

**SMOKEFREE INNOTEK INC.**  
**STATEMENT OF ASSETS AND LIABILITIES**  
as of December 31, 2010

**ASSETS**

**Current Assets**

**Checking/Savings**

Chase Bank	(\$11,231)	
KBC Escrow Account	\$142,373	
Petty Cash	\$340	
Regions Bank	\$1,692	
<b>Total Checking/Savings</b>		<b>\$133,173</b>

**Other Current Assets**

A/R Other		
Employee Advances	\$13,865	
<b>Total A/R Other</b>		<b>\$13,865</b>

**Advances to Officers**

<b>Total Advances to All Directors &amp; Officers</b>		<b>\$271,802</b>
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Deposits on contracts		<u>\$90,020</u>
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Total Other Current Assets		<u>\$285,667</u>
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<b>Total Current Assets</b>		<b>\$418,841</b>
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Fixed Assets

Furniture and Equipment	<u>\$686</u>	
<b>Total Fixed Assets</b>		<b>\$686</b>

**Other Assets**

Investments in Subsidiaries		
NASCO Joint Venture	\$1,256	
Smokefree Innotek bvba Subsidiary	<u>\$295,208</u>	
<b>Total Investments in Affiliates</b>		<b>(\$3,536)</b>

<b>Total Other Assets</b>		<u><b>(\$3,536)</b></u>
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<b>TOTAL ASSETS</b>		<b>\$415,990</b>
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**LIABILITIES & EQUITY****Liabilities****Current Liabilities****Accounts Payable**

Accounts Payable	\$46,437	
Total Accounts Payable		\$46,437

**Other Current Liabilities****Accrued Unreimbursed Expenses**

Accrued Employee Expenses		
Evert Wilbrink	\$4,391	
Thomas Schroepfer	<u>\$3,950</u>	
<b>Total Accrued Employee Expenses</b>		\$8,341

**Total Accrued Labor Payable** \$75,678

**Other Accrued Expenses Payable** \$444,019

**Loans Payable**

KPC Investment Banking	\$168,118	
Int'l Capital Group	\$280,321	
Notes Payable - CMC	<u>\$144,515</u>	
<b>Total Loans Payable</b>		\$592,954

**Notes Payable - Short Term**

Notes Payable - Short Term	\$360,000	
Loan from Subsidiary	<u>\$4,722</u>	
<b>Total Notes Payable - Short Term</b>		\$364,722

**Total Other Current Liabilities** \$1,041,695

**Total Current Liabilities** \$1,088,132

**Long Term Liabilities**

Long Term Notes Payable	\$68,100	
<b>Total Long Term Liabilities</b>		<u>\$68,100</u>

**Total Liabilities** \$1,156,232

**Equity**

Additional Paid in Capital	\$119,000	
Retained Earnings	(\$1,089,156)	

**Shareholder Equity**

Common Stock	\$566,128	
Treasury Stock	<u>(\$185,000)</u>	
<b>Total Shareholder Equity</b>		\$381,128

Net Income	(\$151,214)	
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<b>Total Equity</b>		(\$740,242)
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<b>TOTAL LIABILITIES &amp; EQUITY</b>		\$415,990
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**PERIOD ENDING 12/31/2010**

Ordinary Income/Expense

**INCOME**

Sales	\$18,931.88	
Total Income		\$18,931.88

**Cost of Goods Sold**

Total COGS		<u>\$16,546.08</u>
Gross Profit		\$2,385.80

**EXPENSE**

Advertising and Promotion	\$1,028.90	
Total Automobile Expense	\$7,657.68	
Bank Service Charges	\$1,649.88	
Total Computer and Internet Expenses	\$2,630.01	
Total Consulting Fees	\$2,750.00	
Total Office Supplies & Expenses	\$4,141.75	
Total Professional & Legal Fees	\$102,178.79	
Rent Expense	\$9,936.80	
Repairs and Maintenance	\$302.53	
Research & Development Expenses	\$42,580.97	
Total Consultants	\$26,440.00	
Total Taxes	\$1,054.88	
Total Telephone Expense	\$3,611.33	
Total Travel Expense	\$11,962.49	
Total Contra Offset	-\$80,872.09	
Total Expense		\$153,600.00
Net Ordinary Income		-\$151,214.20
Net Income		-\$151,214.20