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CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

FOCUS BRANDS INC. AND SUBSIDIARIES

December 31, 2005 and 2004

Report of Independent Certified Public Accountants

The Board of Directors
Focus Brands Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Focus Brands Inc. (a Delaware corporation) and Subsidiaries (collectively, the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of operations, changes in stockholders' 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 consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements 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 Focus Brands Inc. and Subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note B to the financial statements, the Company has restated its financial statements as of and for the year ended December 31, 2004.

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Focus Brands Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31,

ASSETS

	2005	2004 (Restated)
CURRENT ASSETS		
Cash and cash equivalents	$ 3,032,920	$ 3,922,694
Restricted cash	489,224	945,241
Accounts receivable, net of allowance for doubtful accounts of $2,019,334 and $2,777,885 in 2005 and 2004, respectively	8,233,367	8,328,695
Inventories	1,536,262	1,367,293
Prepaid expenses and other current assets	1,602,660	2,546,552
Notes receivable	1,180,500	2,262,188
Deferred tax assets	1,302,969	3,600,000
Total current assets	17,377,902	22,972,663
PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET	12,967,725	11,975,195
OTHER ASSETS		
Intangible assets	54,927,516	52,751,816
Other	2,037,111	2,650,233
	56,964,627	55,402,049
TOTAL ASSETS	$ 87,310,254	$ 90,349,907

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

LIABILITIES AND STOCKHOLDERS' EQUITY

		2005		2004 (Restated)
CURRENT LIABILITIES				
Accounts payable	$	3,658,430	$	3,873,528
Accrued expenses and other liabilities		5,621,485		6,701,985
Customer and other deposits		1,562,033		2,063,857
Income Taxes Payable		206,593		-
Current portion of long-term debt		2,234,576		959,500
Line of Credit		4,362,090		-
Current portion of capital lease obligations		1,106,208		936,563
Total current liabilities		18,751,415		14,535,433
LONG-TERM DEBT - LESS CURRENT PORTION		47,864,268		22,300,625
CAPITAL LEASE OBLIGATIONS - LESS CURRENT PORTION		2,763,763		2,076,498
DEFERRED INCOME TAXES		13,160,650		14,560,602
DEFERRED REVENUE		6,987,493		9,156,741
OTHER LIABILITIES		1,580,647		1,719,474
Total liabilities		91,108,236		64,349,373
COMMITMENTS AND CONTINGENCIES				
STOCKHOLDERS' EQUITY				
Series A Convertible Preferred Stock, $0.01 par value, authorized 398,807 shares, issued and outstanding 0 and 398,807 as of December 31, 2005 and 2004, respectively		-		26,300,000
Series B Convertible Preferred Stock, $0.01 par value, authorized 39,028 shares, issued and outstanding 0 and 39,028 as of December 31, 2005 and 2004, respectively		-		2,573,760
Common stock, $0.01 par value, authorized 5,000,000 and 15,000,000 shares as of December 31, 2005 and 2004, respectively, issued and outstanding 708,930 and 1,428,648 as of December 31, 2005 and 2004, respectively		7,089		14,286
Common stock A, $0.01 par value, authorized 2,812,880 shares, issued and outstanding 1,298,644 as of December 31, 2005		12,986		-
Common stock B, $0.01 par value, authorized 318,437shares, issued and outstanding 79,951 as of December 31, 2005		800		-
Additional paid-in capital		99,314,687		106,535,256
Accumulated deficit		(103,133,544)		(109,422,768)
Total stockholders' equity		(3,797,982)		26,000,534
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	87,310,254	$	90,349,907

Focus Brands Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31,

	2005	2004 (Restated)	2003
REVENUES			
Wholesale revenues	$ 61,260,884	$ 56,867,141	$ 51,885,502
Retail revenues	52,182,497	34,525,575	25,158,907
Total revenues	113,443,381	91,392,716	77,044,409
COSTS AND EXPENSES			
Cost of products sold	46,618,818	44,108,591	40,612,524
Selling, general and administrative expenses	47,475,487	37,608,089	28,261,301
Depreciation and amortization	5,453,670	5,308,582	5,431,143
Special charges	2,254,609	1,839,109	3,169,275
Total costs and expenses	101,802,584	88,864,371	77,474,243
Operating earnings (loss)	11,640,797	2,528,345	(429,834)
Interest expense	(4,021,595)	(1,478,690)	(1,690,423)
Other income	70,200	138,273	13,607
Earnings (loss) before provision for income taxes	7,689,402	1,187,928	(2,106,650)
INCOME TAX (EXPENSE) BENEFIT	(1,800,121)	3,206,179	(40,000)
NET EARNINGS (LOSS)	$ 5,889,281	$ 4,394,107	$ (2,146,650)

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

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Focus Brands Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Years ended December 31, 2005, 2004, and 2003

