

EXHIBIT B
FINANCIAL STATEMENTS

NEW

BATTERIES PLUS, LLC
CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2004
and 2003

BATTERIES PLUS, LLC

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INDEPENDENT AUDITORS' REPORT

The Members
Batteries Plus, LLC
Hartland, Wisconsin

We have audited the accompanying consolidated balance sheets of Batteries Plus, LLC as of December 31, 2004 and 2003, and the related consolidated statements of income, members' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Batteries Plus, LLC as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Schenck SC
Certified Public Accountants

Milwaukee, Wisconsin
February 14, 2005

BATTERIES PLUS, LLC
CONSOLIDATED BALANCE SHEETS
December 31, 2004 and 2003

ASSETS	<u>2004</u>	<u>2003</u>
<u>Current assets</u>		
Cash	\$ 385,595	\$ 149,124
Accounts receivable	6,082,435	4,302,987
Merchandise Inventories	8,949,317	6,222,065
Prepaid expenses and other	<u>923,784</u>	<u>199,902</u>
Total current assets	16,341,131	10,874,078
 <u>Property and equipment</u>		
Store and warehouse equipment	1,325,600	1,251,819
Vehicles	33,551	55,529
Office equipment	3,334,251	2,794,544
Leasehold improvements	704,872	574,751
Furniture and fixtures	<u>84,493</u>	<u>-</u>
	5,482,767	4,676,643
Less accumulated depreciation	<u>2,883,541</u>	<u>2,214,330</u>
	2,599,226	2,462,313
 <u>Other assets</u>		
Contract rights	4,574,969	4,574,969
Noncompete agreement	65,000	65,000
Trademark costs	<u>184,262</u>	<u>184,262</u>
	4,824,231	4,824,231
Less accumulated amortization	<u>2,236,537</u>	<u>1,875,681</u>
	<u>2,587,694</u>	<u>2,948,550</u>
	<u>\$ 21,528,051</u>	<u>\$ 16,284,941</u>

See Notes to Consolidated Financial Statements.

BATTERIES PLUS, LLC
CONSOLIDATED BALANCE SHEETS
December 31, 2004 and 2003

LIABILITIES AND MEMBERS' EQUITY	<u>2004</u>	<u>2003</u>
<u>Current liabilities</u>		
Accounts payable	\$ 5,700,048	\$ 4,420,214
Accrued expenses	1,507,499	1,618,636
Deferred revenue	1,595,363	1,142,543
Current maturities of long-term debt	<u>121,000</u>	<u>80,369</u>
Total current liabilities	8,923,910	7,261,762
Long-term debt, less current maturities	4,557,438	2,759,653
Commitments	<u>-</u>	<u>-</u>
Total liabilities	13,481,348	10,021,415
 <u>Members' equity</u>	 <u>8,046,703</u>	 <u>6,263,526</u>
	<u>\$ 21,528,051</u>	<u>\$ 16,284,941</u>

See Notes to Consolidated Financial Statements.

BATTERIES PLUS, LLC

CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2004 and 2003

	2004	2003
Merchandise sales	\$ 40,293,433	\$ 21,505,171
Cost of merchandise sold	<u>28,442,260</u>	<u>13,809,121</u>
Gross profit	11,851,173	7,696,050
<u>Other operating income</u>		
Franchise fees	451,000	711,000
Royalty fees	4,143,345	3,672,126
Other fees	828,761	845,342
Vendor allowances	<u>1,737,462</u>	<u>3,206,192</u>
	7,160,568	8,434,660
<u>Operating expenses</u>		
Selling and delivery	2,382,272	1,114,954
Occupancy	1,141,175	976,005
General and administrative	9,961,571	9,361,802
Advertising	571,943	413,950
Depreciation	716,592	581,340
Amortization	<u>360,856</u>	<u>361,930</u>
	<u>15,134,409</u>	<u>12,809,980</u>
Operating income	3,877,332	3,320,729
<u>Other income (expense)</u>		
Interest expense	(166,163)	(77,956)
Gain (loss) on sale of property and equipment, and stores	348	(59,026)
Other - net	<u>(82,378)</u>	<u>66,787</u>
	<u>(248,193)</u>	<u>(70,195)</u>
Net income	<u>\$ 3,629,139</u>	<u>\$ 3,250,534</u>

See Notes to Consolidated Financial Statements.

BATTERIES PLUS, LLC

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Member's equity at beginning of year	\$ 6,263,526	\$ 4,218,641
Net income	3,629,139	3,250,534
Distributions to members	<u>(1,845,962)</u>	<u>(1,205,649)</u>
Member's equity at end of year	<u>\$ 8,046,703</u>	<u>\$ 6,263,526</u>

See Notes to Consolidated Financial Statements.

BATTERIES PLUS, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2004 and 2003

	2004	2003
<u>Operating activities</u>		
Net income	\$ 3,629,139	\$ 3,250,534
Adjustments to reconcile net income to net cash provided by operating activities:		
Allowance for doubtful accounts	15,000	-
Depreciation	716,592	581,340
Amortization	360,856	361,930
(Gain) loss on sale of property and equipment, and stores	(348)	59,026
Changes in operating assets and liabilities:		
Accounts receivable	(1,794,448)	(2,751,811)
Merchandise inventories	(2,727,252)	(4,983,111)
Prepaid expenses and other	(723,882)	(8,725)
Accounts payable	1,279,834	3,374,880
Accrued expenses	(111,137)	594,674
Deferred revenue	452,820	36,258
Net cash provided by operating activities	<u>1,097,174</u>	<u>514,995</u>
<u>Investing activities</u>		
Purchase of property and equipment	(859,926)	(950,153)
Proceeds from sale of property and equipment	<u>6,769</u>	<u>26,302</u>
Net cash used in investing activities	<u>(853,157)</u>	<u>(923,851)</u>
<u>Financing activities</u>		
Net borrowings on bank line of credit	1,911,000	2,614,000
Principal payments on long-term borrowings	(72,584)	(620,478)
Distributions to members	<u>(1,845,962)</u>	<u>(1,775,649)</u>
Net cash provided by (used in) financing activities	<u>(7,546)</u>	<u>217,873</u>
<u>Cash</u>		
Increase (decrease) in cash	236,471	(190,983)
Beginning	<u>149,124</u>	<u>340,107</u>
Ending	<u>\$ 385,595</u>	<u>\$ 149,124</u>
<u>Supplemental disclosure of cash flow information</u>		
Cash payments for interest	<u>\$ 167,638</u>	<u>\$ 76,348</u>
<u>Supplemental schedule of noncash financing activities</u>		
Purchase of equipment under a capital lease obligation	<u>\$ -</u>	<u>\$ 258,000</u>

