ADVANCED REFRIGERATION TECHNOLOGIES INC
Form PRER14C
February 26, 2004

SCHEDULE 14C INFORMATION

INFORMATION STATEMENT PURSUANT TO SECTION 14(C)
OF THE SECURITIES EXCHANGE ACT OF 1934
(Amendment No. 3)

Check the appropriate box:

[X] Preliminary Information Statement
[_] Confidential, For Use of the Commission Only (as Permitted by Rule 14c-5(d)(2))
[_] Definitive Information Statement

ADVANCED REFRIGERATION TECHNOLOGIES, INC.

(Name of Registrant as Specified in Its Charter)

Payment of filing fee (Check the appropriate box):

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

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(1) Amount previously paid:

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(2) Form, schedule or registration statement no.:

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(3) Filing party:

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(4) Date filed:

ADVANCED REFRIGERATION TECHNOLOGIES, INC.
5 Whatney
Irvine, California 92618

INFORMATION STATEMENT

March___, 2004

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY. THE ACTION, DEFINED BELOW, HAS ALREADY BEEN APPROVED BY WRITTEN CONSENT OF HOLDERS OF A MAJORITY OF THE OUTSTANDING COMMON STOCK OF THE COMPANY. A VOTE OF THE REMAINING SHAREHOLDERS IS NOT NECESSARY.

General

This Information Statement is first being furnished on or about March___, 2004 to shareholders of record as of the close of business on October 30, 2003 (the "Record Date") of the common stock, no par value per share (the "Common Stock") of Advanced Refrigeration Technologies, Inc. ("ART" or the "Company") in connection with the following (the "Action"):

I. PROPOSAL NUMBER ONE. AMENDMENT TO THE ARTICLES OF INCORPORATION, CHANGING THE NAME OF THE COMPANY TO JOYSTAR, INC.

II. PROPOSAL NUMBER TWO. ADOPTION OF AMENDED 2002 EQUITY AND STOCK OPTION PLAN.

III. PROPOSAL NUMBER THREE. ADOPTION OF 2003 EQUITY COMPENSATION PLAN.

The Board of Directors has approved, and a majority of the shareholders (the "Consenting Shareholders") representing not less than 12,820,000 shares of the 18,228,439 shares outstanding of the Common Stock as of the Record Date have consented in writing to the Action. Such approval and consent constitute the approval and consent of a majority of the total number of shares of outstanding of Common Stock and are sufficient under the California General Corporation Law and ART's Bylaws to approve the Action. Accordingly, the Action will not be submitted to the other shareholders of ART for a vote and this Information Statement is being furnished to shareholders to provide them with certain information concerning the Action in accordance with the requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the regulations promulgated thereunder, including Regulation 14C.

ART will pay all costs associated with the distribution of the Information Statement, including the costs of printing and mailing. ART will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending this Information Statement to the beneficial owners of ART's Common Stock.

The principal executive office of ART is located at 5 Whatney, Irvine, California 92618.

I. PROPOSAL NUMBER ONE. AMENDMENT TO THE ARTICLES OF INCORPORATION TO CHANGE THE NAME OF THE COMPANY

The Board of Directors has unanimously adopted and the Consenting Shareholders have approved an amendment to the Articles of Incorporation, as amended, of ART (the "Name Amendment") to change the name of the Company from "Advanced Refrigeration Technologies, Inc." to "Joystar, Inc." The text of the Name Amendment is attached as Exhibit A and is incorporated herein by reference.

Reasons for the Name Change

In the judgment of the Board of Directors, the change of ART's corporate name is desirable in view of the acquisition by ART pursuant to the Agreement and Plan of Reorganization dated as of June 10, 2003 (the "Agreement") by and between ART and Joystar, Inc. ("Joystar"). Pursuant to the Agreement, as of June 11, 2003, the Company acquired from the shareholders of Joystar all of the shares of Joystar (the "Acquisition") and Joystar became a wholly owned subsidiary of the Company. Joystar is a provider of online travel services. Joystar is a development stage company and the auditors of Joystar raised substantial doubts as to Joystar's ability to continue as a going concern. Joystar's net losses for the nine months ended September 30, 2003 are $573,617. None of the former officers or directors of ART had or received any security interest in Joystar prior to the merger with Joystar or after such merger. Former officers and directors of ART included: Rick McEwan, Clare Schrum and Allan Schrum. The Company has not received any opposition to any action taken by the majority shareholders. Following the Acquisition, the Company discontinued its operations relating to refrigeration fan controllers business and concentrated on the business conducted by Joystar. Accordingly, the directors of the Company believe that the Name Amendment will result in the Company having a name which more accurately reflects its business and the focus of its operations.

Description of the Acquisition of Joystar

1. Summary Term Sheet as of June 11, 2003 (the Closing of the Acquisition):

- exchange of all of the outstanding shares of Joystar for 13,880,599 newly issued shares of ART to Joystar shareholders;
- total outstanding shares of Joystar: 13,880,599 shares of common stock;
- total outstanding shares of ART: 3,322,840 shares of common stock;
- outstanding shares of ART after the Acquisition: 17,203,439 shares of common stock;
- appointment of William M. Alverson to the Board of Directors of the Company and as the President, CEO and CFO of the Company; resignation of the then current officers and directors;
- payment of debts of ART by Joystar in the approximate amount of $60,000;
- assumption of additional liabilities of ART by Joystar in the approximate amount of $50,000;
- concurrent with the Closing of the Acquisition, the sale of certain assets of ART valued at approximately $85,000 to Advanced Refrigeration Controls, Inc., a California corporation controlled by Allen and Clare Schrum in

consideration for assumption of certain liabilities of ART in the approximate amount of $105,000.

2. Contact Information

The contact information for the Company is William M. Alverson, President. The Company's address is 5 Whatney, Irvine, California 92618. The Company's previous address was at 9309 Narnia Drive, Riverside, California 92503.

3. Business Conducted.

ART was in the business of designing, manufacturing and marketing an energy efficiency evaporator fan motor controller for walk-in refrigerators and freezers that can save the customers in refrigeration energy costs. The Company has not been able to successfully sell enough units to be profitable and has sustained losses every year since inception. The Company has not been successful in obtaining necessary funding to continue the business. Since August, 2002, the Company has been actively engaged in finding a potential investor to acquire the Company and bring in a new business.

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JOYSTAR, INC.

Overview

Joystar is a provider of online and offline travel services for the leisure and small business traveler. Joystar derives revenue from annual membership fees from its partner agents as well as from travel transactions from its customers and agents. Joystar offers reliable, real time access to research and reservation services for over 400 airlines, 50,000 lodging properties, all major cruise lines, tour operators, and car rental companies. By accessing Joystar's website at www.joystar.com, both Joystar's agents and customers enter a one stop shopping environment for their travel purchases 24 hours a day, 7 days a week. All officers of Joystar are full-time and devote a minimum of 40 hours per week to the business of the Company.

The Company also develops and markets its Independent Travel Agent Program (website at Iamatravelagent.com)- a business opportunity targeted to two main groups: (1) affluent leisure travelers and small business owners who are looking to save money on their travel; and (2) the growing population of people who wish to supplement their primary income working part-time as well as full-time home-based entrepreneurs.

Joystar's travel agent program, is designed for individuals from all walks of life who desire to earn a part-time or full-time income from the comfort of their home or office. The simplicity of the program allows people to receive commissions on their travel as well as travel purchases made by people they refer to the agency. The travel agent program centers more on loyalty marketing than any special skills required by the independent agent as the actual bookings, payment processing, and fulfillment are handled by Joystar or the travel supplier (airline, hotel, cruise line, etc.).

The benefits of being an independent travel agent include access to "agent only" specials and deeply discounted travel offered by travel suppliers, cash incentives and the possibility of upgrades when the agent is traveling. Booking tools, exclusive specials, on-line training and educational opportunities, important news and comprehensive information for initiating and increasing sales are all available to Joystar travel agents. Essential to this is building meaningful preferred supplier relationships to the ultimate benefit of the traveler. With the buying power of tens of thousands of travel agents, Joystar can strive to provide exceptional value to its consumers and agents alike.

Joystar blends the best of the online model (instant access to vast amounts of information) with personal service from experience travel agents. Joystar provides its "outside" travel agents and their customers reliable, real-time access to one of the largest databases of "published" travel products, including over 400 airlines, 65,000 lodging properties, and all major car rental companies. In addition, Joystar provides access to "unpublished" fares. An "unpublished" airfare is a consolidator (wholesaler) fare. Those fares are not offered to the public. They are only available to the travel agents. Airlines contract with consolidators for excess seats on certain flights. Consolidators in turn, resell these seats to travel agents (with a small mark-up) allowing the agent to mark up the fare and still offer the customer the same or lower fare than what is "published" by the airline.

Joystar also offers Preferred Supplier Program, which is a resource to help increase Joystar agents' earnings and drive the revenues of the Company. Through negotiated discounts and overrides, Joystar agents enjoy commission increases of up to 20% over industry standards for travel bookings. Joystar's agreements with its partners and consortium will also protect the agency from commission cuts.

