EXHIBIT C

FINANCIAL STATEMENTS OF CM IT SOLUTIONS, INC.

CM IT Solutions, Inc.

Financial Statements for the Years Ended December 31, 2005 and 2004 and Independent Auditors' Report

MAXWELL & LOCKE & RITTER

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
CM IT Solutions, Inc.:

We have audited the accompanying balance sheets of CM IT Solutions, Inc. (the "Company") as of December 31, 2005 and 2004, and the related statements of operations, stockholders' deficit, and cash flows for the years then ended. These 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2005 and 2004, 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.

Maxwell Locke + Ritter LLP

January 20, 2006

CM IT Solutions, Inc.

BALANCE SHEETS
DECEMBER 31, 2005 AND 2004

		2005		2004
ASSETS				
CURRENT ASSETS:				
Cash	$	138,241	$	44,648
Accounts receivable		113,133		-
Prepaid and other current assets		7,564		21,123
Total current assets		258,938		65,771
PROPERTY AND EQUIPMENT, net		16,039		21,428
OTHER ASSETS		589		3,357
TOTAL	$	275,566	$	90,556
LIABILITIES AND STOCKHOLDERS' DEFICIT				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	$	265,495	$	274,018
Line of credit		-		70,000
Notes payable to stockholders		202,400		202,400
Total current liabilities		467,895		546,418
STOCKHOLDERS' DEFICIT		(192,329)		(455,862)
TOTAL	$	275,566	$	90,556

See notes to financial statements.

CM IT Solutions, Inc.

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
REVENUES:		
Initial franchise fees	$ 1,742,564	$ 1,415,734
Royalty fees	647,185	476,247
Other	62,285	29,323
Total revenues	2,452,034	1,921,304
EXPENSES:		
Selling, general and administrative	2,220,949	2,000,923
Depreciation	9,866	21,607
Total expenses	2,230,815	2,022,530
NET INCOME (LOSS)	$ 221,219	$ (101,226)

See notes to financial statements.

CM IT Solutions, Inc.

STATEMENTS OF STOCKHOLDERS' DEFICIT
YEARS ENDED DECEMBER 31, 2005 AND 2004

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID IN CAPITAL	NOTES RECEIVABLE	RETAINED DEFICIT	TOTAL
BALANCE, JANUARY 1, 2004	322,774	$ 3,228	$ 1,753,954	$ -	$ (2,169,547)	$ (412,365)
Stock Issued	38,101	381	57,348	-	-	57,729
Net Loss	-	-	-	-	(101,226)	(101,226)
BALANCE AT DECEMBER 31, 2004	360,875	3,609	1,811,302	-	(2,270,773)	(455,862)
Stock Issued	136,378	1,364	190,824	-	-	192,188
Note Receivable from Stockholders on Sale of Common Stock	-	-	-	(149,874)	-	(149,874)
Net Income	-	-	-	-	221,219	221,219
BALANCE AT DECEMBER 31, 2005	497,253	$ 4,973	$ 2,002,126	$ (149,874)	$ (2,049,554)	$ (192,329)

The Company has authorized 80,000,000 shares of common stock at a stated par value of $.01. Additionally, the Company has authorized 20,000,000 shares of preferred stock at a stated par value of $.01.

See notes to financial statements.

CM IT Solutions, Inc.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 221,219	$ (101,226)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	9,866	21,607
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	(113,133)	2,080
Prepaid and other current assets	13,559	7,096
Other assets	2,768	3,466
Accounts payable and accrued expenses	(8,523)	(7,262)
Net cash provided by (used in) operating activities	125,756	(74,239)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(4,477)	(15,253)
Principal payments received on notes receivable	-	1,983
Net cash used in investing activities	(4,477)	(13,270)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on (proceeds from) line of credit	(70,000)	70,000
Proceeds from stock issuance	42,314	57,729
Net cash provided by (used in) financing activities	(27,686)	127,729
NET CHANGE IN CASH	93,593	40,220
CASH, BEGINNING OF YEAR	44,648	4,428
CASH, END OF YEAR	$ 138,241	$ 44,648
SUPPLEMENTAL DISCLOSURE-		
Interest paid	$ 12,000	$ 11,000
SUPPLEMENTAL NONCASH DISCLOSURE-		
Notes receivable from stockholders for exercise of warrants	$ 149,874	$ -

See notes to financial statements.

