

ADVANCED REFRIGERATION TECHNOLOGIES INC
Form PRER14C
December 03, 2003

SCHEDULE 14C INFORMATION

INFORMATION STATEMENT PURSUANT TO SECTION 14(C)
OF THE SECURITIES EXCHANGE ACT OF 1934

(Amendment No. 1)

Check the appropriate box:

- 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):

- No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(I)(4) and 0-11. (1)
Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction apply:

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

(4) Proposed maximum aggregate value of transaction: \$

(5) Total fee paid: \$

 Fee paid previously with preliminary materials:

 Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

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

(3) Filing party:

(4) Date filed:

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

INFORMATION STATEMENT

December____, 2003

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 December____, 2003 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 Whitney, Irvine, California 92618.

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. 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 A. 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 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 \$98,000 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 \$118,000.

2. Contact Information

The contact information for the Company is William A. Alverson, President. The Company's address is 5 Whitney, 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

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

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.

Joystar is a provider of online and offline travel services for the leisure and small business traveler. 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, both Joystar's agents and customers enter a one stop shopping environment for their travel purchases 24 hours a day, 7 days a week.

The Company also develops and markets its Independent Travel Agent Program- 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. 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.

The Company maintains its corporate offices in Irvine, California. The Company occupies 6,200 square feet 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.

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

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

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"). 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 \$50,000. 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 \$98,000 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 \$118,000, pursuant to the Asset Sale and Purchase Contract by and between ART and Advanced Refrigeration Controls, Inc. Upon the Closing, William M. Alverson was appointed to the Board of Directors of the Company. The present officers of the Company resigned and William M. Alverson was appointed as the Company's President, Chief Financial Officer and Secretary. Subsequently to the Closing, Rick McEwan resigned as a director of the Company on June 18, 2003, and Katherine T. West was appointed as a new director.

Since ART has not been able to successfully sell enough units to be profitable and has sustained losses every year since inception and it has not been successful in obtaining necessary funding to continue the business, the Company has 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 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

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

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 June 30, 2003 (unaudited)

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

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

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

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

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

TABLE OF CONTENTS

| | |
|---|---|
| Independent Auditors' Report..... | 1 |
| Balance Sheets..... | 2 |
| Statements of Operations..... | 4 |
| Statement of Changes in Stockholders' Equity (Deficit)..... | 5 |
| Statements of Cash Flows..... | 6 |
| Notes to Financial Statements..... | 7 |

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

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

| | |
|---|-----------|
| 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

2

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 | |
| | ----- | ----- |

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

| | | |
|--|--------------|------|
| 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 statements

3

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 statements

4

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, 2002 ----- |
|---|---|---|
| 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 statements

5

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

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.

6

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

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.
 (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

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.

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

9

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

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 acquiror 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.

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

| ASSETS | | |
|---|-----------------------------|----------------------|
| | JUNE 30, 2003 UN-AUDITED | DECEMBER 31, 2002 |
| | ----- | ----- |
| Current assets: | | |
| Cash | \$ 37,637 | \$ 5,025 |
| Prepaid rent | 3,000 | -- |
| | ----- | ----- |
| Total current assets | 40,637 | 5,025 |
| Property and equipment (net) | 8,040 | 2,406 |
| | ----- | ----- |
| Total assets | \$ 48,677 | \$ 7,431 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT) | | |
| Current liabilities: | | |
| Accounts payable | \$ 71,211 | \$ 9,718 |
| Accrued salaries | 181,425 | 81,811 |
| Accrued rent | 60,000 | 54,000 |
| Loans from shareholders | 97,139 | 62,577 |
| | ----- | ----- |
| Total current liabilities | 409,775 | 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 June 30, 2003 and December 31, 2002, 18,228,439 and 16,785,667 issued and outstanding, respectively | 304,313 | 122,713 |
| Common stock subscribed, 3,000 shares | 4,500 | -- |
| Accumulated deficit during development stage | (669,911) | (323,388) |
| | ----- | ----- |
| Total shareholders' equity (deficit) | (361,098) | (200,675) |
| | ----- | ----- |
| Total liabilities and shareholders' equity (deficit) | \$ 48,677 | \$ 7,431 |
| | ===== | ===== |

The accompanying notes are an integral part of these financial statements

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

| | AMOUNTS FROM FOR THE SIX MONTHS ENDED JUNE 30, 2003 ----- | FOR THE SIX MONTHS ENDED JUNE 30, 2002 ----- | FOR THE THREE MONTHS ENDED JUNE 30, 2003 ----- | FOR THE THREE MONTHS ENDED JUNE 30, 2002 ----- |
|---|---|---|---|---|
| Income | | | | |
| Travel agent program | \$ 20,933 | \$ -- | \$ (346) | \$ -- |
| Operating expenses: | | | | |
| General and Administrative | 212,454 | 69,407 | 114,351 | 59,329 |
| Marketing and sales | 39,060 | 46,588 | 12,456 | 31,560 |
| | ----- | ----- | ----- | ----- |
| Total expenses | 251,514 | 115,995 | 126,807 | 90,889 |
| | ----- | ----- | ----- | ----- |
| Loss from operations | (230,581) | (115,995) | (127,153) | (90,889) |
| | ----- | ----- | ----- | ----- |
| Provision for income taxes | -- | -- | -- | -- |
| Net loss | (230,581) | \$ (115,995) | \$ (127,153) | \$ (90,889) |
| | ===== | ===== | ===== | ===== |
| Net loss per share | \$ (0.02) | \$ (0.01) | \$ (0.01) | \$ (0.01) |
| | ===== | ===== | ===== | ===== |
| Weighted average number of common shares outstanding | 14,170,584 | 16,730,778 | 13,846,347 | 16,730,778 |
| | ===== | ===== | ===== | ===== |

The accompanying notes are an integral part of these financial statements

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

| COMMON STOCK | | | | |
|--|---------------------|---------|----------------------------------|-------------------------------|
| | Number of Shares | Amount | Additional Paid-in Capital | Common Stock 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 | -- | -- | -- | 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 | -- | -- |

