



Cohesant Inc.

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Financial Results

For the three and nine month period ended August 31, 2008

COHESANT INC.

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COHESANT INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	August 31, 2008 (Unaudited)	November 30, 2007
Assets:		
Cash and cash equivalents	\$ 2,348,695	\$ 191,486
Accounts receivable, net of allowance for doubtful accounts of \$120,602 and \$130,797, respectively	2,284,556	2,029,601
Income tax receivable	6,496	19,148
Current portion of long-term note receivable	26,383	21,935
Inventories, net of allowance for obsolete and slow-moving inventory of \$11,000	1,142,184	1,270,573
Costs in excess of billings and estimated earnings	107,706	6,005
Prepaid expenses and other	282,739	190,908
Deferred tax assets	102,459	159,298
Total Current Assets	6,301,218	3,888,954
Property and equipment, net	1,932,948	1,078,172
License agreements, patents and other intangibles, net of accumulated amortization of \$433,130 and \$349,035, respectively	791,025	875,120
Goodwill	8,767,563	8,767,563
Long-term note receivable, net current portion	152,597	104,070
Other noncurrent assets	7,394	7,394
Total Assets	\$ 17,952,745	\$ 14,721,273
Liabilities and Shareholders' Equity/Parent Company Equity:		
Accounts payable	\$ 1,028,291	\$ 758,108
Current portion of long-term note payable	134,113	129,054
Accrued salaries, benefits and commissions	236,522	322,733
Billings in excess of costs and estimated earnings	91,088	86,328
Other current liabilities	341,474	165,172
Total Current Liabilities	1,831,488	1,461,395
Long-term note payable, net of current portion	34,616	135,843
Deferred tax liabilities	698,257	650,207
Total Liabilities	2,564,361	2,247,445
Commitments and Contingencies (Note 10)		
Shareholders' Equity/Parent Company Equity		
Common stock (\$.01 par value, 7,000,000 shares authorized and 3,460,357 shares issued and outstanding at August 31, 2008, no shares issued and outstanding at November 30, 2007)	3,460	-
Preferred stock (\$.01 par value, 1,000,000 shares authorized and 724,138 shares issued and outstanding at August 31, 2008, no shares issued and outstanding at November 30, 2007)	724	-
Additional paid-in capital	15,726,076	-
Accumulated other comprehensive income	48,836	123,710
Parent company investment	-	12,350,118
Accumulated deficit	(390,712)	-
Total Shareholders' Equity/Parent Company Equity	15,388,384	12,473,828
Total Liabilities and Shareholder's Equity/Parent Company Equity	\$ 17,952,745	\$ 14,721,273

The accompanying notes are an integral part of these condensed consolidated financial statements.

COHESANT INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended	
	August 31, 2008	August 31, 2007
NET SALES	\$ 3,316,454	\$ 3,470,919
COST OF SALES	1,815,837	1,772,463
Gross profit	1,500,617	1,698,456
RESEARCH AND DEVELOPMENT EXPENSES	75,441	62,399
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,640,164	1,612,993
TOTAL OPERATING EXPENSES	1,715,605	1,675,392
(Loss) income from operations	(214,988)	23,064
OTHER INCOME (EXPENSE):		
Interest income	8,152	82
Interest expense	(1,764)	(10,929)
Foreign exchange gain (loss), net	944	(564)
Other income, net	8,356	3,824
(LOSS) INCOME BEFORE TAXES	(199,300)	15,477
INCOME TAX PROVISION	(36,964)	(19,775)
NET LOSS	\$ (236,264)	\$ (4,298)
LOSS PER COMMON SHARE (Basic and Diluted):	\$ (0.07)	\$ 0.00
AVERAGE SHARES OF COMMON STOCK OUTSTANDING BASIC AND DILUTED	3,460,357	3,460,357
COMPREHENSIVE (LOSS) INCOME		
Net loss	\$ (236,264)	\$ (4,298)
Foreign currency translation adjustment	(70,541)	9,067
NET COMPREHENSIVE (LOSS) INCOME	\$ (306,805)	\$ 4,769

The accompanying notes are an integral part of these condensed consolidated financial statements.