These products, in particular, offer our agents dramatically enhanced commissions while still providing significantly lower costs to their retail customers. Joystar's most basic assumption is that Joystar has two key customers: the consumer and the independent travel agent. Joystar's success depends on the loyalty and growth of both groups.

Joystar's management believes that its success will be due both to the advent of new technologies, and innovative marketing strategies and relentless focus on the improvement of Joystar's customer service functions. Joystar intends to set an outstanding example of building economic power and revenues through astute forms of vertical relationships - downstream through our travel agents, upstream through the travel suppliers (air consolidators, hotels, cruise lines, car rental agencies, etc.). Joystar's strategy is the lower cost information and extensive use of outsourcing which allows Joystar to rapidly scale operations to meet the demands of its growing agent and traveler base.

The Company maintains its corporate offices in Irvine, California. The Company occupies 6,200 square fees pursuant to the lease agreement entered in June, 2003. The Company pays $1.10 per square foot. The lease agreement is for a term of one year with three one year options to extend the lease.

Business Development

The Company is developing a global travel marketplace in which travel suppliers can reach, in a highly efficient manner, a large audience of consumers who are actively planning and purchasing travel. The Company offers suppliers a broad range of merchandising strategies designed to increase their revenues. The Company currently offers travel services provided by over 450 airlines and 43,000 lodging properties, all major car rental companies, numerous vacation packages and cruise lines and many hundreds of destination service merchants such as attractions and local transportation and tour providers.

The Company has three separate business models: the agency model, the merchant model and the agent host model. Under the agency model, the Company acts as an agent in the transaction, passing a customer's reservation to the travel supplier (airline, hotel, car rental company or destination service provider). The Company receives a commission from the travel supplier for our services as an agent. In an agency transaction, the supplier sets the retail price paid by the customer, and the supplier is the merchant of record for the transaction. Under the merchant model, the Company receives inventory (airline seats and hotel rooms) from suppliers at negotiated rates. Then the Company determines the retail price that the customer pays and process the transactions as the merchant of record in the transaction. Acting as a merchant enables the Company to achieve a higher level of gross profit per transaction than in the agency model and provides better prices to customers than in agency transaction. Integrating merchant inventory with the online booking technology platform enables the Company to create that benefit both customers and suppliers. In addition to the revenue the Company receives from the sale of travel planning services under the agency and merchant models, the Company is also to derive revenue from sales of advertisements on our websites, and licensing of components of our technology.

In addition to the travel revenue, Joystar offers hosting and support services to home-based travel agents. The Company has three hosting packages priced at $49, $149 and $479, depending on the scope of services offered. The Company also derives revenue from transaction fees and commissions the agents create from booking travel with their clients. The Company plans to develop a membership base of 100,000 home-based agents over the next 3 years. The majority of the members' annual renewal fees will be $149. The Company believes that with the tools, marketing resources, and support it provides, its agents may average $10,000 per year in leisure bookings. Revenue on leisure travel is expected to be approximately 15% or $1,500 per agent. One hundred thousand agents annually renewing at $149 can be expected to generate $14,900,000 in membership revenue and approximately $150 million in revenue on $1 billion in bookings if each agent averages $10,000/year in bookings. There are no assurances that such a plan of operations will be successful.

Market Target

The travel industry is very large and highly fragmented. According to the World Travel and Tourism Council, worldwide travel and tourism spending for calendar year 2003 was estimated to be $3.7 trillion.

Consumers planning and purchasing a trip generally engage in a predictable process that begins with considering destinations, dates and budgets, and progresses to a series of purchase decisions involving transportation, accommodations and destination activities. Historically, this planning and purchasing process has been inefficient because consumers have to spend a significant amount of time piecing together the information from a variety of sources. Consumers frequently consulted many different media and people, such as guidebooks, magazines, travel agents, friends, co-workers and individual travel suppliers. The supply side of the travel industry can be equally inefficient. The supplier community includes hundreds of airlines, thousands of hotels, dozens of car rental companies, numerous vacation packages and cruise lines and hundreds of thousands of destination services merchants such as restaurants, attractions, and local transportation and tour providers. These suppliers spend substantial amounts of money to reach and attract potential purchasers. The fragmental nature of the global consumer travel market makes it difficult and inefficient for suppliers to effectively target those consumers who are currently engaged in the travel planning process.

Consumers and suppliers rely on travel agents as intermediaries to provide information on their travel choices and help them purchase their trips. Joystar travel agents have access to comprehensive information on the availability and pricing of airline seats through global distribution systems. The Company makes it possible for our travel agents to provide consumers reliable, personalized or comprehensive travel information.

The Company has been able to combat the inefficiency and fragmentation of the industry with technology. Joystar uses technology to make the process of planning and purchasing travel easier for their customers. This technology empowers customers to be their own travel agent and make fully informed decisions about their choice of travel services.

GEOGRAPHIC AREA OF SERVICES. The Company plans to offer travel planning services in the United Sates, the United Kingdom, Germany, Canada, France, Italy and the Netherlands. Joystar products are planned to include direct-to- consumer travel planning services sold via the Internet and call centers, our co-branded private label business.

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UNITED STATES

In the United States, Joystar offers customers a broad range of features and travel products through the Joystar.com website, our live agent operations, our co-branded and private label business.

FLIGHT, HOTEL, VACATION PACKAGE, CAR AND CRUISE. Consumers can search for and compare airline, rental car, hotel room, destination services and cruise pricing and availability information and can also purchase tickets or make reservations by selecting from our published rate and negotiated rate offerings. In addition, agent members can combine elements of their trip into custom built packages through tools in the "Agent Only" section of Joystar. Joystar's co-branded and private label program enables partners to market our suppliers' inventory to consumers under their own brand.

Customer Service at 1-877-800-STAR. For all travel offerings, the Company provides a competent agent-based support service. This service is accessible through toll-free telephone support or via email. For purposes of operational flexibility, the Company plans to provide this support infrastructure with a combination of in-house and outsourced call centers. Customer support will be split between our own call center and outsourced third parties. All supplier support is managed by Joystar.

INTERNATIONAL

The Company's long term international strategy is to leverage our technology platform to enter markets with large existing travel markets and established consumer behavior for planning and purchasing travel either on the Internet or over the telephone. The Company plans to customize each of its international points of sale to reflect language, customs, traveler behavior and preferences, and available supplier inventory that may vary from country to country.

GOVERNMENT REGULATION

TRAVEL INDUSTRY REGULATION

Joystar must comply with laws and regulations relating to the travel industry and the sale of travel services. These include registering with various states and countries as a seller of travel, complying with certain disclosure requirements and participating in state restitution funds. Both the Federal Trade Commission and the Department of Transportation take the position that their regulations prohibiting unfair and deceptive advertising practices apply to our business.

REGULATIONS OF THE INTERNET

Currently, few laws and regulations apply directly to the Internet and commercial online services and, to the extent such laws exist or apply to us, we believe we are in compliance with all of them. The following summary does not purport to be complete discussion of all enacted or pending regulations and policies that may affect our business. This summary focuses primarily on the enacted federal, state and international legislation specific to businesses that operate as we do. For further information concerning the nature and extent of federal, state and international regulation of online businesses, you should review public notices and rulings of the U.S. Congress, state and local legislature and international bodies.

Due to the growth of the Internet and online commerce, coupled with publicity regarding Internet fraud, new laws and regulations are continually being considered (at the federal, state and international levels) regarding property ownership, sales and other taxes, pricing and content, advertising, intellectual property rights, libel, user privacy, and information security. New laws or different applications of existing laws would likely impose additional burdens on companies conducting business online and may decrease the growth of the Internet or commercial online services. In turn, this could decrease the demand for our products and services or increase our cost of doing business. We cannot predict whether any of the proposed privacy legislation currently pending will be enacted and what effect, if any, it would have on our company.

TAXES. Federal regulation imposing limitations on the ability of states to impose taxes on Internet-based sales was enacted in 1998 and extended in 2001. The Internet Tax Non-Disclosure Act, as this legislation is known, exempts certain types of sales transactions conducted over the Internet from multiple or discriminatory state and local taxation through November 1, 2003. It is possible this legislation will not be renewed when it terminates. Failure to renew this legislation could allow state and local governments to impose taxes on Internet-based sales, and these taxes could decrease the demand for our products or services or increase our cost of operations.

PRIVACY. As an online business, customers provide us with personally identifiable information (PII) that has been specifically and voluntarily given. PII includes information that can identify a customer as a specific individual, such as name, phone number, or e-mail address. This information is used only for the purpose of responding to and fulfilling customer requests for our travel products and services. We will only share customer PII with our authorized travel service providers, and only as necessary in order to complete a transaction that customers specifically request. We do not sell or rent PII to anyone. We provide customers with choice and control over the collection and use of their PII, as well as a means of updating, correcting, or removing any PII stored in their customer profile. Customers are provided the opportunity to specifically choose the promotional marketing communications they wish to receive from our company. If they choose to opt-out any of the promotional e-mail services that we provide, then we will only send e-mail that relates to a specific travel purchase they have made through us.