	Series A Convertible Preferred Stock	Series B Convertible Preferred Stock	Common Stock	Common A Stock	Common B Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at December 31, 2002	$ 26,500,000	$ 3,000,000	$ 10,261	$ -	$ -	$ 100,500,792	$ (111,670,224)	$ 18,340,829
Net earnings	-	-	-	-	-	-	(2,146,650)	(2,146,650)
Balance at December 31, 2003	26,500,000	3,000,000	10,261	-	-	100,500,792	(113,816,874)	16,194,179
Repurchase of Series A Convertible Preferred Stock	(200,000)	-	-	-	-	-	-	(200,000)
Redemption of Series B Convertible Preferred Stock	-	(426,240)	-	-	-	-	-	(426,240)
Issuance of common stock	-	-	4,025	-	-	6,034,464	-	6,038,489
Net earnings, as previously stated	-	-	-	-	-	-	4,741,002	4,741,002
Balance at December 31, 2004 as previously reported	26,300,000	2,573,760	14,286	-	-	106,535,256	(109,075,872)	26,347,430
Prior period adjustment	-	-	-	-	-	-	(346,896)	(346,896)
Balance at December 31, 2004, as restated	26,300,000	2,573,760	14,286	-	-	106,535,256	(109,422,768)	26,000,534
Redemption of Series A Convertible Preferred Stock	(26,300,000)	-	-	-	-	-	-	(26,300,000)
Redemption of Series B Convertible Preferred Stock	-	(2,573,760)	-	-	-	-	-	(2,573,760)
Issuance of common stock	-	-	-	12,986	800	1,046,460	-	1,060,246
Redemption of common stock	-	-	(7,197)	-	-	(413,704)	399,943	(20,958)
Return of capital distribution	-	-	-	-	-	(8,023,656)	-	(8,023,656)
Income Tax Benefit from stock options exercised	-	-	-	-	-	170,331	-	170,331
Net earnings	-	-	-	-	-		5,889,281	5,889,281
Balance at December 31, 2005	$ -	$ -	$ 7,089	$ 12,986	$ 800	$ 99,314,687	$ (103,133,544)	$ (3,797,982)

The accompanying notes are an integral part of this consolidated financial statement.

Focus Brands Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	2005	2004 (Restated)	2003
Operating activities:			
Net earnings (loss)	$ 5,889,281	$ 4,394,107	$ (2,146,650)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization	5,453,670	5,308,582	5,431,143
Deferred income taxes	1,146,875	(3,206,179)	
Noncash portion of special charges	-	-	52,274
Loss on disposal of equipment	93,844	-	(32,871)
Provision for losses on receivables	-	265,409	665,122
Tax benefit from stock option exercise	170,331		
Changes in operating assets and liabilities:			
Accounts receivable	95,328	(2,591,826)	(1,560,975)
Inventories, prepaid expenses and other assets	2,218,380	(1,833,071)	(2,246,212)
Accounts payable, accrued expenses and other	(1,295,600)	1,454,539	(506,933)
Deferred revenue	(2,169,248)	5,697,344	1,051,500
Customer and other deposits	(501,824)	374,256	651,430
Income taxes payable	206,593	(103,881)	(28,768)
Other long-term liabilities	(138,827)	84,015	(895,068)
Net cash provided by operating activities	11,168,803	9,843,295	433,992
Investing activities:			
Acquisition of business assets	(1,400,000)	(21,000,000)	-
Purchase of property and equipment	(4,115,668)	(5,466,827)	(4,001,147)
Proceeds from sale of property and equipment	-	6,000,000	28,668
Net cash used in investing activities	(5,515,668)	(20,466,827)	(3,972,479)
Financing activities:			
Net change in line of credit	4,362,090	-	
Payments on capital leases	(1,195,726)	(1,300,432)	-
Payments on debt	(25,161,281)	(15,239,875)	(16,191,287)
Proceeds from borrowings	52,000,000	23,500,000	15,000,000
Recapitalization and distribution	(37,004,008)	-	
Capital contributions	-	6,038,490	-
Net cash provided by (used in) financing activities	(6,998,925)	12,998,183	(1,191,287)
Net change in cash and cash equivalents	(1,345,790)	2,374,651	(4,729,774)
Cash and cash equivalents at beginning of year	4,867,935	2,493,284	7,223,058
Cash and cash equivalents at end of year	$ 3,522,145	$ 4,867,935	$ 2,493,284
Supplemental disclosure of cash flow information			
Cash paid for:			
Interest	$ 3,373,606	$ 1,523,335	$ 1,672,124
Income taxes, net	$ 266,324	$	$ 68,768
Noncash transactions:			
Capital lease obligations	$ 2,052,640	$ 824,056	$ 190,385

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

Focus Brands Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

Focus Brands Inc. is the franchiser and operator of over 1,200 ice cream stores, bakeries, and cafes in the United States, the District of Columbia, Puerto Rico, and 37 foreign countries under the brand names Carvel®, Cinnabon®, and the franchiser of Seattle's Best Coffee® in Hawaii, on military bases and internationally. Focus Brands Inc.'s business activity consists of franchise licensing, servicing and arranging for supplies for Carvel retail ice cream stores and food service operations and selling, on a wholesale basis, various ice cream products through other retailers, mainly supermarkets.

2. Basis of Presentation

The consolidated financial statements include the accounts of Focus Brands Inc. and its wholly-owned subsidiaries, Carvel Corporation and Cinnabon International, Inc. Significant intercompany accounts and transactions have been eliminated in consolidation.

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 the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash and Cash Equivalents

The Company considers all short-term liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

4. Restricted Cash

The Company has a Refurbishment Savings Program that allows a franchisee to establish a per gallon surcharge on mix purchases that is segregated from operating cash and deposited into an interest bearing escrow account to fund future remodeling cost of the franchisee store. Any funds left over are either returned or credited against the franchisees accounts receivable account.

5. Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are primarily due from licensed dealers and supermarkets whose operations are primarily located in the United States. Accounts receivable are reflected in the accompanying financial statements at cost, which approximates fair value because of their short term maturities. The Company determines the allowance for doubtful accounts based upon a specific review of outstanding customer balances and a general reserve based on the aging of customer accounts and write-off history.

Focus Brands Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2005 and 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

6. Inventories

Inventories are stated at the lower of standard cost or market. Cost is determined using the first in, first out (FIFO) method.

7. Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are recorded at cost. The Company provides for depreciation of furniture, fixtures, machinery and equipment using the straight-line method. Leasehold improvements are amortized on a straight-line basis over their estimated useful life, not to exceed the term of the related leases. The Company records impairment losses on property, equipment and leasehold improvements, when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. No impairment losses were recorded for property, equipment and leasehold improvements during the years ended December 31, 2005, 2004 and 2003

8. Intangible Assets

Intangible assets consist of trade names, goodwill and supermarket routes. Trade names and goodwill were amortized using the straight-line method over a period of 40 years through December 31, 2001. The Company adopted Statement of Financial Accounting Standard ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, effective January 1, 2002 and amortization of trade names and goodwill ceased. Effective January 1, 2002, trade names and goodwill are subject to annual impairment reviews and, if conditions warrant, interim reviews using a fair value based test. Annual impairment tests during the years ended December 31, 2005, 2004 and 2003, indicated no impairment of trade names and goodwill. Supermarket route rights are amortized over approximately five years.

9. Other Assets

Prepaid expenses consist of insurance, advertising and certain other miscellaneous operating expenses that will be charged to operations in the following fiscal year. Other assets primarily consist of deposits from vendors and deferred finance costs. The Company amortizes deferred financing costs over the term of the related debt agreements. For the years ended December 31, 2005, 2004, and 2003, amortization expenses of $371,578, $507,560 and $451,124 are included in depreciation and amortization expenses in the accompanying consolidated statements of operations.

10. Reclassifications

Certain 2004 and 2003 amounts have been reclassified to conform to the 2005 presentation.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Revenue Recognition

Revenues arising from the sale of ice cream mix products are recognized at the time of shipment to franchisees by the Company's distributor. Royalties are recognized using the accrual method. Recognition of initial franchise fee revenues occurs when all material services or conditions relating to a new license agreement have been substantially performed or satisfied by the Company. Initial franchise fees are recorded as deferred until such time. Supermarket revenues are recognized when the goods are delivered.

12. Advertising

Advertising costs are expensed as incurred and charged against a separate Advertising Fund account that is funded by franchisee contributions for costs related to advertising and promoting the system. Total advertising expense was $6,691,660, $4,946,201 and $4,457,722 for 2005, 2004, and 2003 respectively.

13. Marketing

General corporate and brand marketing advertising costs are expensed in the period incurred. Total advertising expense was $1,762,451, $1,437,653 and $683,111 for 2005, 2004, and 2003 respectively.

14. Income Taxes

The Company accounts for income taxes using the asset and liability method in accordance with Statement of Financial Accounting Standards No. 109 ("SFAS 109"), *Accounting for Income Taxes*. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. A valuation allowance is provided for deferred tax assets when it is more likely than not that the assets will not be realized.

15. Insurance Reserves

Effective December 1, 2000, the Company began self-insuring through retentions or deductibles for the majority of its workers' compensation and automobile insurance programs. Self- insurance amounts vary up to $250,000 per occurrence. Insurance with third parties is in place for claims in excess of these self-insured amounts. The Company's liability for estimated incurred losses is determined based on past claims experience and is recorded in the accompanying consolidated financial statements on an undiscounted basis. As of December 31, 2005 and 2004, the reserve for self-insurance was $1,991,512 and $2,036,148, respectively.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

16. Stock Compensation

The Company accounts for stock-based compensation for employees under Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and the related interpretations.

Had compensation cost for the Company's Incentive Stock Plan (see Note K) been determined consistent with SFAS No. 123, *Accounting for Stock-Based Compensation*, which measures compensation cost based on the fair value of the award at the grant date, the Company's net earnings (loss) for the years ended December 31, 2005, 2004 and 2003, would have been substantially the same as the amounts reported in the Statements of Operations using the Black Scholes option pricing model.

17. Recent Accounting Pronouncements

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation and Disclosure—an amendment of FASB Statement No. 123, Accounting for Stock-Based Compensation*, which was issued in October 1995. This Statement amends the disclosure requirements of SFAS No. 123 to require more prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS 123, as amended by SFAS 148, allows Companies to continue to follow the present provisions of APB 25, but requires pro-forma disclosures of net earnings as if the Company had adopted the provisions of SFAS 123.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation 46, *Consolidation of Variable Interest Entities.* In December 2003, the FASB issued a revision to the FIN46 referred to as Interpretation No. 46(R). The interpretation addresses consolidation by business enterprises of variable interest entities which have one or both of the following characteristics:

1) The equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, which is provided through other interests that will absorb some or all of the expected losses of the entity.

