

Exhibit E
Financial Statements

FINANCIAL STATEMENTS

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The Coffee Beanery, Ltd.
Annual Financial Statements
and
Auditors' Report
June 30, 2006

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Report of Independent Auditors'

The Board of Directors
The Coffee Beanery, Ltd.

We have audited the accompanying balance sheet of The Coffee Beanery, Ltd., a wholly owned subsidiary of the Shaw Coffee Company, as of June 30, 2006, 2005, and 2004 and the related statements of operations, stockholders' equity, and cash flows for the years 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.

Except as discussed in the following paragraph, 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.

The Company's financial statements do not include the accounts of Shaw Services, Inc. that the Company has determined to be a variable interest entity and in which the Company holds a variable interest. The Company's June 30, 2006 financial statements should include the accounts of Shaw Services, Inc. and the effect of this departure from generally accepted accounting principles on financial position, results of operation, and cash flows has not been determined.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we consolidated the financial statements of the variable interest entities, the 2006, 2005, and 2004 financial statements referred to above present fairly, in all material respects, the financial position of The Coffee Beanery, Ltd. at June 30, 2006, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

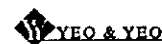
Yeo & Yeo, P.C.

Flint, Michigan
August 23, 2006

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The Coffee Beanery, Ltd.
Balance Sheet
June 30, 2006, June 30, 2005, and June 30, 2004

	June 30, 2006	June 30, 2005	June 30, 2004
Assets			
Current assets			
Cash	\$ 37,335	\$ 55,642	\$ 151,824
Accounts receivable (net of allowance of \$58,991 in 2006, \$4,192 in 2005 and \$70,700 in 2004)	958,915	706,771	550,563
Accounts receivable from related parties	99,186	131,531	128,307
Inventory	1,338,471	1,293,961	1,279,054
Prepaid expenses and other current assets	187,324	77,950	36,456
Notes receivable	32,461	66,258	206,773
Deferred tax asset	200,000	200,000	200,000
Total current assets	2,853,692	2,532,113	2,552,977
Property and equipment			
Building	1,308,860	1,308,860	1,308,860
Land	114,500	114,500	114,500
Leasehold improvements	752,327	724,945	1,589,288
Equipment	2,660,406	2,348,859	3,306,287
Total property and equipment	4,836,093	4,497,164	6,318,935
Less: accumulated depreciation and amortization	2,748,709	2,430,311	4,183,608
Net property and equipment	2,087,384	2,066,853	2,135,327
Other Assets			
Deferred tax asset	434,717	447,248	467,123
Notes receivable	81,916	81,870	91,478
Trademarks	37,907	37,907	37,207
Other assets	23,413	18,087	38,331
Total other assets	577,953	585,112	634,139
Total assets	\$ 5,519,029	\$ 5,184,078	\$ 5,322,443

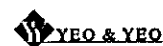


The Coffee Beanery, Ltd.
Balance Sheet
June 30, 2006, June 30, 2005, and June 30, 2004

	June 30, 2006	June 30, 2005	June 30, 2004
Liabilities and stockholders' equity			
Current liabilities			
Accounts payable	\$ 1,078,792	\$ 838,051	\$ 828,746
Checks drawn against future deposits	50,516	111,499	
Accrued expenses	139,486	185,735	283,518
Revolving credit agreement	420,000	340,000	125,000
Current portion of long-term debt and capital leases	<u>2,141,643</u>	<u>389,950</u>	<u>354,007</u>
Total current liabilities	<u>3,830,436</u>	<u>1,865,235</u>	<u>1,591,271</u>
Long-term debt, less current portion	740,000	2,319,428	2,547,032
Obligations under capital leases, less current portion	61,185	90,756	176,815
Unearned franchise fees	<u>2,829</u>	<u>48,375</u>	<u>163,750</u>
Total liabilities	<u>4,634,450</u>	<u>4,323,794</u>	<u>4,478,868</u>
Stockholders' equity			
Common stock, \$.50 stated value, 100,000 shares authorized, 94,616 shares issued and outstanding	47,308	47,308	47,308
Paid-in capital	210,828	210,828	210,828
Retained earnings	<u>626,443</u>	<u>602,148</u>	<u>585,439</u>
Total stockholders' equity	<u>884,579</u>	<u>860,284</u>	<u>843,575</u>
Total liabilities and stockholders' equity	<u>\$ 5,519,029</u>	<u>\$ 5,184,078</u>	<u>\$ 5,322,443</u>

