

**GUTMANN USA, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2008 and 2007**

# GUTMANN USA, INC.

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# MELLON, JOHNSON & REARDON

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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 sheets as of December 31, 2008 and 2007, and the statements of operations and accumulated deficit, changes in equity and cash flows for the year ended December 31, 2008 and 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 audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits 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 judgment, 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 true 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, 2008 and 2007, and of its financial performance and its cash flows for the year ended December 31, 2008 and for the period from inception (February 28, 2007) to December 31, 2007 in accordance with International Financial Reporting Standards.

*Mellon, Johnson & Reardon LLP*

Ontario, California  
January 22, 2009

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# GUTMANN USA, INC.

## BALANCE SHEETS December 31, 2008 and 2007

	<u>Notes</u>	<u>2008 USD</u>	<u>2007 USD</u>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash in bank	1	\$ 99,434	\$ 31,091
Accounts receivable	1	485,795	80,315
Inventory	1	464,618	257,898
Prepaid expense		1,900	-
Total Current Assets		<u>1,051,747</u>	<u>369,304</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	3	<u>69,786</u>	<u>27,559</u>
<b>OTHER ASSETS</b>			
Deposits		3,900	3,900
Deferred income tax	7	30,216	34,276
Intangible asset, net of accumulated amortization	4	36,000	-
Total Other Assets		<u>70,116</u>	<u>38,176</u>
<b>TOTAL ASSETS</b>		<u>\$ 1,191,649</u>	<u>\$ 435,039</u>
<b><u>LIABILITIES AND STOCKHOLDER'S EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable - trade		\$ 236,515	\$ 13,128
Income tax payable - State	7	-	800
Accounts payable - Parent	9	615,827	374,740
Accrued expenses	5	12,032	8,841
Due to shareholder	6	1,200	1,200
Notes payable - related party	9	205,000	-
Current portion long-term debt	8	22,629	6,977
Total Current Liabilities		<u>1,093,203</u>	<u>405,686</u>
<b>LONG-TERM LIABILITIES</b>			
Long-Term Debt, Net of current portion	8	<u>23,566</u>	<u>10,885</u>
Total Long-Term Liabilities		<u>23,566</u>	<u>10,885</u>
<b>STOCKHOLDER'S EQUITY</b>			
Common stock, \$1 par value, 1,000 shares authorized			
100 shares issued and outstanding		100	100
Additional paid-in capital		174,900	129,900
Accumulated deficit		<u>(100,120)</u>	<u>(111,532)</u>
Total Stockholder's Equity		<u>74,880</u>	<u>18,468</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<u>\$ 1,191,649</u>	<u>\$ 435,039</u>

The accompanying notes are an integral part of this statement.

# GUTMANN USA, INC.

## STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT For the Year Ended December 31, 2008 and the period from inception (February 28, 2007) to December 31, 2007

	2008		2007	
	USD	%	USD	%
<b>SALES</b>	\$ 1,253,798	100.00	\$ 216,480	100.00
<b>COST OF SALES</b>	870,524	69.43	170,513	78.77
<b>GROSS PROFIT</b>	383,274	30.57	45,967	21.23
<b>OPERATING EXPENSES</b>				
Professional services	18,763	1.50	3,888	1.80
Rent	60,419	4.82	28,435	13.13
Salaries and wages	206,369	16.46	99,453	45.94
Travel	16,826	1.34	9,295	4.29
Other expenses	64,585	5.15	49,904	23.05
Total Operating Expenses	366,962	29.27	190,975	88.21
<b>INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAXES</b>	16,312	1.30	(145,008)	(66.98)
<b>INCOME TAX (BENEFIT) EXPENSE</b>	4,900	0.39	(33,476)	(15.46)
<b>NET INCOME (LOSS)</b>	11,412	0.92	(111,532)	(51.52)
<b>ACCUMULATED DEFICIT, BEGINNING OF YEAR</b>	(111,532)		-	
<b>ACCUMULATED DEFICIT, END OF YEAR</b>	\$ (100,120)		\$ (111,532)	

The accompanying notes are an integral part of this statement.