CM IT Solutions, Inc.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company's Activities - CM IT Solutions, Inc. (formerly computer MOMs international corporation) was formed in October 1996 to serve primarily as a franchisor of a business offering computer training and support to home and small business computer users. CM IT Solutions, Inc. (the "Company") franchise system and related franchise material were specifically designed to allow franchisees to deliver one on one training in the clients' home or office on the clients' computer using a structured methodology for the most commonly used software applications.

The Company's ability to meet its obligations in the ordinary course of business depends upon its ability to generate positive operational cash flows. Management believes current cash flow will enable the Company to meet its obligations without additional financing but may have to seek such financing if results fall below management's expectations.

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Property and Equipment - Property and equipment is stated at cost. Depreciation is computed using the straight-line method over useful lives of five years.

Income Taxes - The Company utilizes an asset and liability approach to financial accounting and reporting for income taxes. Deferred income taxes and liabilities are computed annually for differences between financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the period in which differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Concentration of Credit Risk - Financial instruments which potentially subject the Company to credit risk principally consist of cash. The Company places its cash with a high credit quality financial institution but has no formal policy that limits credit exposure. At December 31, 2005, the Company had approximately $53,000 of deposits in excess of federal insurance limits.

Franchise Fees and Costs - Franchise fees are recorded when all material services or conditions of sales are substantially performed. Direct costs of franchise sales are deferred until the related revenue is recognized.

Advertising Costs - Advertising and sales promotion costs are expensed as incurred; such costs are included in general and administrative expense and totaled $92,423 and $100,989 for the years ended December 31, 2005 and 2004, respectively.

Statements of Cash Flows - Noncash investing and financing activities specifically excluded from the statements of cash flows include the following:

> During 2005, the Company sold 98,921 shares of stock for $149,874 resulting in notes receivable from the stockholders in the full amount.

Recently Issued Accounting Pronouncements - In December 2004, the Financial Accounting Standards Board revised Statement of Financial Accounting Standards No. 123 ("SFAS 123"), *Accounting for Stock Based Compensation.* The revised SFAS 123 ("SFAS 123 (R)"), *Share-Based Payment*, supersedes Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees.* SFAS 123(R) requires companies to measure and recognize compensation expense for all stock-based payments at fair value. It is effective no later than the beginning of the first annual reporting period that begins after December 15, 2005. The Company is still evaluating the effects this pronouncement will have on its financial position and results of operations, and has not yet determined its timing or method of adoption.

Reclassifications - Certain 2004 financial statement amounts have been reclassified to conform to the 2005 presentation.

2. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2005 and 2004:

	2005	2004
Furniture and fixtures	$ 19,075	$ 15,525
Computer equipment	93,022	92,095
Leasehold improvements	-	5,216
Less accumulated depreciation	(96,058)	(91,408)
Property and equipment, net	$ 16,039	$ 21,428

3. NOTES PAYABLE TO STOCKHOLDERS

At December 31, 2005 and 2004 the Company had a note payable to a stockholder of $202,400. The note has an interest rate of prime rate plus 1/2% with principal and accrued interest due at maturity in 2006. Interest expense on the note totaled $13,367 and $9,867 for the years ended December 31, 2005 and 2004, respectively.

4. LINE OF CREDIT

At December 31, 2005 and 2004, the Company had a line of credit agreement with a financial institution. The line of credit has a limit of $100,000 with interest payable monthly at a defined rate (7.75% at December 31, 2005), principal and any unpaid interest due at maturity on February 28, 2006, and is secured by a stockholder. The Company has no debt covenants with which it must comply. At December 31, 2005 and 2004, the line of credit balance was $0 and $70,000, respectively.

