

GUTMANN USA, INC.

FINANCIAL STATEMENTS

December 31, 2007

GUTMANN USA, INC.

CONTENTS

<u>Financial Statements</u>	
	<u>Page No.</u>
Independent Auditor's Report	1
Balance Sheet.	2
Statement of Operations and Accumulated Deficit.	3
Statement of Changes in Equity.	4
Statement of Cash Flows.	5
Notes to Financial Statements	6 - 10



MELLON, JOHNSON & REARDON

CERTIFIED PUBLIC ACCOUNTANTS, LLP

American Institute of Certified Public Accountants - Private Companies Practice Section
California Society of Certified Public Accountants

Robert I. Mellon, CPA
Rex P. Johnson, CPA
Walter F. Reardon, CPA

Charles E. Wessman, CPA
Steven H. Spears, CPA
Gregory R. Barragar, CPA
Geoffrey D. Kramer, CPA

George A. Arzoo, CPA
Diane L. Beebe, CPA
Helene W. Blumner, CPA
Lee M. Gardner, CPA
Vanessa M. Hayden, CPA
Lee D. Kimmel, CPA
Krysta M. Krall, CPA
Donyale N. Mandery, CPA
Michael J. Richmond, CPA
Mark P. Rivera, CPA
Erin N. Robbins, CPA
Tamara S. Sipos, CPA
Sachiko M. Starks, CPA

To the Board of Directors
Gutmann USA, Inc.
Corona, California

We have audited the accompanying financial statements of Gutmann USA, Inc. which comprise the balance sheet as of December 31, 2007, and the statements of operations and accumulated deficit, changes in equity and cash flows for the period from inception (February 28, 2007) to December 31, 2007, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the financial position of Gutmann USA, Inc. as of December 31, 2007, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Mellon, Johnson & Reardon LLP

Ontario, California
January 10, 2008

-1-

GUTMANN USA, INC.

BALANCE SHEET

December 31, 2007

	<u>ASSETS</u>	Notes	USD
CURRENT ASSETS			
Cash in bank		1	\$ 31,091
Accounts receivable		1	80,315
Inventory		1	257,898
Total Current Assets			<u>369,304</u>
PROPERTY AND EQUIPMENT, NET		3	<u>27,559</u>
OTHER ASSETS			
Deposits			3,900
Deferred income tax		8	35,185
Total Other Assets			<u>39,085</u>
TOTAL ASSETS			<u>\$ 435,948</u>
<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>			
CURRENT LIABILITIES			
Accounts payable - trade			\$ 13,128
Income tax payable - State		8	800
Accounts payable - Parent		2	374,740
Accrued expenses		10	8,841
Due to shareholder		5	1,200
Current portion long-term debt		7	6,977
Total Current Liabilities			<u>405,686</u>
LONG-TERM LIABILITIES			
Deferred income tax		8	909
Long-Term Debt, Net of current portion		7	10,885
Total Long-Term Liabilities			<u>11,794</u>
STOCKHOLDER'S EQUITY			
Common stock, \$1 par value, 1,000 shares authorized			
100 shares issued and outstanding			100
Additional paid-in capital			129,900
Accumulated deficit			(111,532)
Total Stockholder's Equity			<u>18,468</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			<u>\$ 435,948</u>

The accompanying notes are an integral part of this statement.

GUTMANN USA, INC.

STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT For the period from inception (February 28, 2007) to December 31, 2007

	USD	%
SALES	\$ 216,480	100.00
COST OF SALES	170,513	78.77
GROSS PROFIT	45,967	21.23
OPERATING EXPENSES		
Advertising	7,666	3.54
Professional services	68,388	31.59
Rent	28,435	13.13
Repairs and maintenance	6,423	2.97
Salaries and wages	34,953	16.15
Testing	7,690	3.55
Travel	9,295	4.29
Other expenses	28,125	12.99
Total Operating Expenses	190,975	88.21
LOSS FROM OPERATIONS BEFORE INCOME TAXES	(145,008)	(66.98)
INCOME TAX BENEFIT	(33,476)	(15.46)
NET LOSS	(111,532)	(51.52)
RETAINED EARNINGS, BEGINNING OF PERIOD	-	
ACCUMULATED DEFICIT, END OF PERIOD	\$ (111,532)	

The accompanying notes are an integral part of this statement.