See Notes to Consolidated Financial Statements

BATTERIES PLUS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2004 and 2003

Note 1 - Nature of business and significant accounting policies

A. Nature of business

Batteries Plus, LLC (the Company) operates and franchises a national chain of stores whose operations are in the commercial and retail distribution of batteries and related products. At December 31, 2004, the Company had a total of 238 stores consisting of 14 Company-operated stores and 224 franchised stores.

The Company provides franchisees with a system of business training, site location, marketing, advertising programs and management support designed to assist the franchisee in opening and operating a Batteries Plus store.

The Company also owns 100% of the outstanding member units in Ascent, LLC (Ascent). Ascent acts as a buying group, which purchases, warehouses and distributes inventory for the Company's owned and franchised stores. Ascent seeks to benefit from specific vendor relations and volume purchasing.

The Company and Ascent were organized as limited liability companies under the laws of the state of Wisconsin.

B. Use of estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

C. Financial statements

The consolidated financial statements include the accounts of the Company and Ascent. All significant intercompany accounts and transactions have been eliminated in consolidation.

D. Trade accounts receivable

Trade accounts receivable are stated at the amount the Company expects to collect from outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

E. Merchandise inventories

Inventories primarily consist of merchandise held for resale by Ascent and Company-operated stores and are stated at the lower of cost (first-in, first-out method), or market.

BATTERIES PLUS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 1 - Nature of business and significant accounting policies, continued

F. Property and equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

G. Intangible assets

Intangible assets are stated at cost less accumulated amortization. Intangible assets are comprised of the following:

Contract rights:

Contract rights, which include manufacturers' agreements, service contracts and related agreements, are being amortized on a straight-line basis over 15 years. Accumulated amortization at December 31, 2004 and 2003 was \$2,058,277 and \$1,709,059, respectively, for these rights.

Noncompete agreement:

During 1999, the Company entered into a noncompete agreement with a third party. The noncompete agreement is being amortized on a straight-line basis over the agreement term of 15 years.

Trademark costs:

The costs of the common law use rights for the Company's trademark are being amortized on a straightline basis over 15 years.

H. Revenue recognition

Merchandise sales:

Revenues are recognized for Company-operated stores as products are sold and delivered to the customer. Revenues are recognized by Ascent as products are sold and delivered to Batteries Plus stores.

Franchise fees:

The Company enters into individual and multiple-unit franchise agreements. Individual franchise agreements grant the individual the exclusive right to open and operate a franchise store in the franchisee's individual territory. Multiple-unit franchise agreements grant the franchisee the right to establish and own a specified number of Batteries Plus stores within a defined geographic area pursuant to a development schedule. The fees for the individual franchise agreement and a portion of the fees for the multiple-unit franchise agreement are payable upon execution of the agreement and are nonrefundable. The remaining fees for multiple-unit franchise agreements are payable upon acquisition of the respective store real estate.

BATTERIES PLUS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 1 - Nature of business and significant accounting policies, continued

The Company recognizes all franchise fee revenue upon opening of the related store. Franchise fees received prior to the related store opening are deferred and totaled \$1,179,375 and \$819,625 at December 31, 2004 and 2003, respectively. Deferred revenue related to unexercised multiple unit agreements is recognized upon expiration of the related agreement.

Royalty fees:

Royalty fees are based upon a percentage of each franchisee's sales and are recognized as revenue based upon reported sales activity by each franchisee.

Vendor allowances:

Vendor allowances are based on a percentage of orders placed for purchases with specific vendors by Ascent, Company-owned, and franchised stores. Vendor allowances for purchases by Ascent and Company-owned stores are recognized upon the vendor's shipment of the goods and are recorded as a reduction of cost of sales. Vendor allowances earned by the Company on purchases which were directly shipped to Batteries Plus stores are included in other operating income on the income statement.

Other fees:

Other fees consist primarily of monthly point of sale service fees charged to corporate and franchised stores. Point of sale service fees totaled \$519,856 and \$505,218 for the years ended December 31, 2004 and 2003, respectively.

I. Shipping costs

Costs of shipping are included in selling and delivery expenses and totaled approximately \$2,213,000 and \$914,000 for the years ended December 31, 2004 and 2003, respectively.

J. Advertising

The Company expenses the costs of advertising as incurred.

K. Equity Based Compensation

The Company accounts for employee equity options in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." Under APB Opinion No. 25, the Company recognizes no compensation expense related to employee equity options, as no options are granted below the market price of a membership unit on the grant date. SFAS No. 123, "Accounting for Stock-Based Compensation," requires the recognition of compensation expense based on the fair value of options on the grant date, but allows companies to continue to applying APB Opinion No. 25 if certain pro forma disclosures are made assuming hypothetical fair value method application.

