

# **EXHIBIT B**

PICK-EM UP TRUCK STORE  
FRANCHISING CORPORATION  
(A CALIFORNIA CORPORATION)  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

December 31, 2002

# MARTIN & JUST, LLP

SHARON J. MARTIN  
RANDALL K. JUST  
CERTIFIED PUBLIC ACCOUNTANTS

1241 G STREET  
REEDLEY CA 93654  
PHONE (559) 638-6444  
FAX (559) 638-5666

July 16, 2003

BOARD OF DIRECTORS  
PICK-EM UP TRUCK STORE FRANCHISING CORPORATION  
(A CALIFORNIA CORPORATION)  
720 EAST CENTER STREET  
VISALIA, CALIFORNIA 93279

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheet of Pick-Em Up Truck Store Franchising Corporation, (a California corporation), as of December 31, 2002, and the related statements of income and retained earnings and cash flows for 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 audits.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits 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 Pick-Em Up Truck Store Franchising Corporation, as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

*Martin & Just, LLP*

MARTIN & JUST, LLP  
Certified Public Accountants

PICK-EM UP TRUCK STORE  
FRANCHISING CORPORATION  
(A CALIFORNIA CORPORATION)  
BALANCE SHEET

December 31, 2002

ASSETS

CURRENT ASSETS

Cash in bank	\$ 4,466
Accounts receivable - franchise fees (Note 1)	51,337
Accrued interest receivable	459
Contract receivable - initial franchise fee	15,000
Notes receivable franchisees - current portion (Note 2)	<u>10,380</u>
Total current assets	<u>81,642</u>

LONG-TERM ASSETS

Notes receivable franchisees - less current portion (Note 2)	52,228
Intangible assets - related party (Note 4)	<u>3,960</u>
Total long-term assets	<u>56,188</u>

Total assets	<u>\$ 137,830</u>
--------------	-------------------

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 10,119
Federal income taxes payable	1,391
State income taxes payable	64
Federal deferred income taxes - current portion (Note 3)	4,242
State deferred income taxes - current portion (Note 3)	<u>1,996</u>
Total current liabilities	<u>17,812</u>

LONG-TERM LIABILITIES

Federal deferred income taxes - less current portion (Note 3)	15,958
State deferred income taxes - less current portion (Note 3)	<u>7,510</u>
Total long-term liabilities	<u>23,468</u>

STOCKHOLDERS' EQUITY

Capital stock - common, no par value share, authorized 10,000 shares; issued and outstanding 500,000 shares	1,000
Retained earnings	<u>95,550</u>
Total stockholders' equity	<u>96,550</u>

Total liabilities and stockholders' equity	<u>\$ 137,830</u>
--	-------------------

See independent auditors' report and notes to the financial statements

PICK-EM UP TRUCK STORE  
FRANCHISING CORPORATION  
(A CALIFORNIA CORPORATION)  
STATEMENTS OF INCOME AND RETAINED EARNINGS

December 31, 2002

REVENUE

Franchise fees (including initial franchise fees of \$45,000) \$ 177,800

OPERATING EXPENSES

Advertising	6,186
Development and selling expenses	66,661
Insurance	2,750
Meals and entertainment	2,525
Professional fees	7,330
Other operational expenses	1,411
Telephone	2,135
Travel	<u>10,100</u>

Total operating expenses 99,098

Income from operations 78,702

OTHER INCOME (EXPENSES)

Interest income	4,785
Interest expense	<u>(934)</u>

Total other income (expenses) 3,851

Income before provision for income taxes 82,553

Provision for income taxes (Note 3) 24,116

Net income 58,437

Retained earnings - January 1, 2002 37,113

Retained earnings - December 31, 2002 \$ 95,550

See independent auditors' report and notes to the financial statements

PICK-EM UP TRUCK STORE  
FRANCHISE CORPORATION  
(A CALIFORNIA CORPORATION)  
STATEMENT OF CASH FLOWS

December 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	<u>\$ 58,438</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Increase of notes receivable for franchise fees	(38,386)
Increase in accounts receivable - franchise fees	(38,765)
Increase in accrued interest receivable	(459)
Decrease in accounts payable	(85)
Decrease in interest payable - related party	(4,548)
Increase in income taxes payable	1,341
Increase in deferred taxes payable	<u>21,861</u>
Total adjustments	<u>(59,041)</u>
Net cash provided (used) by operating activities	(603)

