

POW! ENTERTAINMENT, INC.

A Delaware Corporation

March 15, 2005

**Information Provided Pursuant to
Rule 15c2-11 of the Securities and
Exchange Act of 1934, as Amended**

DISCLOSURE STATEMENT
PURSUANT TO RULE 15c2-11
OF THE SECURITIES AND EXCHANGE ACT OF 1934

Current Information Regarding

POW! ENTERTAINMENT, INC.

The following information is provided to assist securities brokerage firms with “due diligence” compliance. This information is set forth below as to POW! Entertainment, Inc. (referred to as “We” or “the Company”). We were incorporated on August 17, 1998, in the State of Delaware. This information is provided for the purpose of providing information to broker-dealers trading in the securities of the Issuer in compliance with Rule 15c2-11(a)(5) of the Securities Exchange Act of 1934, as amended. The information provided follows the same numbering system found in the rule to wit:

Item 1. Exact Name of Issuer and Predecessor:

Issuer: POW! Entertainment, Inc.

Previous Names: Megatek Legacy Systems, Inc.
(August 1998 to June 1999)
Alta Pacific Minerals, Inc.
(June 1999 to August 2002)
Arturion Entertainment, Inc.
(August 2002 to June 2004)

Item 2. Address of Issuer’s Principal Executive Offices:

9440 Santa Monica Boulevard, Suite 620
Beverly Hills, CA 90210
Telephone No.: (310) 275-9933
Facsimile No.: (310) 285-9955

Item 3. State and Date of Incorporation:

We were incorporated on August 17, 1998, in the State of Delaware.

Item 4. Exact Title and Class of Securities:

We are currently authorized to issue two classes of stock, common stock and preferred stock. The CUSIP for our common stock is 738754 10 0. Our common stock is publicly traded on the Pink Sheets under the symbol "POWN." We do not have any preferred stock authorized.

Dividend Policy

We have not paid any cash dividends to date, and no cash dividends will be declared or paid on the common shares in the foreseeable future. Payment of dividends is solely at the discretion of our Board of Directors.

Item 5. Par Value or Stated Value of Security:

Our common stock has a par value of \$0.001 per share. We do not have any preferred stock authorized.

Item 6. Number of Shares or Total Amount of the Securities Outstanding As of the End of the Issuer's Most Recent Fiscal Quarter and Fiscal Year and any Offerings of Securities in the Last Two Years:

A. Number of Shares Outstanding

Common Stock

The Company is authorized to issue 250,000,000 shares of common stock, par value \$0.001. The holders of common stock are entitled to one vote for each share held. The affirmative vote of a majority of the common stock is sufficient to effect any corporate action upon which shareholders may or must vote. Common shares do not carry cumulative voting rights, thus holders of more than 50% of the common stock have the power to elect all directors and, as a practical matter, to control the Company. Holders of common stock are not entitled to preemptive rights, and the common stock is not subject to redemption.

As of March 7, 2005, we had 104,281,761 shares of common stock issued and outstanding, held by approximately 54 shareholders of record. Of those 104,281,761 shares of common stock, 6,214,250 were free trading.

As of the end of our fiscal year, December 31, 2004, the Company had 114,333,162 shares of common stock issued and outstanding, held by approximately 50 shareholders of record.

Preferred Stock

We do not have any preferred stock authorized.

B. Offerings of Securities

Within the last two year periods ending on the date of our last fiscal year and as of the date of this Disclosure Statement, we have had the following offerings of our securities:

From May 2004 until December 2004, we conducted a \$4,000,000 506 Private Placement Memorandum offering. It was an interstate offering, which was not qualified in any jurisdictions since no stock was sold. The offering was exempt from registration under Rule 506 and was for 4,210,527 shares of our common stock at an offering price of \$0.95.

On May 5, 2004, we issued 1,870,378 shares of our common stock to IDT Entertainment in exchange for its membership units in POW LLC. The offering took place in New Jersey, and was exempt pursuant to Rule 4(2) of the Securities Act of 1933.

From May 2004 to present we issued various amounts of our common stock to consultants for their work with us. These issuances were exempt pursuant to Rule 4(2) of the Securities Act of 1933, and no registration was done in any jurisdictions. The stock issuances were done at various prices as agreed upon by the parties.

Item 7. Name and Address of Transfer Agent:

Signature Stock Transfer, Inc.
2301 Ohio Drive, Suite 100
Plano, TX 75093
Telephone No.: (972) 612-4120

Our transfer agent is registered under the Exchange Act and is registered under the state authority of Texas.

Item 8. Nature of the Issuer's Business:

Business Development

We are a Delaware corporation, incorporated on August 17, 1998, under the name Megatek Legacy Systems, Inc. We subsequently changed our name to Alta Pacific Minerals, Inc., and then Arturion Entertainment, Inc., before changing our name to POW! Entertainment, Inc., in June 2004. We

changed our name to POW! Entertainment, Inc., to better reflect our business after our reverse merger with POW! Entertainment, LLC (“POW LLC”), which is a limited liability company formed under the laws of the State of Delaware. Under our agreement with POW LLC the POW LLC members sold us all of the outstanding membership interests in POW LLC in exchange for certain of our shareholders agreeing to cancel 45,235,000 of their shares of our common stock, and the of issuance of 93,500,000 shares of our common stock to the POW LLC Members. As a result, upon the closing of the transaction the POW Members owned approximately 93.5% of our then outstanding common stock and we owned all of the membership interests of POW LLC, making POW LLC our wholly-owned subsidiary. Subsequent to the closing of the acquisition, since we were not able to obtain \$1,000,000 in equity financing, we entered into an amendment to the merger agreement, under which 1,538,500 of the shares of our common stock that was to be surrendered was no longer required to be surrendered. Our fiscal year end date is December 31st. We have never been in bankruptcy, receivership or any similar proceeding. Our securities have never been delisted from any securities exchange. We currently do not have any pending or threatened legal proceedings.