COHESANT INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Nine Months Ended	
	August 31, 2008	August 31, 2007
NET SALES	\$ 8,880,339	\$ 8,532,369
COST OF SALES	4,692,898	4,578,024
Gross profit	4,187,441	3,954,345
RESEARCH AND DEVELOPMENT EXPENSES	220,538	186,384
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	4,974,814	4,511,013
TOTAL OPERATING EXPENSES	5,195,352	4,697,397
Loss from operations	(1,007,911)	(743,052)
OTHER INCOME (EXPENSE):		
Interest income	8,446	291
Interest expense	(8,578)	(23,260)
Foreign exchange gain (loss), net	113	(6,850)
Other income, net	22,406	9,969
LOSS BEFORE TAXES	(985,524)	(762,902)
INCOME TAX BENEFIT	207,577	203,225
NET LOSS	\$ (777,947)	\$ (559,677)
LOSS PER COMMON SHARE (Basic and Diluted):	\$ (0.22)	\$ (0.16)
AVERAGE SHARES OF COMMON STOCK OUTSTANDING BASIC AND DILUTED	3,460,357	3,460,357
COMPREHENSIVE LOSS		
Net loss	\$ (777,947)	\$ (559,677)
Foreign currency translation adjustment	(74,874)	39,243
NET COMPREHENSIVE LOSS	\$ (852,821)	\$ (520,434)

The accompanying notes are an integral part of these condensed consolidated financial statements.

COHESANT INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended	
	August 31, 2008	August 31, 2007
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Net loss	\$ (777,947)	\$ (559,677)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	423,505	253,467
Loss on asset disposal	470	-
Stock-based compensation	294,572	138,106
Deferred tax provision	(58,088)	141,986
Provision for doubtful accounts	41,786	34,933
Net change in assets and liabilities-		
Accounts receivable	(283,044)	(969,962)
Note receivable	(52,975)	(131,092)
Inventories	128,389	(364,749)
Costs in excess of billings and estimated earnings	(101,701)	52,805
Prepaid expenses and other	(55,572)	54,279
Accounts payable	270,183	60,949
Billings in excess of costs and estimated earnings	4,760	73,080
Other current liabilities	(16,419)	(157,214)
Other noncurrent assets	(67,346)	19,590
Net cash used in operating activities	(249,427)	(1,353,499)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Patent additions	-	(6,254)
Property and equipment additions	(242,881)	(454,559)
Proceeds from sale of property and equipment	9,953	-
Net cash used in investing activities	(232,928)	(460,813)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:		
Net contributions by Cohesant Technologies Inc.	453,613	960,652
Proceeds for preferred stock private placement	2,100,002	-
Borrowings under revolving credit facility	158,122	-
Payments under revolving credit facility	(158,122)	-
Funding of allocated charges by Cohesant Technologies Inc.	182,117	535,736
Payments on Triton note payable	(96,168)	(91,361)
Net cash provided by financing activities	2,639,564	1,405,027
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,157,209	(409,285)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	191,486	608,682
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,348,695	\$ 199,397

The accompanying notes are an integral part of these condensed consolidated financial statements.

COHESANT INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1 – Separation and Background

Separation:

On December 3, 2007, Cohesant Technologies Inc. (“Cohesant Technologies”) announced that it had entered into definitive agreement pursuant to which Graco Inc. would acquire GlasCraft Inc, a subsidiary of Cohesant Technologies, the former parent of Cohesant Inc. This disposition occurred on February 27, 2008 and was accomplished through a merger of Cohesant Technologies with a Graco Inc. subsidiary that was immediately preceded by a spin-off of Cohesant Inc. (formerly known as CIPAR Inc.) and its subsidiaries (the “Company” or “Cohesant”). The spin-off was affected by declaring a taxable dividend of one share of Cohesant for each share of Cohesant Technologies common stock, which equated to 3,460,357 shares of Cohesant stock being distributed. In connection with the GlasCraft disposition and spin-off, certain Corporate personnel, assets and liabilities of Cohesant Technologies’ non-GlasCraft businesses were transferred from Cohesant Technologies to Cohesant pursuant to a Separation Agreement entered into between Cohesant Technologies and the Company.

Background:

Cohesant is engaged in the protection and renewal of drinking water distribution systems and wastewater collection systems for municipal, industrial, commercial and residential infrastructure; the design, development, manufacture and sale of specialty coatings; and the sale of specialized dispense equipment systems and replacement parts and supplies used in the operation of the equipment. Included within the Company are the net assets and operations of RLS Solutions Inc. (“RLS”), CuraFlo Services Inc. (“CSI”), CuraFlo Franchising Inc. (“CFI”), and Cohesant Materials Inc. (“CMI”). CuraFlo Services Inc. has two subsidiaries: CuraFlo of British Columbia Ltd. and CuraFlo Spincast Services Inc. (“CSS”).

