EXHIBIT I

FINANCIAL STATEMENTS

McGladrey & Pullen
Certified Public Accountants

Rapid Refill Ink International Corp.

Financial Report
December 31, 2005

Contents

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Rapid Refill Ink International Corp.
Minnetonka, Minnesota

We have audited the accompanying balance sheet of Rapid Refill Ink International Corp. (the Company), as of December 31, 2005, and the related statements of income, stockholders' equity and cash flows for the period from March 8, 2005 (date of inception), to December 31, 2005. 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 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 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 Rapid Refill Ink International Corp. as of December 31, 2005, and the results of its operations and its cash flows for the period from March 8, 2005 (date of inception), to December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Minneapolis, Minnesota
March 3, 2006

Rapid Refill Ink International Corp.

Balance Sheet
December 31, 2005

Assets (Note 3)	
Current Assets	
Cash	$ 93,073
Accounts receivable	68,061
Inventory	27,460
Prepaid expenses and other current assets	10,045
Total current assets	198,639
Property and Equipment	
Machinery and equipment	81,910
Computer equipment	37,174
Office furniture and fixtures	13,900
Leasehold improvements	3,125
	136,109
Less accumulated depreciation	27,095
	109,014
Other Assets	
Goodwill (Note 2)	350,562
Finite-life intangibles assets, net of amortization of $379,858	1,601,901
Total other assets	1,952,463
Total assets	$ 2,260,116
Liabilities and Stockholders' Equity	
Current Liabilities	
Note payable, current portion	$ 235,000
Accounts payable	358,375
Other accrued liabilities	22,336
Total current liabilities	615,711
Deferred Revenue	286,686
Notes Payable, net of current portion (Note 3)	855,000
Stockholders' Equity	
Common stock, par value $0.01 per share; 10,000,000 shares authorized; 4,950,000 shares issued and outstanding	49,500
Additional paid-in capital	1,950,500
Accumulated deficit	(1,497,281)
Total stockholders' equity	502,719
Total liabilities and stockholders' equity	$ 2,260,116

See Notes to Financial Statements.

Rapid Refill Ink International Corp.

Statement of Income
For the Period From March 8, 2005 (Date of Inception) to December 31, 2005

Revenues:		
Franchise fees	$	92,500
Royalty fees		130,705
Advertising fees		67,598
Technology fees		19,648
Other		13,113
Total revenues		323,564
Operating expenses:		
Selling, general and administrative expenses		1,688,647
Advertising		76,308
Technology		8,199
Total operating expenses		1,773,154
Operating loss		(1,449,590)
Nonoperating income (expense):		
Interest expense (Note 3)		(48,439)
Interest income		748
Net loss	$	(1,497,281)

See Notes to Financial Statements.

Rapid Refill Ink International Corp.

Statement of Stockholders' Equity
For the Period From March 8, 2005 (Date of Inception) to December 31, 2005

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Total
Balance, March 8, 2005 (date of inception)	-	$ -	$ -	$ -	$ -
Issuance of stock	4,950,000	49,500	150,500	-	200,000
Contributed capital (Note 5)	-	-	1,800,000	-	1,800,000
Net loss	-	-	-	(1,497,281)	(1,497,281)
Balance, December 31, 2005	4,950,000	$ 49,500	$ 1,950,500	$ (1,497,281)	$ 502,719

See Notes to Financial Statements.

Rapid Refill Ink International Corp.

Statement of Cash Flows
For the Period From March 8, 2005 (Date of Inception) to December 31, 2005

Cash Flows From Operating Activities	
Net loss	$ (1,497,281)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	27,097
Amortization	379,858
Changes in operating assets and liabilities, net of acquisition:	
Accounts receivable	(36)
Inventory	(13,998)
Prepaid expenses and other current assets	70,434
Accounts payable	204,962
Accrued expenses	(55,330)
Deferred revenue	286,686
Net cash used in operating activities	(597,608)
Cash Flows From Investing Activities	
Purchase of property and equipment	(54,334)
Expenditures for finite-lived intangibles	(9,885)
Cash paid for acquisition	(1,245,100)
Net cash used in investing activities	(1,309,319)
Cash Flows From Financing Activities	
Issuance of stock	200,000
Shareholder advances/contributed capital	1,800,000
Net cash provided by financing activities	2,000,000
Net increase in cash	93,073
Cash at Beginning of Period	-
Cash at End of Period	$ 93,073
Supplemental Disclosures of Cash Flow Information	
Interest paid	$ 43,443

(Continued)

Rapid Refill Ink International Corp.