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

| | | | | |
|--|------------|------------|-------|----------|
| Stock issued for services | 215,000 | 15,000 | -- | -- |
| Net loss | -- | -- | -- | -- |
| | ----- | ----- | ----- | ----- |
| Balance at June 30, 2003 (un-audited) | 18,228,439 | \$ 304,313 | \$ -- | \$ 4,500 |
| | ===== | ===== | ===== | ===== |

The accompanying notes are an integral part of these financial statements

5

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

| | AMOUNTS FROM | | CUMULATIVE |
|--|---------------|---------------|---------------|
| | FOR THE SIX | FOR THE SIX | INCEPTION |
| | MONTHS ENDED | MONTHS ENDED | (MAY 23, 2001 |
| | JUNE 30, 2003 | JUNE 30, 2002 | THROUGH |
| | ----- | ----- | JUNE 30, |
| | | | ----- |
| Cash flows from operating activities: | | | |
| Net loss | \$ (230,581) | \$ (115,995) | \$ (553,990) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Amortization and depreciation | 332 | -- | |
| Stock issued for services | 24,300 | -- | 41,632 |
| Changes in assets and liabilities: | | | |
| Increase in prepaid expenses | (3,000) | -- | (3,000) |
| Increase in accounts payable | 76,493 | -- | 86,493 |
| Increase in salaries | 99,614 | 32,000 | 181,614 |
| Increase in rent accrual | 6,000 | 24,000 | 60,000 |
| | ----- | ----- | ----- |
| Net cash used in operations | (26,842) | (59,995) | (187,990) |
| | ----- | ----- | ----- |
| Cash flows used by investing activities: | | | |
| Acquisition of fixed assets | (5,966) | -- | (8,966) |
| | ----- | ----- | ----- |
| Net cash used by investing activities | (5,966) | -- | (8,966) |
| | ----- | ----- | ----- |

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

Cash flows from financing activities:

| | | | |
|--|-----------|--------|--------|
| Issuance of common stock | 142,300 | 30,000 | 248, |
| Advances from shareholders | 34,562 | 27,274 | 97, |
| Subscribed stock not issued | 4,500 | -- | 4, |
| Bank overdraft | -- | 2,721 | |
| Adjusting entry to reflect reverse acquisition and recapitalization | (115,942) | -- | (115, |
| | ----- | ----- | ----- |
| Net cash from financing activities | 65,420 | 59,995 | 233, |
| | ----- | ----- | ----- |
| Net increase (decrease) in cash | 32,612 | -- | 37, |
| Cash, beginning of period | 5,025 | -- | |
| | ----- | ----- | ----- |
| Cash, end of period | \$ 37,637 | \$ -- | \$ 37, |
| | ===== | ===== | ===== |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH | | | |
| INVESTING AND FINANCING ACTIVITIES: | | | |
| Issuance of stock for services | \$ 24,300 | \$ -- | \$ 41, |
| Issuance of stock for accounts payable | 15,000 | -- | 15, |
| | ===== | ===== | ===== |

The accompanying notes are an integral part of these financial statements

6

ADVANCED REFRIGERATION TECHNOLOGIES, INC.
(A Development Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002
AND CUMULATIVE FROM INCEPTION MAY 23, 2001 TO JUNE 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 June 30, 2003 and for the six months ended June 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 six months and three months ended June 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.

7

3. 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.

8

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.

4. 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.

5. 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.

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.

9

STOCK CANCELED

A majority shareholder canceled 3,000,000 shares of stock in anticipation of the acquisition of Advanced Refrigeration Technologies, Inc.

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.

STOCK ISSUED IN REVERSE MERGER JUNE 11, 2003

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 dated as if June 10, 2003.

RECONCILIATION OF COMMON STOCK AT DECEMBER 31, 2002

| | | |
|-----------------------------------|----|---------|
| Common stock at par value \$0.001 | \$ | 16,786 |
| Additional paid in capital | | 105,927 |
| | | ----- |
| | \$ | 122,713 |
| | | ===== |

STOCK ISSUED UNDER STOCK OPTION PLAN AND FOR PAYMENT OF SERVICES

 The Company issued 810,000 shares of common stock pursuant to the Company's Stock Option Plans on June 11, 2003 valued at the market price of the stock on that date \$0.03.

The Company issued 215,000 shares of common stock in payment of invoices for professional services in June, 2003.

6. RELATED PARTY TRANSACTIONS

Advances from shareholder of \$17,689 at June 30, 2003 are non-interest bearing, currently payable and not evidenced by any notes.

The Company received loans in the amount of \$70,000 and \$9,450 from two other shareholders. The \$70,000 bears interest at 10% and is evidenced by a note payable. The \$9,450 bears interest at 10% but is not evidenced by a note.

7. STOCK OPTIONS

The Board of Directors has approved in April, 2003 a Company's stock option plan, which was amended by the Company in July, 2003. All the shares (480,000 shares) under 2002 Equity and Stock Option Plan were issued in June, 2003. In July, 2003, the Company approved 2003 Equity Compensation Plan which provides for the grant to directors, officers, employees and consultants of the Company of stock based awards and options to purchase up to an aggregate of 2,500,000 shares of Common Stock. No grants have been made yet under 2003 Equity Compensation Plan.

On June 11, 2003 the Company granted a total of 810,000 shares under the 2000 and 2002 stock compensation plans for services to the Company. The valuation of the shares issued were at the market price on the Grant date \$0.03.