BATTERIES PLUS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2004 and 2003

Note 1 - Nature of business and significant accounting policies, continued

K. Equity Based Compensation, continued

Had compensation expense for the Company's equity options been based on the fair value at the grant date under the methodology prescribed by SFAS No. 123, the Company's income from continuing operations for the years ended December 31, 2004 and 2003 would have been impacted as follows:

	2004	2003
Net income, as reported	\$ 3,629,139	\$ 3,250,534
Less: Total equity-based compensation expense determined under fair value method for all awards	(73,232)	(72,729)
Pro forma net income	<u>\$ 3,555,907</u>	<u>\$ 3,177,805</u>

The fair value of options granted, which is amortized to expense over the option vesting period in determining the pro forma impact, is estimated at the date of grant using the minimum value method with the following weighted average assumptions:

	2004	2003
Expected life of option	-	5 years
Risk-free interest rate	-	4.0%
Expected volatility of equity	-	-
Expected dividend yield	-	-

The weighted average fair value of options granted during 2004 and 2003 is as follows:

	2004	2003
Fair value of each option granted	\$ -	\$ 4.18
Total number of options granted	-	4,250
Total fair value of all options granted	\$ -	\$ 409,000

L. Concentration of credit risk

The Company maintains bank account balances which, at times, may exceed federally insured limits. The Company has not experienced any losses with these accounts. Management believes the Company is not exposed to any significant credit risk on cash.

M. Income taxes

No provision for federal income taxes is recorded in these consolidated financial statements because the Company is treated as a partnership for income tax purposes. Accordingly, the Company's taxable income is reported on the income tax returns of the members. In addition, the Company is subject to various income taxes and surcharges in states with franchised stores.

BATTERIES PLUS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 1 - Nature of business and significant accounting policies, continued

N. New accounting pronouncements

In January 2003 the Emerging Issues Task Force ("EITF") issued EITF Consensus No. 02-16, "Accounting By a Customer (Including a Reseller) for Certain Consideration Received From a Vendor", applicable to fiscal years beginning after December 15, 2002. EITF No. 02-16 provides accounting guidance on how a customer, including a reseller, should characterize, measure and recognize consideration received from a vendor. EITF No. 02-16, as it applies to the Company, addresses the recognition of certain vendor allowances and requires these allowances be treated as a reduction of inventory cost unless specifically identified as reimbursement for services or other costs incurred. The Company records vendor allowances and discounts in the income statement when the purpose for which those monies were designated is fulfilled. As such, the release did not have any effect on its results of operations or financial position.

In December 2004 the FASB issued SFAS No. 123R "Share Based Payments." This statement is a revision of FASB No. 123 "Accounting for Stock Based Compensation" and supersedes APB Opinion No. 25 "Accounting for Stock Issued to Employees." The provisions of SFAS No. 123R are effective for nonpublic entities' financial statements for fiscal years beginning after December 15, 2005. This statement requires that the cost resulting from share based payment transactions be recognized in the financial statements, including the Company's employee equity options program. Until then, the Company will continue to follow the provisions of APB No. 25 and SFAS No. 123 as outlined earlier in Note 1K.

O. Cash equivalents

For purposes of the consolidated financial statements of cash flows the Company considers all petty cash, checking, savings, and money market accounts to be cash.

P. Reclassifications

Certain balances as of and for the year ended December 31, 2002 have been reclassified to be consistent with the presentation as of and for the year ended December 31, 2003 with no impact on previously reported net income or members' equity.

Note 2 - Store acquisitions and dispositions

There were no businesses entered or exited during 2004. In 2003, the Company exited business in one location in the state of Wisconsin. Total loss recognized on this disposition was \$3,714 in 2003.

Note 3 - National Marketing Fund

The Company oversees and administers a National Marketing Fund (the Fund), which serves as a marketing association for all Batteries Plus stores. The Fund develops, initiates and executes marketing programs including, but not limited to, the development of marketing tools for the mutual benefit of its contributors. The Fund is not a separate legal entity and is included in accounts payable in the Company's balance sheet. The Fund is provided management services by the Company.

BATTERIES PLUS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 3 - National Marketing Fund, continued

Contributions to the Fund are based upon 1% of adjusted gross sales of each Batteries Plus store. A summary of the contributions to the Fund, which are restricted for marketing, and the expenditures from the Fund is as follows:

	<u>2004</u>	<u>2003</u>
Balance of Fund, beginning of year	\$ (531,209)	\$ (117,863)
Contributions received	(1,318,816)	(1,211,694)
Advertising expenditures	<u>1,648,349</u>	<u>798,348</u>
Balance of Fund, end of year	<u>\$ (201,676)</u>	<u>\$ (531,209)</u>

Contributions to the Fund are not recorded as income of the Company and advertising expenditures of the Fund are not recorded as an expense of the Company.

Note 4 - Acquisition of contract rights

In 1999, the Company purchased the contract rights of Tarron Associates, Inc. for \$5.1 million, excluding expenses, and formed Tarron LLC. The purchase price included cash of \$1.6 million and a 9% note payable to Tarron Associates, Inc. for \$3.5 million. In 2002, management negotiated a reduction of the purchase price in the amount of \$588,500. The purchase price adjustment was accounted for as a reduction to both the note payable and the contract rights.

Tarron LLC acted as a purchasing agent for the Company through 2002 and sought to benefit from specific vendor relations. In 2003, the Company formed Ascent, a wholly owned subsidiary of the Company, to purchase, warehouse and distribute inventory for the Company's owned and franchised stores.

The operating results of Ascent are included with those of the Company for the years ended December 31, 2004 and 2003.

Note 5 - Accounts receivable

Accounts receivable consist of the following as of December 31:

	<u>2004</u>	<u>2003</u>
Trade receivables	\$ 4,574,348	\$ 2,873,584
Franchise royalty and marketing fees	901,610	769,931
Contract commissions receivable	<u>621,477</u>	<u>659,472</u>
	6,097,435	4,302,987
Less allowance for doubtful accounts	<u>(15,000)</u>	<u>-</u>
	<u>\$ 6,082,435</u>	<u>\$ 4,302,987</u>

Trade receivables consist primarily of amounts due from franchised stores for merchandise purchased from Ascent and from commercial customers of Company-operated stores.