Business of Issuer

Currently, POW LLC’s operations are our only operations. Through POW LLC we are in the business of creating and licensing intellectual property for the entertainment business, including feature films, live action animation projects, television programming, video games, merchandising and related ancillary markets. As part of this intellectual property, we seek to create “franchise” characters that form the basis for sequels, product merchandising and other ancillary opportunities. Our primary source of these creations is our Chairman of the Board and Chief Creative Officer, Stan Lee. Mr. Lee is credited with co-creating many of the world’s best known superheroes including Spider-Man^{®1}, X-Men^{®1}, The Hulk^{®1}, Daredevil^{®1}, Ironman^{®1}, Silver Surfer^{®1} as well as hundreds of others. By leveraging the creative output of Mr. Lee and working with established partners, we believe we will be able to market and sell the intellectual property associated with Mr. Lee’s current “post-Marvel” created characters, as well as his new creations, to third parties to utilize in various industries, including the making of feature films and television shows, and the development of the numerous merchandising opportunities that come with popular feature films and television shows.

Investment Policies

¹ These are the registered trademarks and characters of Marvel Characters, Inc. We have no rights to these, or any other, Marvel characters.

Except as set forth herein, we do not have any other interests in any real property. Aside from our ownership interests in our subsidiaries, POW LLC and Pharmelle, Inc., we do not have any other investments. We do not have any investments in real property.

Item 9. Nature of Products and Services Offered:

As our business focus, we primarily rely on marketing and selling of the intellectual property associated with Mr. Lee's current "post-Marvel" created characters, as well as his new creations, to third parties to utilize in various industries, including the making of feature films and television shows, and the development of the numerous merchandising opportunities that come with popular feature films and television shows. We do not now nor do we intend in the future, to be responsible for the production of the products (movies, television shows, video games, comic books, merchandising and other ancillary opportunities), or the financing of such productions, that are based on Mr. Lee's current "post-Marvel" created characters or future creative creations. Instead, our business plan is to license this intellectual property to third parties in the industry to develop and produce the end products. Because we do not plan on producing the end product we hope to be involved in a large number of projects at any one time.

Item 10. Nature and Extent of Issuer's Facilities:

For our principal offices we currently lease office space in Beverly Hills, California, where we sublease approximately 2,000 square feet office space for approximately \$64,000 per annum (subject to usual and customary adjustments), under a written lease which terminates in October 2005.

We also lease additional storage space for approximately \$200 per month.

Item 11. Name of the Chief Executive Officer and Members of the Board of Directors, as well as counsel, accountant and public relations consultant:

Management

The directors and officers of the Company are as follows:

Name	Title
Stan Lee	Chairman of the Board, Chief Creative Officer, and Director
Gill Champion	President, Chief Operating Officer, and Director
Arthur Lieberman	Executive Vice President, Business Affairs, and Director
Junko Kobayashi	Secretary, Treasurer, and Chief Financial Officer

Stan Lee, Founder of POW LLC, Chairman of the Board of Directors and Chief Creative Officer.

Stan Lee is the Founder of the POW LLC and has served as our Chairman and Chief Creative Officer since our reverse merger with POW LLC in May 2004. Stan Lee was employed on a full time basis by Marvel Comics or its predecessor entities for over 50 years until November 1, 1998 when he signed a non-exclusive, part-time employment with Marvel. Mr. Lee is now the Chairman Emeritus of Marvel Media. After Marvel filed bankruptcy in December 1996, Marvel was acquired out of bankruptcy on October 1, 1998 by a company then known as Toy Biz, Inc., which subsequently changed its name to Marvel Entertainment, Inc. After leaving Marvel on a full time basis, Mr. Lee was the Chairman of the Board of Directors and Chief Creative Officer of Stan Lee Media, Inc. (“SLM”) from July 1999 until approximately June 2001 when SLM terminated operations. From June 2001 until the formal creation of POW LLC in November 2001 Stan Lee worked to form POW LLC and to create intellectual property for POW LLC and start the development of various POW LLC projects.

Gill Champion, President, Chief Operating Officer and Director

Gill Champion has been our President, Chief Executive Officer and Director since our reverse merger transaction with POW LLC in May 2004. Prior to joining POW LLC, he was COO of SLM from July 1999 until it terminated operation in about June 2001. From about June 2001 until the formal creation of POW in November 2001, Mr. Champion

worked to form POW and to start the development of various POW projects. Previous to SLM, he was COO and Vice President of Mirage Holdings, Inc. and concurrently worked as a production executive on the motion picture Jinnah. Mr. Champion was CEO and Chairman of American CinemaStores, Inc., a public company that operated approximately 150 locations based retailing outlets and an extensive apparel division that created designs and marketing strategies for Baywatch and Forrest Gump. Prior to working for CinemaStores, Inc., Mr. Champion was executive in charge of Faerie Tale Theatre with Shelley Duvall while Vice President of Gaylord Productions. He was also the producer for Fort Apache the Bronx with Paul Newman and won the Producer of the Year Award. In addition, he was in charge of production for The Shining and The Boys from Brazil, while Vice President of the Producers Circle Company.