CURRENT US FEDERAL PRIVACY REGULATION. Increasing concern over consumer privacy, including regulations related to the use of the Internet for conducting transactions and electronic commerce, has led to the introduction of proposed legislation at the federal level. The most far-reaching of these current laws are focused on financial institutions, health care providers, and companies that voluntarily solicit information form children. For businesses that operate online such as Joystar, the Unsolicited Electronic Mail Act of 1999 has been enacted to protect individuals, families, and internet service providers form unsolicited and unwanted electronic mail, commonly referred to as spamming. Additionally, the Federal Trade Commission has a role in consumer privacy protection and is involved with related enforcement activities.

CURRENT STATE PRIVACY REGULATION. Most states have enacted legislation to regulate the protection of consumer's information on the Internet. Much of this legislation is focused on financial institutions and health care providers. The legislation that has become state law is a small percentage of the number still pending, and is similar to what has been enacted at the federal level. The Company cannot predict whether any of the proposed state privacy legislation currently pending review will be enacted and what effect, if any, it would have on our Company.

SPECIAL RISK FACTORS

Prospective investors should carefully consider the risks of an investment in any speculative start-up business and the risks and the speculative factors inherent to and affecting the Company's business described below.

Factors that may cause Joystar to fail are the following:

- The Company's prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development.

- Our inability to obtain new customers at reasonable cost, retain existing customers or encourage repeat purchases.

- Decreases in the number of visitors to our websites or our inability to convert visitors to our websites into customers.

- Our inability to adequately maintain, upgrade and develop our websites, the systems that we use to process customers' orders and payments or our computer network.

- Our inability to retain existing airlines, hotels, rental car companies and other suppliers of travel services ("travel suppliers") or to obtain new travel suppliers .

- Our inability to obtain travel products on satisfactory terms from our travel suppliers.

- The ability of our competitors to offer new or enhanced websites, services or products.

- Fluctuating gross margins due to a changing mix of revenues.

- The termination of existing relationships with key service providers or failure to develop new ones.

- The amount and timing of operating costs relating to expansion of our operations.

- Economic conditions specific to the Internet, online commerce and the travel industry

- Attract additional travel suppliers and consumers to our service.

- Maintain and enhance our brand.

- Expand our service offerings.

- Operate, expand and develop our operations and systems efficiently.

- Maintain adequate control of our expense

- Respond to technological changes.

- Respond to competitive market conditions

- We may not be successful in accomplishing these objectives and our failure to do so may have a material adverse effect on our business, operating results and financial condition.

- We depend on our relationships with travel suppliers, licensees and computer reservation systems; our business could be harmed by adverse changes in these relationships.

- Our business model relies on relationships with travel suppliers, and it would be negatively affected by adverse changes in these relationships. We depend on travel suppliers to enable us to offer our customers comprehensive access to travel services and products. Consistent with industry practices, we currently have few agreements with our travel suppliers obligating them to sell services or products through our websites. It is possible that travel suppliers may choose not to make their inventory of services and products available through online distribution. Travel suppliers could elect to sell exclusively through other sales and distribution channels or to restrict our access to their inventory, either of which could significantly decrease the amount or breadth of our inventory of available travel offerings. We will also depend on travel suppliers for advertising revenues.

- In addition to our relationships with travel suppliers, our business model relies on our relationships with licensees and computer reservations systems. Our license revenues are generated through new and existing travel agents.

- Adverse changes in any of these relationships could have a material adverse effect on our business, operating results and financial condition.

- A decline in commission rates or the elimination of commissions could hurt our business.

- A substantial majority of our online revenues depends on the commissions paid by travel suppliers for bookings made through our online travel service. Generally, we do not have written commission agreements with our suppliers. As is standard practice in the travel industry, we rely on informal arrangements for the payment of commissions. Travel suppliers are not obligated to pay any specified commission rate for bookings made through our websites. We cannot assure you that airlines, hotel chains or other travel suppliers will not reduce current industry commission rates or eliminate commissions entirely, either of which could have a material adverse effect on our business, operating results and financial condition.

  For example, in 1995, most of the major airlines placed a cap on per-ticket commissions payable to all travel agencies for domestic airline travel. In September 1997, the major United States airlines 9 reduced the commission rate payable to traditional travel agencies from 10% to 8%. In 1997, the major United States airlines reduced the commission rate payable for online reservations from 8% to 5%. In addition, since 1998, many airlines have implemented a zero commission of for domestic round trip ticket sales.

- Consumers, travel suppliers and advertisers may not accept our website as a valuable commercial tool which would harm our business.

- For us to achieve significant growth, travel agents, consumers, travel suppliers, and advertisers must accept our website as a valuable commercial tool. Consumers who have historically purchased travel products using traditional commercial channels, such as local travel agents and calling airlines directly must instead purchase these products through our website.

- Similarly, travel suppliers and advertisers will also need to accept or expand their use of our website. Travel suppliers will need to view our websites as an efficient and profitable channel of distribution for their travel products. Advertisers will need to view our website as effective ways to reach their potential customers.

- In order to achieve the acceptance of consumers, travel suppliers and advertisers contemplated by our business plan, we will need to continue to make substantial investments in our technology and brand. We cannot, however, assure you that these investments will be successful. Our failure to make progress in these areas will harm our business.

- Intense competition could reduce our market share and harm our financial performance.

- The markets for the products and services offered by us are intensely competitive. We compete with other online travel reservation services, traditional travel agencies, and travel suppliers offering their services. We also compete with many of the same parties and others in the licensing of technology to home based travel agents and corporate travel agencies.

- We compete with a variety of companies with respect to each product or service we offer. These competitors include: Internet travel agencies such as Expedia, Orbitz, and Travelocity; local, regional, and national and international traditional travel agencies;consolidators and wholesalers of airline tickets and other travel products, including online consolidators such as Cheaptickets.com, Hotwire and Priceline.com.; individual airlines, hotels, rental car companies, cruise operators and other travel service providers, some of which are suppliers to our websites; operators of travel industry reservation databases.

In addition to the traditional travel agency channel, many travel suppliers, including many suppliers with which we will do business, also offer their travel services as well as third- party travel services directly through their own websites. Suppliers also sell their own services directly to consumers, predominantly by telephone. As the market for online travel services grows, we believe that the companies involved in the travel services industry, including travel suppliers, traditional travel agencies and travel industry information providers, will increase their efforts to develop services that compete with our services by selling inventory from a wide variety of suppliers. We cannot assure you that our online operations will compete successfully with any current or future competitors.

Many of our competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than we have and may enter into strategic or commercial relationships with larger, more established and better-financed companies. Some of our competitors may be able to secure services and products from travel suppliers on more favorable terms, devote greater resources to marketing and promotional campaigns and commit more resources to website and systems development than we are able to devote. In addition, the introduction of new technologies and the expansion of existing technologies may increase competitive pressures. Increased competition may result in reduced operating margins, as well as loss of market share and brand recognition. We cannot assure you that we will be able to compete successfully against current and future competitors. Competitive pressures faced by us could have a material adverse effect on our business, operating results and financial condition.

We believe that establishing, maintaining and enhancing the Joystar brand will be a critical aspect of our efforts to attract and expand our online traffic. The number of Internet sites that offer competing services, many of which already have well-established brands in online services or the travel industry generally, increases the importance of establishing and maintaining brand recognition. Promotion of the Joystar brand will depend largely on our success in providing a high-quality online experience supported by a high level of customer service. In addition, to attract and retain online users and to respond to competitive pressures, we intend to increase our spending substantially on marketing and advertising with the intention of expanding our brand recognition. However, we cannot assure you that these expenditures will be effective to promote our brand or that our marketing efforts generally will achieve our goals.

If we are unable to provide high-quality online services or customer support, if we fail to promote and maintain our brand or if we incur excessive expenses in these efforts, our business, operating results and financial condition would be materially adversely affected. If we are unable to introduce and sell new products and services, our business may be harmed.

We need to broaden the range of travel products and services and increase the availability of products and services that we offer in order to enhance our service. We will incur substantial expenses and use significant resources trying to expand the range of products and services that we offer. However, we may not be able to attract sufficient travel suppliers and other participants to provide desired products and services to our consumers. In addition, consumers may find that delivery through our service is less attractive than other alternatives. If we launch new products and services and they are not favorably received by consumers, our reputation and the value of the Joystar brand could be damaged.

Our relationships with consumers and travel suppliers are mutually dependent since consumers will not use a service that does not offer a broad range of travel services. Similarly, travel suppliers will not use a service unless consumers actively make travel purchases through it. We cannot predict whether we will be successful in expanding the range of products and services that we offer. If we are unable to expand successfully, our business, operating results and financial condition may be materially adversely affected. We may be unable to plan and manage our operations and growth effectively.