BATTERIES PLUS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2004 and 2003

Note 6 - Long-term debt

The Company's long-term debt obligations as of December 31, 2004 and 2003 are as follows:

	2004	2003
Note payable to bank under line of credit agreement (see Note 7).	\$ 4,525,000	\$ 2,614,000
Note payable to The Olson Company, Inc. at 7.00%, payable in annually increasing monthly installments due March 2006 (see Note 8).	153,438	226,022
	4,678,438	2,840,022
	(121,000)	(80,369)
Less: current maturities long-term debt	<u>\$ 4,557,438</u>	<u>\$ 2,759,653</u>

Long-term debt payable over the next two years is as follows:

2005	\$ 121,000
2006	4,557,438

Note 7 - Line of credit agreement

The Company has an available \$6,500,000 line of credit which expires June 30, 2005. Interest is payable monthly. At December 31, 2004, \$2,025,000 of the borrowings were payable at the bank's prime rate, less .625% (4.625% at December 31, 2004) and \$2,500,000 of borrowings were payable at the current LIBOR rate (3.79% at December 31, 2004). Borrowings under this agreement are collateralized by a general business security agreement and are limited based on the balances of certain qualifying accounts as defined in the agreement. As of December 31, 2004, the Company's additional borrowing availability under the line of credit was approximately \$1,975,000. The Company is subject to commitment fees of 1/4% based on the unused portion of the line of credit. The line of credit agreement contains certain financial covenants that must be met on a regular basis and certain restrictive covenants, which include limitations on additional indebtedness and limitations on distributions to the members. Management of the Company believes they were in compliance with these covenants as of December 31, 2004. Management of the Company and the bank intend to renew this agreement for an additional year and has classified the line of credit as long term on the balance sheet.

Note 8 - Leases and other commitments

Operating leases:

The Company leases all corporate stores and the corporate office from unrelated third parties under non-cancelable operating leases expiring at various dates through the year 2014. Prior to renegotiating all of their leases in 2003, the Company leased various stores from related parties under operating leases on a month-to-month basis. The Company is generally required to pay real estate taxes and other costs for the leased facilities.

BATTERIES PLUS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2004 and 2003

Note 8 - Leases and other commitments, continued

Rent expense for nonrelated party leases for the years ended December 31, 2004 and 2003 was \$760,888 and \$574,069, respectively. Rent expense for related party leases for the years ended December 31, 2004 and 2003 was \$0 and \$173,664, respectively.

Future minimum lease payments under operating leases that have remaining non-cancelable terms in excess of one year subsequent to December 31, 2004 are as follows:

2005	\$	752,000
2006		740,000
2007		740,000
2008		740,000
2009		740,000
Thereafter		<u>1,440,000</u>
	\$	<u>5,152,000</u>

Capital leases:

The Company leases certain inventory management equipment from The Olson Company, Inc. (Olson) under agreements classified as capital leases. Olson provides the Company with logistics management and warehousing of Ascent's purchased inventory. This equipment and the associated lease obligations have been capitalized using the implicit borrowing rate at the inception of the lease. The leases are non-cancelable and expire at various dates through 2006. The following is a summary of leased equipment costs as of December 31, 2004 and 2003 included in property and equipment.

	2004	2003
Equipment	\$ 258,000	\$ 258,000
Accumulated depreciation	<u>(85,800)</u>	<u>(34,000)</u>
	<u>\$ (172,200)</u>	<u>\$ 224,000</u>

As of December 31, 2004, the Company was obligated to make the following future minimum payments:

2005	\$	127,068
2006		<u>33,012</u>
Total future minimum lease payments		160,080
Amount representing interest and taxes		<u>(6,642)</u>
Present value of future minimum lease payments		153,438
Less: current obligations under capital lease		<u>(121,000)</u>
Total long-term obligations under capital lease	\$	<u>32,438</u>

BATTERIES PLUS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004 and 2003

Note 9 - Profit-sharing plan

The Company has a qualified 401(k) contributory profit-sharing plan covering all eligible employees. Effective January 1, 2004, the Company's contribution to the Plan is equal to 50% on the first 5% of the participants' contribution (4% prior to January 1, 2004) and a discretionary amount determined each year by the Company. The Company's contributions for 2004 and 2003 were \$90,759 and \$42,327, respectively.

Note 10 - Equity option plan

Effective January 1, 2000, the Company adopted the 2000 Equity Option Plan (the Plan). The Plan provides for the granting of equity options to employees as approved by the Operating Committee. The maximum aggregate number of units which may be issued under the Plan shall not exceed 100,000 units, of which 26,000 units are available for grant at December 31, 2004.

Options vest over five years based on the option agreement. The exercise price of each option grant is determined by the Operating Committee and is intended to approximate the fair market value of the membership unit on the date the equity option is granted. The Plan will terminate January 1, 2009. There were no options granted to employees in 2004 and 4,250 options were granted in 2003. The weighted-average fair value of options granted during 2003 was \$4.18.

The Company may call all or a portion of the membership units acquired through exercise of these options at fair value at specified terms up to two years after termination of employment of the participant. If the call is not exercised by the Company, the other members of the Company shall receive the call right. In addition, upon termination of employment or the tenth anniversary of the option grant date, whichever is earlier, the participant can put the shares back to the Company at fair value with certain restrictions.

The following table summarizes the equity option activities under the Company's Plan:

	Options	Weighted-Average Exercise Price
Outstanding – December 31, 2002	70,000	\$ 23.65
Options granted, 2003	4,250	23.50
Options forfeited, 2003	(250)	23.50
Outstanding – December 31, 2003	74,000	23.64
Options granted, 2004	-	-
Options forfeited, 2004	-	-
Outstanding - December 31, 2004	74,000	23.50
Exercisable as of December 31, 2003	56,000	23.74
Exercisable as of December 31, 2004	69,200	\$ 23.50

Options outstanding at December 31, 2004 have exercise prices of \$22.00 to \$27.78 and a weighted-average remaining contractual life of approximately 5.5 years.

BATTERIES PLUS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003

Note 11 - Contingencies

From time to time, the Company is involved in various claims and lawsuits, both for and against the Companies, arising in the normal course of business. Management believes that any financial responsibility that may be incurred in settlement of such claims and lawsuits would not be material to the Company's financial position.

Note 12 - Purchase commitments

The Company is committed to purchases of batteries and other retail inventory over the next 32 months as part of a three year distribution and sales agreement entered into in September 2004. At December 31, 2004, these committed purchases totaled approximately \$7,771,000.