Arthur M. Lieberman, Esq., Executive Vice President, Business Affairs and Director

Arthur Lieberman was a founder of POW LLC and has been our Vice President, Business Affairs and a Director since the reverse merger with POW LLC in May 2004. Mr. Lieberman is an attorney of counsel to Dickstein, Shapiro Morin & Oshinsky LLP, and specializes in intellectual property law, an area in which he has practiced, taught, litigated and negotiated rights for over 35 years. Mr. Lieberman was a founder and Board Member of Ultralife Batteries, Inc. from March 1991 until December 2002, and was Ultralife's Chairman of the Board from January 1999 through December 2002.

Junko Kobayashi, Assistant Treasurer, Chief Financial Officer

Junko Kobayashi joined POW LLC in December 2001, and has been our Secretary, Treasurer and Chief Financial Officer since the reverse merger with POW LLC in May 2004. Prior to joining us, she was controller of SLM from January 2000 until it terminated operations in June 2001 where she was in charge of preparing financial information for SEC purposes and implemented a new accounting system to accommodate the need for detailed financial reporting for management. Prior to joining SLM she was the senior auditor of SLM in charge for BDO Seidman, an independent, public accounting firm. Ms. Kobayashi worked for BDO Seidman from December 1997 to December 1999.

Legal Counsel

The following law firms currently represent us in our corporate and securities matters:

The Lebrecht Group, APLC, located at 22342 Avenida Empresa, Suite 220, Rancho Santa Margarita, California, 92688, telephone number: (949) 635-1240, and website is www.thelebrechtgroup.com. The Lebrecht Group, APLC specializes in general corporate and securities law.

The Law Offices of Share and Blejec, LLP, located at 236 West 30th Street, Suite 5-R, New York, New York, 10001, telephone number: (212) 643-0700.

Guth Christopher, LLP, located at 10866 Wilshire Boulevard, Suite 1250, Los Angeles, California, 90024, telephone number: (310) 234-6920, and website is www.guthchris.com.

The Law Office of Philip J. Englund, located at 3460 Corte Clarita, Carlsbad, California, 92009, telephone number: (760) 753-3464.

Outside Accountant/Auditor

Our accountant is Rose, Snyder & Jacobs, Certified Public Accountants, located at 15821 Ventura Blvd., Suite 490, Encino, California, 91436, telephone number: (818) 461-0600, and website address is www.rsjcps.com. Rose, Snyder & Jacobs is responsible for auditing our financial statements, which are prepared by our management.

Stockholders

The following table sets forth, as of March 7, 2005, certain information with respect to the Company's equity securities owned of record or beneficially by (i) each Officer and Director of the Company; (ii) each person who owns beneficially more than 5% of each class of the Company's outstanding equity securities; and (iii) all Directors and Executive Officers as a group.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership⁽¹⁾	Percentage (%) of Class⁽¹⁾
Common Stock	Stan Lee ⁽²⁾⁽³⁾ 9143 Oriole Way, Los Angeles, CA 90069	9,446,353	9.1%

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership⁽¹⁾	Percentage (%) of Class⁽¹⁾
Common Stock	Gill Champion ⁽²⁾ 411 North Oakhurst Drive, Beverly Hills, CA 90210	24,739,998	23.7%
Common Stock	Arthur Lieberman ⁽²⁾ Dickstein, Shapiro Morin & Oshinsky LLP 1177 Avenue of the Americas 36th Floor New York, NY 10036	24,139,998	23.1%
Common Stock	Joan Lee ⁽⁴⁾ 9143 Oriole Way, Los Angeles, CA 90069	32,703,273	31.4%
	Total shares owned by Executive Officers and Directors (3 persons)	91,029,622	87.3%

(1) Unless otherwise indicated, based on 104,281,761 shares of common stock issued and outstanding as of March 7, 2005. Shares of common stock subject to options or warrants currently exercisable, or exercisable within 60 days, are deemed outstanding for purposes of computing the percentage of the person holding such options or warrants, but are not deemed outstanding for the purposes of computing the percentage of any other person.

(2) Indicates person is one of our officers and/or directors.

(3) Shares held by Stan Lee, without inclusion of shares held by his wife, Joan Lee that may be deemed to be beneficially owned by Stan Lee. Stan Lee disclaims beneficial ownership of such shares.

(4) Shares held by Joan Lee, without inclusion of shares held by her husband, Stan Lee, which may be deemed to be beneficially owned by Joan Lee. Joan Lee disclaims beneficial ownership of such shares.

Item 12. Issuer's Most Recent Balance Sheet and Profit and Loss and Retained Earnings Statements:

Our financial statements as of the fiscal years ended December 31, 2003, 2002, and 2001, are enclosed herewith. We are in the process of preparing our audited financial statements for our fiscal year ended December 31,

2004. When those financial statements are completed we will submit those financial statements with an amended Disclosure Statement under Rule 15c2-11.