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

ASSETS

| | SEPTEMBER 30, 2003 UN-AUDITED ----- | DECEMBER 31, 2002 ----- |
|-------------------|---|-------------------------------|
| Current assets: | | |
| Cash | \$ 127,358 | \$ 5,025 |
| Other receivables | 2,382 | -- |
| Prepaid expenses | 161,667 | -- |

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

| | | |
|--|------------|-----------|
| | ----- | ----- |
| Total current assets | 291,407 | 5,025 |
| Property and equipment (net) | 21,317 | 2,406 |
| | ----- | ----- |
| Total assets | \$ 312,724 | \$ 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, 777,933 shares | 586,400 | -- |
| Accumulated deficit during development stage | (979,774) | (323,388) |
| | ----- | ----- |
| Total shareholders' equity (deficit) | (89,061) | (200,675) |
| | ----- | ----- |
| Total liabilities and shareholders' equity (deficit) | \$ 312,724 | \$ 7,431 |
| | ===== | ===== |

The accompanying notes are an integral part of these financial statements

3

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)

| | | | |
|------------------------------|------------------------------|-------------------------------|-------------------------------|
| FOR THE NINE MONTHS ENDED | FOR THE NINE MONTHS ENDED | FOR THE THREE MONTHS ENDED | FOR THE THREE MONTHS ENDED |
|------------------------------|------------------------------|-------------------------------|-------------------------------|

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

| | SEPTEMBER 30, 2003 | SEPTEMBER 30, 2002 | SEPTEMBER 30, 2003 | SEPTEMBER 30, 2002 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Income | | | | |
| Travel agent program | \$ 31,137 | \$ -- | \$ 10,204 | \$ -- |
| Operating expenses: | | | | |
| General and Administrative | 411,403 | 125,915 | 198,949 | 56,508 |
| Marketing and sales | 155,473 | 76,154 | 116,413 | 29,566 |
| Total expenses | 566,876 | 202,069 | 315,362 | 86,074 |
| Loss from operations | (535,739) | (202,069) | (305,158) | (86,074) |
| Interest expense | 4,705 | -- | 4,705 | -- |
| Provision for income taxes | -- | -- | -- | -- |
| Net loss | \$ (540,444) | \$ (202,069) | \$ (309,863) | \$ (86,074) |
| Net loss per share | \$ (0.03) | \$ (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

4

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 Shares | Amount | Additional Paid-in Capital | Common Stock Subscribed |
| Balance at inception - May 23, 2001 | -- | \$ -- | \$ -- | \$ -- |

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

| | | | | |
|--|--------------|------------|-----------|------------|
| 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 (774,933 shares) | -- | -- | -- | 581,900 |
| Net loss | -- | -- | -- | -- |
| | ----- | ----- | ----- | ----- |
| Balance at September 30, 2003 (un-audited) | 18,228,439 | \$ 304,313 | \$ -- | \$ 586,400 |
| | ===== | ===== | ===== | ===== |

The accompanying notes are an integral part of these financial statements

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)

| AMOUNTS FROM | FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 | FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 | CUMULATIVE INCEPTION (MAY 23, 2001) THROUGH SEPTEMBER 30, 2003 |
|--|---|---|---|
| Cash flows from operating activities: | | | |
| Net loss | \$ (540,444) | \$ (202,069) | \$ (863,832) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Amortization and depreciation | 1,068 | -- | 1,068 |
| Stock issued for services | 83,633 | -- | 100,348 |
| 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 | 69,942 | 20 | 79,660 |
| 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 | (294,466) | (151,381) | (455,610) |
| 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 |
| Adjusting entry to reflect reverse acquisition and recapitalization | (115,942) | -- | (115,942) |
| Net cash from financing activities | 436,778 | 153,530 | 605,353 |
| Net increase (decrease) in cash | 122,333 | 2,149 | 127,358 |
| Cash, beginning of period | 5,025 | -- | -- |

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

| | | | |
|---------------------------------------|------------|----------|------------|
| | ----- | ----- | ----- |
| Cash, end of period | \$ 127,358 | \$ 2,149 | \$ 127,358 |
| | ===== | ===== | ===== |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH | | | |
| INVESTING AND FINANCING ACTIVITIES: | | | |
| Issuance of stock for services | \$ 83,633 | \$ -- | \$ 100,348 |
| Issuance of stock for prepaid expense | 158,667 | -- | 158,667 |
| | ===== | ===== | ===== |

The accompanying notes are an integral part of these financial statements

6

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.

7

3. 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.

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.

4. 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.

5. 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.

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.

9

STOCK CANCELED

A majority shareholder canceled 3,000,000 shares of stock in anticipation of the acquisition of Advanced Refrigeration Technologies, Inc.

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.

STOCK ISSUED IN REVERSE MERGER JUNE 11, 2003

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 dated as if June 10, 2003.

RECONCILIATION OF COMMON STOCK AT DECEMBER 31, 2002

| | | |
|-----------------------------------|----|---------|
| Common stock at par value \$0.001 | \$ | 16,786 |
| Additional paid in capital | | 105,927 |
| | | ----- |
| | \$ | 122,713 |
| | | ===== |

STOCK ISSUED UNDER STOCK OPTION PLAN AND FOR PAYMENT OF SERVICES

The Company issued 810,000 shares of common stock pursuant to the Company's Stock Option Plans on June 11, 2003 valued at the market price of the stock on that date \$0.03.

The Company issued 215,000 shares of common stock in payment of invoices for professional services in June, 2003.

On July 30, 2003 the Company approved an issuance of 400,000 shares of common stock to two consultants for services to be provided over future periods. The value of the services were based on the stock price on the agreement date of \$0.42. The Company recorded \$9,333 of expense for the period ended September 30, 2003, \$158,667 to prepaid expenses and \$168,000 to subscribed stock.

On July 30, 2003 the Company entered into a four-year employment agreement for a Vice President of Business Development. The agreement provides for 500,000 shares of restricted Common stock to be issued annually over the four years for a total of 2,000,000 shares. The value of the compensation was based on the stock price on the agreement date of \$0.42, a total of \$840,000. The Company recorded compensation expense of \$35,000 for period ended September 30, 2003 and 83,333 shares as stock subscribed \$35,000.

On July 30, 2003 the Company granted certain employees options to purchase 100,000 shares of common stock at \$1.90 per share, with a one year vesting period. The quoted market share price on the grant date of the options was \$.42

6. RELATED PARTY TRANSACTIONS

The Company received loans in the amount of \$85,000 and \$5,000 from two shareholders. The \$85,000 bears interest at 10% and is evidenced by a note payable to the shareholder and can be converted to common stock at \$1.50 per share. The \$5,000 bears interest at 10%, but is not evidenced by a note.