- Growth and our anticipated future operations will continue to place, a significant strain on our management, systems and resources. We will continue to increase the scope of our operations and the size of our workforce. In addition to needing to train and manage our workforce, we will need to continue to improve and develop our financial and managerial controls and our reporting systems and procedures. A failure to plan, implement and integrate these systems successfully could adversely affect our business.

- Our growth may increase our expense levels and the difficulties we face in managing our operations.

- Declines or disruptions in the travel industry, such as those caused by terrorism or general economic downturns, could reduce our revenues.

- We rely on the health and growth of the travel industry. Travel is highly sensitive to travel safety concerns, and thus declines may occur after acts of terrorism that affect the safety of travelers. The terrorist attacks of September 11, 2001 on the World Trade Center in New York City and the Pentagon in northern Virginia using hijacked commercial airliners resulted in bookings industry wide. The long-term effects of these events could include, among other things, a protracted decrease in demand for air travel due to fears regarding additional acts of terrorism, military responses to acts of terrorism and increased costs and reduced operations by airlines due, in part, to new security directives adopted by the Federal Aviation Administration. These effects, depending on their scope and duration which we cannot predict at this time together with any future terrorist attacks, could significantly impact our long-term results of operations or financial condition.

- In addition, travel is sensitive to business and personal discretionary spending levels and tends to decline during general economic downturns, which could also reduce our revenues. Other adverse trends or events that tend to reduce travel are likely to hurt our business. These may include:

  - Price escalation in the airline industry or other travel-related industries.

  - Increased occurrence of travel-related accidents.

  - Airline or other travel-related strikes.

  - Political instability.

- o Regional hostilities and terrorism.
- o Bad weather
- o Interruptions in service from third parties could hurt our business.

- We rely on third-party computer systems and third-party service providers, including the computerized central reservation systems of the airline, hotel and car rental industries to make airline ticket, hotel room and car rental reservations and credit card verifications and confirmations. Any interruption in these third-party services or deterioration in their performance could hurt our business. If our arrangement with any of these third parties is terminated, we may not find an alternate source of systems support on a timely basis or on commercially reasonable terms.

- Our success depends on maintaining the integrity of our systems and infrastructure.

- As our operations grow in both size and scope, domestically and later internationally, we will need to improve and upgrade our systems and infrastructure to offer an increasing number of travel agents, customers and travel suppliers enhanced products, services, features and functionality. The expansion of our systems and infrastructure will require us to commit substantial financial, operational and technical resources before the volume of business increases, with no assurance that the volume of business will increase. Travel agents, consumers and suppliers will not tolerate a service hampered by slow delivery times, unreliable service levels or insufficient capacity, any of which could have a material adverse effect on our business, operating results and financial condition.

- In this regard, our operations face the risk of systems failures. Our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, break-ins, earthquake and similar events. Business interruption insurance may not adequately compensate us for losses that may occur. The occurrence of a natural disaster or unanticipated problems at our leased facilities could cause interruptions or delays in our business, loss of data or render us unable to process reservations. In addition, the failure of our computer and communications systems to provide the data communications capacity required by us, as a result of human error, natural disaster or other operational disruption could result in interruption of our service. The occurrence of any or all of these events could adversely affect our reputation, brand and business.

- Rapid technological changes may render our technology obsolete or decrease the competitiveness of our services.

- To remain competitive, we must continue to enhance and improve the functionality and features of our website. The Internet and the online commerce industry are rapidly changing. If competitors introduce new services embodying new technologies, or if new industry standards and practices emerge, our existing website and proprietary technology and systems may become obsolete. Our future success will depend on our ability to do the following:

- o Enhance our existing services.

- o Develop and license new services and technologies that address the increasingly sophisticated and varied needs of our prospective customers and suppliers.

- o Respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis

Developing our website and other proprietary technology entails significant technical and business risks. We may use new technologies ineffectively or we may fail to adapt our websites, transaction-processing systems and network infrastructure to customer requirements or emerging industry standards. If we face material delays in introducing new services, products and enhancements, our customers and suppliers may forego the use of our services and use those of our competitors.

The success of our business will depend on continued growth of online commerce and the Internet.

Our future revenues and profits depend upon the widespread acceptance and use of the Internet and online services as a medium for commerce. Rapid growth in the use of the Internet and online services is a recent phenomenon. This growth may not continue. A sufficiently broad base of consumers may not accept, or continue to use, the Internet as a medium of commerce. Demand for and market acceptance of recently introduced products and services over the Internet are subject to a high level of uncertainty.

The Internet has experienced, and is expected to continue to experience, significant growth in the number of users and amount of traffic. Our success will depend upon the development and maintenance of the Internet's infrastructure to cope with this increased traffic. This will require a reliable network backbone with the necessary speed, data capacity and security and the timely development of complementary products for providing reliable Internet access and services. Major online service providers and the Internet itself have experienced outages and other delays as a result of software and hardware failures and could face such outages and delays in the future. Outages and delays are likely to affect the level of Internet usage and the processing of transactions on our websites. In addition, the Internet could lose its viability because of delays in the development or adoption of new standards to handle increased levels of activity or of increased government regulation. The adoption of new standards or government regulation may require us to incur substantial compliance costs.

- Our business is exposed to risks associated with online commerce security and credit card fraud.

Consumer concerns over the security of transactions conducted on the Internet or the privacy of users may inhibit the growth of the Internet and online commerce. To transmit confidential information such as customer credit card numbers securely, we rely on encryption and authentication technology. Unanticipated events or developments could result in a compromise or breach of the systems we use to protect customer transaction data. Furthermore, our servers may also be vulnerable to viruses transmitted via the Internet. While we proactively check for intrusions into our infrastructure, a new and undetected virus could cause a service disruption.

Under current credit card practices, we may be held liable for fraudulent credit card transactions and other payment disputes with customers. A failure to control fraudulent credit card transactions adequately would adversely affect our business.

- Our planned international operations will involve risks.

At some time in the future, we plan to operate in the United Kingdom, Germany, Canada, France, the Netherlands and Italy and may expand our operations to other countries. In order to achieve widespread acceptance in each country we enter, we believe that we must tailor our services to the unique customs and cultures of that country. Learning the customs and cultures of various countries, particularly with respect to travel patterns and practices, is a difficult task and our failure to do so could slow our growth in those countries. We will be subject to the normal risks of doing business internationally, as well as risks specific to Internet-based companies in foreign markets. These risks include:

- o Delays in the development of the Internet as a broadcast, advertising and commerce medium in international markets.
- o Difficulties in managing operations due to distance, language and cultural differences, including issues associated with establishing management systems infrastructures in individual foreign markets.
- o Unexpected changes in regulatory requirements.
- o Export and import restrictions.
- o Tariffs and trade barriers and limitations on fund transfers.
- o Difficulties in staffing and managing foreign operations.
- o Potential adverse tax consequences.
- o Exchange rate fluctuations.

- Increased risk of piracy and limits on our ability to enforce our intellectual property rights.

Any of these factors could harm our business. We may not elect to hedge our foreign currency exposures.

We may be found to have infringed on intellectual property rights of others which could expose us to substantial damages and restrict our operations.

We could be subject to claims that we have infringed the patents, copyrights or other intellectual property rights of others. In addition, we may be required to indemnify travel suppliers for claims made against them. Any claims against us could require us to spend significant time and money in litigation, delay the release of new products or services, pay damages, develop new intellectual property or acquire licenses to intellectual property that is the subject of the infringement claims. These licenses, if required, may not be available on acceptable terms or at all. As a result, intellectual property claims against us could have a material adverse effect on our business, operating results and financial condition.

- Because our market is seasonal, our quarterly results will fluctuate.

- Our limited operating history and anticipated rapid growth will make it difficult for us to assess the impact of seasonal factors on our business. Nevertheless, we expect our business to be subject to seasonal fluctuations, reflecting seasonal trends for the products and services offered by our websites. For example, demand for travel bookings may increase in anticipation of summer vacations and holiday periods, but online travel bookings may decline with reduced Internet usage during the summer months. These factors could cause our revenues to fluctuate from quarter to quarter. Our results may also be affected by seasonal fluctuations in the inventory made available to our service by travel suppliers. Airlines, for example, typically enjoy high demand for tickets through traditional distribution channels for travel during holiday periods. As a result, during these periods, airlines may either have fewer inventories to offer through our service or available tickets may be less competitively priced. These same factors are expected to affect rental cars, hotels and other travel products and services.

- Our success depends in large part on the continuing efforts of a few individuals and our ability to continue to attract, retain and motivate highly skilled employees.

- We will depend substantially on the continued services and performance of our senior management, particularly William M. Alverson, our Chief Executive Officer and President. The loss of the services of any executive officers or other key employees could hurt our business.

- Our website will rely on intellectual property, and we cannot be sure that this intellectual property will be protected from copy or use by others, including potential competitors.