2) The equity investors lack one or more of the following essential characteristics of a controlling financial interest:

   a) The direct or indirect ability to make decisions about the entity's activities through voting rights of similar rights.

   b) The obligation to absorb the expected losses of the entity if they occur, which makes it possible for the entity to finance its activities.

   c) The right to receive the expected residual returns of the entity if they occur, which is the compensation for the risk of absorbing the expected losses.

The adoption of FIN46 and FIN46(R) did not have a significant affect on the company's financial position or results of operation.

In December 2004, the FASB issued revised SFAS No. 123 (SFAS No. 123(R)), *Share-Based Payment.* It requires all entities to recognize the fair value of share-based payment awards (stock compensation) classified in equity, unless they are unable to reasonably estimate the fair value of the award. The provisions of this new pronouncement are not effective for the Company until the fiscal year ending December 31, 2006.

NOTE B – RESTATEMENT

In connection with the recapitalization and share repurchase in 2005, the Company's management reviewed transaction costs associated with the 2004 refinancing and its purchase of Cinnabon and determined an error was made in the allocation of transaction costs that affected the purchase price allocation. The error was the result of certain transaction costs that were accounted for as deferred finance costs. These statements reflect a restatement of 2004 to effect the correct allocation of these costs to the purchase price.

Focus Brands Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2005 and 2004

NOTE B – RESTATEMENT - Continued

The effect of this restatement on the 2004 financial statements is as follows:

	As Originally Reported	Effect of Restatement	As Restated
Balance Sheet			
Total current assets	$ 22,972,663	$ -	$ 22,972,663
Total non-current assets	66,450,896	926,348	67,377,244
Total assets	$ 89,423,559	$ 926,348	$ 90,349,907
Total current liabilities	$ 23,692,174	$ -	$ 23,692,174
Total long-term liabilities	39,383,955	1,273,244	40,657,199
Total stockholders' equity (deficit)	26,347,430	(346,896)	26,000,534
Total liabilities and stockholders' equity (deficit)	$ 89,423,559	$ 926,348	$ 90,349,907

	As Originally Reported	Effect of Restatement	As Restated
Statement of Earnings			
Net sales	$ 91,392,716	$ -	$ 91,392,716
Cost of goods sold	44,108,591	-	44,108,591
Gross profit	47,284,125	-	47,284,125
Total operating expenses	44,408,884	346,896	44,755,780
Earnings from operations	2,875,241	346,896	2,528,345
Interest expense	(1,478,690)	-	(1,478,690)
Other income, net	138,273	-	138,273
Earning before provision for income taxes	1,534,824	-	1,187,928
Income tax benefit	3,206,179	-	3,206,179
Net earnings	$ 4,741,003	$ 346,896	$ 4,394,107

NOTE C – FINANCIAL INSTRUMENTS AND CONCENTRATIONS

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents and trade accounts receivable.

The Company maintains cash and cash equivalents with various financial institutions and performs periodic evaluations of the relative credit standing of those financial institutions.

Accounts receivable are primarily due from licensed dealers, franchisees and supermarkets whose operations are primarily located in the United States. The Company maintains an allowance for doubtful accounts based upon the expected collectibility of the receivables.

No customer accounted for more than 10% of sales for 2005 and 2004.

NOTE D – BUSINESS ACQUISITIONS AND DISPOSITIONS

On November 4, 2004, Focus Brands Inc purchased all of the issued and outstanding capital stock of Cinnabon International, Inc. for approximately $21 million dollars. Focus Brands Inc financed the stock purchase from the refinancing of its term loan and through additional paid in capital. This acquisition has been accounted for using the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations*. The negative goodwill created by this purchase reduced the value of certain non-current assets. The results of operations of the acquired businesses have been included in the accompanying statements of operations since the date of acquisition. A summary of the fair market value of assets acquired and liabilities assumed is as follows:

Current assets	$	4,267,403
Property, plant and equipment		4,024,428
Other		25,450,750
Total assets	$	33,742,581
Current liabilities	$	3,734,418
Long-term liabilities		8,424,998
Stockholders' equity		21,583,165
Total liabilities and stockholders' equity	$	33,742,581

Effective November 22, 2004, Focus Brands Inc. sold all of its company operations related to Cinnabon International, Inc. to Cinnaworks, LLC for a purchase price of $8,250,000. The purchase price consisted of $6,000,000 in cash, which was used to pay down both Term Loans A and B, as well as a promissory note totaling $2,250,000. This promissory note has been paid in full as of January 2006.

Focus Brands Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2005 and 2004

NOTE D – BUSINESS ACQUISITIONS AND DISPOSITIONS - Continued

In conjunction with the sale, Cinnabon International, Inc. transferred long-term assets totaling $3,809,428, a liability related to an obligation to Coca-Cola of $84,941, as well as granted royalty relief for a period of three years totaling $4,525,513.

During 2005, the Company purchased rights of certain franchisees to provide Carvel products in the franchisees' distribution area to supermarkets, club stores, and other retail locations for approximately $1,400,000. These supermarket route rights are being amortized over the life of the original franchise term plus any remaining renewal period.

