

EXHIBIT A

**COOKIES BY DESIGN, INC.
FRANCHISE OFFERING CIRCULAR**

FINANCIAL STATEMENTS

THE FOLLOWING FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED THEIR OPINION WITH REGARD TO THE CONTENT OR FORM.

COOKIES BY DESIGN, INC.

ANNUAL FINANCIAL REPORT

For the Years Ended

December 31, 2005, 2004, and 2003

COOKIES BY DESIGN, INC.

ANNUAL FINANCIAL REPORT
For the Years Ended
December 31, 2005, 2004, and 2003

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Balance Sheets	2-3
Statements of Operations and Retained Earnings	4
Statements of Cash Flows	5-6
Notes to Financial Statements	7-13

DANIEL H. WEAVER, CPA
CERTIFIED PUBLIC ACCOUNTANT

5950 Cedar Springs Road, Suite 150
Dallas, Texas 75235

Member:
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants

(214) 352-7050
FAX (214) 352-7086
E-Mail: dan@danweavercpa.com

INDEPENDENT AUDITOR'S REPORT

Shareholder and Directors of
MGW Group, Inc.
Plano, Texas

I have audited the balance sheets of Cookies By Design, Inc. (an S corporation) as of December 31, 2005, 2004, and 2003 and the related statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cookies By Design, Inc. as of December 31, 2005, 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.

Daniel H. Weaver, CPA

Dallas, Texas
February 9, 2006

COOKIES BY DESIGN, INC.

BALANCE SHEETS
December 31, 2005, 2004, and 2003

ASSETS

	<u>2005</u>	<u>2004</u>	<u>2003</u>
CURRENT ASSETS			
Cash	\$ 348,234	\$ 577,853	\$ 689,764
Franchise receivables	345,481	333,797	353,904
Other receivables	19,466	119	1,019
Supplies inventory	30,419	31,687	26,690
Prepaid expenses	53,638	101,961	57,766
Notes receivable - current portion	<u>186,450</u>	<u>111,662</u>	<u>118,538</u>
Total current assets	983,688	1,157,079	1,247,681
PROPERTY AND EQUIPMENT-NET OF ACCUMULATED DEPRECIATION			
	463,476	544,472	188,580
OTHER ASSETS			
Notes receivable - net of current portion	168,129	115,382	144,410
Deposits	38,254	14,517	14,933
Brand Re-Image Costs - net of current expense	68,445	104,155	-0-
Software development costs	<u>-0-</u>	<u>-0-</u>	<u>264,000</u>
Total other assets	<u>274,828</u>	<u>234,054</u>	<u>423,343</u>
TOTAL ASSETS	<u>\$1,721,992</u>	<u>\$1,935,605</u>	<u>\$1,859,604</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

	<u>2005</u>	<u>2004</u>	<u>2003</u>
CURRENT LIABILITIES			
Accounts payable	\$ 78,783	\$ 132,236	\$ 103,075
Accrued expenses	226,897	307,699	192,634
Deferred revenue	-0-	-0-	24,651
Capital lease obligations - current portion	<u>-0-</u>	<u>3,502</u>	<u>12,564</u>
Total current liabilities	305,680	443,437	332,924
LONG-TERM LIABILITIES			
Capital lease obligations - net of current portion	<u>-0-</u>	<u>-0-</u>	<u>3,502</u>
Total long-term liabilities	-0-	-0-	3,502
STOCKHOLDER'S EQUITY			
Common stock, \$.10 par value, 1,000,000 shares authorized, 10,000 issued and outstanding	1,000	1,000	1,000
Additional paid-in capital	55,903	55,903	55,903
Retained earnings	<u>1,359,409</u>	<u>1,435,265</u>	<u>1,466,275</u>
Total stockholder's equity	<u>1,416,312</u>	<u>1,492,168</u>	<u>1,523,178</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$1,721,992</u>	<u>\$1,935,605</u>	<u>\$1,859,604</u>

See Independent Auditor's Report and notes to financial statements.

COOKIES BY DESIGN, INC.