7. STOCK OPTIONS

The Board of Directors has approved in April, 2003 a Company stock option plan, which was amended by the Company in July, 2003. All the shares (480,000 shares) under 2002 Equity and Stock Option Plan were issued in June, 2003. In July, 2003, the Company approved 2003 Equity Compensation Plan which provides for the grant to directors, officers, employees and consultants of the Company of stock based awards and options to purchase up to an aggregate of 2,500,000 shares of Common Stock. No grants have been made yet under 2003 Equity Compensation Plan.

On June 11, 2003 the Company granted a total of 810,000 shares under the 2000 and 2002 stock compensation plans for services to the Company. The valuation of the shares issued were at the market price on the Grant date \$0.03.

The Name Amendment will become effective upon the filing of a certificate of amendment relating thereto with the Secretary of State of the State of California, which will occur on or about December____, 2003. Under federal securities laws, ART cannot file the certificate of amendment until at least 20 days after the mailing of this Information Statement.

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

In April, 2003, the Company's Board of Directors unanimously approved the Company's 2002 Stock Option Plan, which the Company's Board of Directors amended as of June 30, 2003 (collectively, the "2002 Plan"). The Consenting Shareholders approved the 2002 Plan in July, 2003. The purpose of the 2002 Plan is to enable the Company to attract and retain top-quality employees, officers, directors and consultants and to provide such employees, officers, directors and consultants with an incentive to enhance stockholder returns. The full text of the 2002 Plan appears as Exhibit B to this Information Statement and the description of the 2002 Plan herein is qualified by reference to Exhibit B.

DESCRIPTION OF THE 2002 PLAN

Administration and Participation. The Company's 2002 Plan is administered by the Company's Board of Directors, which may delegate its duties in whole or in part to any subcommittee solely consisting of at least two individuals who are non-employee directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and outside directors within the meaning of

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

Section 162(m) of the Internal Revenue Code of 1986, as amended. 2002 Plan allows the Compensation Committee to make awards of stock options and stock based awards to any individual who is selected by the Compensation Committee to participate in 2002 Plan.

The Compensation Committee has the authority to interpret our stock incentive plan, to establish, amend and rescind any rules and regulations relating to our 2002 Plan and to make any other determinations that the Compensation Committee deems necessary or desirable for the administration of our 2002 Plan. The Compensation Committee may also correct any defect or supply any omission or reconcile any inconsistency in our stock incentive plan in the manner and to the extent the Compensation Committee deems necessary or desirable. Any decision of the Compensation Committee in the interpretation and administration of our 2002 Plan lies within its sole and absolute discretion and is final, conclusive and binding on all parties concerned, including participants in our 2002 Plan and their beneficiaries or successors.

Limitations. An aggregate of 480,000 shares of the Company's common stock has been authorized and issued under the Company's 2002 Plan.

Stock options. Stock options granted under our 2002 Plan may be non-qualified or incentive stock options for federal income tax purposes. The Compensation Committee will set option exercise prices and terms and will determine the time at which stock options will be exercisable. However, the term of a stock option may not exceed 10 years.

The Compensation Committee may also grant options that are intended to be incentive stock options, which comply with Section 422 of the Internal Revenue Code of 1986, as amended. Fair market value is defined as the closing price of the shares as reported on the grant date as quoted on the NASD's Bulletin Board.

Stock-based awards. The Compensation Committee has the authority to grant stock-based awards, which may consist of awards of common stock, restricted stock and awards that are valued in whole or in part by reference to, or are otherwise based on the fair market value of, shares of common stock. Stock-based awards may be granted on a stand-alone basis or in addition to any other awards granted under our 2002 Plan. The Compensation Committee will determine the form of stock-based awards and the conditions on which they may be dependent. The conditions may include the right to receive one or more shares of common stock or the equivalent value in cash upon the completion of a specified period of service or the occurrence of an event or the attainment of performance objectives. The Compensation Committee will also determine the participants to whom stock-based awards may be made, the timing of those awards, the number of shares to be awarded, whether those other stock-based awards will be settled in cash, stock or a combination of cash and stock and all other terms of those awards.

General. Stock options and restricted stock awards are not transferable or assignable, except for estate planning purposes. The Company may deduct sufficient sums to pay withholding required for federal, state and local taxes or other taxes as a result of the exercise of a stock award.

In the event of any stock dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of stock or other corporate exchange or any distribution to shareholders other than regular cash dividends, the Compensation Committee may, in its sole discretion, make a substitution or adjustment, as the Compensation Committee deems to be equitable, to the number or kind of stock issued or reserved for issuance under our 2002 Plan under outstanding awards and the term, including option price, of those awards.

Except as otherwise provided in a stock award agreement, in the event of

our change in control or a change of control of the Company, the Compensation Committee may, in its sole discretion, accelerate a stock award, cause us to make a cash payment in exchange for a stock award or require the issuance of a substitute stock award.

4

Certain income tax consequences. The Company has been advised by counsel that the material federal income tax consequences to the Company and the participants in the 2002 Plan of the grant and exercise of options under existing and applicable provisions of the Internal Revenue Code of 1986, as amended, and regulations will generally be as follows:

Incentive stock options. A participant will not realize any taxable income at the time an incentive stock option is granted or exercised, and the Company will not receive an income tax deduction at the time of grant or exercise. If a participant does not sell stock acquired upon the exercise of an incentive stock option within (1) two years after the date of the grant or (2) one year after the date of exercise, then a subsequent sale of such stock generally will be taxed as capital gain or loss. If a participant disposes of shares acquired upon the exercise of an incentive stock option within the period set forth in clause (1) or (2) above, then that participant will generally realize ordinary income in an amount equal to the lesser of (a) the gain realized by that participant upon such disposition and (b) the excess of the fair market value of the stock on the date of exercise over the exercise price. In that event, the Company would generally be entitled to an income tax deduction equal to the amount recognized as ordinary income by the applicable participant. Any gain in excess of the amount recognized by the participant as ordinary income would be taxed as short-term or long-term capital gain, depending on the holding period.

Non-qualified stock options. A participant will not realize taxable income upon the grant of a non-qualified stock option, and the Company will not receive an income tax deduction at such time. Upon exercise of a non-qualified stock option, the applicable participant will realize ordinary income in an amount equal to the excess of the fair market value of the stock on the date of exercise over the exercise price. Upon a subsequent sale of such stock, the participant will recognize short-term or long-term capital gain depending on his or her holding period for the shares. The Company is generally allowed an income tax deduction at the same time and in the same amount recognized as ordinary income by the participant.