Item 13. Similar Financial Information for Such Part of the Two Preceding Fiscal Years as the Issuer or its Predecessor Has Been in Existence:

Our financial statements as of the fiscal years ended December 31, 2003, 2002, and 2001, are enclosed herewith. We are in the process of preparing our audited financial statements for our fiscal year ended December 31, 2004. When those financial statements are completed we will submit those financial statements with an amended Disclosure Statement under Rule 15c2-11.

Item 14. Whether the Broker or Dealer, or Any Associated Person, is Affiliated, Directly or Indirectly, with the Issuer:

To the best of management's knowledge, any broker or dealer submitting quotations with respect to the common stock of the Issuer is not affiliated, directly or indirectly, with the Issuer.

Item 15. Whether the Quotation is Being Published or Submitted on Behalf of Any Other Broker or Dealer, and, if so, the Name of Such Broker or Dealer:

To the best of management's knowledge, no broker or dealer is submitting quotations with respect to the Company's stock on behalf of any other broker or dealer.

Item 16. Whether Quotation is Being Submitted or Published Directly or Indirectly on Behalf of Issuer, or any Director, Officer, or any Person, Directly or Indirectly the Beneficial Own of More Than Ten Percent (10%) of the Outstanding Shares of the Issuer's Equity Securities, and, if so, the Name of Such Person, and Basis for any Exemption under the Federal Securities Laws for any Sale of Such Securities on Behalf of Such Person:

To the best of management's knowledge, no quotations are being submitted by any broker or dealer on behalf of the Issuer or any director, officer, or ten percent (10%) shareholders.

Dated this 15th day of March, 2005, at Los Angeles, California.

POW! ENTERTAINMENT, INC.

 /s/ Gill Champion
By: Gill Champion
Its: President

Consolidated Financial Statements

For

POW! ENTERTAINMENT, LLC

Inception November 8, 2001 to December 31, 2001

Year ended December 31, 2002

Year ended December 31, 2003

POW! ENTERTAINMENT, LLC

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INDEPENDENT AUDITORS' REPORT

To the Members of
POW! Entertainment, LLC

We have audited the accompanying consolidated balance sheets of POW! Entertainment, LLC (a Delaware Limited Liability Corporation) and Subsidiary (collectively referred to as the "Company") as of December 31, 2001, 2002 and 2003 and the related consolidated statements of operations, members' deficit and cash flows for the periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of POW! Entertainment, LLC and Subsidiary as of December 31, 2001, 2002 and 2003, and the consolidated results of their operations and their cash flows for the periods then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern as discussed in note 2 to the consolidated financial statements. The Company generated losses, negative cash flows from operations, and has a working capital deficiency, which raise substantial doubts about its ability to continue as a going concern, management's plans in regards to these matters are described in note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Rose, Snyder & Jacobs

Rose, Snyder & Jacobs
A Corporation of Certified Public Accountants

Encino, California

August 5, 2004

POWI ENTERTAINMENT, LLC
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2001, 2002 AND 2003

ASSETS

	<u>December 31</u> 2001	<u>December 31</u> 2002	<u>December 31</u> 2003
CURRENT ASSETS			
Cash and cash equivalents	\$ 9,086	\$ 69,352	\$ 34,489
Accounts receivable	33,334	2,526	15,580
Prepaid expenses	<u>-</u>	<u>406</u>	<u>27,348</u>
TOTAL CURRENT ASSETS	42,420	72,284	77,417
PROPERTY AND EQUIPMENT, NET	302	302	6,016
TRADEMARKS	-	8,288	8,079
OTHER ASSETS	<u>774</u>	<u>874</u>	<u>874</u>
TOTAL ASSETS	<u>\$ 43,496</u>	<u>\$ 81,748</u>	<u>\$ 92,386</u>

LIABILITIES AND MEMBERS' EQUITY (DEFICIT)

CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 61,111	\$ 24,204	\$ 32,675
Deferred compensation, note 1	429,167	769,167	1,109,167
Loans payable	<u>-</u>	<u>-</u>	<u>248,777</u>
TOTAL CURRENT LIABILITIES	<u>490,278</u>	<u>793,371</u>	<u>1,390,619</u>
COMMITMENTS AND CONTINGENCIES, note 4			
MEMBERS' EQUITY (DEFICIT)			
Ownership units, no par value. Authorized 10,000,000 units; issued and outstanding 9,750,000 units at December 31, 2001, 2002, and 2003	20	20	20
Accumulated deficit	<u>(446,802)</u>	<u>(711,643)</u>	<u>(1,298,253)</u>
NET MEMBERS' EQUITY (DEFICIT)	<u>(446,782)</u>	<u>(711,623)</u>	<u>(1,298,233)</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY (DEFICIT)	<u>\$ 43,496</u>	<u>\$ 81,748</u>	<u>\$ 92,386</u>

See independent auditors' report and
notes to consolidated financial statements.