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
For the Years Ended
December 31, 2005, 2004, and 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
REVENUE			
Recurring licensing fees	\$2,696,911	\$2,741,646	\$2,850,187
Initial licensing fees	103,275	176,875	216,900
Renewals and transfers	290,825	313,749	208,287
Special licensing fees, Note 2	178,891	210,023	165,682
Convention and meeting fees, Note 2	-0-	97,484	81,047
Recovery of mold fees	75,216	81,513	66,743
Sale of merchandise, Note 2	103,927	71,328	93,175
Total Revenue	<u>3,449,045</u>	<u>3,692,618</u>	<u>3,682,021</u>
DIRECT COSTS	<u>(2,551,262)</u>	<u>(2,496,957)</u>	<u>(2,416,007)</u>
Gross Profit	897,783	1,195,661	1,266,014
GENERAL AND ADMINISTRATIVE	<u>(981,879)</u>	<u>(1,234,681)</u>	<u>(1,105,829)</u>
INCOME (LOSS) FROM OPERATIONS	<u>(84,096)</u>	<u>(39,020)</u>	<u>160,185</u>
OTHER INCOME (EXPENSE)			
Interest income	21,584	24,298	24,440
Interest expense	(84)	(1,048)	(2,543)
Loss on disposal of assets	-0-	(1,980)	(44,858)
Other expense	<u>(13,260)</u>	<u>(13,260)</u>	<u>(13,260)</u>
Total Other Income (Expense)	<u>8,240</u>	<u>8,010</u>	<u>(36,221)</u>
NET INCOME (LOSS)	(75,856)	(31,010)	123,964
RETAINED EARNINGS, beginning of year	<u>1,435,265</u>	<u>1,466,275</u>	<u>1,342,311</u>
RETAINED EARNINGS, end of year	<u>\$1,359,409</u>	<u>\$1,435,265</u>	<u>\$1,466,275</u>

See Independent Auditor's Report and notes to financial statements.

COOKIES BY DESIGN, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended
December 31, 2005, 2004, and 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATIONS			
Net Income(loss)	\$ (75,856)	\$ (31,010)	\$ 123,964
Noncash items			
Depreciation	128,843	105,565	93,277
Loss on assets disposed	-0-	1,980	44,858
Adjustments to reconcile net income to net cash provided by operations			
(Increase) decrease in:			
Franchise and other receivables	(31,031)	21,007	56,489
Supplies inventory	1,268	(4,997)	(1,973)
Prepaid expenses	48,323	(44,195)	9,648
Increase (decrease) in:			
Accounts payable	(53,453)	29,161	24,298
Accrued expenses	(80,802)	115,065	(36,259)
Deferred revenue	-0-	(24,651)	24,651
Net cash provided (used) by operations	<u>(62,708)</u>	<u>167,925</u>	<u>338,953</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	(47,847)	(199,437)	(14,672)
Notes issued	(201,268)	(173,795)	(200,549)
Collections on notes	73,733	209,699	221,207
Deposits	(23,737)	416	10,238
Brand re-image costs	35,710	(104,155)	-0-
Software development cost	-0-	-0-	(54,000)
Net cash used in investing activities	<u>(163,409)</u>	<u>(267,272)</u>	<u>(37,776)</u>

See Independent Auditor's Report and notes to financial statements.

COOKIES BY DESIGN, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended
December 31, 2005, 2004, and 2003

	<u>2005</u>	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments on capital lease obligations	<u>(3,502)</u>	<u>(12,564)</u>	<u>(13,089)</u>
Net cash used in financing activities	<u>(3,502)</u>	<u>(12,564)</u>	<u>(13,089)</u>
NET INCREASE (DECREASE) IN CASH	(229,619)	(111,911)	288,088
CASH AT BEGINNING OF YEAR	<u>577,853</u>	<u>689,764</u>	<u>401,676</u>
CASH AT END OF YEAR	<u>\$ 348,234</u>	<u>\$ 577,853</u>	<u>\$ 689,764</u>
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid	<u>\$ 84</u>	<u>\$ 1,048</u>	<u>\$ 2,543</u>

See Independent Auditor's Report and notes to financial statements.

COOKIES BY DESIGN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended
December 31, 2005, 2004, and 2003

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company's Activities

The Company is in the business of granting franchise and licensing agreements in the decorated cookie and specialty gift industry using the trade names Cookies by Design® or Cookie Bouquet®. The Company changed its corporate name from MGW Group, Inc. to Cookies by Design, Inc., effective January 1, 2005. The Company began operating exclusively under the Cookies by Design® trade name in 2005 and will no longer license franchisees to use the Cookie Bouquet® name. Franchisees own and operate retail outlets within designated geographic areas. The franchise agreements require that the Company provide training and operating support to the franchised business prior to the commencement of the business. As of December 31, 2005, there were 231 licensed franchise locations.