5. INCOME TAXES

The tax effect of significant temporary differences comprising the deferred tax asset at December 31, 2005 and 2004 is as follows:

	2005	2004
Net operating loss carry forwards and other	$ 638,000	$ 748,000
Less valuation allowance on deferred tax assets	(638,000)	(748,000)
Net assets	$ -	$ -

The amounts in the valuation allowance relate to future tax benefits for which realization is uncertain. For federal income tax return purposes, the Company has a net operating loss carry forward of approximately $1,877,000 as of December 31, 2005, which begins expiring in 2013.

6. STOCK OPTION PLANS

The Company has two stock option plans which provide for the issuance of options to key employees and directors of the Company with the opportunity to acquire or increase proprietary interest in the Company as an incentive to remain in the service of the Company.

As permitted by SFAS No. 123, *Accounting for Stock-Based Compensation*, the Company has elected to follow APB No. 25, *Accounting for Stock Issued to Employees* and related interpretations in accounting for its employee stock option plans. Under APB 25, because the exercise price of the Company's employee stock options equals the estimated market price of the underlying stock on the date of grant, no compensation expense is recognized. Pro forma disclosures as if the Company adopted the expense recognition provisions of SFAS 123, which require the fair value of the options granted to be recorded as expense over the vesting period, have not been provided as the fair value of the options granted is not significant.

Stock options granted under the 1997 Stock Option Plan have vesting periods of up to three years and maximum option terms of five years. Stock options granted under the 2004 Stock Option Plan have vesting periods of up to four years and maximum option terms of ten years.

The Company's stock option activity and related information for the years ended December 31, 2005 and 2004 are as follows:

	2005		2004	
	Options on Common Stock	Weighted Average Exercise Price	Options on Common Stock	Weighted Average Exercise Price
Outstanding, beginning of year	306,760	$ 0.16	199,040	$ 0.47
Forfeited/Expired/Cancelled	(745)	62.42	(198,295)	0.23
Exercised	(9,600)	0.01	-	-
Granted	30,634	0.09	306,015	0.01
Outstanding, end of year	327,049	$ 0.02	306,760	$ 0.16
Exercisable, end of year	257,668	$ 0.02	237,309	$ 0.21

Exercise price for options outstanding as of December 31, 2005 ranged from $0.01 to $0.30. The weighted-average remaining contractual life of the options was 8.41 years as December 31, 2005.

7. STOCK WARRANTS

At December 31, 2004, the Company had 126,785 of stock warrants outstanding at an exercise price of $1.51515. During 2005, all of the stock warrants were exercised for an aggregate of $192,092. The Company received $42,218 in cash and the remaining $149,874 in notes receivable from the individuals.

8. COMMITMENTS

In January 1997, the Company entered into an Intellectual Property Purchase Agreement and Assignment (the "Agreement") with a stockholder in which the Company purchased property (as defined). During 2004, the Agreement was amended. The amended Agreement calls for the Company to pay $1,200 per year through the Residual Inception Date (defined as January 1, 2006) to the stockholder. From and after the Residual Inception Date, the Company will pay a continuing perpetual residual in an amount equal to one percent of all Franchise Fees (as defined) and seven percent of all Royalties (as defined) collected by the Company. The agreement provides for maximum amounts that may be paid in any given year after the Residual Inception Date. The maximum owed begins at $50,000 per year and increases in increments to a maximum of $150,000 in 2015. After 2015, the agreement terminates.

During December 2004, the Company entered into an operating lease for its office facilities that will expire in May 2010. Rent expense for the years ended December 31, 2005 and 2004 totaled $65,153 and $59,500, respectively.

Future minimum payments under operating leases are as follows:

2006	$	84,187
2007		86,707
2008		87,367
2009		89,725
2010		37,825
Total	$	385,811

9. PROFIT SHARING PLAN

During 2004, the Company began a 401(k) qualified retirement plan, which covers all employees of the Company as they become eligible. The Company's annual matching contributions to the profit sharing plan are based solely on management's discretion; no annual contributions are required under the plan. For the year ended December 31, 2005 and 2004, the Company made no matching contributions.