POWI ENTERTAINMENT, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDED
DECEMBER 31, 2001, 2002 AND 2003

	November 8, 2001 to December 31, 2001	Year ended December 31, 2002	Year ended December 31, 2003
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
TV and Film	\$ 100,000	\$ 497,500	\$ 214,098
Publishing and Other Ancillary	-	1,230	-
Merchandising	-	7,500	-
Video Games	-	32,500	50,000
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	100,000	538,730	264,098
OPERATING COSTS AND EXPENSES			
Agent fees	1,200	4,208	11,700
Depreciation and amortization	-	423	1,933
Wages and benefits	372,917	569,116	592,798
Rent and Office	-	-	31,346
Insurance	-	569	2,106
Professional fees	169,107	216,290	184,001
Travel and Marketing	200	6,034	5,499
Telephone and Communications	-	1,565	7,066
Repairs and Maintenance	-	-	1,517
Office and Miscellaneous	3,378	4,366	11,265
	<u> </u>	<u> </u>	<u> </u>
TOTAL OPERATING COSTS AND EXPENSES	546,802	802,571	849,231
OPERATING LOSS	(446,802)	(263,841)	(585,133)
OTHER INCOME AND EXPENSES			
Interest expense	-	-	1,277
	<u> </u>	<u> </u>	<u> </u>
LOSS BEFORE TAXES	(446,802)	(263,841)	(586,410)
Income taxes	-	1,000	200
	<u> </u>	<u> </u>	<u> </u>
NET LOSS	<u>\$ (446,802)</u>	<u>\$ (264,841)</u>	<u>\$ (586,610)</u>

See independent auditors' report and
notes to consolidated financial statements.

POWI ENTERTAINMENT, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED
DECEMBER 31, 2001, 2002 AND 2003

	November 8, 2001 to December 31, 2001	Year ended December 31, 2002	Year ended December 31, 2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (446,802)	\$ (264,841)	\$ (586,610)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	-	423	1,933
Changes in assets and liabilities:			
Accounts receivable	(33,314)	30,808	(13,054)
Prepaid expenses	-	(406)	(26,941)
Other assets	(774)	(100)	-
Accounts payable and accrued expenses	61,111	(36,907)	8,250
Deferred compensation	429,167	340,000	340,000
	<u>9,388</u>	<u>68,977</u>	<u>(276,422)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for trademarks	-	(8,711)	-
Purchase of property and equipment	(302)	-	(7,218)
	<u>(302)</u>	<u>(8,711)</u>	<u>(7,218)</u>
NET CASH USED IN INVESTING ACTIVITIES			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans payable	-	-	248,777
	<u>-</u>	<u>-</u>	<u>248,777</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES			
Cash and cash equivalents at beginning of year	-	9,086	69,352
Cash and cash equivalents at end of year	<u>\$ 9,086</u>	<u>\$ 69,352</u>	<u>\$ 34,489</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Income taxes	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 200</u>

See independent auditors' report and
notes to consolidated financial statements.

POWI ENTERTAINMENT, LLC
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY (DEFICIT)
FOR THE PERIODS ENDED DECEMBER 31, 2001, 2002 AND 2003

	Membership Units		Additional member contributions		(Accumulated deficit)		Net members' equity (deficit)	
	Units	Amount	-	-	-	-	-	-
Issuance of membership units at inception, November 8, 2001	10,000,000	\$ 20	-	-	\$ -	-	\$ 20	20
Net loss	-	-	-	-	-	(446,802)	-	(446,802)
Balance at December 31, 2001	10,000,000	20	-	-	(446,802)	-	(446,782)	-
Net loss	-	-	-	-	-	(264,841)	-	(264,841)
Balance at December 31, 2002	10,000,000	20	-	-	(711,643)	-	(711,623)	-
Net loss	-	-	-	-	-	(586,610)	-	(586,610)
Balance at December 31, 2003	10,000,000	\$ 20	-	-	\$ (1,298,253)	-	\$ (1,298,233)	-

See independent auditors' report and notes to consolidated financial statement.

POW! ENTERTAINMENT, LLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001, 2002 AND 2003

1. ORGANIZATION

POW! Entertainment, LLC ("POW"), a Delaware Limited Liability Company was formed on November 8, 2001 and registered to do business in California. POW with Stan Lee as the Founder, Chairman and Chief Creative Officer is in the business of creating and licensing intellectual property as franchises for the entertainment business, including feature films, both live action and animation, television programming, video games, merchandising and related ancillary markets.

POW has a wholly owned subsidiary called QED Productions, LLC that has acquired the right to license a significant amount of the intellectual properties and creative assets created under Mr. Lee at Stan Lee Media, Inc. ("SLM") subject to payment of a percentage of remuneration to the bankrupt estate of Stan Lee Media. POW was not required to pay any up front cash consideration, but agreed to give SLM a participation in any revenues realized from the licensing of these SLM assets ranging from a high of 40% to a low of 12%. The Company does not know the value of these assets, if any.

As of December 9, 2003, the members of POW entered into a Reorganization Agreement with certain participating stockholders of Arturion Entertainment, Inc. ("ARUR") who held approximately 93.55% of its 51,735,000 then outstanding shares of Common Stock. ARUR was formed as a Delaware corporation on August 17, 1998 under the name of Megatek Legacy Systems, Inc. Although ARUR's common stock is publicly held by a limited number of shareholders of record, it has never conducted any active business and its securities are not actively traded. Under the Reorganization Agreement, there was to be a reorganization pursuant to which the POW Members would sell to ARUR all of the outstanding membership interests in POW, and the Participating ARUR Stockholders would surrender for cancellation 45,235,000 of their shares of Common Stock, and cause ARUR to issue to the POW Members 93,500,000 shares of Common Stock of ARUR. As a result, upon the closing of the Reorganization, the POW Members would own approximately 93.5% of the 100,000,000 shares of Common Stock to be outstanding and ARUR would own all of the membership interests of POW. (See note 8).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include cash, certificates of deposit, and liquid investments with original maturities of three months or less.