NOTE E – PROPERTY, EQUIPMENT AND LEASEHOLDING IMPROVEMENTS

Property, equipment and leasehold improvements at December 31, 2005 and 2004 are comprised of the following:

	2005	2004
Machinery and equipment	$ 24,880,701	$ 27,977,114
Leasehold improvements	3,035,955	514,586
Furniture and fixtures	502,962	665,858
	28,419,618	29,157,558
Less accumulated depreciation and amortization	(15,451,893)	(17,182,363)
	$ 12,967,725	$ 11,975,195

NOTE F – INTANGIBLE ASSETS

Intangible assets at December 31, 2005 and 2004 are comprised of the following:

	2005	2004
Trade names	$ 46,354,414	$ 45,458,489
Goodwill	7,293,327	7,293,327
Supermarket routes	1,400,000	-
	55,047,741	52,751,816
Less accumulated amortization	(120,225)	-
	$ 54,927,516	$ 52,751,816

NOTE G –RECAPITALIZATION AND STOCKHOLDERS' EQUITY

During 2005, the Company completed a recapitalization and share repurchase. Based on the terms of the recapitalization and share repurchase, common shareholders received a distribution of $8.02 per share and Series A and B holders received a distribution of $56.16 per share. In conjunction with the recapitalization and share repurchase, preferred shareholders converted their preferred shares into common A and common B shares, respectively.

Terms of the common A, common B and common shares are as follows:

a. Voting—Common A shareholders vote at a rate of 10 votes for each share of common A stock. Common B shareholders do not vote except when so permitted to vote, in which case common B shareholders vote at a rate of one vote for each share of common B stock. Common shareholders vote at a rate of one vote for each share of common stock.

b. Dividends - The Company is not required to pay dividends at any time. However, should there be a dividend, the holders of common A, common B and common stock shall be entitled to receive dividends in an equal amount per share.

c. Redemption—No redemption privileges exist.

d. Preemptive Rights—Common A, common B and common stockholders have preemptive rights on the issuance of new securities.

e. Liquidation—All distributions of assets upon liquidation shall be made to the holders of common A, common B and common stock on a pro rata basis.

NOTE H – LONG-TERM DEBT

Long-term debt at December 31, 2005 and 2004 consists of the following:

	2005	2004
Merrill Lynch Term Loan A	$ 12,458,058	$ 10,941,000
Merrill Lynch Term Loan B	27,832,262	12,319,125
Merrill Lynch Term Loan C	9,808,524	-
	50,098,844	23,260,125
Less current portion	(2,234,576)	(959,500)
	$ 47,864,268	$ 22,300,625

NOTE H – LONG-TERM DEBT - Continued

In July of 2005, the Company amended and restated the Old Credit Facility. The amended and restated agreement provides for $9 million of revolving credit loans, less outstanding letters of credit not to exceed $ 9 million, and three term loans totaling $52 million. As of December 31, 2005, $1.8 million of letters of credit were outstanding, $2.8 million was available for borrowings on the revolving credit facility and $4,362,090 were outstanding on the revolving credit facility. The term loans are payable in quarterly installments from December 31, 2005 to July, 2012, ranging from $397,598 to $878,028 for Term Loan A, $69,930 to $3,321,690 for Term Loan B and Term Loan C payable on the Term B Maturity Date.

Outstanding borrowings on the Term Loan A bear interest at the LIBOR rate plus 3.50% ("LIBOR Rate Loans") and is payable quarterly. Outstanding borrowings on the Term Loan B bear interest at the LIBOR rate plus 4.00% ("LIBOR Rate Loans") and is payable quarterly. Outstanding borrowings on the Term Loan C bear interest at the LIBOR rate plus 6.25% ("LIBOR Rate Loans") and is payable quarterly. At December 31, 2005, LIBOR was 4.18%.

The New Credit Facility requires the Company to comply with certain financial covenants including maintaining a minimum EBITDA amount and interest coverage ratio limits, capital expenditures, and includes a fixed charge coverage ratio and total debt to EBITDA ratio, as defined. As of December 31, 2005, the Company was in compliance with all covenants under the New Credit Facility. The New Credit Facility provides for mandatory prepayments based on excess cash flow, as defined. No mandatory prepayments were due as of December 31, 2005. Optional prepayments may be made without penalties. The New Credit Facility is secured by substantially all of the assets of the Company.

The annual principal payment requirements for long-term debt as of December 31, 2005 are as follows:

2006	$ 2,234,576
2007	2,764,706
2008	3,195,437
2009	3,626,168
2010	8,539,296
Thereafter	29,738,661
	$ 50,098,844

NOTE I – CAPITAL LEASE OBLIGATIONS

The Company leases vehicles and equipment under long-term capital lease arrangements. Property and equipment includes the following amounts for assets under capital lease at December 31, 2005 and 2004:

	2005	2004
Equipment	$ 172,022	$ 77,366
Vehicles	7,422,800	6,279,746
	7,594,822	6,357,112
Less accumulated depreciation	(3,670,908)	(3,384,275)
Total	$ 3,923,914	$ 2,972,837

Future minimum payments for capital lease obligations were as follows at December 31, 2005:

2006	$ 1,496,731
2007	901,594
2008	769,709
2009	647,512
2010	620,782
Thereafter	549,179
Total future minimum payments	4,985,507
Less amount representing interest	(1,115,536)
Present value of net minimum lease payments	3,869,971
Less current portion	(1,106,208)
Capital lease obligations, less current portion	$ 2,763,763

NOTE J – OPERATING LEASES

Certain Company buildings are leased and, in some cases, subleased under noncancelable operating leases, certain of which are subject to renewals, expiring in various years through 2013.