See Accompanying Notes to Financial Statements

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The Coffee Beanery, Ltd.
Statement of Operations
For the Years Ended June 30, 2006, June 30, 2005, and June 30, 2004

	June 30, 2006	June 30, 2005	June 30, 2004
Revenues			
Retail sales	\$ 1,034,875	\$ 1,213,436	\$ 2,500,230
Product and equipment sales to franchisees	8,850,897	7,732,075	8,652,449
Franchise royalty revenues and franchise fees	3,166,310	3,478,334	3,465,966
Wholesale sales	543,067	635,212	463,985
Other	390,572	404,668	482,596
Total revenues	13,985,721	13,463,725	15,565,226
Operating costs and expenses			
Cost of goods sold	7,355,273	6,506,246	7,267,949
Selling, general and administrative	3,370,893	3,474,010	3,513,404
Store operating expenses	787,997	1,028,150	1,736,231
Other operating expenses	1,245,127	1,143,171	1,190,429
Advertising	473,222	507,726	587,202
Depreciation and amortization	366,541	332,727	413,659
Total operating costs and expenses	13,599,053	12,992,030	14,708,874
Operating earnings	386,668	471,695	856,352
Other income (expense)			
Interest expense	(281,698)	(218,273)	(237,933)
Other income (expenses)	(68,144)	(216,838)	(78,401)
Total other income (expense)	(349,842)	(435,111)	(316,334)
Earnings before income taxes	36,826	36,584	540,018
Income tax expense	12,531	19,875	190,487
Net earnings	\$ 24,295	\$ 16,709	\$ 349,531

See Accompanying Notes to Financial Statements

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The Coffee Beanery, Ltd.
Statement of Stockholders' Equity
For the Years Ended June 30, 2006, June 30, 2005, and June 30, 2004

	<u>Common Stock</u>	<u>Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
Balance at June 30, 2003	\$ 47,308	\$ 210,828	\$ 235,908	\$ 494,044
Net earnings for 2004			349,531	349,531
Balance at June 30, 2004	47,308	210,828	585,439	843,575
Net earnings for 2005			16,709	16,709
Balance at June 30, 2005	47,308	210,828	602,148	860,284
Net earnings for 2006			24,295	24,295
Balance at June 30, 2006	<u>\$ 47,308</u>	<u>\$ 210,828</u>	<u>\$ 626,443</u>	<u>\$ 884,579</u>

See Accompanying Notes to Financial Statements

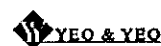


The Coffee Beanery, Ltd.
Statement of Cash Flows
For the Years Ended June 30, 2006, June 30, 2005, and June 30, 2004

	June 30, 2006	June 30, 2005	June 30, 2004
Cash Flows from operating activities			
Net earnings	\$ 24,295	\$ 16,709	\$ 349,531
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities			
Depreciation and amortization	366,541	332,727	413,659
Deferred taxes	12,531	19,875	190,487
Net (gain) loss on disposal of property and equipment	17,836	216,838	78,401
Decrease (increase) in current assets			
Accounts receivable	(219,799)	(159,432)	(35,677)
Inventory	(44,510)	(14,907)	(73,234)
Prepaid expenses and other assets	(109,374)	(41,494)	64,700
Increase (decrease) in current liabilities			
Accounts payable	240,741	9,305	(118,204)
Checks drawn against future deposits	(60,983)	111,499	-
Accrued expenses	(46,250)	(97,783)	(297,337)
Unearned franchise fees	(45,546)	(115,375)	54,750
Net cash provided by operating activities	<u>135,482</u>	<u>277,962</u>	<u>627,076</u>
Cash flows from investing activities			
Purchases of property and equipment	(390,406)	(497,050)	(491,042)
Collections on notes receivable	47,886	192,879	40,033
Issuance of notes receivable	(14,135)	(42,756)	(191,206)
Decrease (increase) in intangibles	-	(700)	(15,272)
Decrease (increase) in other assets	(24,220)	20,244	19,957
Proceeds from sales of property and equipment	4,392	15,961	319,613
Net cash used in investing activities	<u>(376,483)</u>	<u>(311,422)</u>	<u>(317,917)</u>
Cash flows from financing activities			
Principal payments on long-term debt and capital leases	(2,174,798)	(383,395)	(2,087,591)
Proceeds from long-term debt	2,160,000	105,673	2,443,480
Proceeds from capital leases	157,492	-	-
Net proceeds from (payments on) line of credit	80,000	215,000	(575,000)
Net cash used in financing activities	<u>222,694</u>	<u>(62,722)</u>	<u>(219,111)</u>
Net increase (decrease) in cash	(18,307)	(96,182)	90,048
Cash, beginning of year	55,642	151,824	61,776
Cash, end of year	<u>\$ 37,335</u>	<u>\$ 55,642</u>	<u>\$ 151,824</u>