Accounts Receivables

The Company extends credit to its customers, who have specific contracts that detail the payments expected under their contract terms. Accounts receivable are customer obligations due under these contract terms. Management reviews accounts receivable on a regular basis, based on contracted terms and how recently payments have been received to determine if any such amounts will potentially be uncollected. After all attempts to collect a receivable have failed, the receivable is written off. Based on the information available, management believes the Company's accounts receivable are all collectible.

Property and Equipment

Property and equipment are stated at cost, and are depreciated or amortized using the straight-line method over the following estimated useful lives:

Computer Equipment	5 years
Office Equipment	5 years
Software	5 years

During the years ended December 31, 2001, 2002 and 2003, additions to fixed assets totaled \$302, \$0 and \$7,218, respectively and the depreciation expenses booked were \$0, \$0 and \$1,504 respectively.

The net gain or loss on property or equipment retired or otherwise disposed of is credited or charged to income, and the applicable asset cost and accumulated depreciation and amortization are removed from the accounts.

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POW! ENTERTAINMENT, LLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001, 2002 AND 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses paid by MGM

MGM provided POW! from December 2001 to July 2003, with offices based on the MGM lot in Santa Monica, CA which included facilities expenses such as rent, computer equipment, and other general office expenses. These expenses are then recouped by MGM from the projects, such as the picture and television productions, that are produced, or not at all. The approximate expenses include rent for the period to December 31, 2001 of \$12,700, for the year to December 31, 2002 of \$122,934, and for the year to December 31, 2003 of \$76,300. Computer acquisition costs of approximately \$12,700 and approximate office expenses for the period to December 31, 2001 of \$0, for the year to December 31, 2002 of \$11,971 and for the year to December 31, 2003 of \$5,500 have been advanced by MGM. The total cumulative amount advanced by MGM of \$240,770 will not be expensed by POW until MGM produces a picture or television production at which time POW will also record the revenue generated by the production.

Trademarks

Trademarks are amortized on a straight line basis over 20 years.

Deferred Compensation

Deferred compensation consist of all of the accrued but unpaid salaries of certain POW employees and unpaid legal services to a member, which will be paid as the Company increases its cash, over time, or by obtaining financing. Deferred compensation also includes deferred compensation (signing bonus) agreed to upon the employment of two employees and a legal counsel totaling \$350,000.

Deferred compensation is comprised of the following:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Signing bonus recorded			
as professional fees	\$ 100,000	\$ -	\$ -
Signing bonus recorded			
as salary expense	250,000	-	-
Salary expense	45,417	205,000	205,000
Professional fees	<u>33,750</u>	<u>135,000</u>	<u>135,000</u>
	<u>\$ 429,167</u>	<u>\$ 340,000</u>	<u>\$ 340,000</u>

Revenue Recognition

The Company recognizes income when the service is provided. Most of the income is generated from monthly executive producer fees from clients who have engaged the Company to create original franchises as a first look to produce feature films, television and video games. In addition to these executive producer fees, there are option fees for certain franchises which are recognized at the time the contracts are executed and development fees for creating an original franchise which are recognized after delivery of a treatment. The Company also earns income from animated television series of which the revenue is recognized according to a schedule that 50% of the executive producer fee is earned when the series is green lit with the remainder of the fees earned through the production of the episodes until completion of the episodes to be aired. The animated television series also earns royalty fees which are recognized as each episode script is written. During 2002, there was also revenue earned for a DVD produced of which the company recognized the revenue at the time the rights to the DVD were purchased as a buy-out.

Stock-Based Compensation

The Company accounts for employee stock option grants in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* and related interpretations (APB 25), and has adopted the "disclosure only" alternative described in Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation.*, amended by SFAS No. 148 *Accounting for Stock Based Compensation-Transition and Disclosure.*

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POW! ENTERTAINMENT, LLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Development costs

The Company capitalizes costs directly related to the creation and development of intellectual properties, mainly comprised of characters and stories. The Company periodically reviews the properties in development to determine whether they will ultimately be used in the production of a film. According to Statement of Position (SOP) 00-2, the costs capitalized are written off if the property has not been set for production within three years from the time of the first capitalized transaction. During the years ended December 31, 2001, 2002 and 2003, the creation and development of intellectual properties consist of time of certain employees, which could not be directly allocated to specific projects. Therefore, no such costs were capitalized during these years.

Income Taxes

The Company is a Limited Liability Company of which all income taxes are passed onto its members according to their percentage of holdings. The losses for tax purposes have been distributed to the members on a yearly basis and therefore the company does not have any tax liability or tax benefit.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements. Significant estimates made in preparing these financial statements include the estimate of useful lives of property and equipment and fair value of stock options. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are carried at cost, which approximates their fair value, due to the relatively short maturity of these instruments. As of December 31, 2003, the Company's loans payable have stated borrowing rates that are consistent with those currently available to the Company and, accordingly, the Company believes the carrying value of these debt instruments approximates their fair value.