Revenue Recognition

The Company generates revenue from an initial franchise fee, continuing licensing fees based upon a percentage of sales, fees from renewals and transfers of franchises, special licensing fees related to intellectual property use for which the company must pay a royalty based on a percentage of sales, merchandise sales, fees and reimbursements for training and education, and rebates and incentives from various suppliers of material and services to the company and its franchisees. Franchise fees are recognized upon acceptance as a franchise. Licensing fees are recognized monthly based upon the percentage of sales generated by a franchisee. Deferred revenue arises when all or a portion of rebates and incentives are received in advance of the period in which the material or services are to be provided.

Franchise and Notes Receivable

The Company collects initial franchise fees upon acceptance as a franchise but permits franchise renewals be made by note. When management believes that franchisees are significantly delinquent on their monthly licensing fees, the past due balance is converted to a note. All notes are carried at cost that approximates fair value. Interest is recognized monthly by simple interest amortization. The Company's policy is to write off uncollectible notes and management believes that no allowance for uncollectible receivables is necessary at year-end.

COOKIES BY DESIGN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended
December 31, 2005, 2004, and 2003

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Supplies Inventory

Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Brand Re-Image Costs

The Company capitalized all costs related to new marketing concepts, new store designs, and the re-branding of its name from Cookie Bouquet® to Cookies by Design®. The Company expects its re-imaging campaign to have a useful life of three years. Amortization of these costs totaled \$35,710 in 2005.

Software Development Costs

The Company capitalized its costs associated with the development of a point-of-sale software system used to track franchisee sales. The system was placed in service in 2004 and is being depreciated over its estimated useful life. The Company reclassified these costs in 2004 and included them with property and equipment on the balance sheet.

Concentrations of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk primarily consist of cash, franchise receivables and notes receivable. To reduce its credit risk with respect to cash, the Company places its cash with highly rated financial institutions. Franchise receivables and notes receivable result from the Company's franchising operations. These franchises are dispersed throughout 44 States. The Company routinely assesses the financial strength of its franchisees.

COOKIES BY DESIGN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended
December 31, 2005, 2004, and 2003

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

As of June 1, 1996, the Company elected to be taxed as an S Corporation under the provisions of the Internal Revenue Code. Under these provisions the Company does not pay federal corporate income taxes on its taxable income. The Company's taxable income or loss is included in the individual return of its stockholder.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - FRANCHISE OPERATIONS

The Company receives from its franchisees licensing fees based on various percentages of gross sales as specified by each Franchise Agreement. The amount accrued is based on reports and collections from the franchisee (see Note 11 related to Deferred Revenue).

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Franchisee receivables	\$ 41,103	\$ 37,045	\$ 50,765
Licensing fees Receivable	<u>304,378</u>	<u>296,752</u>	<u>303,139</u>
Total franchise receivables	<u>\$345,481</u>	<u>\$333,797</u>	<u>\$353,904</u>

Revenues recognized from special licensing fees, conventions and meetings, and merchandise sales are substantially offset by associated royalties and other costs. These costs totaled respectively, \$198,891, \$0 and \$20,515 in 2005; \$218,066, \$162,067 and \$47,445 in 2004; and \$162,325, \$118,485 and \$88,816 in 2003.

COOKIES BY DESIGN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended
December 31, 2005, 2004, and 2003

Note 3 - PROPERTY AND EQUIPMENT

Major classifications for fixed assets are summarized below:

	2005	2004	2003
Furniture and fixtures	\$ <u>91,407</u>	\$ <u>89,907</u>	\$ <u>90,157</u>
Equipment	855,602	819,221	378,001
Leasehold improvements	<u>24,222</u>	<u>14,256</u>	<u>35,875</u>
	<u>971,231</u>	<u>923,384</u>	<u>504,033</u>
Accumulated depreciation and amortization			
Property and equipment (net)	(507,755)	(378,912)	(315,453)
	<u>\$463,476</u>	<u>\$544,472</u>	<u>\$188,580</u>
Depreciation and amortization expense	<u>\$128,843</u>	<u>\$105,565</u>	<u>\$ 93,277</u>

Respective depreciable lives:

Furniture and fixtures	3-7 years
Equipment	5-7 years
Leasehold improvements	5-7 years

Note 4 - CAPITAL LEASES

The company has leased certain equipment and building improvements under capital leases that expire at various dates.