See Accompanying Notes to Financial Statements

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The Coffee Beanery, Ltd.
Notes to Financial Statements
June 30, 2006

1. Summary of Significant Accounting Policies

Organization

The Coffee Beanery, Ltd. (Company) is a wholly owned subsidiary of The Shaw Coffee Company (Shaw). The Company owns, operates and is the franchisor of retail stores of specialty coffee beverages and coffee related products, and purchases, roasts, and distributes coffee beans to the retail locations.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Trade receivables and notes receivables are carried at their estimated collectible amounts. Interest income on notes receivable is recognized using the interest method. Interest on impaired notes receivable is recognized as cash is collected or on a cost-recovery basis. Trade credit is generally extended on a short-term basis; thus trade receivables do not bear interest, although a finance charge may be applied to such receivables that are more than 30 days past due.

Credit Risk

The Company performs on-going credit evaluations of each customer's financial condition. Accounts receivable are principally with franchisees that are secured under the franchise agreements. The franchise agreements provide the Company with certain collateral, including inventory and fixed assets. Consequently, risk of loss is considered minimal.

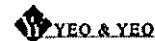
The Company maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$ 100,000.

Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or market and consists principally of unroasted and roasted coffee beans and related coffee supplies and equipment.

(continued)

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The Coffee Beanery, Ltd.
Notes to Financial Statements
June 30, 2006

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost and are depreciated over the estimated useful lives of the assets, ranging from 3 to 39 years, using primarily the straight-line method. The cost of leasehold improvements and leased equipment are depreciated over the shorter of the lease term or the estimated useful lives of the improvements or equipment primarily using the straight-line method.

Derivative Financial Instruments

The Company enters into various forward contracts for the purchase of unroasted coffee beans at specified prices and quantities for various periods generally not exceeding three to six months. The Company accounts for these forward contracts using the normal purchase and sale exception in SFAS No. 133 since it is probable at inception and throughout the forward contract that the Company will not settle net and the contract will result in physical delivery.

Long-Lived Assets

The Company periodically reviews its long-lived assets for possible impairment issues in accordance with Financial Accounting Standards Board Statement No. 144.

Trademarks

Intangible assets consist of trademarks. Trademarks have an indefinite life and are not amortized.

Other Assets – Debt Issuance Costs

Debt issuance costs are being amortized over the term of the related debt using the straight-line method, which approximates the amortization expense that would have resulted from the interest method. Accumulated amortization of these costs approximated \$ 18,895, \$ 20,244 and \$ 28,433 for the years ended June 30, 2006, June 30, 2005 and June 30, 2004, respectively.

(continued)

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The Coffee Beanery, Ltd.
Notes to Financial Statements
June 30, 2006

1. Summary of Significant Accounting Policies (continued)

Fair Value of Balance Sheet Financial Statements

The carrying amounts reported in the balance sheets for cash, accounts receivable and accounts payable approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amount of long-term debt approximates fair value because the interest rate for these instruments approximates current market rates.

Revenue Recognition

Initial franchise fees are recognized as revenue when services required under the franchise agreement have been performed by the Company. Franchise royalty revenues are based on franchisees' sales and are recognized as earned. Product and equipment revenue is recorded when legal title is transferred to the customer, generally when the product is shipped.

Franchise Royalty Revenue

Included in 2006 franchise revenues of \$ 3,166,310 are initial franchise fees of \$ 511,843 and royalties of \$ 2,654,467.

Included in 2005 franchise revenues of \$ 3,478,334 are initial franchise fees of \$ 525,148 and royalties of \$ 2,953,186.

Included in 2004 franchise revenues of \$ 3,465,966 are initial franchise fees of \$ 577,071 and royalties of \$ 2,888,895.

Advertising

The Company expenses the cost of advertising as incurred. Advertising costs amounted to \$ 474,322, \$ 507,726 and \$ 587,202 for the years ended June 30, 2006, June 30, 2005, and June 30, 2004, respectively.

Shipping and Handling Costs

The Company records its shipping and handling costs in cost of goods sold.