- We regard some of our content and technology as proprietary and will try to protect our proprietary technology by relying on trademarks, copyrights, trade secret laws and confidentiality agreements with consultants. In connection with our license agreements with third parties, we seek to control access to and distribution of our technology, documentation and other proprietary information. Even with all of these precautions, it is possible for someone else to copy or otherwise obtain and use our proprietary technology without our authorization or to develop similar technology independently. Effective trademark, copyright and trade secret protection may not be available in every country in which our services are made available through the Internet, and policing unauthorized use of our proprietary information is difficult and expensive. We cannot be sure that the steps we will take will prevent misappropriation of our proprietary information. This misappropriation could have a material adverse effect on our business. In the future, we may need to go to court to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. This litigation might result in substantial costs and diversion of resources and management attention.

- We plan to license from third parties, certain technologies incorporated into our website. As we introduce new services that incorporate new technologies, we may be required to license additional technology from third parties. We cannot be sure that these third-party technology licenses will continue to be available on commercially reasonable terms, if at all.

- Critical Accounting Policies and Estimates

a) Revenue Recognition

We recognize agency revenues on hotel, cruise and car rental reservations at the earlier of notification of the amount of the commission from a commission clearinghouse or a supplier or on receipt of the commissions from an individual supplier. Override commissions are recognized each period based upon our projected and actual attainment of predetermined target sales levels. Where historical financial data is not available to project the target sales levels, we record the override commission upon receipt of the commission from the supplier.

Our merchant revenues are derived from transactions where we are the merchant of record and determine the price. We have agreements with suppliers for blocks of inventory that we sell and these sales generate the majority of our total merchant revenues. We do not have purchase obligations for unsold inventory. Recognition of merchant revenue occurs on the date the traveler uses the inventory, such as the date of airline departure or hotel stay.

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b) Reserves

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events.

We are potentially subject to a concentration of credit risk from our accounts receivable. Also, we record a reserve against the use of fraudulent credit cards on our Web sites and customer service related chargebacks.

- We are subject to other risks and uncertainties common to growing technology-based companies, including rapid technological change, growth and commercial acceptance of the Internet, dependence on third-party technology, challenges to patents, new service introductions and other activities of competitors, dependence on key personnel, international expansion, and limited operating history. In addition, we are subject to uncertainty caused by economic, political and transportation climates and events, such as the September 11, 2001 terrorist activities, which may impact future demand for the products and services that we sell.

Regulatory and legal uncertainties could harm our business.

The laws and regulations applicable to the travel industry affect us and our travel suppliers. We are subject to laws and regulations relating to the sale of travel services, including those prohibiting unfair and deceptive practices and those requiring us to register as a seller of travel, comply with disclosure requirements and participate in state restitution funds. In addition, many of our travel suppliers and computer reservation systems providers are heavily regulated by the United States and other governments. Our services are indirectly affected by regulatory and legal uncertainties affecting the businesses of our travel suppliers and computer reservation systems providers.

We are also subject to laws and regulations applicable to businesses generally and online commerce. Currently, few laws and regulations directly apply to the Internet and commercial online services. Moreover, there is currently great uncertainty about whether or how existing laws governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet and commercial online services. It is possible that laws and regulations may be adopted to address these and other issues. Further, the growth and development of the market for online commerce may prompt calls for more stringent consumer protection laws. New laws or different applications of existing laws would likely impose additional burdens on companies conducting business online and may decrease the growth of the Internet or commercial online services. In turn, this could decrease the demand for our products and services increase our cost of operations or otherwise hurt our business.

The market price for our common stock is likely to be highly volatile and subject to wide fluctuations in response to factors including the following:

- Actual or anticipated variations in our quarterly operating results.
- Announcements of technological innovations or new services by us or our competitors.
- Changes in financial estimates by securities analysts.
- Conditions or trends in the Internet or online commerce industries.
- Changes in the economic performance or market valuations of other Internet, online commerce or travel companies.
- Announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments.
- Additions or departures of key personnel.
- Release of lock-up or other transfer restrictions on our outstanding shares of common stock or sales of additional shares of common stock.
- Potential litigation

The market prices of the securities of Internet-related and online commerce companies have been especially volatile. Broad market and industry factors may adversely affect the market price of our common stock, regardless of our actual operating performance. In the past, following periods of volatility in the market price of their stock, many companies have been the subject of securities class action litigation. If we were sued in a securities class action, it could result in substantial costs and a diversion of management's attention and resources and would adversely affect our stock price.

Future sales of substantial amounts of common stock in the public market could adversely affect prevailing market prices. Sales of substantial amounts of our common stock in the public market after the restrictions lapse could adversely affect the prevailing market price and impair our ability to raise equity capital in the future.

We will need to raise additional capital in order to remain competitive in the online travel services industry. This capital may not be available on acceptable terms, if at all.

We will not be able to fund our growth if we lack adequate resources. If we raise additional funds by issuing equity or convertible debt securities, the percentage ownership of our stockholders will be diluted. Any securities could have rights, preferences and privileges senior to those of the common stock.

4. Terms of the Transaction

As of June 11, 2003, Advanced Refrigeration Technologies, Inc., a California corporation ("ART" or the "Company") consummated a transaction, whereby the Company acquired all of the issued and outstanding shares of Joystar, Inc., a Nevada corporation ("Joystar") in exchange for the issuance by the Company of a total of 13,880,599 newly issued restricted shares of common voting stock to the Joystar shareholders pursuant to the Agreement and Plan of Reorganization (the "Agreement"), dated as of June 10, 2003, by and between the Company and Joystar (the "Closing").

Since ART had not been able to successfully sell enough units to be profitable and had sustained losses every year since inception and it had not been successful in obtaining necessary funding to continue the business, the Company had been actively engaged in finding a potential investor to acquire the Company and bring in a new business. At the time of the Acquisition, ART did not have any operations, did not have any funding to pay off its liabilities and did not have any funds to maintain its filing requirements with the Securities and Exchange Commission. The Company approved the Acquisition because it was in the best interest of the Company and it was the only viable option for the Company and its shareholders to bring in a new business, have its liabilities paid off and to continue operations.

The Parties made contacts through the pre-existing business relationships between the professionals of both companies. No introduction or finders fees were paid to anyone in connection with the transaction. The parties initially entered a letter of intent on April 24, 2003 which included the major terms of the transaction such as the issuance of approximately 78% of the common stock of Advanced Refrigeration Technologies, Inc. to Joystar shareholders and the repayment of Advanced Refrigeration Technologies, Inc. debt equal to approximately $125,000. In addition, the remaining liabilities and assets were to be transferred to a newly formed corporation. Those terms were subsequently negotiated by the parties to the final terms set forth in the share exchange agreement. ART issued a total of 13,880,599 shares of common stock of ART to Joystar shareholders in the transaction. The number of shares that was issued in the transaction was determined by the number of shares outstanding in Joystar, Inc. and was not based on value of Joystar or ART since ART was a company with losses and Joystar, Inc. was a development stage start-up company. Joystar, Inc.

paid $60,000 at the Closing of the transaction for some of the debts of Advanced Refrigeration Technologies, Inc., and instead of signing a note for $55,000 to repay the remaining debts, it assumed such liabilities. The cash paid by Joystar in the transaction was determined by the amount of the outstanding liabilities of ART that had to be paid and which ART's then current management determined as priority debts needed to be repaid. The debt that Joystar, Inc. paid at the closing of the share exchange transaction in the approximate amount of $60,000, included a repayment of $24,000 advanced to the Company by the entity owned by the former shareholders of the Company. Other debts included accounting fees, legal fees, accounts payable and miscellaneous payments. Also, in May, 2003, the Board of Directors of Advanced Refrigeration Technologies, Inc. held a Board of Directors meeting at which an action was taken to cancel all the options and warrants that were at such time outstanding.

The Asset Sale and Purchase Contract which was entered by and between Advanced Refrigeration Technologies, Inc. and Advanced Refrigeration Controls, Inc, a newly formed corporation by the former shareholders, Allen and Clare Schrum, of Advanced Refrigeration Technologies,Inc. included the total assets consisting of inventories, fixed assets and patents for a total value of $85,063 and the assumption of liabilities including primarily former shareholders loans, including a loan to Clare Schrum's mother, for a total amount of $105,217. The Company had a gain of $20,154 on the disposition of assets and liabilities.

Pursuant to the terms of the Agreement, Joystar provided the payment of debts of ART in the amount of $60,000 and assumed additional liabilities of ART in the approximate amount of $55,000. Immediately prior to the share exchange, there were approximately 3,322,840 shares of the Company's common stock issued and outstanding. As a result of the acquisition, there were approximately 17,203,439 shares of common stock issued and outstanding. Concurrent with the Closing of the Acquisition, the Company sold certain assets of ART valued at approximately $85,000 to Advanced Refrigeration Controls, Inc., a California corporation controlled by Allen and Clare Schrum in consideration for assumption of certain liabilities of ART in the approximate amount of $105,000, pursuant to the Asset Sale and Purchase Contract by and between ART and Advanced Refrigeration Controls, Inc., as described above.