The Company has entered into certain operating leases for store sites under which it pays rent. As of December 31, 2005, Cinnabon International, Inc. had restructured and assigned all but 14 of their operating leases. Although the liabilities and obligations of such leases have been fully assumed by Cinnabon franchisee's, Cinnabon, Inc., remains secondarily liable under the assigned leases. Sublease arrangements are secured for the remaining 14 sites which will produce sublease income equivalent to future rental payments.

Future minimum payments by year, and in the aggregate, under noncancelable operating leases with initial or remaining terms in excess of one year at December 31, 2005 are as follows:

	Primarily Liable	Secondarily Liable	Total
2006	$ 1,039,278	$ 6,197,251	$ 7,236,529
2007	916,907	5,575,544	6,492,451
2008	690,939	4,182,976	4,873,915
2009	382,369	3,626,750	4,009,119
2010	170,083	2,630,734	2,800,817
Thereafter	152,925	2,523,113	2,676,038
Total future minimum payments	3,352,501	24,736,368	28,088,869
Less minimum future rentals receivable under subleases	(79,897)	-	(79,897)
	$ 3,272,604	$ 24,736,368	$ 28,008,972

Rental expense for operating leases for the years ended December 31, 2005, 2004 and 2003 consisted of:

	2005	2004	2003
Rent Expense	$ 7,889,833	$ 2,811,607	$ 932,194
Sublease rental income	(6,054,429)	(1,258,119)	(106,621)
	$ 1,835,404	$ 1,553,488	$ 825,573

NOTE K –STOCK COMPENSATION

In March 2002, the Company established the Carvel Holding Corporation 2002 Incentive Stock Plan (the "Plan") in order to attract and retain key persons (including employees, nonemployee consultants, customers and suppliers) and directors, provide an additional incentive to each key person or director to work to increase the value of the Company's common stock and provide each key person or director with a stake in the future of the Company that corresponds to the stake of each of the Company's stockholders. The Plan authorizes the granting of options to purchase common stock of the Company, stock appreciation rights and stock grants. The Plan is administered by a committee (the "Committee"). The Committee has the authority to determine the amount of options granted to any individual and the dates on which each option will become exercisable subject to certain limitations in the Plan. The exercise price of all options is determined by the Committee but shall be at least 100% of the estimated fair market value of the underlying common stock at the time of the grant; however, provided that if the option is granted to a key person who is a ten percent shareholder, as defined, the option price shall be no less than 110% of the fair market value of the underlying common stock at the time of the grant.

During the years ended December 31, 2005 and 2004, the Company granted options to purchase an aggregate of 107,285 and 41,780 shares of common stock, respectively, to employees of the Company at exercise prices ranging from $9.42 to $15.17 per share. The option vesting periods range from immediate vesting to a five-year vesting period, with a separate vesting schedule in the event of a change in control, as defined. The options expire 10 years from the date of grant. During the year ended December 31, 2005, there were no options cancelled. As of December 31, 2005 and 2004, there were 488,732 and 471,227 options outstanding, respectively.

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 26, 2003	$ 429,447	$ 15.17
Granted	41,780	-
Outstanding at December 25, 2004	471,227	15.17
Granted	107,285	12.80
Exercised	(89,780)	-
Outstanding at December 30, 2005	$ 488,732	$ 14.73

NOTE L – EMPLOYEE BENEFITS

The Company sponsors an employee 401(k) plan (the "Plan"). Participation in the Plan after six months of service is available to substantially all salaried employees and to certain groups of hourly employees. Company contributions to the Plan are based on a percentage of the employee contributions. Employer contributions to the Plan were $226,433, $248,493 and $243,000 for the years ended December 31, 2005, 2004 and 2003.

NOTE M – INCOME TAXES

Components of the provision for income taxes are as follows:

	2005	2004	2003
Current			
Federal	$ (232,132)	$ -	$ -
State	(161,116)		(40,000)
Foreign	(259,998)		-
Deferred			
Federal	(1,306,469)	2,725,661	-
State	159,594	480,518	-
Foreign	-		-
Income tax (expense) benefit	$ (1,800,121)	$ 3,206,179	$ (40,000)

The reconciliation between the statutory income tax rate and the effective income tax rate is as follows:

	2005	2004	2003
Statutory rate	34.0 %	34.0 %	(34.0) %
State income tax, net of federal tax effect	(1.3)	6.0	(1.6)
Change in valuation allowance	(11.6)	(247.6)	35.4
Other differences, net	2.2	(1.3)	2.1
Effective tax rate	23.3 %	(208.9) %	1.9 %

NOTE M – INCOME TAXES - Continued

Significant components of the Company's deferred tax (liabilities) assets as of December 31, 2005 and 2004 are as follows:

	2005	2004
Deferred tax liabilities:		
Intangible assets	$ (18,011,924)	$ (18,549,202)
Prepaid costs and expenses	(288,158)	(319,306)
Other	(27,989)	(5,339)
Total deferred tax liabilities	(18,328,071)	(18,873,847)
Deferred tax assets:		
Reserves and allowances	5,087,323	6,844,247
Net operating loss and tax credit carryforwards	14,492,207	15,028,719
Unamortized contract costs	-	55,117
Depreciable assets	286,261	397,708
Other	(4,518)	35,234
	19,861,273	22,361,025
Less valuation allowance	(13,390,872)	(14,447,780)
Total deferred tax assets	6,470,401	7,913,245
Net deferred tax liabilities	$ (11,857,670)	$ (10,960,602)

The components of deferred tax assets and liabilities reported for 2004 above, have been restated to agree with the Company's reallocation of transactions costs that affected the purchase price allocation of the purchase of Cinnabon in 2004.