BATTERIES PLUS, LLC
CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2003
and 2002

BATTERIES PLUS, LLC

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INDEPENDENT AUDITORS' REPORT

The Members
Batteries Plus, LLC
Hartland, Wisconsin

We have audited the accompanying consolidated balance sheets of Batteries Plus, LLC as of December 31, 2003 and 2002, and the related consolidated statements of income, members' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Batteries Plus, LLC as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants

Milwaukee, Wisconsin
February 20, 2004

BATTERIES PLUS, LLC
CONSOLIDATED BALANCE SHEETS
December 31, 2003 and 2002

ASSETS	<u>2003</u>	<u>2002</u>
<u>Current assets</u>		
Cash	\$ 149,124	\$ 340,107
Accounts receivable	4,302,987	1,551,177
Merchandise inventories	6,222,065	1,238,954
Prepaid expenses and other	<u>199,902</u>	<u>191,177</u>
Total current assets	10,874,078	3,321,415
 <u>Property and equipment</u>		
Store and warehouse equipment	1,251,819	1,340,293
Vehicles	55,529	61,573
Office equipment	2,794,544	1,861,205
Leasehold improvements	<u>574,751</u>	<u>491,037</u>
	4,676,643	3,754,108
Less accumulated depreciation	<u>2,214,330</u>	<u>1,825,781</u>
	2,462,313	1,928,327
 <u>Other assets, net of accumulated amortization</u>		
Contract rights	2,865,910	3,216,327
Noncompete agreement	46,222	50,556
Trademark costs	<u>36,418</u>	<u>36,097</u>
	<u>2,948,550</u>	<u>3,302,980</u>
	<u>\$ 16,284,941</u>	<u>\$ 8,552,722</u>

See Notes to Consolidated Financial Statements.

BATTERIES PLUS, LLC
CONSOLIDATED BALANCE SHEETS
December 31, 2003 and 2002

LIABILITIES AND MEMBERS' EQUITY	<u>2003</u>	<u>2002</u>
<u>Current liabilities</u>		
Accounts payable	\$ 4,420,214	\$ 1,045,334
Accrued expenses	1,618,636	1,023,962
Deferred revenue	1,142,543	1,106,285
Distributions payable to members	-	570,000
Current maturities of long-term debt	<u>80,369</u>	<u>588,500</u>
Total current liabilities	7,261,762	4,334,081
Long-term debt, less current maturities	2,759,653	-
Commitments	<u>-</u>	<u>-</u>
Total liabilities	10,021,415	4,334,081
 <u>Members' equity</u>	 <u>6,263,526</u>	 <u>4,218,641</u>
	<u>\$16,284,941</u>	<u>\$ 8,552,722</u>

See Notes to Consolidated Financial Statements.

BATTERIES PLUS, LLC

CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Merchandise sales	\$ 21,505,171	\$ 12,570,347
Cost of merchandise sold	<u>13,809,121</u>	<u>6,645,200</u>
Gross profit	7,696,050	5,925,147
<u>Other operating income</u>		
Franchise fees	711,000	724,000
Royalty fees	3,672,126	3,169,882
Other fees	698,171	391,296
Vendor allowances	<u>3,206,192</u>	<u>3,329,911</u>
	8,287,489	7,615,089
<u>Operating expenses</u>		
Selling and delivery	1,114,954	334,662
Occupancy	976,005	1,157,202
General and administrative	9,374,509	8,379,833
Advertising	413,950	507,506
Depreciation	581,340	484,890
Amortization	<u>361,930</u>	<u>354,190</u>
	<u>12,822,688</u>	<u>11,218,283</u>
Operating income	3,160,851	2,321,953
<u>Other income (expense)</u>		
Interest expense	(77,956)	(188,233)
Gain(loss) on sale of property and equipment, and stores	(59,026)	132,134
Other	<u>226,665</u>	<u>271,199</u>
	<u>89,683</u>	<u>215,100</u>
Net income	<u>\$ 3,250,534</u>	<u>\$ 2,537,053</u>

See Notes to Consolidated Financial Statements.

BATTERIES PLUS, LLC

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Member's equity at beginning of year	\$ 4,218,641	\$ 3,031,588
Net income	3,250,534	2,537,053
Distributions to members	<u>(1,205,649)</u>	<u>(1,350,000)</u>
Member's equity at end of year	<u>\$ 6,263,526</u>	<u>\$ 4,218,641</u>

See Notes to Consolidated Financial Statements.

BATTERIES PLUS, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<u>Operating activities</u>		
Net income	\$ 3,250,534	\$ 2,537,053
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	581,340	484,890
Amortization	361,930	354,190
(Gain)loss on sale of property and equipment, and stores	59,026	(132,134)
Changes in operating assets and liabilities:		
Accounts receivable	(2,751,810)	194,735
Merchandise inventories	(4,983,111)	734,042
Prepaid expenses and other	(8,725)	37,334
Accounts payable	3,374,880	11,392
Accrued expenses	594,674	(426,218)
Deferred revenue	<u>36,258</u>	<u>212,129</u>
Net cash provided by operating activities	<u>514,995</u>	<u>4,007,413</u>
 <u>Investing activities</u>		
Purchase of equipment and leasehold improvements	(942,653)	(970,153)
Proceeds from sale of property and equipment, and franchise stores	26,302	7,916
Proceeds from sale of corporate store	-	1,075,754
Payment for brand name costs	(7,500)	-
Payment for trademark costs	<u>-</u>	<u>(36,557)</u>
Net cash provided by (used in) investing activities	<u>(923,851)</u>	<u>76,960</u>

See Notes to Consolidated Financial Statements.

