

**EXHIBIT F**

**WOODCRAFT FRANCHISE, LLC  
FINANCIAL STATEMENTS**

Audit report  
**Woodcraft Franchise, LLC**  
June 5, 2006

**WOODCRAFT FRANCHISE, LLC**

**CONTENTS**

	<b>Page</b>
<b>REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS</b> .....	2
<b>BALANCE SHEET AS OF JUNE 3, 2006</b> .....	3
<b>NOTES TO FINANCIAL STATEMENT</b> .....	4 - 6

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Member and Board of Directors  
Woodcraft Franchise, LLC

We have audited the accompanying balance sheet of Woodcraft Franchise, LLC (the "Company") as of June 5, 2006. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, 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.

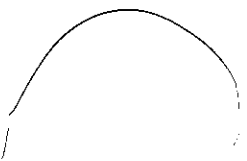
In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Woodcraft Franchise, LLC as of June 5, 2006, in conformity with accounting principles generally accepted in the United States of America.

*Grant Thornton LLP*

Cleveland, Ohio  
August 4, 2006

The Ralco Building  
1228 Euclid Avenue  
Suite 800  
Cleveland, OH 44115-1545  
T 216.771.1400  
F 216.771.1401  
W [www.grantthornton.com](http://www.grantthornton.com)

Grant Thornton LLP  
US member of Grant Thornton International



Woodcraft Franchise, LLC

BALANCE SHEET

June 5, 2006

ASSETS

<b>Current Assets</b>	
Cash and cash equivalents	\$ 370,403
Accounts receivable	122,345
Other current assets	<u>1,369</u>
Total current assets	494,117
Due from related party - Woodcraft, LLC	<u>1,365,409</u>
<b>Total Assets</b>	<b><u>\$ 1,859,526</u></b>

LIABILITIES AND MEMBER'S EQUITY

<b>Current Liabilities</b>	
Accounts payable and accrued expenses	\$ 171,659
Franchise fee deposits	<u>225,000</u>
<i>Total liabilities</i>	396,659
Due to related party - Woodcraft Supply, LLC	572,990
<b>Member's Equity</b>	
Member's equity	693,000
Retained earnings	<u>196,877</u>
<i>Total member's equity</i>	<u>889,877</u>
<b>Total Liabilities and Member's Equity</b>	<b><u>\$ 1,859,526</u></b>

*The accompanying notes to financial statements are an integral part of this statement.*

Woodcraft Franchise, LLC

NOTES TO FINANCIAL STATEMENTS

June 5, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Business**

Woodcraft Franchise, LLC (the "Company" or "Woodcraft Franchise") was formed in the state of Delaware on March 8, 2006. Woodcraft, LLC (the "Parent Company") is the sole member of Woodcraft Franchise. Pursuant to the terms of an Agreement and Plan of Merger dated April 26, 2006, Woodcraft Franchise acquired all assets and assumed all liabilities of Woodcraft Franchise Corporation (see Note 2).

The Company acts as the franchisor of retail stores that sell woodworking tools, equipment and supplies. The Company and an affiliate, Woodcraft Supply, LLC, utilize the same management group. In addition, Woodcraft Supply will provide certain general and administrative services for the Company. At June 5, 2006, 79 franchise stores were operating. The Company has adopted a fiscal year end of December 31.

**Franchise Fee Deposits**

Franchise fee deposits received in advance or prior to the opening of a new franchise store are recorded as deferred revenue. Franchise fee revenue from an individual franchise sale by the Company will be recognized when all material services or conditions relating to the sale have been substantially performed or satisfied.

**Income Taxes**

The sole member of Woodcraft Franchise has elected for the Company to be taxed at the member level for federal and state income tax purposes. Certain local taxes will be payable by the Company.

**Cash and Cash Equivalents**

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Included in cash and cash equivalents on the balance sheet is \$225,000 related to escrow deposits from potential franchisees.

**Risks and Uncertainties**

The Company's risks and uncertainties include: its ability to locate knowledgeable franchisees with retail and woodworking expertise that have the financial resources to successfully operate the stores and who are able to continue to maintain the quality that has become associated with the "Woodcraft" name; continued growth in the woodworking industry as well as public acceptance of its products; and being able to identify appropriate locations for its new franchised stores.

Woodcraft Franchise, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 5, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - MERGER

Pursuant to the terms of an Agreement and Plan of Merger dated April 26, 2006 (effective date of June 3, 2006), Woodcraft Franchise, LLC acquired all assets and assumed all liabilities of Woodcraft Franchise Corporation in exchange for consideration in the amount of \$693,000. The consideration was paid on June 5, 2006 by the Company's Parent on behalf of Woodcraft Franchise.

In accordance with SFAS No. 141, *Business Combinations*, the Company allocated the consideration paid to the assets acquired based on estimated fair values at the date of the merger. The excess of the fair value of the assets acquired of \$196,877 was recognized as an extraordinary gain at June 5, 2006. Consideration paid was allocated to the net assets acquired in the merger as follows:

Current assets	\$ 494,117
Due from related party	1,365,409
Accounts payable and accrued expenses	(171,659)
Franchise fee deposits	(225,000)
Due to related party	(572,990)
Extraordinary gain (retained earnings)	<u>(196,877)</u>
Total consideration paid	<u>\$ 693,000</u>

NOTE 3 - LOAN GUARANTY

Woodcraft, LLC (Parent) entered into a loan agreement with a bank on April 26, 2006 for the purpose of funding merger agreements for Woodcraft Franchise and Woodcraft Supply. The underlying agreement calls for borrowings of up to \$5,675,000 with a variable interest rate initially calculated at 2.25% plus LIBOR. Interest is payable monthly with all principal amounts due under the loan agreement on April 26, 2009. Borrowings under this agreement are collateralized by all assets of Woodcraft, LLC, Woodcraft Supply, LLC and Woodcraft Franchise, LLC. The Company is also a guarantor under the loan agreement. Amounts outstanding under this agreement totaled \$3,759,236 at June 5, 2006.

Woodcraft Franchise, LLC

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 5, 2006

**NOTE 4 - DUE (TO)/FROM RELATED PARTIES**

Amounts due (to)/from related parties at June 5, 2006 included a receivable from Woodcraft, LLC of \$1,365,409 and a payable to Woodcraft Supply, LLC of \$(572,990). The amounts due (to)/from these related parties are non-interest bearing and there are no stated repayment terms.

**NOTE 5 - ADVERTISING FUND**

The Company maintains a National Advertising Fund to pay for national advertising expenses such as magazine ads and radio and television commercials and broadcasts. Contributions to the fund are based on a percentage of the gross revenues contributed to the fund from Woodcraft retail stores and from Woodcraft Supply's catalogs and internet site. The Company maintains the cash fund and records a corresponding prepaid or liability (based on the position of the fund) for the amounts already paid from the fund or for amounts to be paid from the fund.

In accordance with SFAS No. 45, *Accounting for Franchise Fee Revenue*, the Company does not record revenues or offsetting expenses associated with the portion of the franchise required payments designated and segregated for advertising purposes as a result of the agency relationship between the Company and Woodcraft. At June 5, 2006, \$55,577 was included in cash and cash equivalents and a corresponding amount was included in accounts payable and accrued for expenses for amounts yet to be paid from this fund.