

**INDEPENDENT AUDITOR'S REPORT**

**Dave's Hawaiian Ice Cream, Inc.  
96-1361 Waihona Street  
Pearl City, Hawaii 96782**

**LEONG & FONG**  
CERTIFIED PUBLIC ACCOUNTANTS  
820 MILILANI STREET, 2ND FLOOR  
HONOLULU, HAWAII 96813

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Dave's Hawaiian Ice Cream, Inc.  
96-1361 Waihona Street  
Pearl City, Hawaii 96782

We have audited the accompanying Balance Sheet and Income Statement of Dave's Hawaiian Ice Cream, Inc. (a Hawaii corporation,) as of December 31, 2005. This financial statement is the responsibility of the company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit 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 amount and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above present fairly in all material respects, the financial position of Dave's Hawaiian Ice Cream, Inc., as of December 31, 2005, in conformity with generally accepted accounting principles in the United States.

*Leong & Fong*

Certified Public Accountants

March 19, 2006

Honolulu, Hawaii

EXHIBIT A

Dave's Hawaiian Ice Cream, Inc.  
Balance Sheet  
As of May 31, 2005

Assets

	<u>Total</u>
Current Asset	\$ 40,000.00
Cash In Bank	
Other Asset	
Organization Expense	<u>20.00</u>
<b>Total Assets</b>	<b><u>\$ 40,020.00</u></b>

Liability and Stockholder's Equity

Current Liability	
Due to Affiliated Company	\$ 20.00
Stockholder's Equity	
Common Stock, \$1.00 par value; 1,000,000 shares authorized; 40,000 shares issued and outstanding	<u>40,000.00</u>
<b>Total Liability and Stockholder's Equity</b>	<b><u>\$ 40,020.00</u></b>

*The accompanying notes are an integral part of this financial statement*

**EXHIBIT B**

**DAVE'S HAWAIIAN ICE CREAM, INC.**  
**Income Statement**  
**From April 8, 2005 to December 31, 2005**

	<u>Detail</u>	<u>Total</u>
<b><u>Income</u></b>		
Franchise Fee		\$ 30,000.00
<b><u>Less Operating Expenses</u></b>		
Bank Service Charge	\$ 15.00	
License & Fees	50.00	
Postage & Delivery	255.00	
Legal Fees	2,099.60	
Other Professional Fees	2,365.00	
Travel	1,053.13	
California Franchise Fee	320.97	
Amortization Expense	2,774.44	
Total Operating Expenses		<u>8,933.14</u>
Net Operating Income		21,066.86
<b><u>Add Interest Income</u></b>		<u>10.48</u>
Net Income		<u><u>\$ 21,077.34</u></u>

*The appended selected information is an integral part of these financial statements*

EXHIBIT C

DAVE'S HAWAIIAN ICE CREAM, INC.  
Statement of Stockholder's Balance Under  
Sub-Chapter "S" Status  
As of December 31, 2005

	<u>Total</u>
<b><u>Beginning Balance of Stockholders Equity</u></b> As of April 8, 2005	\$ -
<b><u>Additions During the Year</u></b> Net Income (Exhibit B)	<u>21,077.34</u> 21,077.34
<b><u>Deductions During the Year</u></b> Distribution to Stockholder	<u>21,077.34</u>
<b><u>Ending Balance of Stockholders Equity</u></b> As of December 31, 2005	<u>\$ -</u>

*The appended selected information is an integral part of these financial statements*

**Dave's Hawaiian Ice Cream, Inc.**  
**Notes to Financial Statements**  
**As of December 31, 2005**

1. **Nature of Business**

Dave's Hawaiian Ice Cream, Inc., is a Hawaii Corporation incorporated on April 8, 2005 as Kawika's Hawaiian Ice Cream, Inc. On May 4, 2005, it changed its name to Dave's Hawaiian Ice Cream, Inc. The company is selling Dave's Ice Cream franchises that permit the retail sales of its food products in California.

2. **Summary of Significant Accounting Policies**

- a. **Method:** The accounts of Dave's Hawaiian Ice Cream, Inc., are maintained and the accompanying balance sheet has been prepared in the accrual basis of accounting.
- b. **Income Taxes:** The company's shareholder elected to be taxed under the subchapter S provisions of the Internal Revenue Code effective April 8, 2005. Under those provisions, the company does not pay federal or state income corporate income taxes on its taxable income. Instead, the shareholder is individually liable for federal and state income taxes on their respective share of the company's taxable income.

3. **Going Concern**

The company obtained approval of a franchise registration and offering circular from the State of California on June 20, 2005 to April 20, 2006.

4. **Franchise Fee**

The Company on September 21, 2005 signed a Franchise and License Agreement with ZYLIE ENTERPRISES, LLC for a 3-year period ending September 21, 2008 with a one additional 3-year option. The standard monthly royalty is based on 4% of gross sales with a minimum royalty per year of \$3,000.00. This agreement is in the company's office and should be read in its entirety by interested parties.

5. **Franchise Fee**

The State of California requires a filing of form 100S, which in this case is a Hawaii Corporation doing business in California. There is a minimum franchise fee of \$800.00 per year or 1.5% of state taxable income which ever is higher beginning the second year. The first year is only 1.5 % of state taxable income.

6. **Contingent Liabilities**

Management and the Company Attorney informed the auditor that there are no outstanding claims against the company.

**LEONG & FONG**  
CERTIFIED PUBLIC ACCOUNTANTS

MELVYN P. LEONG, C.P.A.  
EDWIN Y.W. FONG, C.P.A.  
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March 6, 2006

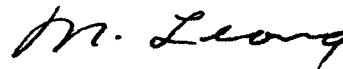
Rodney R. Hatter, Attorney  
695 Town Center Drive, Suite 700  
Costa Mesa, CA 92626

Re: Dave's Hawaiian Ice Cream, Inc.

Mr. Hatter,

We hereby consent to the use of our report dated March 19, 2006 for the calendar year ended December 31, 2005 by the company as part of its franchise registration application in the State of California.

Yours very truly,



Melvyn P. Leong

MPL/KD

Enclosures