BATTERIES PLUS, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<u>Financing activities</u>		
Net borrowings (repayments) on bank line of credit and notes payable	2,614,000	(3,256,403)
Principal payments on long-term borrowings	(620,478)	(1,024)
Distributions to members	<u>(1,775,649)</u>	<u>(780,000)</u>
Net cash provided by (used in) financing activities	<u>217,873</u>	<u>(4,037,427)</u>
Increase (decrease) in cash	(190,983)	46,946
<u>Cash</u>		
Beginning	<u>340,107</u>	<u>293,161</u>
Ending	<u>\$ 149,124</u>	<u>\$ 340,107</u>
<u>Supplemental disclosure of cash flow information</u>		
Cash payments for interest	<u>\$ 76,348</u>	<u>\$ 189,168</u>
<u>Supplemental schedule of noncash financing activities</u>		
Adjustment to contract rights via reduction in long-term debt	<u>\$ -</u>	<u>\$ 588,500</u>
Distributions to members via distributions payable	<u>\$ -</u>	<u>\$ 570,000</u>
Purchase of equipment under a capital lease obligation	<u>\$ 258,000</u>	<u>\$ -</u>

See Notes to Consolidated Financial Statements.

BATTERIES PLUS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2003 and 2002

Note 1 - Nature of business and significant accounting policies

A. Nature of business

Batteries Plus, LLC (the Company) operates and franchises a national chain of stores whose operations are in the commercial and retail distribution of batteries and related products. At December 31, 2003, the Company had a total of 225 stores consisting of 14 Company-operated stores and 211 franchised stores.

The Company provides franchisees with a system of business training, site location, marketing, advertising programs and management support designed to assist the franchisee in opening and operating a Batteries Plus store.

The Company also owns 100% of the outstanding member units in Ascent, LLC (Ascent). Ascent is a wholly-owned subsidiary of the Company and acts as a buying group, which purchases, warehouses and distributes inventory for the Company's owned and franchised stores. Ascent seeks to benefit from specific vendor relations and volume purchasing.

The Company and Ascent were organized as limited liability companies under the laws of the State of Wisconsin.

B. Use of estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

C. Financial statements

The consolidated financial statements include the accounts of the Company, Tarron LLC, and Ascent. All significant intercompany accounts and transactions have been eliminated in consolidation.

D. Trade accounts receivable

Trade accounts receivable are stated at the amount the Company expects to collect from outstanding balances. Based upon the Company's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year end will be immaterial.

E. Merchandise inventories

Inventories primarily consist of merchandise held for resale by Ascent and Company-operated stores and are stated at the lower of cost (first-in, first-out method), or market.

BATTERIES PLUS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003 and 2002

Note 1 - Nature of business and significant accounting policies, continued

F. Property and equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

G. Contract rights

Contract rights, which include manufacturers' agreements, service contracts and related agreements, are being amortized on a straight-line basis over 15 years. Accumulated amortization at December 31, 2003 and 2002 was \$1,709,059 and \$1,358,642, respectively, for these rights.

H. Noncompete agreement

During 1999, the Company entered into a noncompete agreement with a third party. The noncompete agreement is being amortized on a straight-line basis over the agreement term of 15 years.

I. Trademark costs

The costs of the common law use rights for the Company's trademark are being amortized on a straight-line basis over 15 years.

J. Revenue recognition

Merchandise sales:

Revenues are recognized for Company-operated stores as products are sold and delivered to the customer. Revenues are recognized by Ascent as products are sold and delivered to Batteries Plus stores.

Franchise fees:

The Company enters into individual and multiple-unit franchise agreements. Individual franchise agreements grant the individual the exclusive right to open and operate a franchise store in the franchisee's individual territory. Multiple-unit franchise agreements grant the franchisee the right to establish and own a specified number of Batteries Plus stores within a defined geographic area pursuant to a development schedule. The fees for the individual franchise agreement and a portion of the fees for the multiple-unit franchise agreement are payable upon execution of the agreement and are nonrefundable. The remaining fees for multiple-unit franchise agreements are payable upon acquisition of the respective store real estate.

The Company recognizes all franchise fee revenue upon opening of the related store. Franchise fees received prior to the related store opening are deferred and totaled \$819,625 and \$768,000 at December 31, 2003 and 2002, respectively. Deferred revenue related to unexercised multiple unit agreements is recognized upon expiration of the related agreement.

BATTERIES PLUS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003 and 2002

Note 1 - Nature of business and significant accounting policies, continued

Royalty fees:

Royalty fees are based upon a percentage of each franchisee's sales and are recognized as revenue based upon reported sales activity by each franchisee.

Vendor allowances:

Vendor allowances are based on a percentage of orders placed for purchases with specific vendors by Ascent, Company-owned, and franchised stores. In 2003, vendor allowances for purchases by Ascent and Company-owned stores were recognized upon the vendor's shipment of the goods and are primarily recorded as a reduction of cost of sales. In 2003, vendor allowances earned by the Company on purchases which were directly shipped to Batteries Plus stores are included in other operating income on the income statement. In 2002, vendor allowances were included in other operating income on the income statement.

Other fees:

Other fees consist primarily of monthly point of sale service fees charged to corporate and franchisee stores. These fees totaled \$505,218 and \$327,417 for the years ended December 31, 2003 and 2002, respectively.

K. Shipping costs

Costs of shipping are included in selling and delivery expenses and totaled approximately \$914,000 and \$74,000 for the years ended December 31, 2003 and 2002, respectively.

L. Advertising

The Company expenses the costs of advertising as incurred.

M. Store preopening costs

Store preopening costs are expensed in the period in which they are incurred.

N. Equity Based Compensation

The Company accounts for employee equity options in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." Under APB Opinion No. 25, the Company recognizes no compensation expense related to employee equity options, as no options are granted below the market price of a membership unit on the grant date. SFAS No. 123, "Accounting for Stock-Based Compensation," requires the recognition of compensation expense based on the fair value of options on the grant date, but allows companies to continue to applying APB Opinion No. 25 if certain pro forma disclosures are made assuming hypothetical fair value method application.

