Juice It Up Franchise Corp.
Statement of Operations
For the Year Ended December 31, 2004

Revenues		
Franchise and license fee revenues	$	1,768,417
Product sales		174,864
Total revenues		1,943,281
Cost of sales		135,871
Income before operating expenses		1,807,410
Operating expenses		1,783,187
Income from operations		24,223
Other income (expense)		
Interest income		11,870
Other income		1,982
Interest expense		(7,056)
Total other income (expense)		6,796
Income before taxes		31,019
Provision for taxes		800
Net income	$	30,219

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See accompanying notes.

Juice It Up Franchise Corp.
Statement of Stockholder's Equity
For the Year Ended December 31, 2004

	Common Stock	Paid-In Capital	Retained Earnings	Total Stockholder's Equity
Balance at January 1, 2004	$ 5,000	$ 119,290	$ 149,194	$ 273,484
Net income			30,219	30,219
Balance at December 31, 2004	$ 5,000	$ 119,290	$ 179,413	$ 303,703

See accompanying notes.

Juice It Up Franchise Corp.
Statement of Cash Flows
For the Year Ended December 31, 2004

Operating activities	
Net income	$ 30,219
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation and amortization	30,378
Changes in operating assets and liabilities:	
Restricted cash	105,776
Accounts receivable	95
Inventory	(89,262)
Prepaid expenses	(6,903)
Deposits	(1,101)
Accounts payable	184,602
Funds held for franchisees	(17,927)
Accrued expenses and sales tax payable	(26,074)
Net cash provided by operating activities	209,803
Investing activities	
Acquisition of intangible asset	(2,010)
Issuance of note receivable	(311,145)
Net cash used in investing activities	(313,155)
Financing activities	
Proceeds from note payable	240,000
Payments on note payable	(165,007)
Net cash provided by financing activities	74,993
Net decrease in cash and cash equivalents	(28,359)
Cash and cash equivalents at beginning of year	77,599
Cash and cash equivalents at end of year	$ 49,240

See accompanying notes.

Juice It Up Franchise Corp.

Notes to Financial Statements

December 31, 2004

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 2004, the Company sold fifty franchises and had a total of sixty-five franchisees and four licensees in operation at December 31, 2004.

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 2004, cash paid for interest and income tax was $7,056 and $1,134, respectively. Non-cash activities included the acquisition of leasehold improvements of $117,927 with an offset to the note receivable.

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, 2004 was $25,265.

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, 2004. Amortization expense for the year ended December 31, 2004 was $5,112.

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

Advertising costs are charged to expense as incurred. Advertising costs of $278,727 were incurred during the year ended December 31, 2004.

Concentrations

The Company had approximately $1,686,000 or 95% of total gross revenue from franchisees and licensees operating in California during the year ended December 31, 2004.

Fair value of financial instruments

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

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 2004 totaled $965,000.

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 $6,784 at December 31, 2004 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, 2004 includes $19,009 of advertising and marketing related expenses. Therefore, in 2004, the Company incurred advertising and marketing expenses in excess of the funds collected from the franchisees.

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 $1,423,600 for services provided by and expenses incurred on behalf of the Company by JVI during the year ended December 31, 2004. Also, see notes 4 and 5.

4. Note receivable

The note is receivable from JVI and earns interest at 4% per annum. The note and the accrued interest are due on January 31, 2006. The note is unsecured.

5. Note payable

The note is payable to the stockholder in twelve monthly installments including interest at 3% with maturity in February 2005. The note is unsecured.

Total interest expense for the year ended December 31, 2004 was $7,056.

6. Commitments and contingent liabilities

During January 2004, the Company amended its operating lease for the corporate office to include additional space. The new lease term expires on March 14, 2009. Rent expense for this lease was $70,180 for the year ended December 31, 2004.

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

Year Ending:	
December 31, 2005	$ 79,992
December 31, 2006	82,689
December 31, 2007	85,701
December 31, 2008	88,827
December 31, 2009	22,404
	$ 359,613

Juice It Up Franchise Corp.

Notes to Financial Statements (continued)

December 31, 2004

7. Legal matters

During 2004, 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

Year Ended December 31, 2003

Juice It Up Franchise Corp.

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December 31, 2003

KLING & PATHAK
CERTIFIED PUBLIC ACCOUNTANTS

12750 Center Court Drive
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Cerritos, CA 90703

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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, 2003, 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, 2003, 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 17, 2004

Juice It Up Franchise Corp.
Balance Sheet
December 31, 2003

ASSETS

Current Assets		
Cash and cash equivalents	$	77,599
Restricted cash		112,560
Accounts receivable (net of allowance of $5,000)		20,515
Total Current Assets		210,674
Property and Equipment, at cost		
Furniture and fixtures		17,370
Computer equipment		24,532
Leasehold improvements		28,159
Less accumulated depreciation		(15,638)
Net Property and Equipment		54,423
Other Assets		
Intangible assets (net of accumulated amortization of $15,000)		60,000
Deposits		24,383
Total Other Assets		84,383
Total Assets	$	349,480

See accompanying notes.