# GUTMANN USA, INC.

## STATEMENTS OF CHANGES IN EQUITY For the Year Ended December 31, 2008 and the period from inception (February 28, 2007) to December 31, 2007

<u>2008</u>	Common Stock USD	Additional Paid-in Capital USD	Accumulated Deficit USD	Totals USD
BALANCE, JANUARY 31, 2008	\$ 100	\$ 129,900	\$ (111,532)	\$ 18,468
ADDITIONAL PAID-IN CAPITAL	-	45,000	-	45,000
NET INCOME	-	-	11,412	11,412
BALANCE, DECEMBER 31, 2008	<u>\$ 100</u>	<u>\$ 174,900</u>	<u>\$ (100,120)</u>	<u>\$ 74,880</u>
<u>2007</u>	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.

## STATEMENTS OF CASH FLOWS For the Year Ended December 31, 2008 and the period from inception (February 28, 2007) to December 31, 2007

	<u>2008</u> USD	<u>2007</u> USD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 11,412	\$ (111,532)
Adjustments to reconcile net income (loss) to net cash used by operating activities		
Depreciation and amortization	21,847	1,527
Deferred tax expense (benefit)	4,060	(34,276)
(Increase) decrease in current assets		
Accounts receivable	(405,480)	(80,315)
Inventories	(206,720)	(257,898)
Prepaid expenses	(1,900)	-
Deposits	-	(3,900)
Intangible assets	(45,000)	-
Increase (decrease) in current liabilities		
Accounts payable	223,387	13,128
Accounts payable - Parent	241,087	374,740
Accrued expenses	3,191	8,841
Income tax payable - State	(800)	800
Net Cash Used by Operating Activities	<u>(154,916)</u>	<u>(88,885)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	<u>(7,920)</u>	<u>(8,365)</u>
Net Cash Used by Investing Activities	<u>(7,920)</u>	<u>(8,365)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(18,821)	(1,659)
Borrowings from Parent Company	205,000	-
Additional paid-in capital by stockholders	45,000	-
Proceeds from issuing common stock	-	130,000
Net Cash Provided by Financing Activities	<u>231,179</u>	<u>128,341</u>
<b>NET INCREASE IN CASH</b>	68,343	31,091
<b>CASH, BEGINNING OF YEAR</b>	<u>31,091</u>	<u>-</u>
<b>CASH, END OF YEAR</b>	<u>\$ 99,434</u>	<u>\$ 31,091</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	\$ 4,218	\$ 148
Income taxes paid	800	-
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Financed Fixed Asset Acquisitions	\$ 47,154	\$ 20,721

The accompanying notes are an integral part of this statement.

# GUTMANN USA, INC.

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations adopted by the International Accounting Standards Board.

#### Basis of preparation

The financial statements have been prepared on an accrual basis and under the historical cost convention. The principal accounting policies are set out below.

#### 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. The address of its registered office and principal place of business is 431 Leroy Drive in Corona, California.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts. Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

#### Estimates

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results.

#### 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 \$250,000. As of December 31, 2008 and 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.

#### 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.



# GUTMANN USA, INC.

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Inventory

Inventories are stated at the lower of cost (weighted average cost method) or market. The majority of the inventory was purchased from the Parent company.

#### Property and Equipment

Property and equipment are stated at cost and depreciation is calculated using the straight-line method for financial statement purposes and declining balance and straight-line methods for 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
Tenant improvements	39.5	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.

### NOTE 2 - PREPAID EXPENSES

Prepaid expenses consist of the following:

	2008 USD	2007 USD
Prepaid insurance	\$ 1,447	\$ -
Prepaid rent	453	-
	\$ 1,900	\$ -

### NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classifications as follows:

2008	Tenant Improvements USD	Office Equipment USD	Machinery & Equipment USD	Vehicles USD	Total USD
Balance, Beginning of Year	\$ -	\$ 3,659	\$ 5,906	\$ 19,521	\$ 29,085
Additions	2,904	-	52,170	-	55,074
Balance, End of Year	\$ 2,904	\$ 3,659	\$ 58,076	\$ 19,521	\$ 84,160