At December 31, 2005, the Company has net operating loss carryforwards ("NOLs") for federal income tax purposes of approximately $33.9 million, which expire through 2024. During 2001, the Company experienced an "ownership change" for income tax purposes. As a result, usage of the Company's NOLs incurred prior to the ownership change is limited. Although the amount of the limitation has not yet been quantified, usage of the $27.0 million of NOLs from prior to the ownership change, may be substantially limited.

As described in Note A-11, SFAS No. 109 requires management to evaluate the realizability of a deferred tax asset. Management has recorded a deferred tax valuation allowance of $13.4 and $14.5 million as of December 31, 2005 and 2004, respectively, for deferred tax assets for which realization is not likely. As a result of SFAS No. 142, *Goodwill and Other Intangible Assets*, whereby amortization of trade names has ceased and the deferred tax liability related to the trade names will no longer reverse prior to the expiration of the NOL carryforwards or be available to offset the reversal of other deferred tax assets, the Company has recorded a net deferred tax liability related to intangible assets as of December 31, 2005 and 2004, with no offset for deferred tax assets.

NOTE M – INCOME TAXES - Continued

Management has evaluated the realizability of the Company's deferred tax assets as of December 31, 2005, and concluded that it is appropriate to reduce the valuation allowance as of that date because it has determined that a portion of the deferred tax assets are more likely than not to be realized based on forecasted earnings and future taxable income. Accordingly, the valuation allowance was reduced by $1.1 million. In assessing the rate of which temporary differences will reverse, management has reduced the effective tax rate used in determining the net tax liability. The effect of this reassessment resulted in a reduction of income tax expense of approximately $230,000 in 2005.

As a result of the acquisition of Cinnabon, the Company has approximately $2 million of goodwill that is being amortized for tax purposes. Since the Company will realize a tax benefit from goodwill amortization on its 2005 income tax return, a benefit of $250,000 was credited to other non-goodwill intangibles.

NOTE N – RELATED PARTY TRANSACTION

The Company pays an affiliate of the majority stockholder an annual management fee of $675,000. The management advisory and consulting services agreement expires on November 29, 2009.

NOTE O – COMMITMENTS AND CONTINGENCIES

In the normal course of business, various other legal actions and claims are pending against the Company. It is the opinion of management, based on advice of counsel, that the ultimate resolution of these contingencies, to the extent not previously provided for, will not have a material effect on the consolidated financial condition, results of operations or liquidity of the Company.

NOTE P – SPECIAL CHARGES

Special charges include annual management fees and for the years ended December 31, 2005, 2004 and 2003, the Company incurred the following special charge related to the November 2004 Recapitalization transaction:

	2005	2004	2003
Restructuring costs	$ 133,271	$ 484,002	$ 1,444,599
Litigation costs	6,676	279,190	383,802
Systems conversion	-	-	641,927
Systems integration	625,607	-	-
Management fee	675,000	675,000	675,000
Other	814,055	400,917	23,947
	$ 2,254,609	$ 1,839,109	$ 3,169,275

SUPPLEMENTARY INFORMATION

Report of Independent Certified Public Accountants on Supplementary Information

Board of Directors
Focus Brands Inc. and Subsidiaries

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of Focus Brands Inc. and Subsidiaries as of and for the year ended December 31, 2005, which are presented in the preceding section of this report. The accompanying supplementary consolidating balance sheet and statement of operations is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Grant Thornton LLP

Atlanta, Georgia
February 24, 2006

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Focus Brands Inc. and Subsidiaries

CONSOLIDATING BALANCE SHEET

December 31, 2005

ASSETS

	Focus Brands Inc.	Carvel Corporation	Cinnabon International Incorporated	Eliminations	Consolidation
Current assets					
Cash and cash equivalents	$ 504,853	$ 2,375,096	$ 152,971	$ -	$ 3,032,920
Restricted Cash		489,224	-	-	489,224
Net accounts receivable	-	6,061,611	2,171,756	-	8,233,367
Intercompany accounts receivable	-	-	3,992,939	3,992,939	-
Inventories	-	1,536,262	-	-	1,536,262
Prepaid expenses and other current assets	-	1,602,660	-	-	1,602,660
Notes receivable	-	1,180,500	-	-	1,180,500
Deferred tax asset	-	36,909	1,266,060	-	1,302,969
Total current assets	504,853	13,282,262	7,583,726	3,992,939	17,377,902
Investment in subsidiary	142,130,380	6,451,148	-	148,581,528	-
Intercompany	(44,217,553)	44,217,553		-	-
Property, equipment and leasehold improvements - net	-	11,275,460	1,692,265	-	12,967,725
Intangible assets	-	29,572,522	25,354,994	-	54,927,516
Other assets	-	2,037,111	-	-	2,037,111
Total assets	$ 98,417,680	$ 106,836,056	$ 34,630,985	$ 152,574,467	$ 87,310,254