GUTMANN USA, INC.

STATEMENT OF CHANGES IN EQUITY

For the period from inception (February 28, 2007) to December 31, 2007

	Common Stock USD	Additional Paid-in Capital USD	Accumulated Deficit USD	Totals USD
BALANCE, FEBRUARY 28, 2007	\$ -	\$ -	\$ -	\$ -
COMMON STOCK				
Issuance of 100 shares	100	129,900	-	130,000
NET LOSS	-	-	(111,532)	(111,532)
BALANCE, DECEMBER 31, 2007	\$ <u>100</u>	\$ <u>129,900</u>	\$ <u>(111,532)</u>	\$ <u>18,468</u>

The accompanying notes are an integral part of this statement.

GUTMANN USA, INC.

STATEMENT OF CASH FLOWS

For the period from inception (February 28, 2007) to December 31, 2007

	<u>USD</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ (111,532)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation	1,527
Deferred tax benefit	(34,276)
Increase in current assets	
Accounts receivable	(80,315)
Inventories	(257,898)
Deposits	(3,900)
Increase in current liabilities	
Accounts payable	13,128
Accounts payable - Parent	374,740
Accrued expenses	8,841
Income tax payable - State	800
Net Cash Used by Operating Activities	<u>(88,885)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of property and equipment	<u>(8,365)</u>
Net Cash Used by Investing Activities	<u>(8,365)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of long-term debt	(1,659)
Proceeds from issuing common stock	130,000
Net Cash Provided by Financing Activities	<u>128,341</u>
NET INCREASE IN CASH AND BALANCE AT END OF PERIOD	<u>\$ 31,091</u>
SUPPLEMENTAL INFORMATION	
Interest paid	\$ 148
NONCASH INVESTING AND FINANCING ACTIVITIES	
Financed Fixed Asset Acquisitions	\$ 20,721

The accompanying notes are an integral part of this statement.

GUTMANN USA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

Nature of Business

Gutmann USA, Inc. (Company) is incorporated under the laws of the United States of America and is engaged in the wholesale distribution of high quality materials and windows used on the outside of commercial, residential and institutional projects. The Company is also a wholesale distributor of aluminum-acrylic carports.

The Company is a subsidiary of Hermann Gutmann Werke AG (Parent) located in Germany.

Cash and Cash Equivalents

For financial statement purposes, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalent.

Accounts Receivable

The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is made. If accounts become uncollectible, they will be charged to operations when that determination is made.

Inventory

Inventories are stated at the lower of cost (first-in, first-out method) or market. All inventory was purchased from the Parent company.

Property and Equipment

Property and equipment are stated at cost and depreciation is calculated using the declining balance method for financial statement purposes and declining balance and straight-line methods for federal income tax purposes. The estimated useful lives of the assets are as follows:

Machinery & equipment	7	years
Transportation equipment	5	years
Computer and office equipment	5 - 7	years

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred tax related primarily to differences between the basis of property and equipment and net operating losses for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the asset and liabilities are recovered or settled. Deferred tax also is recognized for operating losses that are available to offset future taxable income and tax credits that are available to offset future income taxes.