CASH FLOW FROM FINANCE ACTIVITIES

Principal payments on long-term debt	<u>(19,000)</u>
Net decrease in cash and cash equivalents	(19,603)
Cash and cash equivalents - January 1, 2002	<u>24,069</u>
Cash and cash equivalents - December 31, 2002	<u>\$ 4,466</u>

SUPPLEMENTAL DISCLOSURE OF CASH PAID DURING THE YEAR

Interest expense	\$ 5,482
Income tax	\$ 800

See independent auditors' report and notes to the financial statements

PICK-EM UP TRUCK STORE  
FRANCHISING CORPORATION  
(A CALIFORNIA CORPORATION)  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002

NOTE 1 – THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

Pick-Em Up Truck Store Franchising Corporation was incorporated July 24, 1996, for the primary purpose of selling franchises of Pick-Em Up Truck Store, a truck accessory retail business, in the United States. The Company entered into three new franchise agreements during the year and held a total of eight fully operating franchisee agreements as of December 31, 2002 (Note 5). Six of the franchises are located in California, of which three franchises are owned by one franchisee. The Company's franchise agreements also provide informal training and assistance with the opening of the franchise stores at agreed upon fees.

Accounts Receivable – Franchise Fees

Accounts receivable – franchise fees are recognized when earned. The franchisee receipts and the franchise fees due are calculated by the franchisee (with the assistance of the Company) and are subject to the Company's review or audit requests. The Company's standard franchise agreement is for a term of ten (10) years and requires an initial franchise fee of \$15,000 and monthly fees equal to 6% of the gross retail sales plus 3% of any gross wholesale sales. In months where total franchise sales exceed certain threshold amounts, the overall monthly fee percentage is 4%. The Company uses the direct write off method for uncollectible amounts. Management considers allowance for doubtful accounts as immaterial to its financial statements as of December 31, 2002.

Intangibles Assets

Intangibles assets are valued at cost. Intangible assets that have an indefinite useful life are not amortized but subject to an impairment test. The Company tests for impairment by comparing the fair value to the carrying amount of the intangible asset. If the assessment indicates that the carrying amount exceeds the fair value of the intangible asset, the excess will be recognized as an impairment loss. If the fair value exceeds the carrying amount, impairment is deemed not to exist. For financial statement purposes, management has deemed no impairment of intangibles as of December 31, 2002.

Deferred Income Taxes

Deferred tax provisions/benefits are calculated for certain transactions and events because of differing treatments under generally accepted accounting principles and the currently enacted tax laws of the federal and state governments. The results of these differences on a cumulative basis, known as temporary differences, result in the recognition and measurement of deferred tax assets and liabilities in the accompanying balance sheet.

Deferred taxes are classified as current or long-term depending on the classification of the assets and liabilities to which they are related. Deferred taxes arising from temporary differences that are not related to an asset or a liability are classified as current or long-term depending on the periods in which the temporary differences are expected to reverse.

See independent auditors' report

PICK-EM UP TRUCK STORE  
FRANCHISING CORPORATION  
(A CALIFORNIA CORPORATION)  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2002

NOTE 1 – THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.  
(Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – NOTES RECEIVABLE – FRANCHISEES

As of December 31, 2002, notes receivable – franchisees consisted of the following:

Rodney Frost

Rodney Frost entered into an agreement on June 30, 2000 with the Company to finance the original franchise lump sum payment of \$15,000 for two stores. The stores are located in Napa and Ukiah, California. The note specifies interest at eight percent (8%) per annum. Monthly principal and interest payments of \$468 are due by the fifteenth of each month commencing July 15, 2000. The entire balance is due and payable by June 15, 2007. The current portion as of December 31, 2002 was \$4,714. Accrued interest as of December 31, 2002 was \$288.

\$ 21,791

Rodney Frost

Rodney Frost entered into an agreement on August 1, 2001 with the Company to finance the original franchise lump sum payment of \$15,000. The store is located in San Raphael, California. The note specifies interest at eight percent (8%) per annum. Monthly principal and interest payments of \$234 are due by the fifteenth of each month commencing August 15, 2001. The entire balance is due and payable by July 15, 2008. The current portion as of December 31, 2002 was \$2,162. Accrued interest as of December 31, 2002 was \$171.

