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FINANCIAL STATEMENTS OF  
JUICE IT UP FRANCHISE CORPORATION

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EXHIBIT B

Juice It Up Franchise Corp.

Financial Statements

December 31, 2005

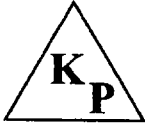
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Juice It Up Franchise Corp.

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December 31, 2005

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## Independent Auditor's Report

The Board of Directors and Stockholder  
Juice It Up Franchise Corp.

We have audited the accompanying balance sheet of Juice It Up Franchise Corp. (Company) as of December 31, 2005, and the related statements of operations, stockholder's equity and cash flows for the year 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 audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 audit provides 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 Juice It Up Franchise Corp. at December 31, 2005, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

*Kling & Pathak*

February 9, 2006

Juice It Up Franchise Corp.  
Balance Sheet  
December 31, 2005

ASSETS

Current assets

Cash and cash equivalents	\$ 264,820
Restricted cash	8,446
Accounts receivable (net of allowance of \$5,000)	43,849
Receivable from affiliate	22,422
Inventory	22,316
Total current assets	<u>361,853</u>

Property and equipment, at cost

Furniture and fixtures	19,647
Computer equipment	24,532
Leasehold improvements	213,019
Less accumulated depreciation	<u>(84,999)</u>
Net property and equipment	<u>172,199</u>

Other assets

Intangible assets (net of accumulated amortization of \$25,246)	51,764
Deposits	<u>39,579</u>
Total other assets	<u>91,343</u>
Total assets	<u><u>\$ 625,395</u></u>

See accompanying notes.

Juice It Up Franchise Corp.  
Balance Sheet (Continued)  
December 31, 2005

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities

Accounts payable	\$	129,095
Accrued expenses		4,486
Funds held for franchisees		<u>2,000</u>
Total current liabilities		<u>135,581</u>

Stockholder's equity

Common stock, no par value		
Authorized shares - 1,000,000		
Issued and outstanding shares - 100		5,000
Paid-in capital		119,290
Retained earnings		<u>365,524</u>
Total stockholder's equity		<u>489,814</u>
Total liabilities and stockholder's equity	\$	<u>625,395</u>

See accompanying notes.

Juice It Up Franchise Corp.  
Statement of Operations  
For the Year Ended December 31, 2005

<b>Revenues</b>	
Franchise and license fee revenues	\$ 2,730,299
Product sales	262,450
Total revenues	<u>2,992,749</u>
Cost of sales	<u>240,153</u>
Income before operating expenses	2,752,596
Operating expenses	<u>2,569,037</u>
Income from operations	<u>183,559</u>
Other income (expense)	
Interest income	5,453
Interest expense	<u>(1,755)</u>
Total other income (expense)	<u>3,698</u>
Income before taxes	187,257
Provision for taxes	<u>1,146</u>
Net income	<u><u>\$ 186,111</u></u>

See accompanying notes.

**Juice It Up Franchise Corp.**  
**Statement of Stockholder's Equity**  
**For the Year Ended December 31, 2005**

	Common Stock	Paid-In Capital	Retained Earnings	Total Stockholder's Equity
Balance at January 1, 2005	\$ 5,000	\$ 119,290	\$ 179,413	\$ 303,703
Net income			186,111	186,111
Balance at December 31, 2005	\$ 5,000	\$ 119,290	\$ 365,524	\$ 489,814

See accompanying notes.



Juice It Up Franchise Corp.  
Statement of Cash Flows  
For the Year Ended December 31, 2005

<b>Operating activities</b>	
Net income	\$ 186,111
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation and amortization	49,230
Changes in operating assets and liabilities:	
Restricted cash	(1,662)
Accounts receivable	(23,429)
Receivable from affiliate	(22,422)
Inventory	66,946
Prepaid expenses	6,903
Deposits	(14,095)
Accounts payable	(65,651)
Accrued expenses and sales tax payable	(3,082)
Net cash provided by operating activities	<u>178,849</u>
<b>Investing activities</b>	
Purchase of property and equipment	(69,211)
Payments on note receivable	193,218
Net cash provided by investing activities	<u>124,007</u>
<b>Financing activities</b>	
Payments on note payable	(87,276)
Net cash used in financing activities	<u>(87,276)</u>
Net increase in cash and cash equivalents	215,580
Cash and cash equivalents at beginning of year	49,240
Cash and cash equivalents at end of year	<u>\$ 264,820</u>

See accompanying notes.

Juice It Up Franchise Corp.

Notes to Financial Statements

December 31, 2005

1. **Summary of significant accounting policies**

Description of current business activities

Juice It Up Franchise Corp. (Company) is a California corporation. The Company franchises juice bars, which sell juice drinks, smoothies, frozen yogurt and other food and drinks to the public primarily in California. Additionally, the Company licenses its name to operators that want to sell Juice It Up products in their facilities. During 2005, the Company sold fifty-one franchises and had a total of eighty-two franchisees and four licensees in operation at December 31, 2005.

Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Supplemental cash flow information

During 2005, cash paid for interest and income tax was \$1,755 and \$1,146, respectively.

Accounts receivable

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

Inventory

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

Property and equipment

Furniture and equipment consists of computer hardware, and other office equipment used in operations. Depreciation is provided using straight-line methods over their estimated useful lives. Leasehold improvements are amortized over the lease term for the corporate office. Depreciation expense for the year ended December 31, 2005 was \$ 44,096.

Juice It Up Franchise Corp.