Upon the Closing, the all present officers of the Company (Rick McEwan, Allen Schrum and Clare Schrum) resigned and William M. Alverson was appointed as the Company's President, Chief Financial Officer and Secretary. Prior to the Closing, Rick McEwan and Allen Schrum were the directors of the Company. Upon the Closing, William M. Alverson was appointed to the Board of Directors of the Company. Subsequently to the Closing, Rick McEwan resigned as a director of the Company on June 13, 2003, and Katherine T. West was appointed as a new director as of June 18, 2003. Allen Schrum resigned as the Company's director as of June 20, 2003. After June 20, 2003, the Board of Directors consisted of William M. Alverson and Katherine T. West. None of the former directors of Advanced Refrigeration Technologies, Inc. (Rick McEwan and Allen Schrum) received any compensation for services from the Company after the merger. None of the former officers and directors of Advanced Refrigeration Technologies, Inc., Rick

McEwan, Allen Schrum or Clare Schrum, had any management positions with the Company.

Following the consummation of the acquisition, the Company issued a total of 450,000 shares of common stock to the officers and directors of Joystar (William M. Alverson and Katherine T. West)and a total of 360,000 shares of common stock to the Company's consultants. The consultants who received the shares are not members of the management or beneficial owners of the Company (William M. Alverson and Katherine T. West). All such shares were issued pursuant to the Company's existing stock option plans. The Company does not have any specific plans to issue additional securities to its management or beneficial owners, other than may exist pursuant to certain consulting or employment agreements in the regular course of business with the Company's consultants and/or employees. Currently, there are no agreements in place that would contemplate the issuance of securities to members of management or beneficial owners.

The approval of shareholders for the Acquisition of Joystar was not required by the California law. The Board of Directors of the Company approved the Acquisition. The majority shareholders and the board of directors of Joystar approved the Acquisition.

There are no differences in the rights of security holders of ART following the Acquisition of Joystar.

The Acquisition of Joystar by the Company as of June 11, 2003 has been accounted for as a purchase and treated as a reverse acquisition since the former owners of Joystar controlled 81% of the total shares of common stock of the Company outstanding immediately following the Acquisition. On this basis, the historical financial statements prior to June 11, 2003 have been restated to be those of the accounting acquirer Joystar. The historical stockholders' equity prior to the reverse acquisition has been retroactively restated (a recapitalization) for the equivalent number of shares received in the acquisition after giving effect to any difference in par value of the issuer's and acquirer's stock. The original 3,322,840 shares of common stock outstanding prior to the reorganization have been reflected as an addition in the stockholders' equity account of the Company on June 11, 2003.

The management of the Company believes that the Acquisition was exempt from any federal income taxes and there are no federal tax consequences to the Company.

5. Regulatory Approvals.

The Board of Directors of ART and the Board of Directors and the majority shareholders of Joystar approved the Acquisition. No other approvals were required.

6. Reports, opinions, appraisals.

No report, opinion or appraisal was obtained with respect to the Acquisition.

7. Financial Information

Set forth below is the following financial information for Joystar, Inc. and Advanced Refrigeration Technologies, Inc.:

Independent Auditors' Report of Berger Mendoza & Company, LLP.

Balance Sheets as of December 31, 2001 and December 31, 2002

Statements of Operations for the Fiscal Year Ended December 31, 2002, for the period from inception (May 23, 2001) through December 31, 2001 and for the period from inception (May 23, 2001) through December 31, 2002

Statement of Changes in Stockholders' Equity (Deficit)

Statements of Cash Flows for the Fiscal Year Ended December 31, 2002, for the period from inception (May 23, 2001) through December 31, 2001 and for the period from inception (May 23, 2001) through December 31, 2002

Notes to Financial Statements

Balance Sheets as of December 31, 2002 and September 30, 2003 (unaudited)

Statements of Operations for the Nine Months Ended September 30, 2003 (unaudited), for the Nine Months Ended September 30, 2002 and for the period from inception (May 23, 2001) through September 30, 2003 (unaudited)

Statement of Changes in Stockholders' Equity (Deficit)from inception (May 23, 2001) through September 30, 2003

Statements of Cash Flows for the Nine Months Ended September 30, 2003 (unaudited), for the Nine Months Ended September 30, 2002 and for the period from inception (May 23, 2001) through September 30, 2003 (unaudited)

Notes to Financial Statements

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JOYSTAR, INC.
(FORMERLY KNOWN AS SOLUTIONS RESOURCE, INC.)
(A DEVELOPMENT STAGE COMPANY)
FINANCIAL STATEMENTS
FROM INCEPTION (MAY 23, 2001)
THROUGH DECEMBER 31, 2002

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Joystar, Inc.

We have audited the accompanying balance sheets of Joystar, Inc. (formerly known as Solutions Resource, Inc. and a development stage company) as of December 31, 2002 and 2001 and the related statements of operations, changes in stockholders' equity (deficit) and cash flows for the year ended December 31, 2002, for the period from inception (May 23, 2001) through December 31, 2001 and for the period from inception (May 23, 2001) through December 31, 2002. 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 audits.

We conducted our audits 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 audits provide 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 Joystar, Inc. as of December 31, 2002 and 2001, and the results of its operations and cash flows for the year ended December 31, 2002, for the period from inception (May 23, 2001) through December 31, 2001 and for the period from inception (May 23, 2001) through December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed further in Note 3, the Company has been in the development stage since its inception (May 23, 2001) and continues to incur significant losses. The Company's viability is dependent upon its ability to obtain future financing and the success of its future operations. These factor raise substantial doubt about the Company's ability to continue as a going concern. Management's plan in regard to these matters is also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

MENDOZA BERGER & COMPANY, LLP

August 12, 2003
Irvine, California

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JOYSTAR, INC.
(FORMERLY KNOWN AS SOLUTIONS RESOURCE, INC.)
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEETS

ASSETS

	DECEMBER 31, 20
Current assets:	
Cash	$ 5,025
Total current assets	5,025
Property and equipment, net (Note 4)	2,406
Total assets	$ 7,431

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities:	
Accounts payable	$ 9,718
Accrued salaries	81,811
Accrued rent	54,000
Advances from shareholder	62,577
Total current liabilities	208,106
Commitments (Note 9)	--

Stockholders' equity:	
Common Stock, par value $0.001per share, 50,000,000 shares authorized; 16,785,667 and 16,715,000 shares issued and outstanding at December 31, 2002 and December 31, 2001, respectively	16,786
Additional paid in capital	105,927
Deficit accumulated during development stage	(323,388
Total stockholders' equity (deficit)	(200,675
Total liabilities and stockholders' equity	$ 7,431

The accompanying notes are an integral part of these financial statements

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JOYSTAR, INC.
(FORMERLY KNOWN AS SOLUTIONS RESOURCE, INC.)
(A DEVELOPMENT STAGE COMPANY)

STATEMENTS OF OPERATIONS

	FOR THE YEAR ENDED DECEMBER 31, 2002	FROM INCEP 23, 2001) DECEMBER
Income:		
Travel agent program	$ 6,263	$
Operating expenses:		
General and administrative	190,518	
Marketing and sales	122,418	
Total operating expenses	312,936	
Loss from operations	(306,673)	(
Provision for taxes (Note 8)	--	
Net loss	$ (306,673)	$ (

Loss per share	$ (0.02)	$
Weighted average number of common shares outstanding	16,822,686	4,4

The accompanying notes are an integral part of these financial state

JOYSTAR, INC.
(FORMERLY KNOWN AS SOLUTIONS RESOURCE, INC.)
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

	COMMON STOCK			RE
	NUMBER OF SHARES	PAR VALUE $0.001	ADDITIONAL PAID-IN CAPITAL	EA (D
Balance, inception (May 23, 2001)	--	$ --	$ --	$
Stock issued for services (Note 7)	16,715,000	16,715	--	
Net loss	--	--	--	
Balance, December 31, 2001	16,715,000	16,715	--	
Stock issued various dates for cash at $1.50 per share (Note 7)	70,667	71	105,927	
Net loss	--	--	--	
Balance, December 31, 2002	16,785,667	$ 16,786	$ 105,927	$

The accompanying notes are an integral part of these financial stateme

JOYSTAR, INC.

(FORMERLY KNOWN AS SOLUTIONS RESOURCE, INC.)
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS

	FOR THE YEAR ENDED DECEMBER 31, 2002	FROM INCEPTION (MAY 23, 2001) THROUGH DECEMBER 31, 20
Cash flows from operating activities:		
Net loss	$ (306,673)	$ (16,715)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock issued for services	--	16,715
Changes in assets and liabilities:		
Increase in accounts payable	9,718	--
Increase in accrued salaries	81,811	--
Increase in accrued rent expense	54,000	--
Net cash used by operations	(161,144)	--
Cash flows used by investing activities:		
Acquisition of fixed assets	(2,406)	--
Net cash used by investing activities	(2,406)	--
Cash flows from financing activities:		
Advances from shareholder	62,577	--
Issuance of common stock	105,998	--
Net cash provided by financing activities	168,575	--
Net increase in cash	5,025	--
Cash, beginning of period	--	--
Cash, end of period	$ 5,025	$ --
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of stock for services	$ --	$ 16,715

The accompanying notes are an integral part of these financial statement

JOYSTAR, INC.
(FORMERLY KNOWN AS SOLUTIONS RESOURCE, INC.)
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
FROM INCEPTION (MAY 23, 2001) THROUGH DECEMBER 31, 2001,
FOR THE YEAR ENDED DECEMBER 31, 2002 AND
FROM INCEPTION (MAY 23, 2001) THROUGH DECEMBER 31, 2002

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1. ORGANIZATION AND HISTORY

Joystar, Inc. (the Company), a Nevada Corporation, was incorporated on May 23, 2001. The Company is a provider of online and offline travel services for the leisure and small business traveler.