**GUTMANN USA, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 3 - PROPERTY AND EQUIPMENT (CONTINUED)**

<b><u>2008</u></b>	Tenant Improvements <u>USD</u>	Office Equipment <u>USD</u>	Machinery & Equipment <u>USD</u>	Vehicles <u>USD</u>	Total <u>USD</u>
<b><u>Accumulated Depreciation</u></b>					
Balance, Beginning of Year	\$ -	\$ 199	\$ 352	\$ 976	\$ 1,527
Additions	<u>49</u>	<u>594</u>	<u>8,300</u>	<u>3,904</u>	<u>12,847</u>
Balance, End of Year	<u>\$ 49</u>	<u>\$ 793</u>	<u>\$ 8,652</u>	<u>\$ 4,880</u>	<u>\$ 14,374</u>
<b><u>2007</u></b>					
<b><u>Cost</u></b>					
Balance, Beginning of Period	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	<u>-</u>	<u>3,659</u>	<u>5,906</u>	<u>19,521</u>	<u>29,086</u>
Balance, End of Period	<u>\$ -</u>	<u>\$ 3,659</u>	<u>\$ 5,906</u>	<u>\$ 19,521</u>	<u>\$ 29,086</u>
<b><u>Accumulated Depreciation</u></b>					
Balance, Beginning of Period	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	<u>-</u>	<u>199</u>	<u>352</u>	<u>976</u>	<u>1,527</u>
Balance, End of Period	<u>\$ -</u>	<u>\$ 199</u>	<u>\$ 352</u>	<u>\$ 976</u>	<u>\$ 1,527</u>

Depreciation expense for the year ended December 31, 2008 and the period ended December 31, 2007, was \$12,847 and \$1,527, respectively.

**NOTE 4 - INTANGIBLE ASSET**

Intangible asset represents a patent purchased for the manufacture of parts to compliment products purchased from the Parent Company. The patent is recorded at cost of \$45,000 less accumulated amortization of \$9,000, a net value of \$36,000. Amortization is calculated over a five year life using the straight-line method of amortization.

**GUTMANN USA, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 5 - ACCRUED EXPENSES**

Accrued expenses consist of the following:

	<u>2008</u>	<u>2007</u>
	USD	USD
Accrued wages	\$ 9,445	\$ 3,772
Sales tax payable	2,587	5,069
	<u>\$ 12,032</u>	<u>\$ 8,841</u>

**NOTE 6 - 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, 2008 and 2007, was \$1,200.

**NOTE 7 - INCOME TAXES**

The provision for income taxes consists of the following:

	<u>2008</u>	<u>2007</u>
	USD	USD
Current Income Taxes		
California	\$ 800	\$ 800
	<u>800</u>	<u>800</u>
Deferred Income Tax		
Short-term	32,413	(35,185)
Long-Term	(28,313)	909
	<u>4,100</u>	<u>(34,276)</u>
Total Provision for Income Taxes	<u>\$ 4,900</u>	<u>\$ (33,476)</u>

Deferred income tax consists of the following:

Deferred Tax Assets		
Federal short-term	\$ 3,120	\$ 22,183
State short-term	1,768	13,002
	<u>4,888</u>	<u>35,185</u>
Deferred Tax Liabilities		
Federal long-term	15,936	(572)
State long-term	9,392	(337)
	<u>25,328</u>	<u>(909)</u>
Total Deferred Income Tax	<u>\$ 30,216</u>	<u>\$ 34,276</u>

# GUTMANN USA, INC.

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

### NOTE 7 - INCOME TAXES (CONTINUED)

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

	2008 USD	2007 USD
Short-term:		
State tax deduction	\$ 800	\$ 800
Net operating loss	20,000	113,616
Long-term:		
Depreciation	(7,157)	(3,815)
Net operating loss	113,397	-
Total	\$ 127,040	\$ 110,601

A reconciliation of actual taxable loss theoretical for the Company is as follows:

Net book income (loss)	\$ 11,412	\$ (111,532)
Income tax (benefit) expense	4,900	(33,476)
Tax depreciation in excess of book	(3,342)	(3,815)
Other non-tax deductible items	904	1,552
Net operating loss carryforwards	(147,271)	-
	(133,397)	(147,271)

The effective tax rates is 0% for the year ended December 31, 2008 and 2007.