Notes to Financial Statements (continued)

December 31, 2005

**1. Summary of significant accounting policies (continued)**

Intangible assets

Intangible assets are amortized using the straight-line method over fifteen years. The recoverability of intangible assets is periodically reviewed to determine whether adjustments are needed to carrying values. There were no adjustments to the carrying values of intangible assets for the year ended December 31, 2005. Amortization expense for the year ended December 31, 2005 was \$5,134.

Income taxes

Income taxes are calculated in accordance with Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes." Under the liability method, deferred tax assets and liabilities are provided for temporary differences between the financial reporting basis and tax reporting basis of the Company's assets and liabilities. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

Effective January 1, 2001, the Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company has no federal income tax liability. Instead, the stockholder is liable for individual income taxes on the respective share of the Company's taxable income. California requires a tax payment in the amount of 1.5% of taxable income or \$800, whichever is greater.

Advertising costs

On a monthly basis, the Company collects from the franchisees monies which it deposits into a separate, restricted bank account. During 2005, the Company received advertising fee revenue of \$360,823 and the Company incurred advertising costs of \$375,822. Advertising costs are charged to expenses as incurred. Also, see note 2 for further details.

Concentrations

The Company had \$2,374,998 or 84% of franchise and license fees from franchisees and licensees operating in California during the year ended December 31, 2005.

Fair value of financial instruments

The Company's financial instruments, which consist primarily of cash, trade receivables, and payables, approximate their fair values.

Juice It Up Franchise Corp.

Notes to Financial Statements (continued)

December 31, 2005

1. **Summary of significant accounting policies (continued)**

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Franchise fees

Initial fees related to sales of franchises are recognized as revenue upon substantial performance by the Company of all material conditions relating to the initial fee. Continuing franchise royalties are based on a defined percentage of franchise or license store revenues and are recognized when earned. Initial franchise fees for 2005 totaled \$1,135,000.

Start-up costs

Costs incurred in connection with start-up of new franchise stores are expensed as incurred.

Seasonal business

Franchisee and licensee operations are seasonal. As such, franchise and license fees paid to the Company may vary substantially from month to month.

2. **Restricted cash**

The balance of \$8,446 at December 31, 2005 in the advertising and marketing restricted account represents the cash balance of the funds collected from franchisees and not yet expended for advertising and marketing purposes for the benefit of all franchisees as provided in the franchise agreements.

The accounts payable balance at December 31, 2005 includes \$41,924 of advertising and marketing related expenses. In 2005, the Company incurred \$14,999 of advertising and marketing expenses in excess of the funds collected from the franchisees.

# Juice It Up Franchise Corp.

## Notes to Financial Statements (continued)

December 31, 2005

### 3. Related party transactions

The Company had certain transactions with Juice Ventures, Inc. (JVI), a corporation owned 100% by the shareholder of the Company. The Company is dependent upon JVI for management services. The Company paid JVI \$1,916,700 for services provided by and expenses incurred on behalf of the Company by JVI during the year ended December 31, 2005. The Company has advanced \$22,422 to JVI as of December 31, 2005.

### 4. Commitments and contingent liabilities

The Company's operating lease for the corporate office expires on March 14, 2009. Rent expense for this lease totaled \$80,082 for the year ended December 31, 2005. This includes charges for common area maintenance.

The following is a schedule by year of future minimum rental payments required under this non-cancelable operating lease:

Year Ending:	
December 31, 2006	\$ 82,689
December 31, 2007	85,701
December 31, 2008	88,827
December 31, 2009	<u>22,404</u>
	<u>\$ 279,621</u>

### 5. Legal matters

During 2005, the Company was involved in various legal proceedings from time to time, incidental to the normal conduct of its business. The Company has engaged attorneys to handle the litigation. Management believes that the resolution of any current proceedings will not have a material financial impact on the Company or its financial position, results of operations and cash flows.

Juice It Up Franchise Corp.

Financial Statements

December 31, 2004

Juice It Up Franchise Corp.

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## Independent Auditor's Report

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Juice It Up Franchise Corp.

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We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 audit provides 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 Juice It Up Franchise Corp. at December 31, 2004, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

*Kling & Pathak*

February 5, 2005



Juice It Up Franchise Corp.  
Balance Sheet  
December 31, 2004

ASSETS

Current assets

Cash and cash equivalents	\$	49,240
Restricted cash		6,784
Accounts receivable (net of allowance of \$5,000)		20,420
Inventory		89,262
Prepaid expenses		6,903
Total current assets		<u>172,609</u>

Property and equipment, at cost

Furniture and fixtures		17,370
Computer equipment		24,532
Leasehold improvements		146,085
Less accumulated depreciation		<u>(40,903)</u>
Net property and equipment		<u>147,084</u>

Other assets

Note receivable		193,218
Intangible assets (net of accumulated amortization of \$20,112)		56,898
Deposits		<u>25,484</u>
Total other assets		<u>275,600</u>
Total assets	\$	<u><u>595,293</u></u>

See accompanying notes.

Juice It Up Franchise Corp.  
Balance Sheet (Continued)  
December 31, 2004

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities

Note payable	\$ 87,276
Accounts payable	194,746
Accrued expenses	5,000
Sales tax payable	2,568
Funds held for franchisees	2,000
Total current liabilities	<u>291,590</u>

Stockholder's equity

Common stock, no par value	
Authorized shares - 1,000,000	
Issued and outstanding shares - 100	5,000
Paid-in capital	119,290
Retained earnings	179,413
Total stockholder's equity	<u>303,703</u>
Total liabilities and stockholder's equity	<u>\$ 595,293</u>

See accompanying notes.