The Company has been in the development stage since its inception, May 23, 2001. It is primarily engaged in raising capital to increase sales and marketing activity, licensing and product development, acquisitions and infrastructure development.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful life of the assets, which is seven years for furniture and equipment and three years for computer equipment. No property and equipment has been depreciated.

USE OF ESTIMATES

The preparation of financial statements in accordance 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, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INCOME TAXES

Deferred income taxes are reported using the liability method. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

JOYSTAR, INC.
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FOR THE YEAR ENDED DECEMBER 31, 2002 AND
FROM INCEPTION (MAY 23, 2001) THROUGH DECEMBER 31, 2002

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET LOSS PER SHARE

In February 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 128 "Earnings Per Share" which requires the Company to present basic and diluted earnings per share, for all periods presented. The computation of loss per common share (basic and diluted) is based on the weighted average number of shares actually outstanding during the period. The Company has no common stock equivalents, which would dilute earnings per share.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments consist principally of cash and various current liabilities. The estimated fair value of these instruments approximates their carrying value.

3. GOING CONCERN

The accompanying financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America, contemplates the continuation of the Company as a going concern. However, the Company has been in the development stage since its inception (May 23, 2001), sustained significant losses and has used capital raised through the issuance of stock and debt to fund activities. Continuation of the Company as a going concern is contingent upon establishing and achieving profitable operations. Such operations will require management to secure additional financing for the Company in the form of debt or equity.

Management believes that actions currently being taken to revise the Company's funding requirements will allow the Company to continue its development stage operations. However, there is no assurance that the necessary funds will be realized by securing debt or through stock offerings.

JOYSTAR, INC.
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FROM INCEPTION (MAY 23, 2001) THROUGH DECEMBER 31, 2001,
FOR THE YEAR ENDED DECEMBER 31, 2002 AND
FROM INCEPTION (MAY 23, 2001) THROUGH DECEMBER 31, 2002

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	DECEMBER 31, 2002	DECEMBER 31, 2001
Office furniture	$ 1,864	$ --
Computers	542	--
	2,406	--
Less: accumulated depreciation	--	--
	$ 2,406	$ --

The property and equipment was acquired at the end of 2002.
Depreciation will start in 2003.

6. RELATED PARTY TRANSACTIONS

Advances from shareholder of $62,577 at December 31, 2002 are non-interest bearing, currently payable and not evidenced by any notes.

7. CAPITAL STOCK

COMMON STOCK

On November 2, 2001, the Company issued 16,715,000 restricted shares of common stock at $0.001 per share totaling $16,715 for services rendered in connection with the start up of the Company.

At various dates in 2002, the Company issued for cash of $105,998, 70,667 shares of common stock at $1.50 per share through a private placement, pursuant to provisions of Section 4(2) of the Securities Act of 1933 and Rule 506 of Regulation D.

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JOYSTAR, INC.
(FORMERLY KNOWN AS SOLUTIONS RESOURCE, INC.)
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS
FROM INCEPTION (MAY 23, 2001) THROUGH DECEMBER 31, 2001,
FOR THE YEAR ENDED DECEMBER 31, 2002 AND
FROM INCEPTION (MAY 23, 2001) THROUGH DECEMBER 31, 2002

7. CAPITAL STOCK (Continued)

COMMON STOCK SPLIT

On November 1, 2001, the Board of Directors of the Company approved a stock split of the Company's common stock at a ratio of 1,000 for 1. All references in the accompanying financial statements to the number of common stock and per share amounts reflect the stock split.

STOCK CANCELED AND ISSUED SUBSEQUENT TO DECEMBER 31, 2002

A majority shareholder canceled 3,000,000 shares of stock in anticipation of the acquisition of Advanced Refrigeration Technologies, Inc. (see "subsequent event" footnote 10).

At various dates in 2003, the Company issued for cash of $142,300, 94,932 shares of common stock at $1.50 per share through a private placement, pursuant to provisions of Section 4(2) of the Securities Act of 1933 and Rule 506 of Regulation D.

8. INCOME TAXES

The components of the deferred tax asset is as follows:

	DECEMBER 31, 2002	DECEMBER 31, 2001
Deferred tax assets:		
Net operating loss carryforward	$ 128,000	$ 6,500
Less: valuation allowance	(128,000)	(6,500)
Net deferred tax assets	$ --	$ --

The Company's operations are headquartered in the State of California and are subject to California state income taxes. The Company had available approximately $323,000 of unused Federal and State net operating loss carryforwards at December 31, 2002 that may be applied against future taxable income. These net operating loss carryforwards expire

JOYSTAR, INC.
(FORMERLY KNOWN AS SOLUTIONS RESOURCE, INC.)
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS
FROM INCEPTION (MAY 23, 2001) THROUGH DECEMBER 31, 2001,
FOR THE YEAR ENDED DECEMBER 31, 2002 AND
FROM INCEPTION (MAY 23, 2001) THROUGH DECEMBER 31, 2002

8. INCOME TAXES (Continued)

through 2022 for Federal purposes. There is no assurance that the Company will realize the benefit of the net operating loss carryforwards.

SFAS No. 109 requires a valuation allowance to be recorded when it is more likely than not that some or all of the deferred tax assets will not be realized. At December 31, 2002 and 2001, valuations for the full amount of the net deferred tax asset were established due to the uncertainties as to the amount of the taxable income that would be generated in future years.

Reconciliation of the differences between the statutory tax rate and the effective income tax rate is as follows:

	DECEMBER 31, 2002	DECEMBER 31, 2001
Statutory federal tax (benefit) rate	(34.00)%	(34.00)%
Statutory state tax (benefit) rate	(5.83)%	(5.83)%
Effective tax rate	(39.83)%	(39.83)%
Valuation allowance	39.83%	39.83%
Effective income tax rate	0.00%	0.00%

9. COMMITMENTS

OPERATING LEASE

The Company leases office space under an operating lease which expires in April of 2004. As of December 31, 2002, future minimum lease payments are as follows:

2003	$ 90,000
2004	18,000
	$ 108,000

JOYSTAR, INC.
(FORMERLY KNOWN AS SOLUTIONS RESOURCE, INC.)
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
FROM INCEPTION (MAY 23, 2001) THROUGH DECEMBER 31, 2001,
FOR THE YEAR ENDED DECEMBER 31, 2002 AND
FROM INCEPTION (MAY 23, 2001) THROUGH DECEMBER 31, 2002

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9. COMMITMENTS (continued)

Subsequent to December 31, 2002, the Company entered into a month to month lease for office space at $3,000 per month.

Rent expense totaled $54,000, $54,000 and $0, from inception (May 23, 2001) through December 31, 2002, for the year ended December 31, 2002 and the period ended December 31, 2001, respectively.

10. SUBSEQUENT EVENT

On June 11, 2003, the Company, entered into an agreement and plan of reorganization with Advanced Refrigeration Technologies (Advanced), a publicly held company. The stockholders of the Company exchanged 100% of their common shares for 13,880,599 newly issued restricted shares of Advanced common voting stock.

Since the former shareholders of Joystar, Inc. acquired control of Advanced upon the merger closing, the merger will be accounted for as a reverse acquisition. Accordingly, for financial statement purposes, Joystar, Inc. will be considered the accounting aquiror and the related business combination will be considered a recapitalization of Joystar, Inc., rather than an acquisition by Advanced. The historical financial statements presented prior to June 11, 2003, in all future public filings, will be those of Joystar, Inc.