Concentrations of Business and Credit Risk

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of cash equivalents, and accounts receivables. The Company places its cash equivalents with high credit, quality financial institutions. The Company has not incurred any losses relating to these investments. Financial instruments are carried at historical cost, which approximates fair value due to their short term maturities.

Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets and liabilities and commitments in the normal course of business. The accompanying financial statements do not reflect any adjustments that might result if the Company is unable to continue as a going concern. The Company's losses, negative cash flows from operations and the working capital deficiency raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern and appropriateness of using the going concern basis is dependent upon, among other things, additional cash infusion. As discussed in note 8, the Company is contemplating the sale of securities through a Private Placement Memorandum. Management believes this offering will provide the additional cash needed to meet the Company's obligations as they become due, and will allow the development of its core of business. The Company has also entered into an Interest Purchase Agreement with IDT, which has provided approximately \$1,000,000 of freely tradeable shares as well as an advance on Executive Producer fees of \$250,000. (See note 8).

Recently Issued Accounting Pronouncements

In July 2002, the FASB issued SFAS No. 146 "Accounting for Exit or Disposal Activities." The provisions of this standard apply to disposal activities initiated after December 31, 2002. The adoption of this standard did not have a material impact on the financial statements.

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POW! ENTERTAINMENT, LLC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46) "Consolidation of Variable Interest Entities, an Interpretation of ARB 51." This interpretation addresses consolidation by business enterprises of certain variable interest entities (VIEs). The Interpretation as amended is effective immediately for all enterprises with interests in VIEs created after January 31, 2003. In December 2003, the FASB issued a revised version of FIN 46 (FIN 46R), which clarified the provisions of FIN 46 by addressing implementation issues. FIN 46R must be applied to all entities subject to the Interpretation as of the first interim quarter ending after March 15, 2004. The adoption of this standard did not have a material impact on the financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Standard 133 on Derivative Instruments and Hedging Activities" which amends and clarifies accounting for derivative instruments and hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities" (SFAS 149). SFAS 149 provides guidance relating to decisions made (a) as part of the Derivatives Implementation Group process, (b) in connection with or other FASB projects dealing with financial instruments and (c) regarding implementation issues raised in the application of the definition of a derivative and the characteristics of a derivative that contains financing components. SFAS 149 was effective for contracts entered into or modified and for hedging relationships designated after June 30, 2003. The adoption of this standard did not have a material impact on the financial statements.

In May 2003, Emerging Issues Task Force (EITF) Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables," (EITF 00-21) was finalized. EITF 00-21 provides guidance on how to account for arrangements that involve the delivery or performance of multiple products, or services and/or rights to use assets. The provisions of EITF 00-21 apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. In December 2003, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition," which codifies and rescinds sections of SAB No. 101, "Revenue Recognition," in order to make this interpretive guidance consistent with EITF No. 00-21. The adoption of these standards did not have a material impact on the financial statements.

In May 2003, the FASB issued SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 changes the accounting for certain financial instruments that, under previous guidance, could be classified as equity or "mezzanine" equity, by now requiring those instruments to be classified as liabilities (or assets in some circumstances) in the statement of financial position. Further, SFAS No. 150 requires disclosure regarding the terms of those instruments and settlement alternatives. The guidance in SFAS No. 150 is generally effective for all financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of this standard did not have a material impact on the financial statements.

In May 2004, the FASB issued FSP FAS 106-2, which provides accounting guidance to sponsors of postretirement health care plans that are impacted by the Act. The FSP is effective for interim or annual periods beginning after June 15, 2004. Although detailed regulations necessary to implement the Act have not yet been finalized, the company believes this standard will not have a material impact on the financial statements.

3. LOANS PAYABLE

The Company has demand loans payable to its three members in the amount of \$247,000, bearing interest at 5% per year. As a condition to making the loans, the members jointly and severally and on a pari passu basis seek a security interest in all of the assets of the Company, including, without limitation, all of the intellectual property. There is no specific maturity date and the amounts both principal and interest will be repaid to the members on demand. Accrued interest amounted to \$1,777 at December 31, 2003.

4. STOCK OPTIONS AND WARRANTS

Stock Warrants

During the year ended December 31, 2003, the Company committed to issue warrants to purchase up to 150,000 shares of Common Stock of Arturion Entertainment, Inc. for \$0.10 per share or if POW fails to consummate the Reorganization then 16,400 Units of membership interest in POW for \$0.95 per Unit for services. The warrants will become exercisable upon grant, and will expire on June 30, 2011. These warrants are valued at \$0.

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POW! ENTERTAINMENT, LLC.
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5. COMMITMENTS AND CONTINGENCIES

Operating Leases

In August 2003, the Company entered into a lease agreement for a corporate office facility for a lease term, expiring on October 31, 2005. The company has prepaid 3 months rent of \$15,964 as a security deposit and pays \$5,321 monthly rent. At December 31, 2003, approximately \$101,098 of lease payments is being personally guaranteed by Mr. Lee. The following is a schedule, by years, of future minimum rental payments required under operating leases for the office.