BATTERIES PLUS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003 and 2002

Note 1 - Nature of business and significant accounting policies, continued

N. Equity Based Compensation, continued

Had compensation expense for the Company's equity options been based on the fair value at the grant date under the methodology prescribed by SFAS No. 123, the Company's income from continuing operations for the years ended December 31, 2003 and 2002 would have been impacted as follows:

	2003	2002
Net income, as reported	\$ 3,250,534	\$ 2,537,053
Less: Total equity-based compensation expense determined under fair value method for all awards	(72,729)	(93,153)
Pro forma net income	<u>\$ 3,177,805</u>	<u>\$ 2,443,900</u>

The fair value of options granted, which is amortized to expense over the option vesting period in determining the pro forma impact, is estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2003	2002
Expected life of option	5 years	5 years
Risk-free interest rate	4.0%	4.3%
Expected volatility of equity	-	-
Expected dividend yield	-	-

The weighted average fair value of options granted during 2003 and 2002 is as follows:

	2003	2002
Fair value of each option granted	\$ 4.18	\$ -
Total number of options granted	4,250	-
Total fair value of all options granted	\$ 409,000	\$ 392,000

O. Concentration of credit risk

The Company maintains bank account balances, which, at times, may exceed federally insured limits. The Company has not experienced any losses with these accounts. Management believes the Company is not exposed to any significant credit risk on cash.

P. Income taxes

No provision for income taxes is recorded in these consolidated financial statements because the Company is treated as a partnership for income tax purposes. Accordingly, the Company's taxable income is reported on the income tax returns of the members.

BATTERIES PLUS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003 and 2002

Note 1 - Nature of business and significant accounting policies, continued

Q. New accounting pronouncements

In January 2003, the Emerging Issues Task Force ("EITF") issued EITF Consensus No. 02-16, "Accounting By a Customer (Including a Reseller) for Certain Consideration Received From a Vendor", applicable to fiscal years beginning after December 15, 2002. EITF No. 02-16 provides accounting guidance on how a customer, including a reseller, should characterize, measure and recognize consideration received from a vendor. EITF No. 02-16, as it applies to the Company, addresses the recognition of certain vendor allowances and requires these allowances be treated as a reduction of inventory cost unless specifically identified as reimbursement for services or other costs incurred. The Company records vendor allowances and discounts in the income statement when the purpose for which those monies were designated is fulfilled. As such, the release did not have any effect on its results of operations or financial position.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," which amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. The Statement also amends the disclosure provisions of SFAS No. 123 to require prominent disclosure in financial statements of the effects on reported results of an entity's accounting policy decisions with respect to stock-based employee compensation. The disclosure provisions of SFAS No. 148 are effective for financial statements for fiscal years ending after December 15, 2002. The Company has included the required disclosures in Note 1 in its financial statements. Currently, the Company does not intend to change its accounting for stock-based compensation.

R. Reclassifications

Certain balances as of and for the year ended December 31, 2002 have been reclassified to be consistent with the presentation as of and for the year ended December 31, 2003 with no impact on previously reported net income or members' equity.

Note 2 - Store acquisitions and dispositions

During 2002, the Company sold or exited eight stores in various states. In 2003, the Company exited business in one location in the State of Wisconsin. Total gain(loss) recognized on these dispositions was (\$3,714) and \$173,669 in 2003 and 2002, respectively.

BATTERIES PLUS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2003 and 2002

Note 3 - National Marketing Fund

The Company oversees and administers a National Marketing Fund (the Fund), which serves as a marketing association for all Batteries Plus stores. The Fund develops, initiates and executes marketing programs, including, but not limited to, the development of marketing tools for the mutual benefit of its contributors. The Fund is not a separate legal entity and is included in accounts payable in the Company's balance sheet. The Fund is provided management services by the Company.

Contributions to the Fund are based upon 1% of adjusted gross sales of each Batteries Plus store. A summary of the contributions to the Fund, which are restricted for marketing and the expenditures from the Fund is as follows:

	<u>2003</u>	<u>2002</u>
Balance of Fund, beginning of year	\$ (117,863)	\$ (147,370)
Contributions received	(1,211,694)	(979,694)
Advertising expenditures	<u>798,348</u>	<u>1,009,201</u>
Balance of Fund, end of year	<u>\$ (531,209)</u>	<u>\$ (117,863)</u>

Contributions to the Fund are not recorded as income of the Company, and advertising expenditures of the Fund are not recorded as an expense of the Company.

Note 4 - Acquisition of contract rights

In 1999, the Company purchased the contract rights of Tarron Associates, Inc. for \$5.1 million, excluding expenses, and formed Tarron LLC. The purchase price included cash of \$1.6 million and a 9% note payable to Tarron Associates, Inc. for \$3.5 million. In 2002, management negotiated a reduction of the purchase price in the amount of \$588,500. The purchase price adjustment was accounted for as a reduction to both the note payable and the contract rights.

Tarron LLC acted as a purchasing agent for the Company through 2002 and sought to benefit from specific vendor relations. In 2003, the Company formed Ascent, a wholly-owned subsidiary of the Company, to purchase, warehouse and distribute inventory for the Company-owned and franchised stores.

The 2002 operating results of Tarron LLC are included with those of the Company for the year ended December 31, 2002. The 2003 operating results of Ascent are included with those of the Company for the year ended December 31, 2003.

BATTERIES PLUS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2003 and 2002

Note 5 - Accounts receivable

Accounts receivable consist of the following:

	2003	2002
Trade receivables	\$ 2,873,584	\$ 379,866
Franchise royalty and marketing fees	769,931	440,599
Contract commissions receivable	659,472	736,986
	4,302,987	1,557,451
Less allowance for doubtful accounts	-	6,274
	<u>\$ 4,302,987</u>	<u>\$ 1,551,177</u>

Trade receivables consist primarily of amounts due from franchised stores for merchandise purchased from Ascent and from commercial customers of Company-operated stores.