(continued)

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The Coffee Beanery, Ltd.
Notes to Financial Statements
June 30, 2006

1. Summary of Significant Accounting Policies (continued)

Corporate -owned and franchise stores

	Corporate Owned Stores	Franchise Stores	International Stores	Total Stores
Stores at June 30, 2003	11	150	10	171
New stores opened	-	23	8	31
Corporate stores sold to franchisee	(3)	3	-	-
Corporate stores purchased from franchisee	2	(2)	-	-
Stores closed	(3)	(25)	-	(28)
Stores at June 30, 2004	7	149	18	174
New stores opened	1	17	1	19
Stores closed	(3)	(26)	-	(29)
Stores at June 30, 2005	5	140	19	164
New stores opened	-	19	-	19
Corporate stores sold to franchisee	(1)	1	-	-
Stores closed	(2)	(22)	-	(24)
Stores at June 30, 2006	2	138	19	159

The Company also has 4 locations operating under various license agreements at June 30, 2006, 7 at June 30, 2005, and 9 at June 30, 2004.

Reclassifications

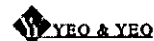
Certain accounts in the prior-year financial statement have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Use of Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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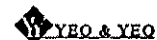


The Coffee Beanery, Ltd.
Notes to Financial Statements
June 30, 2006

2. Notes Receivable – Trade

	June 30,		
	2006	2005	2004
Note receivable, franchisee, due upon liquidation of equipment	\$ 12,530	\$ 15,649	\$ 16,849
Note receivable, franchisee, monthly payments of \$ 777, including interest at 3%, due January 2010	39,326	39,516	47,901
Note receivable, franchisee, monthly payments of \$ 675, including interest at 3%, due January 2010	31,930	33,754	42,294
Note receivable, franchisee, monthly payments at 7% interest, due August 2005	-	15,000	180,000
Note receivable, monthly payments of \$ 1,250, interest free, due April 2006	7,304	12,500	-
Note receivable, monthly payments of \$ 1,294, interest free, due December 2005	-	7,610	-
Note receivable, monthly payments of \$ 1,246, interest free, due December 2006	7,474	22,421	-
Note receivable, franchisee, due December 2007	10,000	-	-
Note receivable, monthly payments various small amounts	5,813	1,678	11,207
	114,377	148,128	298,251
Less current portion	32,461	66,258	206,773
	\$ 81,916	\$ 81,870	\$ 91,478

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The Coffee Beanery, Ltd.
Notes to Financial Statements
June 30, 2006

3. Debt

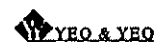
At year end, notes payable consisted of:

	June 30,		
	2006	2005	2004
Revolving Credit Agreement to a bank at 1% above bank's prime rate (9.25% at June 30, 2006)	\$ 420,000	\$ 340,000	\$ 125,000

At year end, long-term debt consisted of the following:

	June 30,		
	2006	2005	2004
Commercial mortgage to a bank at 1% above bank's prime rate (7.25% June 30, 2005)		\$ 1,623,611	\$ 1,740,278
Term note to a bank at 1% above bank's prime rate (7.25% at June 30, 2005)		309,896	416,146
Stockholder loan - subordinated debt (interest only at 7%)	\$ 590,000	590,000	590,000
Stockholder loan - subordinated debt (interest only at 9%)	150,000		
Commercial mortgage to a bank monthly payments of \$17,461 including interest at 8.5%, due October 2006	1,750,392	-	-
Term note to a bank monthly payments of \$ 5,145 including interest at 8.5%, due October 2006	243,288	-	-
Other	6,612	54,516	45,691
	2,740,292	2,578,023	2,792,115
Less current portion	2,000,292	258,595	245,083
	\$ 740,000	\$ 2,319,428	\$ 2,547,032

(continued)
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The Coffee Beanery, Ltd.
Notes to Financial Statements
June 30, 2006

3. Debt (continued)

On February 20, 2002, the Company entered into a Commercial Credit Agreement with Citizen's Bank. The Commercial Credit Agreement provided for the following: a five year \$ 1,750,000 mortgage bearing interest at prime plus 1 percent, a \$ 700,000 line of credit, with availability based on eligible accounts receivable and inventory, bearing interest at prime plus 1 percent with an original maturity date of October 2002; and a \$ 300,000 24-month term loan bearing interest at prime plus 1 percent.

