



**LAPOLLA INDUSTRIES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>Six Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
<i>Cash Flows From Operating Activities</i>		
Net Loss	\$ (1,050,477)	\$ (1,630,549)
Adjustments to Reconcile Net (Loss) to Net Cash (Used in) Operating Activities:		
Depreciation and Amortization	192,464	145,633
Provision for Losses on Accounts Receivable	67,383	(129,315)
Amortization of Discount on Revolving Credit and Convertible Term Notes	91,263	53,084
Share Based Compensation Expense	851,544	533,347
Gain on Extinguishment of Debt	(481,833)	—
Changes in Assets and Liabilities:		
Trade Receivables	(4,575,112)	(2,055,000)
Inventories	(392,633)	(1,882,431)
Prepaid Expenses and Other Current Assets	(73,113)	(134,794)
Deposits and Other Non Current Assets	(78,359)	(131,960)
Accounts Payable	2,884,419	1,771,897
Accrued Expenses and Other Current Liabilities	495,326	83,161
Other Liabilities	(1,513,943)	(435)
Net Operating Activities of Discontinued Operations	(848)	(9,152)
Net Cash (Used in) Operating Activities	<u>(3,583,919)</u>	<u>(3,386,514)</u>
<i>Cash Flows From Investing Activities</i>		
Additions to Property, Plant and Equipment	(17,868)	(1,409,996)
Net Cash (Used in) Investing Activities	<u>\$ (17,868)</u>	<u>\$ (1,409,996)</u>
<i>Cash Flows From Financing Activities</i>		
Proceeds from Revolving Credit Note	—	4,000,000
Proceeds from Convertible Term Note	—	2,000,000
Principal Repayments on Convertible Term Note	(400,000)	—
Proceeds from Line of Credit	—	1,398,000
Payments to Line of Credit	—	(2,405,120)
Proceeds from Loans Payable – Related Party	3,800,000	617,000
Payments to Loans Payable – Related Party	—	(617,000)
Payments to Note Payable – Other	—	(13,336)
Principal Repayments on Long Term Debt	(60,022)	(223,484)
Payment of Preferred Stock Dividends	(10,000)	—
Net Financing Activities of Discontinued Operations	—	(326,129)
Net Cash Provided by Financing Activities	<u>3,329,978</u>	<u>4,429,931</u>
<i>Net (Decrease) In Cash</i>	<u>\$ (271,809)</u>	<u>\$ (366,579)</u>
<i>Cash at Beginning of Period</i>	<u>339,855</u>	<u>382,116</u>
<i>Cash at End of Period</i>	<u>\$ 68,046</u>	<u>\$ 15,537</u>
<i>Supplemental Disclosure of Cash Flow Information:</i>		
Cash Payments for Income Taxes	\$ —	\$ —
Cash Payments for Interest	\$ 306,295	\$ 192,715
<i>Supplemental Schedule of Non Cash Investing and Financing Activities:</i>		
Property, Plant and Equipment acquired from Issuance of Long Term Debt	\$ —	\$ 28,000
Common Stock Issued-Exercise of Warrants for Principal Repayments to Revolving Credit Note	67,500	—
Common Stock Issued-Exercise of Warrants for Principal Repayments to Convertible Term Note	33,766	—
Common Stock Issued-Exercise of Warrants for Interest on Convertible Term Note	33,734	—
Common Stock Issued-Conversion of Convertible Term Note for Principal Repayments to Convertible Term Note	3,850	—
Common Stock Issued-Cancellation of Indebtedness for Principal Repayments to Loan Payable-Related Party	2,000,000	—
Common Stock Issued-Director Fees	—	28,440