Less Treasury Stock		2,500
Total Stockholders' Equity		$276,400

Note 1: Retained Earnings have been appropriated equal to the value of Common Stock held in the Treasury.

VIII. EARNINGS PER SHARE

During 2001, the company's third year of operations, business activity related to ownership finally settled down. No transactions related to ownership occurred, dividends were paid to Preferred stockholders, and net income for the year amounted to $51,375. Because Preferred Stock was not convertible into Common Stock, only Primary Earnings Per Share were calculated.

$$\text{Primary EPS} = \frac{\text{Net Income - Preferred Dividends}}{\text{Weighted Average Number of Shares Outstanding}} = \frac{\$51{,}375 - \$8{,}000}{(17{,}600-250)\text{ shares}} = \$2.50$$

Note: $$\text{Fully Diluted EPS} = \frac{\text{Net Income Apportioned to Common Stock}}{\text{Weighted Average Number of Shares Outstanding plus Potential Dilution Shares (Convertible Stock, Stock Options etc.)}}$$