### NOTE 8 - LONG-TERM DEBT

	2008 USD	2007 USD
Capitalized lease payable to DaimlerChrysler for Dodge Nitro. Monthly payments of \$679 including interest at 7.99% with final payment due May, 2010.	\$ 10,278	\$ 17,862
Capitalized lease payable to Hyster Capital for a Forklift. Monthly payments of \$453 including interest at 7.5% with final payment due April, 2011.	11,214	-
Capitalized lease payable to New World Equipment Funding, LLC for a Panel Saw. Monthly payments of \$1,077 at 8.09% with final payment due January, 2011.	24,703	-
	46,195	17,862
Current maturities	(22,629)	(6,977)
Total Long-Term Debt	\$ 23,566	\$ 10,885

# GUTMANN USA, INC.

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

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### NOTE 8 - LONG-TERM DEBT (CONTINUED)

Maturities of aggregate long-term debt are as follows:

<u>Years Ending December 31,</u>	
2009	\$ 22,629
2010	20,712
2011	2,854
	<u>\$ 46,195</u>

### NOTE 9 - RELATED PARTY TRANSACTIONS

The Company purchased the majority 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, 2008 and 2007, was \$615,827 and \$374,740, respectively.

The Company borrowed money from the Parent Company in the amount of \$205,000. The maturity date of the loan is December 31, 2009. The loan is used by the Company to cover cash flow requirements based on a business plan.

The patent discussed in Note 4 of these financial statements was purchased from a related party owned 100% by the minority shareholder of the Company. The purchase was based on the costs incurred by the related party to develop the patent.

The Company sold materials to a related party owned 30% by the minority shareholder of the Company. The amount of materials sold for the years ended December 31, 2008 and 2007 was, \$134,732 and \$4,922, respectively. Amounts receivable from the related party for the years ended December 31, 2008 and 2007 was, \$36,908 and \$4,922, respectively.

Compensation to key management personnel for the years ended December 31, 2008 and 2007, was \$69,083 and \$15,520, respectively.

### NOTE 10 - 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 \$615,827 collateralized by the inventory purchased from the Parent.

### NOTE 11 - MAJOR CUSTOMERS

Approximately 92% of the Company's revenue in the current period resulted from sales to three customers.

# GUTMANN USA, INC.

## NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

### NOTE 12 - 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 years ended December 31, 2008 and 2007, was \$60,419 and \$28,435, respectively. 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>
2009	\$ 60,419
2010	20,140
	<u>\$ 80,559</u>

The Company leased a copier with terms expiring September 2010. Total lease expense for the years ended December 31, 2008 and 2007, was \$2,998 and \$218, respectively. 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>
2009	\$ 2,961
2010	2,468
	<u>\$ 5,429</u>

### NOTE 13 - RECLASSIFICATION

Reclassifications to the financial statements were as a result of offsetting December 31, 2007 deferred income tax assets against deferred income tax liabilities. As of December 31, 2007, the balance in the deferred tax liability account was \$909, which was offset against the deferred tax asset account balance of \$35,185, for a net balance of \$34,276.

### NOTE 14 - APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for issue on January 23, 2009.

**OTHER**



# MELLON, JOHNSON & REARDON

## CERTIFIED PUBLIC ACCOUNTANTS, LLP

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California Society of Certified Public Accountants

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To the Board of Directors  
Gutmann USA, Inc.

In planning and performing our audit of the financial statements of Gutmann USA, Inc. for the year ended December 31, 2008, in accordance with International Auditing Standards, we considered Gutmann's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with International Financial Reporting Standards such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

**Material Weakness - Financial information is prepared without a thorough review process.**

Without a thorough review of the financial statements by someone with knowledge of accounting practices related to the industry served by Gutmann USA, Inc., there is a risk that an account balance will be materially misstated and go undetected.

We recommend that a file is set up with documentation to support each of the balances at month end on the balance sheet. This file should be thoroughly reviewed by someone with knowledge of accounting practices related to the industry.

This communication is intended solely for the information and use of the Board of Directors and management of Gutmann USA, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

*Mellon, Johnson & Reardon LLP*

Ontario, California  
January 22, 2009