Juice It Up Franchise Corp.
Balance Sheet (Continued)
December 31, 2003

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities		
Accounts payable	$	10,145
Accrued expenses		31,037
Note payable		12,282
Sales tax payable		2,605
Funds held for franchisees		19,927
Total Current Liabilities		75,996
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		149,194
Total Stockholder's Equity		273,484
Total Liabilities and Stockholder's Equity	$	349,480

See accompanying notes.

Juice It Up Franchise Corp.
Statement of Operations
Year Ended December 31, 2003

Revenues		
Franchise and license fee revenues	$	1,155,867
Product sales		27,066
Total revenues		1,182,933
Cost of sales		51,791
Income before operating expenses		1,131,142
Operating expenses		1,055,832
Income before taxes		75,310
Provision for taxes		800
Net income	$	74,510

See accompanying notes.

Juice It Up Franchise Corp.
Statement of Stockholder's Equity
Year Ended December 31, 2003

	Common Stock		Paid-In Capital		Retained Earnings		Total Stockholder's Equity
Balance at January 1, 2003	$	5,000	$	119,290	$	74,684	$	198,974
Net income						74,510		74,510
Balance at December 31, 2003	$	5,000	$	119,290	$	149,194	$	273,484

See accompanying notes.

Juice It Up Franchise Corp.
Statement of Cash Flows
Year Ended December 31, 2003

Operating Activities		
Net income	$	74,510
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization		14,924
Provision for doubtful accounts		(8,814)
Changes in operating assets and liabilities:		
Restricted cash		(112,560)
Accounts receivable		6,960
Inventory		29,566
Prepaid expenses		5,000
Deposits		(12,209)
Accounts payable		(11,736)
Funds held for franchisees		19,927
Accrued expenses and sales tax payable		(14,175)
Due to officer		(20,121)
Net cash used in operating activities		(28,728)
Investing Activities		
Purchases of property and equipment		(12,241)
Collection on note receivable		25,048
Net cash provided by investing activities		12,807
Financing Activities		
Principal payments on long-term debt		(27,479)
Net cash used in financing activities		(27,479)
Net decrease in cash and cash equivalents		(43,401)
Cash and cash equivalents at beginning of year		121,000
Cash and cash equivalents at end of year	$	77,599
Supplemental cash flow information		
Cash payments for income taxes	$	800
Cash payments for interest		2,764

See accompanying notes.

Juice It Up Franchise Corp.

Notes to Financial Statements

December 31, 2003

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. The Company sold twenty-four franchises and had a total of thirty-eight franchisees and seven licensees in operation at December 31, 2003.

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.

Property and equipment

Furniture and equipment consists principally of computer hardware and other office equipment used in operations. Depreciation is provided principally using straight-line and accelerated methods over their estimated useful lives. Depreciation expense for the year ended December 31, 2003 was $9,923.

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, 2003. Amortization expense for the year ended December 31, 2003 was $5,000.

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.

1. Summary of significant accounting policies (continued)

Income taxes (continued)

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 1/2% of taxable income or $800, whichever is greater.

Concentrations

The Company had approximately $1,095,000 or 93% of total gross revenue from franchisees and licensees operating in California during the year ended December 31, 2003.

Fair value of financial instruments

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

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 2003 totaled $649,500.

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

Restricted cash at December 31, 2003 was comprised of the following:

Advertising and Marketing Trust Account	$	17,927
Prepaid Gift Card Trust Account		2,000
Certificate of Deposit pledged as collateral		92,633
Total restricted cash	$	112,560

The amount in the advertising and marketing trust account represents the cash balance of the funds collected in trust from franchisees and not yet expended for advertising and marketing purposes for the benefit of all franchisees as provided in the franchise agreements. The balance in the prepaid gift card trust account is the original deposit to open a trust account in connection with a prepaid gift card program that was started in September, 2003. The certificate of deposit represents an amount pledged as collateral from a letter of credit issued in December, 2003 for the purchase of $92,633 of a fruit product to be delivered in January, 2004. Title to the fruit product did not pass to the Company until January, 2004 when it was imported in the U.S. and therefore the asset and corresponding liability are not included in the financial statements of the Company.

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 $600,000 for services provided by and expenses incurred on behalf of the Company by JVI during the year ended December 31, 2003.

4. Note payable

The note is payable to the stockholder in thirty-six monthly installments of $2,518 including interest at 10.0% with maturity in May 2004. The note is uncollateralized.

Total interest expense for the year ended December 31, 2003 was $2,764.

Juice It Up Franchise Corp.

Notes to Financial Statements (Continued)

December 31, 2003

5. Commitments and contingent liabilities

In January 2002, the Company became obligated under a real property lease for its premises. This lease is noncancellable and was to expire on February 15, 2005. Rent expense for this lease was $27,825 for the year ended December 31, 2003. The lease has been amended to include additional space effective April 1, 2004 and the lease expires March 14, 2009.

The following is a schedule by year of future minimum rental payments required under this operating lease as of December 31, 2003:

Year Ending:	
December 31, 2004	$ 65,877
December 31, 2005	79,992
December 31, 2006	82,689
December 31, 2007	85,701
December 31, 2008	88,827
December 31, 2009	22,404
	$ 425,490