As part of this Commercial Credit Agreement, the Company must maintain certain financial covenants including minimum net worth, as defined, and leverage ratio. Also, the Company will be required to pay a penalty if its borrowings are paid off prior to maturity. As of June 30, 2005 and 2004, the Company was in compliance with its loan covenants.

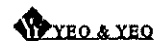
The Company's principal owners personally guaranteed the Commercial Credit Agreement. Also, as a requirement to obtain this agreement, the Company's principal owners were required to contribute approximately \$ 590,000 to the Company in the form of a subordinated debt agreement. The subordinated debt bears interest at 7 percent per year with the entire principal balance due in 2005.

On April 28, 2006, the Company entered into a Commercial Credit Agreement with Citizen's Bank to refinance existing debt. The Commercial Credit Agreement provided for the following: a six month \$ 1,760,000 mortgage bearing interest at 8.5 percent, which will be refinanced at due date; a \$ 700,000 line of credit, with availability based on eligible accounts receivable and inventory, bearing interest at prime plus 1 percent with an original maturity date of October 2006; and a \$ 250,000 six month term loan bearing interest at 8.5 percent, which will be refinanced at due date.

As part of this Commercial Credit Agreement, the Company must maintain certain financial covenants including minimum net worth, as defined, and leverage ratio. As of June 30, 2006, the Company was in compliance with its loan covenants.

The Company's principal owners personally guaranteed the Commercial Credit Agreement. Also, as a requirement to obtain this agreement, the Company's principal owners were required to contribute approximately \$ 740,000 to the Company in the form of a subordinated debt agreement. The subordinated debt bears interest at 9 percent per year with the entire principal balance due in 2007.

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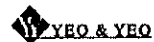
The Coffee Beanery, Ltd.
Notes to Financial Statements
June 30, 2006

Interest paid on all debt obligations was approximately \$ 281,698, \$ 218,273 and \$ 237,933 for the years ended June 30, 2006, June 30, 2005 and June 30, 2004 respectively.

The future maturities of long-term debt as of June 30, 2006 are as follows:

2007	\$ 2,000,292
2008	740,000
Total	<u>\$ 2,740,292</u>

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The Coffee Beanery, Ltd.
Notes to Financial Statements
June 30, 2006

4. Lease Commitments

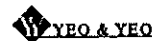
The Company leases its retail stores under operating leases, which expire at varying dates through 2007. The Company also leases certain equipment under agreements that have been capitalized. Amortization recorded on such equipment is calculated over the estimated useful life and is reported as depreciation expense. The net book value of assets under capital leases for continuing operations approximates amounts outstanding under the related lease obligations at June 30, 2006, 2005 and 2004.

Minimum annual rental commitments under these leases as of June 30, 2006, are as follows:

	Corporate Stores	
	Operating Leases Total	Capital Leases Total
2007	\$ 141,714	\$ 149,238
2008	142,881	58,188
2009	143,583	4,711
2010	147,090	-
Thereafter	<u>99,915</u>	<u>-</u>
Total	<u>\$ 675,183</u>	212,137
Less amount representing interest		<u>9,601</u>
Total present value of minimum lease payments		202,536
Less current portion		<u>141,351</u>
		<u>\$ 61,185</u>

The store leases provide for additional rental payments based upon a percentage of sales in excess of a stipulated minimum and may require the Company to pay a share of common mall expenses. Rental expense, including common mall expenses and percentage rentals, approximated \$ 247,371, \$ 241,785 and \$ 498,673 for 2006, 2005, and 2004 respectively and is included in selling, general and administrative expenses.

(continued)
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The Coffee Beanery, Ltd.
Notes to Financial Statements
June 30, 2006

4. Lease Commitments (continued)

The Company also leases certain operating locations and then sub-leases to franchisees that then become responsible for the direct payment of all amounts due under the lease. In the event of default by the franchisee, the Company retains responsibility under the lease. The Company ceased these standard lease guarantees in 1998. In certain circumstances the Company may enter into new lease guarantees. For any new guarantee the Company requires a security deposit from the franchisee. The minimum annual rental commitments under these leases as of June 30, 2006 are as follows:

2007	\$ 441,704
2008	279,508
2009	266,672
2010	234,866
thereafter	<u>288,515</u>
Total	<u>\$ 1,511,065</u>

The Company entered into capital lease transactions for equipment totaling \$ 157,493, \$ 67,573 and \$ 216,226 in 2006, 2005 and 2004, respectively.