CM IT Solutions, Inc.

Financial Statements for the Years Ended December 31, 2004 and 2003 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
CM IT Solutions, Inc.:

We have audited the accompanying balance sheets of CM IT Solutions, Inc. (the "Company") as of December 31, 2004 and 2003, and the related statements of operations, stockholders' deficit, and cash flows for the years then ended. These 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 audits to obtain reasonable assurance about whether the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Company at 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.

Maxwell Locke + Ritter LLP

January 21, 2005

CM IT Solutions, Inc.

BALANCE SHEETS
DECEMBER 31, 2004 AND 2003

	2004	2003
ASSETS		
CURRENT ASSETS:		
Cash	$ 44,648	$ 4,428
Accounts receivable	-	2,080
Notes receivable - net of allowance for doubtful accounts	-	1,983
Prepaid and other current assets	21,123	28,219
Total current assets	65,771	36,710
PROPERTY AND EQUIPMENT, net	21,428	27,782
OTHER ASSETS	3,357	6,823
TOTAL	$ 90,556	$ 71,315
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 274,018	$ 281,280
Line of credit	70,000	-
Notes payable to stockholders - current portion	202,400	-
Total current liabilities	546,418	281,280
NOTES PAYABLE TO STOCKHOLDERS	-	202,400
Total liabilities	546,418	483,680
STOCKHOLDERS' DEFICIT:		
Common stock	361	323
Additional paid in capital	1,814,550	1,756,859
Retained deficit	(2,270,773)	(2,169,547)
Total stockholders' deficit	(455,862)	(412,365)
TOTAL	$ 90,556	$ 71,315

See notes to financial statements.

CM IT Solutions, Inc.

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
REVENUES:		
Initial franchise fees	$ 1,415,734	$ 1,402,556
Royalty fees	476,247	262,695
Other	29,323	49,959
Total revenues	1,921,304	1,715,210
EXPENSES:		
Selling, general and administrative	2,000,923	1,620,276
Depreciation	21,607	16,873
Total expenses	2,022,530	1,637,149
NET INCOME (LOSS)	$ (101,226)	$ 78,061

See notes to financial statements.

CM IT Solutions, Inc.

STATEMENTS OF STOCKHOLDERS' DEFICIT
YEARS ENDED DECEMBER 31, 2004 AND 2003

	COMMON STOCK		ADDITIONAL PAID IN	RETAINED	
	SHARES	AMOUNT	CAPITAL	DEFICIT	TOTAL
BALANCE, JANUARY 1, 2003	32,277,737	$ 32,278	$ 1,724,904	$ (2,247,608)	$ (490,426)
Reverse Stock Split	(31,954,963)	(31,955)	31,955	-	-
Net Income	-	-	-	78,061	78,061
BALANCE, DECEMBER 31, 2003	322,774	323	1,756,859	(2,169,547)	(412,365)
Stock Issued	38,101	38	57,691	-	57,729
Net Loss	-	-	-	(101,226)	(101,226)
BALANCE AT DECEMBER 31, 2004	360,875	$ 361	$ 1,814,550	$ (2,270,773)	$ (455,862)

The Company has authorized 80,000,000 shares of common stock at a stated par value of $.001. Additionally, the Company has authorized 20,000,000 shares of preferred stock at a stated par value of $.001.

See notes to financial statements.

CM IT Solutions, Inc.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (101,226)	$ 78,061
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	21,607	16,873
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	2,080	(2,080)
Prepaid and other current assets	7,096	(7,893)
Other assets	3,466	(1,712)
Accounts payable and accrued expenses	(7,262)	(8,946)
Net cash provided by (used in) operating activities	(74,239)	74,303
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	(15,253)	(20,551)
Principal payments received on notes receivable	1,983	14,616
Net cash used in investing activities	(13,270)	(5,935)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on (proceeds from) line of credit	70,000	(90,000)
Proceeds from stock issuance	57,729	-
Payments on note payable	-	(6,000)
Net cash provided by (used in) financing activities	127,729	(96,000)
NET CHANGE IN CASH	40,220	(27,632)
CASH, BEGINNING OF YEAR	4,428	32,060
CASH, END OF YEAR	$ 44,648	$ 4,428
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION-		
Interest paid	$ 11,000	$ 4,033

See notes to financial statements.