The Company’s executive offices are located in Cleveland, Ohio with its principal manufacturing, warehouse and distribution facilities located in Cleveland, Ohio, Tulsa, Oklahoma, and Vancouver, Canada.

Note 2 - Basis of Presentation

The condensed consolidated interim financial statements included herein have been prepared by the Company, without audit. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. However, in the opinion of management of the Company, the condensed consolidated interim financial statements include all adjustments necessary to present fairly the financial information for such periods.

The unaudited condensed consolidated financial statements in this quarterly report for the periods presented prior to the spin-off and distribution of the assets and liabilities by Cohesant

COHESANT INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Technologies described in Note 1 of these financial statements include the assets, liabilities, operating results and cash flows of Cohesant Technologies' CIPAR and CMI subsidiaries (now Cohesant Inc.). Changes in Parent Company Equity represent the net loss of Cohesant Inc. and net distributions/contributions to and from Cohesant Technologies. The condensed consolidated financial statements of the Company have been prepared on a basis that management believes to be reasonable to reflect the financial position, results of operations and cash flows of the Company, including allocated portions of Cohesant Technologies' overhead and administrative shared services.

These interim financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto for the fiscal year ended November 30, 2007.

The condensed consolidated financial statements include the accounts of the Company and its direct, wholly owned subsidiaries, RLS, CFI, CSI and CMI. Intercompany accounts and transactions have been eliminated.

Note 3 – Allocation Policies

Cohesant's costs and expenses include allocations from Cohesant Technologies for services provided to or the benefits received by Cohesant. The following allocation policies have been established by management. Unless otherwise noted, these policies have been consistently applied in the condensed consolidated financial statements in this quarterly report prior to the spin-off and distribution of the assets and liabilities by Cohesant Technologies described in Note 1. In the opinion of management, the methods for allocating these costs are reasonable.

(i) Specifically Identifiable Operating Expenses

Costs which relate solely to the operations of the Company are allocated entirely to the Company. These expenses consist of costs of personnel who are 100% dedicated to the operations of the Company, all costs associated with locations that conduct only the business of the Company and amounts paid to third parties for services rendered to the Company. In addition, any costs incurred by Cohesant Technologies, which are specifically identifiable to the operations of the Company, are allocated to the Company.

(ii) Shared Operating Expenses

Prior to the spin-off effected on February 27, 2008, Cohesant Technologies allocated the cost of certain corporate general and administrative services and shared services, including shared personnel, to each of its business units. These shared services include executive compensation, legal, and accounting costs. These costs have been allocated to the Company based on their relative percentage to consolidated Cohesant Technologies revenues. Management believes the financial size of each of Cohesant Technologies' operating units best reflected the level of corporate service provided to each.

COHESANT INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(iii) *Allocated Expenses*

Allocations of Cohesant Technologies' expenses (exclusive of stock-based compensation discussed in Note 8) as described in (i) and (ii) above have been included in the condensed consolidated statements of operations of the Company as follows:

	Three Months Ended	
	<u>August 31, 2008</u>	<u>August 31, 2007</u>
Corporate administrative expenses	-	\$212,540
Investment income	-	(82)
Interest expense	-	7,109
Allocated expenses from Cohesant Technologies Inc.	<u>-</u>	<u>\$219,567</u>

	Nine Months Ended	
	<u>August 31, 2008</u>	<u>August 31, 2007</u>
Corporate administrative expenses	\$181,686	\$525,416
Investment income	(294)	(291)
Interest expense	725	10,611
Allocated expenses from Cohesant Technologies Inc.	<u>\$182,117</u>	<u>\$535,736</u>

(iv) *Taxes*

The Company's allocated share of the consolidated Cohesant Technologies' Federal and state tax provision is determined using the stand-alone method. Under the stand-alone method, tax expense or benefit is calculated as if the Company was subject to its own tax returns. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities of the Company and are measured using the enacted tax rates that are expected to be in effect in the period in which these differences are expected to reverse.

Note 4 – Shareholders Equity

During the second quarter of fiscal 2008 the Company issued and sold 724,138 shares of Series A 8% Cumulative Convertible Preferred Stock (the "Series A Preferred Stock") at a purchase price of \$2.90 per share in a private placement transaction. The shares were issued in a transaction exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 thereunder. The proceeds of the offering will be used for general corporate and working capital purposes.