Focus Brands Inc. and Subsidiaries

CONSOLIDATING BALANCE SHEET - CONTINUED

December 31, 2005

LIABILITIES AND STOCKHOLDERS' EQUITY

	Focus Brands Inc.	Carvel Corporation	Cinnabon International Incorporated	Eliminations	Consolidation
Current liabilities					
Accounts payable	$ -	$ 3,321,662	$ 336,768	$ -	$ 3,658,430
Accrued expenses and other liabilities	-	4,287,919	1,333,566	-	5,621,485
Customer and other deposits	-	1,562,033	-	-	1,562,033
Intercompany accounts payable	-	3,992,939	-	(3,992,939)	-
Income Taxes Payable	-	63,611	142,982	-	206,593
Current portion of long-term debt	-	2,234,576	-	-	2,234,576
Line of Credit	-	4,362,090	-	-	4,362,090
Current portion of capital lease obligations	-	1,106,208	-	-	1,106,208
Total current liabilities	-	20,931,038	1,813,316	(3,992,939)	18,751,415
Long-term debt - less current portion	-	47,864,268	-		47,864,268
Capital lease obligations - less current portion	-	2,763,763	-	-	2,763,763
Deferred income taxes	-	4,683,527	8,477,123	-	13,160,650
Deferred revenue	-	1,650,000	5,337,493	-	6,987,493
Other liabilities	-	1,580,647	-	-	1,580,647
Total liabilities	-	79,473,243	15,627,932	(3,992,939)	91,108,236
Commitments and contingencies					
Stockholders' equity					
Common stock A, $0.01 par value, authorized 100 shares, issued and outstanding 100 shares	-	-	1	(1)	-
Common stock A, $0.01 par value, authorized 500,100 shares, issued and outstanding 500,000 shares	-	5,000	-	(5,000)	-
Common stock, $0.01 par value, authorized 5,000,000 shares, issued and outstanding 706,930 as of December 31, 2005	7,089	-		-	7,089
Common stock A, $0.01 par value, authorized 2,812,880 shares, issued and outstanding 1,298,644 as of December 31, 2005	12,986	-	-	-	12,986
Common stock B, $0.01 par value, authorized 318,437 shares, issued and outstanding 79,991 as of December 31, 2005	800	-	-	-	800
Additional paid-in capital	99,082,366	135,999,842	13,894,567	(149,662,088)	99,314,687
Accumulated deficit	(685,561)	(108,642,029)	5,108,485	1,085,561	(103,133,544)
Total stockholders' equity	98,417,680	27,362,813	19,003,053	(148,581,578)	(3,797,982)
Total liabilities and stockholders' equity	$ 98,417,680	$ 106,836,056	$ 34,630,985	$ (152,574,467)	$ 87,310,254

Focus Brands Inc. and Subsidiaries

CONSOLIDATING STATEMENT OF OPERATIONS

December 31, 2005

	Focus Brands Inc.	Carvel Corporation	Cinnabon International Incorporated	Eliminations	Consolidation
Revenues					
Wholesale revenues	$ -	$ 61,260,884	$ -	$ -	$ 61,260,884
Retail revenues	-	30,844,847	21,337,650	-	52,182,497
Total revenues	-	92,105,731	21,337,650	-	113,443,381
Costs and expenses					
Cost of products sold	-	46,618,818	-	-	46,618,818
Selling, general and administrative expenses	-	34,894,193	12,581,294	-	47,475,487
Depreciation and amortization	-	5,070,454	383,216		5,453,670
Special charges		1,607,892	646,717	-	2,254,609
Total costs and expenses	-	88,191,357	13,611,227	-	101,802,584
Operating (loss) income	-	3,914,374	7,726,423	-	11,640,797
Interest expense	-	(3,638,431)	(383,164)	-	(4,021,595)
Other income	-	70,200	-	-	70,200
Earnings before provision for income taxes	-	346,143	7,343,259	-	7,689,402
Income Tax (Expense) Benefit	-	898,695	(2,698,816)	-	(1,800,121)
Net income	$ -	$ 1,244,838	$ 4,644,443	$ -	$ 5,889,281

GUARANTEE OF PERFORMANCE

For value received, FOCUS Brands Inc., located at 200 Glenridge Point Parkway, Suite 200, Atlanta, Georgia 30342, absolutely and unconditionally guarantees the performance by Carvel Corporation, located at 200 Glenridge Point Parkway, Suite 200, Atlanta, Georgia 30342, of all of the obligations of Carvel Corporation under its franchise registrations in those states requiring registration dated April 1, 2006 and subsequent years and of its Franchise Agreement(s). This Guarantee continues until all obligations of Carvel Corporation under the franchise registration and franchise agreement(s) are satisfied. FOCUS Brands Inc. is not discharged from liability if a claim by the franchisee against Carvel Corporation remains outstanding. Notice of acceptance is waived. Notice of default on the part of Carvel Corporation is not waived. This Guarantee is binding on FOCUS Brands Inc. and on its successors and assignees.

IN WITNESS WHEREOF, FOCUS Brands Inc. (Parent) executes this Guarantee at Atlanta, Georgia on this 2nd day of March 2006.

FOCUS BRANDS INC.

Attest: K. Rookes
Name: Kathryn Rookes, Secretary

By: Steve Romaniello
Steve Romaniello, Chief Executive Officer

EXHIBIT B

CARVEL FRANCHISE AGREEMENT AND RELATED AGREEMENTS