Stock-based awards. Amounts received by the participant upon the grant of other stock-based awards are ordinarily taxed as ordinary income when received. However, if such other stock-based awards consist of property subject to restrictions, the amounts generally will not be taxed until the restrictions lapse or until the participant makes an election under Section 83(b) of the Internal Revenue Code. The Company is generally allowed an income tax deduction at the same time and in the same amount recognized as ordinary income by the participant.

Compliance with Section 162(m). Our 2002 Plan should allow certain stock options and other stock-based awards to be treated as qualified performance-based compensation under Section 162(m) of the Internal Revenue Code. However, the Compensation Committee may, from time to time, award compensation that is not deductible under Section 162(m).

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

In July, 2003, the Company's Board of Directors unanimously approved the Company's 2003 Equity Compensation Plan, (the "2003 Plan"). The Consenting Shareholders approved the 2003 Plan in July, 2003. The purpose of the 2003 Plan is to enable the Company to attract and retain top-quality employees, officers, directors and consultants and to provide such employees, officers, directors and consultants with an incentive to enhance stockholder returns. The full text of the 2003 Plan appears as Exhibit C to this Information Statement and the description of the 2003 Plan herein is qualified by reference to Exhibit C.

DESCRIPTION OF THE 2003 PLAN

The 2002 Plan provides for the grant to directors, officers, employees and consultants of the Company (including its subsidiaries) of stock based awards and options to purchase up to an aggregate of 2,500,000 shares of Common Stock.

All of the Company's executive officers, directors and employees of the Company and its subsidiary will be eligible to participate in the 2003 Plan. The Company has not granted any options yet nor other stock awards under the 2003 Plan.

Administration and Participation. The Company's 2003 Plan is administered by the Company's Board of Directors, which may delegate its duties in whole or in part to any subcommittee solely consisting of at least two individuals who are non-employee directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. 2003 Plan allows the Compensation Committee to make awards of stock options and stock based awards to any individual who is selected by the Compensation Committee to participate in 2003 Plan.

The Compensation Committee has the authority to interpret our stock incentive plan, to establish, amend and rescind any rules and regulations relating to our 2003 Plan and to make any other determinations that the Compensation Committee deems necessary or desirable for the administration of our 2003 Plan. The Compensation Committee may also correct any defect or supply any omission or reconcile any inconsistency in our stock incentive plan in the manner and to the extent the Compensation Committee deems necessary or desirable. Any decision of the Compensation Committee in the interpretation and administration of our 2003 Plan lies within its sole and absolute discretion and is final, conclusive and binding on all parties concerned, including participants in our 2003 Plan and their beneficiaries or successors.

Limitations. An aggregate of 2,500,000 shares of the Company's common stock has been authorized for issuance under the Company's 2003 Plan. No options to purchase common stock nor other stock awards has been issued by the Company.

Stock options. Stock options granted under our 2003 Plan may be non-qualified or incentive stock options for federal income tax purposes. The Compensation Committee will set option exercise prices and terms and will determine the time at which stock options will be exercisable. However, the term of a stock option may not exceed 10 years.

The Compensation Committee may also grant options that are intended to be incentive stock options, which comply with Section 422 of the Internal Revenue Code of 1986, as amended. Fair market value is defined as the closing price of the shares as reported on the grant date as quoted on the NASD's Bulletin Board.

Stock-based awards. The Compensation Committee has the authority to grant stock-based awards, which may consist of awards of common stock, restricted stock and awards that are valued in whole or in part by reference to, or are otherwise based on the fair market value of, shares of common stock.

6

Stock-based awards may be granted on a stand-alone basis or in addition to any other awards granted under our 2003 Plan. The Compensation Committee will determine the form of stock-based awards and the conditions on which they may be dependent. The conditions may include the right to receive one or more shares of common stock or the equivalent value in cash upon the completion of a specified period of service or the occurrence of an event or the attainment of performance objectives. The Compensation Committee will also determine the participants to whom stock-based awards may be made, the timing of those awards, the number of shares to be awarded, whether those other stock-based awards will be settled in cash, stock or a combination of cash and stock and all other terms of those awards.

General. Stock options and restricted stock awards are not transferable or assignable, except for estate planning purposes. The Company may deduct sufficient sums to pay withholding required for federal, state and local taxes or other taxes as a result of the exercise of a stock award.

In the event of any stock dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of stock or other corporate exchange or any distribution to shareholders other than regular cash dividends, the Compensation Committee may, in its sole discretion, make a substitution or adjustment, as the Compensation Committee deems to be equitable, to the number or kind of stock issued or reserved for issuance under our 2003 Plan under outstanding awards and the term, including option price, of those awards.

Except as otherwise provided in a stock award agreement, in the event of our change in control or a change of control of the Company, the Compensation Committee may, in its sole discretion, accelerate a stock award, cause us to make a cash payment in exchange for a stock award or require the issuance of a substitute stock award.

Certain income tax consequences. The Company has been advised by counsel that the material federal income tax consequences to the Company and the participants in the 2003 Plan of the grant and exercise of options under existing and applicable provisions of the Internal Revenue Code of 1986, as amended, and regulations will generally be as follows:

Incentive stock options. A participant will not realize any taxable income at the time an incentive stock option is granted or exercised, and the Company will not receive an income tax deduction at the time of grant or exercise. If a participant does not sell stock acquired upon the exercise of an incentive stock option within (1) two years after the date of the grant or (2) one year after the date of exercise, then a subsequent sale of such stock generally will be taxed as capital gain or loss. If a participant disposes of shares acquired upon the exercise of an incentive stock option within the period set forth in clause (1) or (2) above, then that participant will generally realize ordinary income in an amount equal to the lesser of (a) the gain realized by that participant upon such disposition and (b) the excess of the fair market value of the stock on the date of exercise over the exercise price. In that event, the Company would generally be entitled to an income tax deduction equal to the amount

recognized as ordinary income by the applicable participant. Any gain in excess of the amount recognized by the participant as ordinary income would be taxed as short-term or long-term capital gain, depending on the holding period.