Under the terms of the Certificate of Designations, Voting Powers, Preferences, Limitations, Restrictions, and Relative Rights of Series A 8% Cumulative Convertible Preferred Stock (the

COHESANT INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

“Certificate of Designations”), which has been filed with the Secretary of State of the State of Delaware, the Series A Preferred Stock is convertible into the Company’s shares of common stock at a price of \$1.45 per share, as may be adjusted (the “Conversion Price”) in accordance with the Certificate of Designations. Upon conversion, all accrued and unpaid dividends shall also be converted into shares of Common Stock at the same Conversion Price. A holder of Series A Preferred Stock may convert its shares at any time. The Company has the right to cause the Series A Preferred Stock, in whole but not in part, to convert into shares of Common Stock in the event of a public or private offering of the Company’s Common Stock at a per share price of \$2.25 or more, with the gross proceeds of such offering exceeding \$5,000,000.

The Series A Preferred Stock is subject to redemption, at the option of the Company, (a) on or after May 1, 2011 or (b)(i) in the event of a merger, capital reorganization or reclassification of the Company’s shares, (ii) the liquidation, dissolution or winding-up of the Company, or (iii) a tender offer for the Company’s common stock that has been recommended to the stockholders by the Board of Directors.

The Series A Preferred Stock ranks in priority senior to the Company’s common stock with respect to preferences as to dividends, distributions, and payments upon liquidation. The Series A Preferred Stock are entitled to vote with the Common Stock on all matters submitted to a vote of the stockholders of the Company. Each share of Series A Preferred Stock shall, initially, have two votes, equal to the number of shares of common stock into which one share of Series A Preferred Stock may convert.

The Company had undeclared, cumulative dividends of \$46,330 as of August 31, 2008.

Note 5 – Costs and Estimated Earnings on Uncompleted Contracts

Costs and estimated earnings on uncompleted contracts consisted of the following:

	August 31, 2008	November 30, 2007
Costs incurred on uncompleted contracts	\$ 1,824,133	\$ 547,380
Estimated earnings to date	888,731	250,751
Subtotal	2,712,864	798,131
Less – Billings to date	(2,696,246)	(878,454)
Total	<u>\$ 16,618</u>	<u>\$ (80,323)</u>

Included in the accompanying balance sheets under the following caption:

Costs and estimated earnings in excess of billings	\$ 107,706	\$ 6,005
Billings in excess of costs and estimated earnings	(91,088)	(86,328)
Total	<u>\$ 16,618</u>	<u>\$ (80,323)</u>

COHESANT INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

All unbilled amounts were generated by the Company's CuraFlo Services segment and substantially all are expected to be billed and collected within one year.

Note 6 – Loss Per Share

The calculation of basic and diluted net loss per share and shares outstanding for the prior year periods as well as the nine months ended August 31, 2008, presented are based on the number of shares of Cohesant Technologies common stock outstanding at the time of the separation adjusted for the distribution ratio of one share of the Company's common stock for every share of Cohesant Technologies common stock. The calculation of basic and diluted net loss per share and shares outstanding for the three months ended August 31, 2008, presented is based on the weighted average number of shares of the Company's common stock outstanding for the period. The preferred stock (Note 4) did not have a dilutive impact on the Company's fiscal 2008 results. The dilutive effect of the preferred stock granted by the Company will be included in the computation of diluted earnings per share in future periods when dilutive. There is no dilutive impact from the common stock equivalents for periods prior to the separation, as the Company had no dilutive securities outstanding.

Note 7 – Related Party Transactions

The Company is party to a number of transactions with its previous parent, Cohesant Technologies. Such transactions primarily involve the provision for certain corporate services, which have been allocated to the Company as described in Note 3 and are reflected in the condensed consolidated financial statements.

Note 8 – Stock-Based Compensation

Description of the Plan

On April 16, 2008, the Board of Directors adopted, subject to shareholder approval, the "Cohesant Inc. Long-Term Incentive Plan" (the "Plan"). The Plan which is intended as an incentive to further the growth and profitability of the Company and to encourage stock ownership on the part of (a) employees of the Company, (b) consultants and advisers who provide significant services to the Company, and (c) directors of the Company who are not employees of the Company. The Plan includes stock options, stock appreciation rights and restricted stock. The Plan authorizes the issuance of 610,000 shares. As of August 31, 2008, options for 345,000 shares were outstanding and there remained an additional 265,000 shares available for issuance or reserved for stock option or stock appreciation rights grants.