5. Related Party Transactions

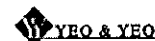
The Company made wholesale sales to a subsidiary of Shaw Coffee Company at terms substantially the same as those for unrelated parties totaling approximately \$ 805,498, \$ 526,928 and \$ 439,445 in 2006, 2005 and 2004, respectively. Accounts receivable from this corporation amounted to \$ 99,186, \$ 131,531 and \$ 128,307 as of June 30, 2006, June 30, 2005 and June 30, 2004, respectively.

Notes payable to shareholders amounted to \$ 740,000 at June 30, 2006 and \$ 590,000 at June 30, 2005 and 2004 are included in long-term debt (Note 3).

6. Commitments and Contingencies

The Company has entered into various futures contracts for the purchase of coffee beans at specified prices and quantities for various periods generally not exceeding three months.

(continued)
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The Coffee Beanery, Ltd.
Notes to Financial Statements
June 30, 2006

6. Commitments and Contingencies (continued)

The Company's obligation under those contracts amounted to \$ 1,278,928, \$ 1,521,195 and \$ 1,232,400 as of June 30, 2006, June 30, 2005 and June 30, 2004, respectively.

The Company guaranteed a franchisee's lease and the franchisee subsequently defaulted on the lease. In June 2000, a judgment was entered against the Company for payment of \$ 630,000. The Company also incurred attorney fees for its defense of \$ 203,354 related to this case. In fiscal 2000, the Company entered into a Promissory Note Agreement (Note) with the landlord to pay the final judgment. This Note required the Company to pay \$ 100,000 immediately and the remaining \$ 530,000 over a period of three years. The Note bears interest at 10 percent per year. The note was paid in full in July 2003.

The Company is engaged in various legal proceedings and other matters incidental to its normal business activities. The Company believes it has meritorious defenses against these claims, which it will vigorously pursue. The Company does not believe these matters will have a material effect on the Company's financial position or results of operations.

7. Employee Benefit Plans

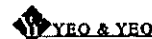
The Company has a 401(k) employee benefit plan covering employees meeting certain eligibility requirements. Company contributions are made based upon each participant's contribution. The Company's contributions were \$ 32,620, \$ 34,588 and \$ 29,782, in 2006, 2005 and 2004, respectively.

8. Income Taxes

The Company files a consolidated federal income tax return with Shaw Coffee Company and another wholly owned subsidiary of Shaw Coffee Company. The companies do not have a formal tax sharing arrangement, and as such, the 2006, 2005 and 2004 federal income tax provisions were calculated on a separate return basis.

At June 30, 2006 the Company had approximately \$ 2,490,000 in net operating loss carry forward available for federal income tax purposes, which expires in 2010 through 2021.

(continued)
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The Coffee Beanery, Ltd.
Notes to Financial Statements
June 30, 2006

8. Income Taxes (continued)

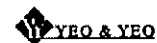
The deferred tax assets represent the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. Significant components of the Company's deferred taxes are as follows:

	June 30, 2006	June 30, 2005	June 30, 2004
Deferred tax assets:			
Net operating loss carryforward	\$ 368,300	\$ 390,000	\$ 372,000
Depreciation	191,100	180,000	180,000
Deferred revenue	1,000	16,000	56,000
Bad debts	20,000	1,400	11,000
Other	53,200	58,600	48,000
Total deferred tax asset	\$ 633,600	\$ 646,000	\$ 667,000

The fiscal years 2006, 2005 and 2004 provisions for income taxes consist of the following:

	2006	2005	2004
Current income tax expense (benefit)	\$ 11,197	\$ (7,209)	\$ 98,000
Utilization of/addition to operating loss carryforwards	(11,197)	7,209	(98,000)
Deferred tax expense (benefit)	12,500	19,900	190,000
	\$ 12,500	\$ 19,900	\$ 190,000

(continued)
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The Coffee Beanery, Ltd.
Notes to Financial Statements
June 30, 2006

8. Income Taxes (continued)

The Company determined that a valuation allowance for its deferred tax assets was not necessary due to its tax planning strategies and its plans for future taxable income. The Company determined that approximately 80 percent of the deferred tax asset would be recovered through future taxable income. Also, in the event that the Company's future taxable income is not sufficient to fully utilize its net deferred tax assets, the Company has the ability to enter into a sale lease back transaction that is expected to generate in excess of \$ 800,000 of taxable income.

The Company's effective tax rate differs from the statutory rate primarily due to the utilization of the Company's net operating loss carry forwards.

The Company paid no income taxes in 2006, 2005 and 2004.

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