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ADVANCED REFRIGERATION TECHNOLOGIES, INC. & SUBSIDIARY
(A Development Stage Company)
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2003 AND DECEMBER 31, 2002

ASSETS

	SEPTEMBER 30, 2003	DECEMBER 31,

	UN-AUDITED	2002
Current assets:		
Cash	$ 127,358	$ 5,025
Other receivables	2,382	--
Prepaid expenses	3,000	--
Total current assets	132,740	5,025
Property and equipment (net)	21,317	2,406
Total assets	$ 154,057	$ 7,431

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)

Current liabilities:		
Accounts payable	$ 79,660	$ 9,718
Accrued salaries and payroll taxes	197,528	81,811
Accrued rent	35,000	54,000
Loans from shareholders	89,597	62,577
Total current liabilities	401,785	208,106
Shareholders' equity:		
Preferred stock (no par value) 10,000,000 shares authorized; none issued	--	--
Common stock (no par value) 50,000,000 shares authorized; at September 30, 2003 and December 31, 2002, 18,228,439 and 16,785,667 issued and outstanding, respectively	304,313	122,713
Common stock subscribed, 2,694,600 shares	460,906	--
Accumulated deficit during development stage	(1,012,947)	(323,388)
Total shareholders' equity (deficit)	(247,728)	(200,675)
Total liabilities and shareholders' equity (deficit)	$ 154,057	$ 7,431

The accompanying notes are an integral part of these financial statements

ADVANCED REFRIGERATION TECHNOLOGIES, INC. & SUSIDIARY
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS AND THREE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002
AND FOR THE PERIOD FROM INCEPTION MAY 23, 2001 TO SEPTEMBER 30, 2003
(UN-AUDITED)

	AMOUNTS FROM FOR THE NINE FOR THE NINE FOR THE THREE FOR THE THREE INCEPTION MAY 23 MONTHS ENDED MONTHS ENDED MONTHS ENDED MONTHS ENDED 2001 TO SEPTEMBER 30, SEPTEMBER 30, SEPTEMBER 30, SEPTEMBER 30, SEPTEMBER 30, 2003	2002	2003	2002
Income				
Travel agent program	$ 31,137	$ --	$ 10,204	$ --
Operating expenses:				
General and Administrative	444,576	125,915	232,122	56,508
Marketing and sales	155,473	76,154	116,413	29,566
Total expenses	600,049	202,069	348,535	86,074
Loss from operations	(568,912)	(202,069)	(338,331)	(86,074)
Interest expense	4,705	--	4,705	--
Provision for income taxes	--	--	--	--
Net loss	$ (573,617)	$ (202,069)	$ (343,036)	$ (86,074)
Net loss per share	$ (0.04)	$ (0.01)	$ (0.02)	$ (0.01)
Weighted average number of common shares outstanding	15,561,366	13,741,169	18,228,439	13,763,794

The accompanying notes are an integral part of these financial statements

ADVANCED REFRIGERATION TECHNOLOGIES, INC. & SUBSIDIARY
(A Development Stage Company)
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT)
FROM INCEPTION MAY 23, 2001 TO SEPTEMBER 30, 2003

COMMON STOCK			
Number of		Additional Paid-in	Common Stock

	Shares	Amount	Capital	Subscribed
Balance at inception - May 23, 2001	--	$ --	$ --	$ --
Stock issued for services	16,715,000	16,715	--	--
Net loss	--	--	--	--
Balance at December 31, 2001	16,715,000	16,715	--	--
Stock issued various dates for cash at $1.50 per share	70,667	71	105,927	--
Net loss	--	--	--	--
Balance at December 31, 2002	16,785,667	16,786	105,927	--
Shares canceled by majority Shareholder	(3,000,000)	--	--	--
Common stock subscribed (3,000 shares)	--	--	--	4,500
Stock issued various dates for cash at $1.50 per share	94,932	95	142,205	--
Balance June 11, 2003 date of acquisition of Joystar, Inc. shares in a reverse merger	13,880,599	16,881	248,132	4,500
Cancel Joystar shares	(13,880,599)	--	--	--
Advanced Refrigeration shares outstanding at June 11, 2003	3,322,840	--	--	--
Issue Advanced Refrigeration Technologies, Inc. shares	13,880,599	248,132	(248,132)	--
Stock issued pursuant to the stock option plan June 11, 2003 at market value of stock $0.03 per share	810,000	24,300	--	--
Stock issued for services	215,000	15,000	--	--
Common stock subscribed (2,691,600 shares)	--	--	--	1,420,073
Common stock subscribed not expensed	--	--	--	(158,667)
Common stock subscribed-deferred compensation	--	--	--	(805,000)
Net loss	--	--	--	--
Balance at September 30, 2003 (un-audited)	18,228,439	$ 304,313	$ --	$ 460,906

The accompanying notes are an integral part of these financial statements

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ADVANCED REFRIGERATION TECHNOLOGIES, INC. & SUBSIDIARY
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002
AND CUMULATIVE FROM INCEPTION MAY 23, 2001 TO SEPTEMBER 30, 2003
(UN-AUDITED)

	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002	CUMULATI AMOUNTS F INCEPTIO (MAY 23, 2 THROUGH SEPTEMBER 2003
Cash flows from operating activities:			
Net loss	$(573,617)	$(202,069)	$(897,005
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization and depreciation	1,068	--	1,068
Stock issued\subscribed for services	116,806	--	133,521
Changes in assets and liabilities:			
Increase in prepaid expenses	(3,000)	--	(3,000
Increase in other receivables	(2,382)	--	(2,382
Increase in accounts payable	24,000	20	33,718
Increase in accrued salaries and payroll taxes	115,717	20,668	197,528
Increase (decrease) in rent accrual	(19,000)	30,000	35,000
Net cash used in operations	(340,408)	(151,381)	(501,552
Cash flows used by investing activities:			
Acquisition of fixed assets	(19,979)	--	(22,385
Net cash used by investing activities	(19,979)	--	(22,385
Cash flows from financing activities:			
Issuance of common stock	142,300	89,998	248,298
Advances from shareholders	27,020	63,532	89,597
Subscribed stock not issued (294,600 shares)	383,400	--	383,400
Payment of debt assumed in reverse acquisition	(70,000)	--	(70,000
Net cash from financing activities	482,720	153,530	651,295

Net increase (decrease) in cash	122,333	2,149	127,358
Cash, beginning of period	5,025	--	--
Cash, end of period	$ 127,358	$ 2,149	$ 127,358
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Issuance of stock for services	$ 81,906	$ --	$ 100,348
Issuance of stock for future services	158,667	--	158,667

The accompanying notes are an integral part of these financial statements

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ADVANCED REFRIGERATION TECHNOLOGIES, INC. & SUBSIDIARY
(A Development Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002
AND CUMULATIVE FROM INCEPTION MAY 23, 2001 TO SEPTEMBER 30, 2003
(UN-AUDITED)

1. BASIS OF PRESENTATION

On June 11, 2003, Advanced Refrigeration Technologies, Inc. a California corporation (" the Company") acquired all of the issued and outstanding common stock of Joystar, Inc., a Nevada corporation ("Joystar") in exchange for the issuance by the Company of a total of 13,880,599 newly issued restricted shares of common voting stock to the Joystar shareholders pursuant the Agreement an Plan of Reorganization dated as if June 10, 2003. Prior to the issuance of the shares, the Company had 3,322,840 shares of common stock issued and outstanding. Subsequent to the exchange there were 17,203,439 shares issued and outstanding. The shareholders of Joystar own 81% of the common stock outstanding of the Company after the issuance of the 13,880,599 shares.

The acquisition of Joystar by the Company on June 11, 2003 has been accounted for as a purchase and treated as a reverse acquisition since the former owners of Joystar controlled 81% of the total shares of Common Stock of the Company outstanding immediately following the acquisition.

On this basis, the historical financial statements prior to June 11, 2003 have been restated to be those of the accounting acquirer Joystar. The historical stockholders' equity prior to the reverse acquisition has been retroactively restated (a recapitalization) for the equivalent number of shares received in the acquisition after giving effect to any difference in par value of the issuer's and acquirer's stock. The original 3,322,840 shares of common stock outstanding prior to the exchange reorganization have been reflected as an addition in the stockholders' equity account of the Company on June 11, 2003.

The Company has been in the development stage since its inception May 23, 2001.

2. INTERIM FINANCIAL INFORMATION

The financial statements of Advanced Refrigeration Technologies, Inc. (the Company) as of September 30, 2003 and for the nine months ended September 30, 2003 and 2002 and related footnote information are un-audited. All adjustments (consisting only of normal recurring adjustments) have been made which, in the opinion of management, are necessary for a fair presentation. Results of operations for the nine months and three months ended September 30, 2003 and 2002 are not necessarily indicative of the results that may be expected for any future period. The balance sheet at December 31, 2002 was derived from audited financial statements.

Certain information and footnote disclosures, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been omitted. These financial statements should be read in conjunction with the financial statements and notes for the year ended December 31, 2002 included in an 8-K filed with the Securities and Exchange Commission on August 26, 2003.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION

The Company records revenues from travel related sales transactions where the Company both purchases from the supplier and sells to the customer the requested travel service. This is reflected in the Consolidated Statement of Operations at the net amount, which reflects the gross amount charged to the customer less the cost paid to the supplier. The Company also receives commissions from travel suppliers for processing reservations.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful life of the assets, which is seven years for furniture and equipment and three years for computer equipment. Depreciation for the nine months ended September 30, 2003 was $1,068 and none for the nine months ended September 30, 2002.

USE OF ESTIMATES

The preparation of financial statements in accordance 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, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INCOME TAXES

Deferred income taxes are reported using the liability method. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax ass