7

Non-qualified stock options. A participant will not realize taxable income upon the grant of a non-qualified stock option, and the Company will not receive an income tax deduction at such time. Upon exercise of a non-qualified stock option, the applicable participant will realize ordinary income in an amount equal to the excess of the fair market value of the stock on the date of exercise over the exercise price. Upon a subsequent sale of such stock, the participant will recognize short-term or long-term capital gain depending on his or her holding period for the shares. The Company is generally allowed an income tax deduction at the same time and in the same amount recognized as ordinary income by the participant.

Stock-based awards. Amounts received by the participant upon the grant of other stock-based awards are ordinarily taxed as ordinary income when received. However, if such other stock-based awards consist of property subject to restrictions, the amounts generally will not be taxed until the restrictions lapse or until the participant makes an election under Section 83(b) of the Internal Revenue Code. The Company is generally allowed an income tax deduction at the same time and in the same amount recognized as ordinary income by the participant.

Compliance with Section 162(m). Our 2003 Plan should allow certain stock options and other stock-based awards to be treated as qualified performance-based compensation under Section 162(m) of the Internal Revenue Code. However, the Compensation Committee may, from time to time, award compensation that is not deductible under Section 162(m).

VOTING SECURITIES AND PRINCIPAL SHAREHOLDERS

Persons Entitled to Notice

The Record Date for the determination of the shareholders entitled to notice of and to consent to the Action has been fixed as of the close of business on July 11, 2003. As of July 11, 2003, there were outstanding 18228,439 shares of Common Stock. The Actions have been duly approved by the Consenting Shareholders holding a majority of the outstanding Common Stock. Approval or consent of the remaining shareholders is not required and is not being solicited hereby or by any other means.

The California General Corporation Law does not provide for dissenters rights in connection with the adoption of the Actions.

8

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of October 30, 2003, the stock ownership of all persons known to own beneficially five percent or more of the Company's voting stock and all directors and officers of the Company, individually and as a group. Each person has sole voting and investment power over the shares

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

indicated, except as noted. Unless otherwise stated in the notes to the table, each person named below has sole authority to vote and dispose of the shares shown. Under Rule 13d-3(d) (1) of the Securities Exchange Act of 1934, as amended, in calculating percentage ownership, each person named below is deemed to beneficially own securities that such person has the right to acquire within sixty days through the exercise of any option or warrant or through the conversion of any security. 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 warrant, but are not deemed outstanding for purposes of computing the percentage of any other person. As of October 30, 2003, there were 18,228,439 shares of common stock issued and outstanding. The address of those individuals for which an address is not otherwise indicated is 5 Whatney, Irvine, California 92618.

| Name and Address ----- | Number of Voting Shares ----- | Percent of Outstanding Voting Shares ----- |
|--|-------------------------------------|---|
| William M. Alverson Director, President CFO & Secretary 5 Whatney Irvine, CA 92618 | 10,820,000 | 59.36% |
| Katherine T. West Director* 5 Whatney Irvine, CA 92618 | 2,000,000 | 10.97% |
| Rick McEwan Former Officer & Director | -0- | |
| Allan E. Schrum Former Director & Officer | -0- | |
| Clare C. Schrum Former Officer | -0- | |
| All directors and officers as a group (2 persons) | 12,820,000 | 70.33% |

*Ms. West is married to Mr. Alverson.

As of October 30, 2003, there were approximately 80 shareholders of record.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ William M. Alverson

William M. Alverson, President and Secretary

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

OF
ADVANCED REFRIGERATION TECHNOLOGIES, INC.,
A California Corporation

William M. Alverson certifies that:

1. He is the President and the Secretary, respectively, of Advanced Refrigeration Technologies, Inc., a California corporation (the "Corporation").

2. Article I. of the Articles of Incorporation of this Corporation is amended to read as follows:

"The name of this corporation is: Joystar, Inc.".

3. The foregoing amendment of Articles of Incorporation has been duly approved by the Board of Directors.

4. The foregoing amendment of Articles of Incorporation has been duly approved by the required vote of Shareholders in accordance with Section 902 of the Corporations Code. The total number of outstanding shares of the Corporation is 18,228,439. The number of shares voting in favor of the amendment was 10,820,000 (70.3%) constituting a majority of the outstanding shares entitled to vote.

I further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of my own knowledge.

DATE: December____, 2003

/s/ William M. Alverson

William M. Alverson, President and Secretary

A-1

Exhibit B

AMENDED 2002 EQUITY AND STOCK OPTION PLAN

1. PURPOSE OF THE PLAN

The purpose of the Plan is to aid the Company, its Subsidiaries and Affiliates, as may be applicable, in recruiting and retaining key individuals of outstanding ability and to motivate such individuals to exert their best efforts on behalf of the Company, its Subsidiaries and Affiliates by providing incentives through the granting of Awards. The Company expects that it will benefit from the added interest which such key individuals will have in the welfare of the Company as a result of their proprietary interest in the Company's success.

2. DEFINITIONS

The following capitalized terms used in the Plan have the respective meanings set forth in this Section:

- (a) Act: The Securities Exchange Act of 1934, as amended, or any successor thereto.