Statement of Cash Flows (Continued)
For the Period From March 8, 2005 (Date of Inception) to December 31, 2005

Supplemental Disclosures of Noncash Investing and Financing Activities		
Acquisition (Note 2):		
Fair value of assets acquired (liabilities assumed):		
Accounts receivable	$	68,025
Inventories		13,462
Prepaids and other current assets		80,479
Property, plant and equipment		81,777
Accounts payable		(153,413)
Accrued liabilities		(77,666)
Net working capital		12,664
Goodwill		350,562
Finite-lived intangible assets		1,971,874
Purchase price		2,335,100
Note payable		(1,090,000)
Cash purchase price	$	1,245,100
Contribution of shareholder advances payable to paid-in capital	$	1,800,000

See Notes to Financial Statements.

Note 1. Nature of Business and Significant Accounting Policies

Rapid Refill Ink International Corp. (the Company) was organized in the state of Minnesota on March 8, 2005, and commenced operations on March 20, 2005, when it acquired substantially all the assets and operations of Rapid Refill Ink International, LLC (see Note 2). The Company is engaged in the business of franchising Rapid Refill Ink stores specializing in reprocessing, refilling and selling ink jet and laser toner cartridges for printers, copiers, fax machines and all-in-one machines.

Revenues: Revenues from sales of individual franchises are generally recognized when substantially all significant services to be provided to the franchisee have been performed. This generally occurs at the initial opening of a store. Revenues from royalty fees and advertising fees are generally recognized weekly when the franchisee records and reports its sales from products and services at the store level. Revenues from technology fees are recognized on a monthly basis as services are billed and rendered.

Cash: The Company maintains its cash in depository accounts which, at times, may exceed Federal Depository Insurance Corporation limits. As of the date of this report, the Company has experienced no losses in such accounts.

Accounts receivable: Accounts receivable include amounts due from franchisees for royalty fees, advertising fees, information technology billings, and receivables for store build-outs. Build-outs are items purchased from various vendors on behalf of franchisees that are in the process of building out their stores.

The Company extends credit under specific terms and conditions. Accounts are determined to be delinquent if not received by the due date. Delinquent accounts are charged a $35 service charge and a 1.5 percent per month fee. Delinquent accounts are expensed as bad-debt expense when it is determined that the amount is uncollectible.

Deferred revenue: Deferred revenue consists of amounts received for initial franchise fees on signed contracts for stores not yet opened. The related revenue is deferred until store opening. During the period from contract signing until store opening, the Company provides various services including; training, use of manuals, and site review.

Inventory: Inventory is comprised primarily of materials for franchisees' new store locations which include, empty cartridge cores and refilled cartridges. Inventory is valued at the lower of cost (first in, first out method) or market.

Restricted assets: Restricted assets consist primarily of cash and receivables restricted by contractual agreement to be used for franchise advertising. There were no restrictions on cash and receivables as of December 31, 2005.

Property and equipment: Property and equipment are stated at cost. Deprecation is computed using the straight-line method based on the estimated useful lives as follows:

	Years
Machinery and equipment	2 – 5
Computer equipment	2 – 5
Office furniture and fixtures	4 – 5
Leasehold improvements	3

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Accounting for long-lived assets: The Company periodically reviews its property and equipment and finite-life intangible assets to determine potential impairment by comparing carrying value with the estimated future net undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future net cash flows be less than the carrying value, the Company would recognize an impairment loss at that date. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value (estimated discounted future cash flows or appraisal of assets) of the long-lived assets. To date, management has determined that no impairment of long-lived assets exists.

Finite-life intangible assets: In connection with the business combination discussed in Note 2, the Company acquired franchise contracts, noncompete agreements and various other intangibles relating to the transaction. The franchise contracts are amortized over their remaining life of nine to ten years. Noncompete agreements are amortized over two years, and other intangibles are being amortized using the straight-line method over their estimated remaining lives.

The components of finite-life intangible assets are as follows:

	Franchise Contracts	Noncompete Agreement	Other Intangibles	Total
Finite-life intangible assets acquired on March 20, 2005 (See Note 2)	$ 1,186,888	$ 589,000	$ 195,986	$ 1,971,874
Additions during 2005	-	-	9,885	9,885
Amortization expense	(68,412)	(245,417)	(66,029)	(379,858)
Net carrying amount at December 31, 2005	$ 1,118,476	$ 343,583	$ 139,842	$ 1,601,901

For the period ended December 31, 2005, aggregate intangible amortization expense was $379,858.