CM IT Solutions, Inc.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company's Activities - CM IT Solutions, Inc. (formerly computer MOMs international corporation) was formed in October 1996 to serve primarily as a franchisor of a business offering computer training and support to home and small business computer users. The Company's franchise system and related franchise material were specifically designed to allow franchisees to deliver one on one training in the clients' home or office on the clients' computer using a structured methodology for the most commonly used software applications.

The Company's ability to meet its obligations in the ordinary course of business depends upon its ability to generate positive operational cash flows. Management believes current cash flow will enable the Company to meet its obligations without additional financing but may have to seek such financing if results fall below management's expectations.

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Property and Equipment - Property and equipment is stated at cost. Depreciation is computed using the straight-line method over useful lives of five years.

Income Taxes - The Company utilizes an asset and liability approach to financial accounting and reporting for income taxes. Deferred income taxes and liabilities are computed annually for differences between financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the period in which differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Concentration of Credit Risk - Financial instruments which potentially subject the Company to credit risk principally consist of cash and cash equivalents. The Company places its cash with a high credit quality financial institution but has no formal policy that limits credit exposure. At December 31, 2004, the Company had approximately $35,000 of deposits in excess of federal insurance limits.

Franchise Fees and Costs - Franchise fees are recorded when all material services or conditions of sales are substantially performed and direct costs of franchise sales are deferred until the related revenue is recognized.

Advertising Costs - Advertising and sales promotion costs are included in general and administrative expense and totaled $100,989 and $110,175 for the years ended December 31, 2004 and 2003, respectively.

Reclassifications - Certain 2003 amounts have been reclassified to conform to the 2004 financial statement presentation.

2. NOTES RECEIVABLE

At December 31, 2003, the Company had notes receivable from franchisees totaling $2,663. The allowance for doubtful accounts was $680 at December 31, 2003. The notes receivable required weekly payments of $35, including interest at 18%, for five years. The current portion due at December 31, 2003 was $1,983. As of December 31, 2004, all notes receivable from franchisees had been received in full.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2004 and 2003:

	2004	2003
Furniture and fixtures	$ 15,525	$ 13,433
Computer equipment	92,095	80,806
Leasehold improvements	5,216	3,344
Less accumulated depreciation	(91,408)	(69,801)
Property and equipment, net	$ 21,428	$ 27,782

4. NOTES PAYABLE TO STOCKHOLDERS

At December 31, 2004 and 2003 the Company had a note payable to a stockholder of $202,400. The note has an interest rate of prime rate plus 1/2% with principal and accrued interest due at maturity in June 2005. Interest expense on the notes totaled $9,867and $9,361 for the years ended December 31, 2004 and 2003, respectively.

5. LINE OF CREDIT

At December 31, 2004 and 2003, the Company had a line of credit agreement with a financial institution. The line of credit has a limit of $100,000 with interest payable monthly at a defined rate (5.75% at December 31, 2004), principal and any unpaid interest due at maturity on September 1, 2005, and is secured by a stockholder. The Company has no debt covenants with which it must comply. At December 31, 2004 and 2003, the line of credit balance was $70,000 and $0, respectively.

6. INCOME TAXES

The tax effect of significant temporary differences comprising the deferred tax asset at December 31, 2004 and 2003 is as follows:

	2004	2003
Net operating loss carry forwards and other	$ 748,000	$ 718,000
Less valuation allowance on deferred tax assets	(748,000)	(718,000)
Net assets	$ -	$ -

The amounts in the valuation allowance relate to future tax benefits for which realization is uncertain. For federal income tax return purposes, the Company has a net operating loss carry forward of approximately $2,212,000 as of December 31, 2004, which begins expiring in 2013.