GUTMANN USA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

The Company maintains its cash balance at a bank located in Southern California. The balance is insured by the Federal Deposit Insurance Corporation up to \$100,000. As of December 31, 2007, the Company did not have an uninsured balance. The Company has not experienced any losses in such account and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

NOTE 2 - RELATED PARTY TRANSACTIONS

The Company purchased all of its inventory from its Parent company. Invoices received from the Parent company are valued using the Euro currency at the date of the invoice. The Company converts the invoice to US dollars at the date the goods are received. The balance due to Parent as of December 31, 2007, was \$374,740.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classifications as follows:

	Office Equipment USD	Machinery & Equipment USD	Vehicles USD	Total USD
Balance, beginning of period	\$ -	\$ -	\$ -	\$ -
Additions	<u>3,658</u>	<u>5,906</u>	<u>19,521</u>	<u>29,085</u>
Balance, End of Period	<u>\$ 3,658</u>	<u>\$ 5,906</u>	<u>\$ 19,521</u>	<u>\$ 29,085</u>

Depreciation expense for the period ended December 31, 2007, was \$1,527.

NOTE 4 - MAJOR CUSTOMERS

Approximately 85% of the Company's revenue in the current period resulted from sales to three customers.

NOTE 5 - DUE TO SHAREHOLDER

The minority shareholder of the Company purchased certain office furnishings capitalized by the Company using personal funds. The amount of the furnishing as of December 31, 2007, was \$1,200.

GUTMANN USA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 6 - LEASE COMMITMENTS

The Company is obligated under a lease agreement dated December 31, 2007, with 431 Leroy Drive, LLC for its premises. The current monthly rent is \$5,035. Rental expense for the period was \$28,435. Payments are made payable to 431 Leroy Drive LLC, of which the minority shareholder is a one-third owner.

Future minimum rental commitments are as follows:

<u>Years Ending December 31,</u>	<u>USD</u>
2008	\$ 60,419
2009	60,419
2010	20,140
	<u>\$ 140,978</u>

The Company leased a copier with terms expiring September 2010. Total lease expense for the period was \$218. Furthermore, future minimum rental payment on the operating lease having noncancelable lease terms in excess of one year are as follows:

<u>Years Ending December 31,</u>	<u>USD</u>
2008	\$ 2,608
2009	2,608
2010	1,956
	<u>\$ 7,172</u>

NOTE 7 - LONG-TERM DEBT

	<u>USD</u>
Capitalized lease payable to DaimlerChrysler for Dodge Nitro. Monthly payments of \$679 including interest at 7.99% with final payment due May, 2010.	\$ 17,862
	17,862
Current maturities	(6,977)
Total Long-Term Debt	<u>\$ 10,885</u>

Maturities of aggregate long-term debt are as follows:

<u>Years Ending December 31,</u>	
2008	\$ 6,977
2009	7,555
2010	3,330
	<u>\$ 17,862</u>

GUTMANN USA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 8 - INCOME TAXES

The provision for income taxes consists of the following:

	<u>USD</u>
Current Income Taxes	
California	\$ <u>800</u>
	<u>800</u>
Deferred Income Tax	
Short-term	(35,185)
Long-Term	<u>909</u>
	<u>(34,276)</u>
Total Provision for Income Taxes	\$ <u><u>(33,476)</u></u>

Deferred income tax consists of the following:

	<u>USD</u>
Deferred Tax Assets	
Federal short-term	\$ (22,183)
State short-term	<u>(13,002)</u>
	<u>(35,185)</u>
Federal long-term	572
State long-term	<u>337</u>
	<u>909</u>
Total Deferred Income Tax	\$ <u><u>(34,276)</u></u>

The deferred income tax benefit is a result of the following timing differences.

	<u>USD</u>
Short-term:	
State tax deductions	\$ 800
Net operating loss	113,616
Long-term:	
Depreciation	<u>(3,815)</u>
Total Deferred Income Tax	\$ <u><u>110,601</u></u>

GUTMANN USA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE 9 - CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure the Company will be able to continue as a going concern while establishing marketability in the United States of America. The capital structure of the Company consists of borrowings from the Parent in the amount of \$374,740 collateralized by the inventory purchased from the Parent.

NOTE 10 - ACCRUED EXPENSES

	<u>USD</u>
Accrued wages	\$ 3,772
Sales tax payable	<u>5,069</u>
	<u>\$ 8,841</u>

NOTE 11 - APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for issue on January 21, 2008.