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

- (b) Affiliate: With respect to the Company, any company directly or indirectly controlling, controlled by, or under common control with, the Company or any other entity designated by the Board of Directors of the Company in which the Company has an interest.
- (c) Award: An Option or Stock-Based Award granted pursuant to the Plan. (d) Beneficial Owner: A "beneficial owner", as such term is defined in Rule 13d-3 under the Act (or any successor rule thereto).
- (d) Beneficial Owner: A "beneficial owner" as such term is defined in Rule 13d-3 under the Act (or any successor rule thereto)
- (e) Board: The Board of Directors of the Company.
- (f) Board Change: Within the twenty-four consecutive month period following the occurrence of any of the events set forth in Section 2(v) (i), individuals who immediately prior to the occurrence of any of such events constitute the Board cease for any reason to constitute at least a majority thereof (other than in the event of a director's death or Disability).
- (g) Cause: In the event that a Participant is a party to an employment agreement with the Company, the Parent, a Subsidiary or an Affiliate at the date an Award is granted, "Cause" shall have the same meaning ascribed to such term in such employment agreement. In the event that a Participant is not party to any such employment agreement or there is no
- (h) such definition, "Cause" shall be defined as follows:
 - (i) a Participant's continued failure substantially to perform the Participant's duties (other than as a result of total or partial incapacity due to physical or mental illness) for a period of 10 days following written notice by the Company to the Participant of such failure; or
 - (ii) dishonesty in the performance of, or willful malfeasance or willful misconduct in connection with, a Participant's duties; or
 - (iii) an act or acts on a Participant's part constituting (x) a felony under the laws of the United States or any state thereof or (y) a misdemeanor involving moral turpitude; or
 - (iv) any act or omission of a Participant which is materially injurious to the financial condition or business reputation of Parent, the Company or any of its Subsidiaries or Affiliates; or
 - (v) a Participant's breach of any restrictive covenants contained in any agreement with the Company or any of its Subsidiaries or Affiliates to which Participant is a party.

B-1

(i) Change in Control: The occurrence of any of the following events:

- (i) any Person, other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any company owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of Stock of the Company, becomes the Beneficial Owner, directly or indirectly, of securities of the Company, (a) representing a greater percentage of the combined voting power of the Company's then-outstanding securities than the percentage of the combined voting power of the Company's then-outstanding securities held by Parent and its Affiliates and (b) representing 30% or more of the combined voting power of the Company's then-outstanding securities; or
- (ii) during any period of twenty-four months (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board, and any new director (other than (A) a director nominated by a Person who has entered into an agreement with the Company to effect a transaction described in Sections 2(h)(i), (iii) or (iv) of the Plan, (B) a director nominated by any Person (including the Company) who publicly announces an intention to take or to consider taking actions (including, but not limited to, an actual or threatened proxy contest) which if consummated would constitute a Change in Control or (C) a director nominated by any Person, other than Parent and its Affiliates, who is the Beneficial Owner, directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of the Company's securities) whose election by the Board or nomination for election by the Company's shareholders was approved in advance by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof; or
- (iii) the Company is merged or consolidated with any other company, other than a merger or consolidation which would result in the shareholders of the Company immediately prior thereto

B-2

continuing to own (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;
or

- (iv) the complete liquidation of the Company or the sale or disposition by the Company of all or substantially all of the

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

Company's assets, other than a liquidation of the Company or sale of its assets to an Affiliate into a wholly-owned subsidiary.

- (j) Code: The Internal Revenue Code of 1986, as amended, or any successor thereto.
 - (k) Committee: The Board of Directors of the Company, the Compensation Committee of the Board, or, if applicable, the subcommittee to which such Committee delegates its duties and powers.
 - (l) Company: Advanced Refrigeration Technologies, Inc.
 - (m) Disability: Inability to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which constitutes a permanent and total disability, as defined in Section 22(f)(3) of the Code (or any successor section thereto). The determination whether a Participant has suffered a Disability shall be made by the Committee based upon such evidence as it deems necessary and appropriate. A Participant shall not be considered disabled unless he or she furnishes such medical or other evidence of the existence of the Disability as the Committee, in its sole discretion, may require.
 - (n) Effective Date: The date set by the Company's Board of Directors.
 - (o) Employer: The Company, a Subsidiary or an Affiliate, as applicable, which employs any given Participant.
 - (p) Fair Market Value: on a given date, the closing price of the Shares as reported on such date on the Composite Tape of the principal national securities exchange on which such Shares are listed or admitted to trading, or, if no Composite Tape exists for such national securities exchange on such date, then on the principal national securities exchange on which such Shares are listed or admitted to trading, or, if the Shares are not listed or admitted on a national securities exchange, the per Share closing bid price on such date as quoted on the National Association of Securities Dealers Automated Quotation System (or such market in which such prices are regularly quoted), or, if there is no market on which the Shares are regularly quoted, the Fair Market Value shall be the value established by the Committee in good faith; If no sale of Shares shall have been reported on such Composite Tape or such national securities exchange on such date or quoted on the National Association of Securities Dealer Automated Quotation System on such date, then the immediately preceding date on which sales of the Shares have been so reported or quoted shall be used.
- B-3
- (q) ISO: An Option that is also an incentive stock option granted pursuant to Section 6(d) of the Plan.

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

- (r) **Stock-Based Awards:** Awards granted pursuant to Section 8 of the Plan. **Option:** A stock option granted pursuant to Section 6 of the Plan. **Option Price:** The purchase price per Share of an Option, as determined pursuant to Section 6(a) of the Plan.
- (w) **Participant:** An employee or director of the Company, its Parent, Subsidiary or Affiliate, or an individual who is not such an employee or director but who otherwise performs services for the Company, its Parent, Subsidiary or Affiliate, and in any case, who is selected by the Committee to participate in the Plan.
- (x) **Performance-Based Awards:** Certain Other Stock-Based Awards granted pursuant to Section 8(b) of the Plan.
- (y) **Person:** A "person", as such term is used for purposes of Section 13(d) or 14(d) of the Act (or any successor section thereto).
- (z) **Plan:** The Advanced Refrigeration Technologies, Inc. Amended 2002 Equity and Stock Option Plan.
- (aa) **Public Offering:** A sale of shares of the Company's common stock to the public pursuant to a registration statement under the Securities Act of 1933, as amended, that has been declared effective by the Securities and Exchange Commission (other than a registration statement on Form S-4 or Form S-8, or any other successor or other forms promulgated for similar purposes, or a registration statement in connection with an offering to employees of the Company and its Subsidiaries) that results in an active trading market in the Company's common stock; provided, that there shall be deemed to be an "active trading market" if the Company's common stock is listed or quoted on a national stock exchange or the NASDAQ National Market.
- (bb) **Shares:** Shares of Common Stock of the Company, no par value per Share.
- (cc) **Subsidiary:** A subsidiary corporation, as defined in Section 424(f) of the Code (or any successor section thereto).