7. STOCK OPTION PLANS

The Company has two stock option plans which provide for the issuance of options to key employees and directors of the Company with the opportunity to acquire or increase proprietary interest in the Company as an incentive to remain in the service of the Company.

As permitted by Statement of Financial Accounting Standards No. 123 – "Accounting for Stock-Based Compensation" ("SFAS 123"), the Company has elected to follow Accounting Principles Board Opinion No. 25 – "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its employee stock option plans. Under APB 25, because the exercise price of the Company's employee stock options equals the estimated market price of the underlying stock on the date of grant, no compensation expense is recognized. Pro forma disclosures as if the Company adopted the expense recognition provisions of SFAS 123, which require the fair value of the options granted to be recorded as expense over the vesting period, have not been provided as the fair value of the options granted is immaterial.

Stock options granted under the 1997 Stock Option Plan have vesting periods of up to three years and maximum option terms of five years. Stock options granted under the 2004 Stock Option Plan have vesting periods of up to four years and maximum option terms of ten years. The Company's stock option activity and related information for the years ended December 31, 2004 and 2003 are as follows:

	2004		2003	
	Options on Common Stock	Weighted Average Exercise Price	Options on Common Stock	Weighted Average Exercise Price
Outstanding, beginning of year	199,040	$ 0.47	169,500	$ 0.89
Forfeited/Expired/Cancelled	(198,295)	0.23	(65,500)	1.50
Stock split effect	-	-	(102,960)	87.26
Granted	306,015	0.01	198,000	0.01
Outstanding, end of year	306,760	$ 0.16	199,040	$ 0.47
Exercisable, end of year	237,309	$ 0.21	1,040	$ 87.26

Exercise price for options outstanding as of December 31, 2004 ranged from $0.01 to $150.00. The weighted-average remaining contractual life of the options was 9.04 and 5.73 years as of December 31, 2004 and 2003, respectively.

8. STOCK WARRANTS

During the years ended December 31, 2004 and 2003, the Company did not issue any warrants. During the year ended December 31, 2004, 5,101 warrants were exercised. At December 31, 2004 and 2003, warrants outstanding were 126,779 and 133,480, respectively, at an exercise price of $1.52. The remaining 126,779 warrants expire during 2005.

9. COMMITMENTS

In January 1997, the Company entered into an Intellectual Property Purchase Agreement and Assignment (the "Agreement") with a stockholder in which the Company purchased property (as defined). During 2004, the Agreement was amended. The amended Agreement calls for the Company to pay $1,200 per year through the Residual Inception Date (defined as January 1, 2006) to the stockholder. From and after the Residual Inception Date, the Company will pay a continuing perpetual residual in an amount equal to one percent of all Franchise Fees (as defined) and seven percent of all Royalties (as defined) collected by the Company. The agreement provides for maximum amounts that may be paid in any given year after the Residual Inception Date. The maximum owed begins at $50,000 per year and increases in increments to a maximum of $150,000 in 2015. After 2015, the agreement terminates.

In February 2002, the Company entered into an operating lease for its office facilities that expired in February 2004. The Company has been paying on a month to month basis since February 2004. Rent expense for the years ended December 31, 2004 and 2003 totaled $59,500 and $52,500, respectively. During December 2004, the Company has entered into a new operating lease for its new office facilities beginning April 2005. Future minimum payments under operating leases are as follows:

2005	$ 49,097
2006	84,187
2007	86,707
2008	87,367
2009	89,725
Thereafter	37,825
Total	$ 434,908

10. RELATED PARTY TRANSACTIONS

At December 31, 2003, the Company had receivables from computer MOMs' advertising fund corporation ("MDF") of $33,283. The receivable from MDF had been fully allowed for by the Company at December 31, 2003. During 2004, MDF reduced the receivable by $33,283 resulting in a recovery of accounts allowed.

11. PROFIT SHARING PLAN

During 2004, the Company began a 401(k) qualified retirement plan, which covers all employees of the Company as they become eligible. The Company's annual matching contributions to its profit sharing plan are based solely on management's discretion; no annual contributions are required under the plan. For the year ended December 31, 2004, the Company made no matching contributions.