The following is a summary of assets under capital leases as of December 31st:

	2005	2004	2003
Office equipment	\$ <u>32,623</u>	\$ <u>32,623</u>	\$ <u>32,623</u>
Building improvements	<u>28,520</u>	<u>28,520</u>	<u>28,520</u>
Total	<u>61,143</u>	<u>61,143</u>	<u>61,143</u>
Less accumulated amortization	(58,347)	(54,171)	(47,743)
Assets under capital leases	<u>\$ 2,796</u>	<u>\$ 6,972</u>	<u>\$ 13,400</u>

Capital leases are included in the totals for property and equipment on the balance sheet. Assets under capital leases are amortized over periods from five to seven years. Amortization expense totaled \$4,181, \$6,530 and \$9,284 for the years ended December 31, 2005, 2004, and 2003, respectively.

COOKIES BY DESIGN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended
December 31, 2005, 2004, and 2003

Note 4 - CAPITAL LEASES (continued)

The Company has completed its obligations under its capital lease commitments and there are no future minimum payments due as of December 31, 2005.

NOTE 5 - NOTES RECEIVABLE

At December 31, notes receivable consisted of the following:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
2 Notes receivable from The MAP Group, a marketing and advertising group owned by Cookies by Design franchisees formed to promote brand image. Due in 24 monthly installments of \$3,416.67 and \$2,708.33 at 0% interest. The notes are unsecured.	\$147,000	\$ -0-	\$ -0-
Notes receivable from franchisees in monthly installments up to 60 months, at annual rates of interest from 0% to 12%. Collateralized by related franchise agreements. Mature at various dates through March 2009	207,579	227,044	262,948
Less: Current portion	<u>(186,450)</u>	<u>(111,662)</u>	<u>(118,538)</u>
Noncurrent portion	<u>\$168,129</u>	<u>\$115,382</u>	<u>\$144,410</u>

At December 31, 2005, scheduled maturities of notes receivable are as follows:

Year Ended:	
December 31, 2006	\$ 186,450
December 31, 2007	110,431
December 31, 2008	43,598
December 31, 2009	14,099
After 2009	-0-
	<u>\$ 354,578</u>

COOKIES BY DESIGN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended
December 31, 2005, 2004, and 2003

Note 6 - LEASE COMMITMENTS

The Company is obligated under several operating leases for its home office, training facility and for various vehicles and equipment. Rental expense amounted to \$116,180, \$112,451 and \$116,733 for the years ended December 31, 2005, 2004, and 2003, respectively.

Future minimum payments under the operating leases are as follows:

Year Ended:	
December 31, 2006	\$ 100,265
December 31, 2007	65,879
December 31, 2008	1,390
After 2008	-0-
	<u>\$ 167,534</u>

Note 7 - CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, franchise receivables and notes receivable. The Company places its cash with one financial institution, and as of December 31, 2005, cash in this institution exceeded federal deposit insurance limitations by \$248,234 in total.

Concentrations of credit risk with respect to franchise receivables and notes receivables are limited due to the large number of customers and franchises comprising the Company's customer base and their dispersion across 44 States. As of December 31, 2005, the Company had notes receivable totaling \$354,578. \$271,543 of the \$354,578 in notes receivable was from two note holders.

Note 8 - EMPLOYEE LEASING

The Company leases all of its employees. The leasing company processes payroll, prepares and files all payroll reports, pays all applicable federal, state and local payroll taxes, administers employee benefit plans and workers' compensation insurance, COBRA benefits and compliance, and maintains payroll and benefit records.

COOKIES BY DESIGN, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended
December 31, 2005, 2004, and 2003

Note 9 - 401(k) PENSION PLAN

The Company adopted a retirement savings plan under Section 401(k) of the Internal Revenue Code effective February 1, 2001. The plan covers substantially all full-time employees who have attained age 21 and have one year of service (see Note 8 - Employee Leasing). The Company has elected to make a safe harbor non-elective contribution of three percent of each participant's compensation for the plan year. Pension expense for the year was \$31,809. Plan balances are administered by the employee leasing company.

NOTE 10 - CREDIT LINE

The Company has an available line of credit with JPMorgan Chase Bank for \$250,000. The credit line bears interest at JPMorgan Chase Bank prime plus 1.25 percent with a floor of 5.0 percent and is secured by inventory, accounts receivable, property and equipment and the personal guaranty of the stockholder. The credit line has not been used and no amounts were outstanding at December 31, 2005, 2004 and 2003.

NOTE 11 - DEFERRED REVENUE

Deferred revenue resulted from certain rebates and incentives received related to promotional materials scheduled to be prepared in a future period.

	2005	2004	2003
Beginning of Year	\$ -0-	\$24,651	\$ -0-
Additions to deferred Revenue	-0-	-0-	24,651
Less amounts earned and recognized	-0-	24,651	-0-
End of Year	\$ -0-	\$ -0-	\$24,651