Future amortization of intangible assets as of December 31, 2005, is expected to be approximately as follows:

Years ending December 31:	
2006	$ 496,000
2007	239,000
2008	188,000
2009	168,000
2010	144,000
Thereafter	367,000
	$ 1,602,000

Goodwill: The Company has goodwill which resulted from the business combination in 2005 as discussed in Note 2. The goodwill is being accounted for under Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, which provides that goodwill and intangible assets that management concludes have indefinite useful lives are not amortized but are subject to an impairment test on an annual basis or when circumstances indicate an impairment may have occurred. Management has determined that no impairment has occurred relative to its goodwill during 2005.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Income taxes: The Company has elected under the Internal Revenue Code and the related state income tax laws to be taxed as an S Corporation. Therefore, the Company's earnings and losses are included in the personal tax returns of the Company's stockholders, and no provision or liability for income taxes is included in the Company's financial statements.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Advertising costs: Advertising costs are expensed as incurred. The Company has a restriction on advertising revenue received from franchisees. As part of the agreement, the Company is required to spend the funds received from the fee charged to the franchisees in a specific manner that will benefit the franchisees. During 2005, the Company expended more in specific advertising costs at the franchisee level than they received from franchisees. In addition to the franchisee-level advertising costs, the Company incurred approximately $115,000 of marketing and advertising costs at the franchisor level. These franchisor-level costs have been included in the selling, general and administrative expense category on the income statement.

Note 2. Business Combination

On March 20, 2005, the Company acquired substantially all of the assets and operations of Rapid Refill Ink International, LLC. The results of operations of the acquired business have been included in these financial statements since that date.

The aggregate purchase price was $2,335,100. Under the terms of the acquisition, the Company may be required to pay annually to the predecessor, Rapid Refill Ink International, LLC, contingent payments based upon a percentage of gross profits and EBITDA, as defined in the acquisition agreement, earned for each of the four years commencing April 1, 2005, and ending March 31, 2009. The contingent payments estimated to be earned by the seller were approximately $20,100 for the period ended December 31, 2005. The estimated contingent payment has been recorded as an accrued liability and as an increase in goodwill.

Note 2. Business Combination (Continued)

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of the aforementioned acquisition during 2005. The excess of the purchase price over the fair value of the tangible assets was assigned to finite-life intangible assets primarily based on the discounted present value of the cash flows attributable to intangibles as determined by management. Any excess purchase price remaining after allocation to identified intangibles has been allocated to goodwill.

Current asset	$ 161,966
Property and equipment	81,777
Intangible assets	1,971,874
Goodwill	350,562
Total assets acquired	2,566,179
Current liabilities	(231,079)
Total purchase price	$ 2,335,100

Note 3. Note Payable

In connection with the acquisition discussed in Note 2, the Company issued a note payable to the seller. The note bears interest at 5.5 percent and requires monthly interest payments through April 2006, at which time the Company will begin making monthly principal and interest payments of $30,585 through June 2009, when the remaining balance is due in full. The note is secured by substantially all assets of the Company.

Several of the Company's employees are also shareholders of the seller. Interest paid and expensed on the loan was approximately $45,000 during the period ended December 31, 2005.

Future maturities are as follows:

Years ending December 31:	
2006	$ 235,000
2007	328,000
2008	347,000
2009	180,000
	$ 1,090,000

The note may be fully or partially repaid at any time during the term of the note without penalty or premium.

Note 4. Commitments and Contingencies

Operating leases: The Company leases office space in Minnesota and Oregon. These leases expire at various dates through April 2008. Rent expense under the leases totaled approximately $46,000 for the period ended December 31, 2005.

Note 4. Commitments and Contingencies (Continued)

Future minimum payments under the lease agreements are as follows:

Years ending December 31:		
2006	$	42,000
2007		36,000
2008		12,000
	$	90,000

Note 5. Activities With Related Parties

Certain of the Company's employees and shareholders have ownership interests in six of the Company's franchisees.

In addition, the Company purchases parts and supplies from companies whose shareholders are also franchisees.

During the period ended December 31, 2005, the Company transacted the following business with related parties:

Revenues	$	74,471
Operating expenses		15,616
Accounts receivable — December 31, 2005		27,381
Accounts payable — December 31, 2005		5,364

During the period ended December 31, 2005, two of the Company's shareholders advanced $1,800,000 to the Company to facilitate the business combination discussed in Note 2. Subsequent to the acquisition, the shareholders contributed their $1,800,000 advances to the Company as additional paid-in capital.

Note 6. Economic Dependence

Revenues with one major customer represented 12 percent of total revenues for the period ended December 31, 2005. This customer also accounted for 21 percent of the accounts receivable balance at December 31, 2005.

The Company purchases a majority of production equipment from a single supplier. While the Company has no present plans to change suppliers, it is believed that alternative suppliers would be available, if a change was required.

Note 7. Summary of Franchise Outlets

Following is a summary of changes in the number of franchise outlets during the period from March 8, 2005 (date of inception) to December 31, 2005:

Franchise outlets:	
Beginning of period	-
Acquired in business combination	21
Opened during the period	14
Closed during the period	-
End of period	35