Year Ending December 31,		
2004	\$	63,852
2005	\$	53,210
	\$	<u>117,062</u>

Total lease expense for the years ended December 31, 2003 was \$26,605.

6. CONCENTRATIONS

For the year ended December 31, 2001, the Company had one customer who accounted for 100% of the total revenue. For the year ended December 31, 2002, the Company had one customer who accounted for approximately 74% of the total revenue. For the year ended December 31, 2003, the Company had two customers who represented approximately 71% of the total revenue.

7. RELATED PARTY TRANSACTIONS

The Company had engaged Lieberman & Nowak, a legal firm of which Arthur Lieberman is a partner. Mr. Lieberman is also a member of POW. Lieberman & Nowak provides legal assistance with trademark filings. In addition to the deferred compensation of \$135,000 per year, Mr. Lieberman's firm, Lieberman & Nowak was paid \$8,750, \$35,000, and to Arthur M. Lieberman, P.C. \$35,000 in 2001, 2002 and 2003, respectively. An accounts receivable of \$32,500 was also assigned to Lieberman & Nowak as payment of legal fees in 2002.

8. SUBSEQUENT EVENTS

The Reorganization Amendment

Effective as of May 5, 2004, the parties to the Reorganization Agreement entered into Amendment No. 1 to the Reorganization Agreement. The participating stockholders held 6,500,000 shares of Common Stock after the reorganization. Pursuant to the Reorganization Agreement, an additional 1,538,500 of the shares of Common Stock were no longer required to be surrendered for cancellation and in consideration, the three participating stockholders that retained those shares contributed two promissory notes to the Company totaling \$1,000,000.

The promissory notes carry a rate of 5% interest per annum, and, subject to the extension provisions, are due on May 5, 2005. The promissory notes may be pre-paid without interest or penalties and are secured by a mortgage on certain real property, which the Company believes, based on certain representations, has a value roughly equal to or in excess of the principal amount of the promissory notes. Additionally, the Company has received a pledge of the additional 1,538,500 shares of Common Stock that was given in consideration for the promissory notes.

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8. SUBSEQUENT EVENTS (Continued)

IDT Entertainment

On March 16, 2004 POW entered into an Interest Purchase Agreement ("Purchase Agreement") and related Development Agreement ("Development Agreement") with IDT Entertainment, Inc. ("IDT"), the subsidiary of IDT, Corporation.

Pursuant to the Purchase Agreement, POW granted IDT a 2% membership interest in POW in exchange for 49,162 shares of IDT Corporation's Class B Common shares, which had a value of \$1,000,000 based on the average closing price of such shares on the New York Stock Exchange (symbol: IDT) during the 10 trading days prior to March 16, 2004. Pursuant to piggy-back rights granted to POW under the Purchase Agreement, 32,775 of such shares were expected to be registered by IDT pursuant to a shelf registration prior to the end of May, 2004, at which point the shares would be currently freely tradeable. The shares were not yet registered at the date these financial statements were issued. The 16,387 share balance of the IDT Corporation shares issued to POW are currently held in pledge to secure certain obligations of POW to IDT under the Development Agreement.

Under the Development Agreement, POW granted IDT certain development rights to develop and own 6 animated, direct-to-DVD projects based on POW intellectual property over a three-year period (2 projects a year). IDT has the option to extend the term of the Development Agreement, for up to three additional one year terms (with the right to develop two animated direct-to-DVD projects during each one year extension.)

IDT will own all rights to each Project developed under the Development Agreement and in consideration will pay POW \$100,000 in executive director fees per project, plus 35% of the "Adjusted Gross Revenue" (as defined) from such Projects. The executive producer fee will increase to \$125,000 per Project during the first extension year, \$150,000 per Project during the second, and \$175,000 per year during the third.

Pursuant to the Development Agreement, IDT advanced POW \$250,000 against POW's executive director fees, and to secure POW's obligation to deliver the necessary number of projects to earn such advance (2.5 Projects), IDT has taken a pledge of 16,387 of the IDT Corporation shares issued to POW under the Purchase Agreement. Additionally, if the interest in POW granted IDT pursuant to the Purchase Agreement (or the ARUR shares into which such interest is converted, if and when the Reorganization Agreement closes) are not listed on a national securities exchange or quoted on the Nasdaq System with a market value of \$2,000,000 (calculated as the average value of the closing price on the ten trading days, prior to September 16, 2005, June 16, 2006, or March 16, 2007), then IDT will be entitled to develop and own up to three additional Projects, under the terms of the Development Agreement, but with IDT entitled to recoup an additional \$333,333 per Project, before POW is entitled to 35% of any additional Adjusted Gross Revenue.

Also under the Development Agreement, IDT was granted (a) the exclusive right to distribute animated direct to DVD releases utilizing POW intellectual property, with certain exceptions, until the first anniversary of the release of the final Project under the Development Agreement, (b) an exclusive "first look" and "last refusal" to develop, produce and distribute other animated projects utilizing POW intellectual property, subject to certain exceptions, if produced during the "Exclusivity Period" (which ends upon the release of the final Project under the Development Agreement, or two years after IDT agrees to a project outline for such final Project if sooner; and (c) an exclusive "first look" and "right of first negotiation" to develop, produce and distribute all live action and other projects utilizing POW intellectual property, subject to certain exceptions during the Exclusivity Period.

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