Cohesant accounts for the Plan according to the Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (FAS 123R) using the modified prospective method. This Statement requires that all share-based payments to employees, including grants of employee stock options, be recognized in the financial statements based upon their fair value.

COHESANT INC.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

In accordance with FAS 123R, awards granted by Cohesant to employees and directors of Cohesant are reflected in the condensed consolidated statements.

Stock Option Grants

On April 16, 2008, the Company granted 345,000 options to its employees and directors at an exercise price of \$1.31 with a vesting period of three years and a term of seven years. These options are subject to shareholder approval of the adoption of the Plan.

Using the Black-Scholes option valuation model, the weighted average estimated fair value of options granted during fiscal 2008 was \$1.31 per option. Expected volatility is based on comparable companies. Principal assumptions used in applying the Black-Scholes valuation model were as follows:

	<u>2008</u>
Risk-free interest rate	3.2%
Expected term - years	6.5
Expected dividend yield	0.0%
Expected volatility	46.7%

Stock option activity under the Plan is as follows:

<u>Options</u>	<u>Number of Options</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Life</u>	<u>Aggregate Intrinsic Value</u>
Options outstanding at November 30, 2007	-	-		
Granted	<u>345,000</u>	<u>\$1.31</u>		
Options outstanding at August 31, 2008	<u>345,000</u>	<u>\$1.31</u>	<u>6.6</u>	<u>\$13,050</u>
Options exercisable at August 31, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

At August 31, 2008

<u>Options Outstanding</u>				<u>Options Exercisable</u>	
Exercise Prices	Number of Options Outstanding	Remaining Contractual Life	Exercise Price	Number of Options Exercisable	Exercise Price
\$1.31	345,000	6.6	\$1.31	-	\$1.31

COHESANT INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Cohesant Technologies Long-Term Incentive Plan

Cohesant Technologies had a long-term incentive plan to provide employees with stock options and restricted stock. Stock-based compensation includes compensation expense associated with the issuance of stock options to purchase Cohesant Technologies common stock and for the issuance of restricted stock of Cohesant Technologies.

On December 1, 2006, Cohesant Technologies adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (FAS 123R) using the modified prospective method. This Statement requires that all share-based payments to employees, including grants of employee stock options, be recognized in the financial statements based upon their fair value.

In accordance with FAS 123R, awards granted by Cohesant Technologies to employees of Cohesant are reflected in the condensed consolidated statements. Additionally, stock-based compensation costs for corporate employees of Cohesant Technologies have been allocated to these condensed consolidated financial statements as discussed herein.

In December 2007, Cohesant Technologies accelerated the vesting for all outstanding employee stock options to December 2007. The Board of Directors approved the acceleration, which was contingent upon the signing of the Graco merger agreement which occurred in early December 2007. The acceleration of vesting was accounted for as a modification under the provisions of FAS 123R and resulted in the recording of all remaining unamortized stock-based compensation expense during the first quarter. The modification did not result in any change in fair value of the award as only the vesting of the stock options was accelerated.

Total stock-based compensation cost recognized by Cohesant during the three month period ended August 31, 2008 and August 31, 2007 of \$18,975 and \$39,081, respectively, and during the Nine month period ended August 31, 2008 and August 31, 2007 of \$294,572 and \$138,106, respectively, has been included in the condensed consolidated statements of operations.

Note 9 - Revolving Line of Credit

On February 26, 2008, the Company entered into a fully secured \$2,500,000 revolving line of credit facility. The term of the facility expires on April 30, 2009 and all indebtedness is due on that date, unless the facility's term is extended. This facility accrues interest at the bank's prime lending rate plus twenty-five basis points (0.25%). Among other restrictions, the credit facility requires that the Company meet certain covenants including financial ratios. As of August 31, 2008, the Company was in compliance with all covenants and did not have a balance outstanding under this facility.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 10 - Contingencies

From time to time the Company is a party to certain legal matters arising in the ordinary course of business. Management believes the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position or results of operations.

Note 11– New Accounting Standards

On December 1, 2007, the Company adopted the Financial Accounting Standards Board (FASB) Final Interpretation Number 48, "Accounting for Uncertainty in Income Taxes" (FIN 48). The Company recorded no adjustment to the condensed consolidated financial statements upon the adoption of FIN 48.