Note 6 - Long-term debt

The Company's long-term debt obligations as of December 31, 2003 and 2002 are as follows:

	2003	2002
Note payable to bank under line of credit agreement (see Note 7).	\$ 2,614,000	\$ -
Capital lease obligation to The Olson Companies, Inc. at 7.00%, payable in annually increasing monthly installments due March 2006 (see Note 8).	226,022	-
Note payable to Tarron Associates, Inc. at 9%. Fully paid in January 2003.	-	588,500
	2,840,022	588,500
Less: current maturities of long-term debt	(80,369)	(588,500)
	<u>\$ 2,759,653</u>	<u>\$ -</u>

Long-term debt payable over the next three years is as follows:

2004	\$ 80,369
2005	2,736,966
2006	22,687

BATTERIES PLUS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2003 and 2002

Note 7 – Line of credit agreement

The Company has an available \$6,000,000 line of credit which expires June 30, 2004. Interest is payable monthly. At December 31, 2003, \$1,114,000 of the borrowings were payable at the bank's prime rate, less .625% (3.375% at December 31, 2003) and \$1,500,000 of borrowings were payable at the current LIBOR rate (3.07% at December 31, 2003). Borrowings under this agreement are collateralized by a general business security agreement and are limited based on the balances of certain qualifying accounts as defined in the agreement. As of December 31, 2003, the Company's additional borrowing availability under the line of credit was approximately \$3,386,000. The Company is subject to commitment fees of ¼% based on the unused portion of the line of credit. The line of credit agreement contains certain financial covenants that must be met on a regular basis and certain restrictive covenants, which include limitations on additional indebtedness, expenditures for property and equipment, and limitations on distributions to the members. Management of the Company believes they were in compliance with these restrictive covenants as of December 31, 2003. Management of the Company intends to renew this agreement for an additional year and has classified the line of credit as long term on the balance sheet.

Note 8 - Leases and other commitments

Operating leases:

The Company leases all corporate stores and the corporate office from unrelated third parties under non-cancelable operating leases expiring at various dates through the year 2014. Prior to renegotiating all of their leases in 2003, the Company leased various stores from related parties under non-cancelable operating leases on a month-to-month basis. The Company is generally required to pay real estate taxes and other costs for the leased facilities.

Net rent expense for nonrelated party leases for the years ended December 31, 2003 and 2002 was \$531,238 and \$495,330, respectively. Rent expense for related party leases for the years ended December 31, 2003 and 2002 was \$173,664 and \$420,996, respectively.

Future minimum lease payments under operating leases that have remaining non-cancelable terms in excess of one year subsequent to December 31, 2003 are as follows:

2004	\$ 761,000
2005	752,000
2006	740,000
2007	740,000
2008	740,000
Thereafter	<u>2,180,000</u>
	<u>\$ 5,913,000</u>

BATTERIES PLUS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2003 and 2002

Note 8 - Leases and other commitments, continued

Capital leases:

The Company leases certain inventory management equipment from The Olson Companies, Inc. (Olson) under agreements classified as capital leases. Olson provides the Company with logistics management and warehousing of Ascent's purchased inventory. This equipment and the associated lease obligations have been capitalized using the implicit borrowing rate at the inception of the lease. The leases are non-cancelable and expire at various dates through 2006. The following is a summary of leased equipment costs as of December 31, 2003 included in property and equipment.

	2003
Equipment	\$ 258,000
Accumulated depreciation	(34,000)
	<u>224,000</u>

As of December 31, 2003, the Company was obligated to make the following future minimum payments:

	2004	\$ 91,292
	2005	130,328
	2006	<u>22,808</u>
Total future minimum lease payments		244,428
Amount representing interest and taxes		<u>(18,406)</u>
Present value of future minimum lease payments		226,022
Less: current obligations under capital lease		<u>(80,369)</u>
Total long-term obligations under capital lease		<u>\$ 145,653</u>

Note 9 - Related party transactions

During 2001, the Company entered into a two year consulting agreement commencing January 1, 2002, with its former CEO under which the former CEO will receive a minimum of \$50,000 per year, plus certain health benefits.

BATTERIES PLUS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 2003 and 2002

Note 10 - Profit-sharing plan

The Company has a qualified 401(k) contributory, profit-sharing plan covering all eligible employees. The Company's contribution to the Plan is equal to 50% on the first 4% of the participants' contribution and a discretionary amount determined each year by the Company. The Company's contributions for 2003 and 2002 were \$42,327 and \$53,932, respectively.

Note 11 - Equity option plan

Effective January 1, 2000, the Company adopted the 2000 Equity Option Plan (the Plan). The Plan provides for the granting of equity options to employees as approved by the Operating Committee. The maximum aggregate number of units which may be issued under the Plan shall not exceed 100,000 units, of which 26,000 units are available for grant at December 31, 2003.

Options vest over five years based on the option agreement. The exercise price of each option grant is determined by the Operating Committee and is intended to approximate the fair market value of the membership unit on the date the equity option is granted. The Plan will terminate January 1, 2009. Options granted to employees totaled 4,250 in 2003. No options were granted in 2002. The weighted-average fair value of options granted during 2003 was \$4.18.

The Company may call all or a portion of the membership units acquired through exercise of these options at fair value at specified terms up to two years after termination of employment of the participant. If the call is not exercised by the Company, the other members of the Company shall receive the call right. In addition, upon termination of employment or the tenth anniversary of the option grant date, whichever is earlier, the participant can put the shares back to the Company at fair value with certain restrictions.

The following table summarizes the equity option activities under the Company's Plan:

	Options	Weighted-Average Exercise Price
Outstanding - January 1, 2000	-	\$ -
Options granted, 2000	85,000	22.00
Options forfeited, 2000	(15,000)	22.00
Options granted, 2001	20,000	27.78
Options forfeited, 2002	(20,000)	22.00
Outstanding - December 31, 2002	70,000	23.65
Options granted, 2003	4,250	23.50
Options forfeited, 2003	(250)	22.00
Outstanding - December 31, 2003	74,000	23.64
Exercisable as of December 31, 2002	42,800	23.73
Exercisable as of December 31, 2003	56,000	\$ 23.74

Options outstanding at December 31, 2003 have exercise prices of \$22.00 to \$27.78 and a weighted-average remaining contractual life of approximately 6.5 years.

BATTERIES PLUS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003 and 2002

Note 12 - Contingencies

From time to time, the Company is involved in various claims and lawsuits, both for and against the Company, arising in the normal course of business. Management believes that any financial responsibility that may be incurred in settlement of such claims and lawsuits would not be material to the Company's financial position.