12,896

See independent auditors' report



PICK-EM UP TRUCK STORE  
FRANCHISING CORPORATION  
(A CALIFORNIA CORPORATION)  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2002

NOTE 2 – NOTES RECEIVABLE – FRANCHISEES (Continued)

Richie Wynn

Richie Wynn entered into an agreement on November 1, 2002 with the Company to finance the original franchise lump sum payment of \$15,000. The store is located in Pea Rioge, Arkansas. The note specifies interest at eight percent (8%) per annum. Monthly principal and interest payments of \$468 are due by the fifteenth of each month commencing December 1, 2002. The entire balance is due and payable by November 1, 2009. The current portion as of December 31, 2002 was 1,816. There was no accrued interest as of December 31, 2002.

13,189

Jim Pipes

Jim Pipes entered into an agreement on November 15, 2002 with the Company to finance the original franchise lump sum payment of \$15,000. The store is located in Hanford, California. The note specifies interest at eight percent (8%) per annum. Monthly principal and interest payments of \$234 are due by the fifteenth of each month commencing November 15, 2002. The entire balance is due and payable by October 15, 2009. The current portion as of December 31, 2002 was \$1,688. There was no accrued interest as of December 31, 2002.

14,732

Total notes receivable – franchisees	62,608
Less current portion	<u>10,380</u>
Total notes receivable – franchisees – less current portion	<u>\$ 52,228</u>

NOTE 3 – PROVISION FOR INCOME TAX

The provision for income taxes consisted of the following:

<u>Provision</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current tax expense	\$ 1,391	\$ 864	\$ 2,255
Deferred tax expense	<u>14,316</u>	<u>7,545</u>	<u>21,861</u>
Total	<u>\$ 15,707</u>	<u>\$ 8,409</u>	<u>\$ 24,116</u>

See independent auditors' report

PICK-EM UP TRUCK STORE  
FRANCHISING CORPORATION  
(A CALIFORNIA CORPORATION)  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2002

NOTE 3 – PROVISION FOR INCOME TAX (Continued)

The net deferred tax amount included in the accompanying balance sheet include the following amounts of deferred tax liabilities:

<u>Deferred tax liabilities</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current	\$ 4,242	\$ 1,996	\$ 6,238
Long-term	<u>15,958</u>	<u>7,510</u>	<u>23,468</u>
Totals	<u>\$ 20,200</u>	<u>\$ 9,506</u>	<u>\$ 29,706</u>

NOTE 4 – RELATED PARTY TRANSACTIONS

The Company entered into an agreement with Pick-Em Up Truck Store, a California corporation in the truck accessory retail business, dated September 9, 1996, to purchase all of its proprietary information, trade secrets and franchise rights. These intangibles allow the Company to sell franchises of Pick-Em Up Truck Store. The agreement specifies the assignment of all franchise revenues to reimburse Pick-Em Up Truck Store for its use of labor and other franchising costs expended, including accounting and office overhead, for 68 months. This agreement terminated on May 31, 2002. Accumulated franchise revenues in excess of expenses shall be treated as the sales price of the intangibles. During the year ended December 31, 2002, the related party transaction consisted of the following:

Collection of franchise related income	\$ 31,964
Collection of franchise related notes and interest	1,014
Disbursement of franchise related expenses	<u>(32,978)</u>
Revenues in excess of expenses	- 0 -
Accumulated revenue in excess of expenses in prior years	<u>3,960</u>
Total purchase price of intangible assets at December 31, 2002	<u>\$ 3,960</u>

On June 1, 2002, the Company entered into an oral agreement with the management of Pick-Em Up Truck Store to reimburse labor and other franchising costs, including accounting and office overhead, for the benefit of the Company. The reimbursed costs are required to be paid in the month following the expenditure. During the calendar year, the related party cost reimbursement for the seven-month period ended December 31, 2002 amounted to \$38,788.

NOTE 5 – SUBSEQUENT FRANCHISES

In 2003, the Company entered into franchise agreements with two separate franchise businesses in Fresno, California commencing operations in 2003.

See independent auditors' report

# MARTIN & JUST, LLP

SHARON J. MARTIN  
RANDALL K. JUST  
CERTIFIED PUBLIC ACCOUNTANTS

1241 G STREET  
REEDLEY CA 93654  
PHONE (559) 638-6444  
FAX (559) 638-5666

## CERTIFIED PUBLIC ACCOUNTANTS' CONSENT

As independent certified public accountants, we hereby consent to the use of our audited report and financial statement, dated July 16, 2003, to be included in and made a part of the franchise application and offering circular of Pick-Em Up Truck Store Franchising Corporation filed with the California Department of Corporations and in all other states requiring registration of the offer of franchises.

*Martin & Just, LLP*

---

MARTIN & JUST, LLP