The Company's policy with respect to interest and penalties associated with reserves or allowances for uncertain tax positions is to classify such interest and penalties in income tax expense in the Statement of Operations. As of December 1, 2007, the Company has no unrecognized income tax benefits. The Company foresees no significant changes to the facts and circumstances underlying its income tax positions as reasonably possible in the next twelve months. As of December 1, 2007 the Company was subject to unexpired statutes of limitation for U.S. Federal income taxes for the years 2004–2007. The Company was also subject to unexpired statutes of limitation for various state income taxes for the years 2004-2007.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". The Statement provides guidance for using fair value to measure assets and liabilities and only applies when other standards require or permit the fair value measurement of assets and liabilities. It does not expand the use of fair value measurement. In February 2008, the FASB agreed to defer the effective date to fiscal years beginning after November 15, 2008 for certain nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. For these financial and nonfinancial assets and liabilities that are remeasured at least annually, this statement is effective for fiscal years beginning after November 15, 2007. The adoption of this Statement had no impact to the consolidated financial statements in 2008. The Company is evaluating the impact that this Statement will have on the Company's financial position, results of operations or cash flows for the portion of the Statement that was deferred.

COHESANT INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On December 3, 2007, Cohesant Technologies announced that it had entered into definitive agreement pursuant to which Graco Inc. would acquire GlasCraft Inc, a subsidiary of Cohesant Technologies Inc., the former parent of Cohesant Inc. This disposition occurred on February 27, 2008 and was accomplished through a merger of Cohesant Technologies with a Graco Inc. subsidiary that was immediately preceded by a spin-off of Cohesant Inc. (formerly known as CIPAR Inc.) and its subsidiaries (the "Company" or "Cohesant"). The spin-off was affected by declaring a taxable dividend of one share of Cohesant for each share of Cohesant Technologies common stock, which equated to 3,460,357 shares of Cohesant stock being distributed. In connection with the GlasCraft disposition and spin-off, certain Corporate personnel, assets and liabilities of Cohesant Technologies' non-GlasCraft businesses were transferred from Cohesant Technologies to Cohesant pursuant to a Separation Agreement entered into between Cohesant Technologies and the Company.

We maintain a strategy for growth through steady organic expansion supported by select acquisitions. Our long-term strategic plan is to be a global leader providing technologies for infrastructure rehabilitation and protection in the water distribution and wastewater collection systems markets.

Results of Operations

Three months ended August 31, 2008 as compared to the three months ended August 31, 2007.

On a consolidated basis, the Company had net sales for the three months ended August 31, 2008 of \$3,316,454 compared to \$3,470,919 for the comparable period in fiscal 2007, a decrease of \$154,465, or 4.5%. This decrease was principally due to decreased coating sales (slow down in demand of the Company's Raven and Aquatapoxy products) and Franchisee and Licensee revenue and to a lesser extent decreased equipment sales. This decrease was partially offset by increased rehabilitation revenue.

The Company's gross margin decreased to \$1,500,617, or 45.2% of net sales, in the 2008 period from \$1,698,456, or 48.9% of net sales, in the 2007 period. The dollar decrease was due to decreased sales mentioned above while the percentage decrease was primarily due to a decrease in high margin revenue (franchisee revenue and coating sales) which was partially offset by improved margins on repipe projects at CuraFlo Services.

Operating expenses for the three months ended August 31, 2008 were \$1,715,605 compared to \$1,675,392 for the same period of the prior year, an increase of \$40,213 or 2.4%.

Other income (expense) was \$15,688 compared to \$(7,587) in the 2007 period. This increase was primarily attributable to decreased interest expense and increased interest earned on cash balances.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's tax provision for the three months ended August 31, 2008 is a result of current tax payable from income earned at the Company's Canadian subsidiary. The Company's tax provision for the three months ended August 31, 2007 is a result of an adjustment to the valuation allowance for certain state income tax benefits which were not expected to be realized.

On a consolidated basis, the Company had a loss in the quarter of (\$236,264) compared to (\$4,298) in 2007.

Nine months ended August 31, 2008 as compared to the nine months ended August 31, 2007.

On a consolidated basis, the Company had net sales for the nine months ended August 31, 2008 of \$8,880,339 compared to \$8,532,369 for the comparable period in fiscal 2007, an increase of \$347,970, or 4.1%. This increase was due to an increase in revenues at CuraFlo Services (increased CSS revenues, CSS did not generate any revenue in the 2007 period, and an increase in pipe lining revenue). This increase was partially offset by a decline in Equipment and Parts sales, Franchisee and Licensee fees and Coatings sales (decreased demand of AquataPoxy products).

