



September 6, 2006

William P. Wood
California Corporations Commissioner
Department of Corporations
71 Stevenson Street, Suite 2100
San Francisco, CA
94105-2980

Dear Commissioner:

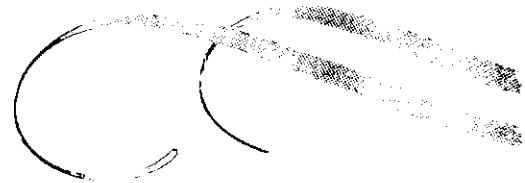
In addition to our 2005 audited financials enclosed with this application, please let this letter and the attached unaudited balance sheet and bank statement serve as additional documentation supporting our application.

We are currently in an impound position with our franchise fees. It is our hope that the impound can be lifted due to the infusion of cash and the sizeable capital investment made in the franchisor this year.

Per a conversation with Rafael Lirag, it is my understanding that The Dept. likes to see double the franchise fee as net equity and/or working capital. In addition to meeting both of those criteria, I pledge that we will keep the monthly bank balance above \$60,000 for the balance of this application term.

Sincerely,

Michael Powell
Managing Member
Powell's Sweet Shoppe USA, LLC



LIFE HAPPENS AT POWELL'S

720 MCCLELLAND DR. WINDSOR, CA 95492
(707) 836-0808 FAX (707) 836-0852 WWW.POWELLSSWEETSHOPPE.COM

4:33 pm

Balance Sheet

August 2006

ASSETS

Current Assets:

Summit Impound Account	\$120,000.00
Cash in Summit State Bank	86,104.32
Software	7,049.55
Inventory	28,490.40

TOTAL Current Assets

\$241,644.27

Fixed Assets:

Computer Equipment	19,935.00
Signs	2,500.00
Accumulated Depreciation	(19,935.00)

TOTAL Fixed Assets

2,500.00

Other Assets:

Start Up Costs	44,451.74
Accumulated Amort.	(2,223.00)

TOTAL Other Assets

42,228.74

TOTAL ASSETS

\$286,373.01

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Balance Sheet

August 2006
LIABILITIES

Current Liabilities:

Sign Deposit	\$2,250.00	
Deferred Revenue-Impound Acct.	60,000.00	
Refundable Deposit-Impound Acct.	60,000.00	
Gift Cards	10,388.08	
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TOTAL Current Liabilities

\$132,638.08

Long-Term Liabilities:

Note Payable--Michael Powell	60,000.00	
		<hr/>

TOTAL Long-Term Liabilities

60,000.00

TOTAL LIABILITIES

192,638.08

EQUITY

Equity-Michael Powell	124,144.46	
Retained Earnings	(32,277.66)	
Year-to-Date Earnings	1,868.13	
		<hr/>

TOTAL EQUITY

93,734.93

TOTAL LIABILITIES & EQUITY

286,373.01

Income Statement

	1 Month Ended August 31, 2006		8 Months Ended August 31, 2006	
Income				
Earned Income	\$0.00	0.0%	\$8,250.00	6.5%
Franchise Fees-Healdsburg	0.00	0.0%	12,924.32	10.2%
Down payment -Boulder	0.00	0.0%	30,000.00	23.6%
Down Payment-Los Gatos	0.00	0.0%	30,000.00	23.6%
Down Payment-Boise	0.00	0.0%	30,000.00	23.6%
Franchise Fees-Los gatos	0.00	0.0%	1,543.84	1.2%
Franchise Fees	14,559.47	100.0%	14,559.47	11.4%
TOTAL Income	14,559.47	100.0%	127,277.63	100.0%
***** NET INCOME	14,559.47	100.0%	127,277.63	100.0%
Cost of Goods Sold				
Inventory Adjustment	0.00	0.0%	(4,334.66)	-3.4%
TOTAL Cost of Goods Sold	0.00	0.0%	(4,334.66)	-3.4%
***** GROSS PROFIT	14,559.47	100.0%	131,612.29	103.4%

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Income Statement

	1 Month Ended		8 Months Ended	
	August 31, 2006		August 31, 2006	
Expenses				
Advertising	0.00	0.0%	637.05	0.5%
Accounting	192.50	1.3%	2,242.50	1.8%
Bank Charges	0.00	0.0%	15.00	0.0%
Freight	0.00	0.0%	18.45	0.0%
Franchise Fees/Franchise O.S.LLC				
	0.00	0.0%	3,251.78	2.6%
Insurance-Life	109.80	0.8%	713.70	0.6%
Legal	10,000.00	68.7%	10,000.00	7.9%
Licenses/Fees	400.00	2.7%	2,900.00	2.3%
Meals	0.00	0.0%	43.80	0.0%
Office Supplies	1,695.36	11.6%	2,167.80	1.7%
Outside Services	905.17	6.2%	13,680.57	10.7%
Royalties	1,619.99	11.1%	8,759.63	6.9%
Rent	2,000.00	13.7%	2,000.00	1.6%
Franchise Set-Up & Training	3,550.00	24.4%	54,604.90	42.9%
Sales Retainer	6,000.00	41.2%	6,000.00	4.7%
Sales Commission-Boulder	0.00	0.0%	6,000.00	4.7%
Sales Commission-Boise	0.00	0.0%	6,000.00	4.7%
Support Services	8,000.00	54.9%	8,000.00	6.3%
Travel	122.06	0.8%	1,446.98	1.1%
Web Design	0.00	0.0%	1,262.00	1.0%
TOTAL Expenses	34,594.88	237.6%	129,744.16	101.9%
***** OPERATING PROFIT	(20,035.41)	-137.6%	1,868.13	1.5%
***** PROFIT BEFORE TAXES	(20,035.41)	-137.6%	1,868.13	1.5%
***** NET PROFIT	(\$20,035.41)	-137.6%	\$1,868.13	1.5%

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