The Company's gross margin increased to \$4,187,441, or 47.2% of net sales, in the 2008 period from \$3,954,345, or 46.4% of net sales, in the 2007 period. The dollar and margin increase was primarily due to increased rehabilitation sales as well as improved margins on repipe projects.

Operating expenses for the nine months ended August 31, 2008 were \$5,195,352 compared to \$4,697,397 for the same period of the prior year, an increase of \$497,955 or 10.6%. This increase was primarily attributable to additional stock based compensation expense (\$156,466) resulting from the accelerated vesting of stock options prior to the GlasCraft disposition and spin-off and increased administrative costs (primarily severance costs at Corporate and Franchising and Licensing and increased personnel, accounting and various other costs). This increase was partially offset by a payment from the former owners of CuraFlo in the amount of \$75,874, to reimburse the Company for indemnified expenses that were incurred in prior, post-acquisition periods. On February 27, 2008 the Company was spun-off from Cohesant Technologies, and became a stand-alone company. As a result, certain administrative costs consisting of personnel and other administrative costs (i.e., accounting, legal and other professional fees) that were previously shared with Cohesant Technologies' other subsidiary, GlasCraft, commencing with the second quarter of fiscal 2008, are borne completely by the Company. The Company has launched a cost-reduction initiative to reduce these costs.

Other income (expense) was \$22,387 compared to \$(19,850) in the 2007 period. This increase was primarily attributable to decreased interest expense and increased interest earned on cash balances, finance charges and notes receivable.

COHESANT INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The effective tax rate for the nine months ended August 31, 2008 and 2007 was (21.1)% and (26.6)%, respectively. The effective tax rate is less than the statutory rate due to recording of a valuation allowance for certain state income tax benefits which are not expected to be realized.

On a consolidated basis, the Company had a loss of (\$777,947) and (\$559,677) for the nine months ended August 31, 2008 and 2007, respectively.

Liquidity and Capital Resources

The Company's primary sources of liquidity are its cash reserves (including the cash raised from a private placement) and the ability to borrow from its line of credit. The Company raised \$2.1 million in the second quarter of fiscal 2008 by issuing and selling 724,138 preferred shares at a price of \$2.90 per share in a private placement offering. The Company had net working capital of \$4,469,730, including \$2,348,695 in cash, at August 31, 2008. Additionally, \$2,500,000 was available under its fully secured line of credit. In fiscal 2007 the Company's primary sources of liquidity were operations, cash reserves, and Cohesant Technologies' credit facility. Income from Cohesant Technologies'

GlasCraft subsidiary substantially funded the Company's negative cash flow for the nine months ended August 31, 2007.

For the first nine months of fiscal 2008, cash used in operations was \$249,427 compared to \$1,353,499 in the comparable period last year. The difference was primarily attributable to improved management of working capital. Cash used in investing activities (property and equipment additions) decreased to \$242,881 in the current period from \$454,559 in the period ended August 31, 2007. In the 2007 period, the Company purchased equipment, furnishing and leasehold improvements for its new Cleveland facility. Cash provided by financing activities was \$2,639,564 in the current period compared to \$1,405,027 in the prior year period. This increase was primarily due to the preferred stock private placement discussed earlier.

The Company's fully secured \$2,500,000 revolving line of credit facility expires on April 30, 2009 and all indebtedness is due on that date, unless the facility's term is extended. This facility accrues interest at the bank's prime lending rate plus twenty-five basis points (0.25%). Among other restrictions, the credit facility requires that the Company meet certain covenants including financial ratios. As of August 31, 2008, the Company was in compliance with all covenants and did not have a balance outstanding under this facility.

The Company does not have any significant commitments or guarantees, except for rental commitments.

The Company believes that its existing cash resources, working capital, and credit facility will be adequate to meet its capital needs for the foreseeable future.

COHESANT INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

Forward Looking Statements

Certain statements contained in this report that are not historical facts are forward-looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statement. These risks and uncertainties include, but are not limited to, a reduction in growth of markets for the Company's epoxy coating systems, the pace of acceptance by customers of pipe lining in lieu of pipe replacement or repairs in the infrastructure rehabilitation market, customer resistance to Company price increases and the Company's ability to expand its operations.

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