3. SHARES SUBJECT TO THE PLAN

The total number of Shares which may be issued under the Plan is less than 15% of the total Shares outstanding, which shall not exceed 480,000 Shares. The Shares may consist, in whole or in part, of unissued Shares or treasury Shares. The issuance of Shares or the payment of cash upon the exercise of an Award shall reduce the total number of Shares available under the Plan, as applicable. Shares which are subject to Awards which terminate or lapse may be granted again under the Plan.

4. ADMINISTRATION

The Plan shall be administered by the Board of Directors or the Committee, which may delegate its duties and powers in whole or in part to any subcommittee thereof consisting solely of at least two individuals who are intended to qualify as "non-employee directors" within the meaning of Rule 16b-3 under the Act (or any successor rule thereto) and "outside directors" within the meaning

of Section 162(m) of the Code (or any successor section thereto). Awards may, in the discretion of the Committee, be made under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Company or its affiliates or a company acquired by the Company or with which the Company combines. The number of Shares underlying such substitute awards shall be counted against the aggregate number of Shares available for Awards under the Plan. The Committee is authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make any other determinations that it deems necessary or desirable for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems necessary or desirable. Any decision of the Committee in the interpretation and administration of the Plan, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to, Participants and their beneficiaries or successors). The Committee shall have the full power and authority to establish the terms and conditions of any Award consistent with the provisions of the Plan and to waive any such terms and conditions at any time (including, without limitation, accelerating or waiving any vesting conditions). The Committee shall require payment of any amount it may determine to be necessary to withhold for federal, state, local or other taxes as a result of the exercise of an Award. Unless the Committee specifies otherwise, the Participant may elect to pay a portion or all of such withholding taxes by (a) delivery in Shares or (b) having Shares withheld by the Company from any Shares that would have otherwise been received by the Participant.

5. LIMITATIONS

No Award may be granted under the Plan after the tenth anniversary of the Effective Date, but Awards theretofore granted may extend beyond that date.

6. TERMS AND CONDITIONS OF OPTIONS

Options granted under the Plan shall be, as determined by the Committee, nonqualified or incentive stock options for federal income tax purposes, as evidenced by the related Award agreements, and shall be subject to the foregoing and the following terms and conditions and to such other terms and conditions, not inconsistent therewith, as the Committee shall determine:

- (a) Option Price. The Option Price per Share shall be determined by the Committee.
- (b) Exercisability. Options granted under the Plan shall be exercisable at such time and upon such terms and conditions as may be determined by the Committee, but in no event shall an Option be exercisable more than ten years after the date it is granted.
- (c) Exercise of Options. Except as otherwise provided in the Plan or in an Award agreement, an Option may be exercised for all, or from time to time any part, of the Shares for which it is then exercisable. For purposes of Section 6 of the Plan, the exercise date of an Option shall be the later of the date a notice of exercise is received by the Company and, if applicable, the date payment is received by the Company pursuant to clauses (i), (ii) or (iii) in the following sentence. The purchase price for the Shares as to which an Option is exercised shall be paid to

the Company in full at the time of exercise at the election of the Participant (i) in cash or its equivalent (e.g., by check); (ii) in Shares having a Fair Market Value equal to the aggregate Option Price for the Shares being purchased and satisfying such other requirements as may be imposed by the Committee; provided, that such Shares have been held by the Participant for no less than six months (or such other period as established from time to time by the Committee or generally accepted accounting principles); (iii) partly in cash and partly in such Shares; or (iv) through the delivery of irrevocable instruments to a broker to deliver promptly to the Company an amount equal to the aggregate Option price for the shares being purchased. No Participant shall have any rights to dividends or other rights of a stockholder with respect to Shares subject to an Option until the Participant has given written notice of exercise of the Option, paid in full for such Shares and, if applicable, has satisfied any other conditions imposed by the Committee pursuant to the Plan.

- (d) ISOs. The Committee may grant to employees Options under the Plan that are intended to be ISOs. Such ISOs shall comply with the requirements of Section 422 of the Code (or any successor section thereto), including, without limitation the requirement that the Option Price per Share subject to an ISO shall not be less than 100% of the Fair Market Value of the Shares on the date an ISO is granted.. No ISO may be granted to any Participant who at the time of such grant, owns more than ten percent of the total combined voting power of all classes of stock of the Company or of any Subsidiary, unless (i) the Option Price for such ISO is at least 110% of the Fair Market Value of a Share on the date the ISO is granted and (ii) the date on which such ISO terminates is a date not later than the day preceding the fifth anniversary of the date on which the ISO is granted. Any Participant who disposes of Shares acquired upon the exercise of an ISO either (i) within two years after the date of grant of such ISO or (ii) within one year after the transfer of such Shares to the Participant, shall notify the Company of such disposition and of the amount realized upon such disposition.
- (e) Attestation. Wherever in this Plan or any agreement evidencing an Award a Participant is permitted to pay the exercise price of an Option or taxes relating to the exercise of an Option by delivering Shares, the Participant may, subject to procedures satisfactory to the Committee, satisfy such delivery requirement by presenting proof of beneficial ownership of such Shares, in which case the Company shall treat the Option as exercised without further payment and shall withhold such number of Shares from the Shares acquired by the exercise of the Option.

7. STOCK-BASED AWARDS

- (a) Generally. The Committee, in its sole discretion, may grant Awards of Shares, Awards of restricted Shares and Awards that are valued in whole or in part by reference to, or are otherwise based on the Fair Market Value of, Shares ("Stock-Based Awards"). Such Stock-Based Awards shall

be in such form, and dependent on such conditions, as the Committee shall determine, including, without limitation, the right to receive one or more Shares (or the equivalent cash value of such Shares) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. Stock-Based Awards may be granted alone or in addition to any

B-6

other Awards granted under the Plan. Subject to the provisions of the Plan, the Committee shall determine to whom and when other Stock-Based Awards will be made, the number of Shares to be awarded under (or otherwise related to) such Stock-Based Awards; whether such Stock-Based Awards shall be settled in cash, Shares or a combination of cash and Shares; and all other terms and conditions of such Awards (including, without limitation, the vesting provisions thereof and provisions ensuring that all Shares so awarded and issued shall be fully paid and non-assessable).

- (b) Performance-Based Awards. Notwithstanding anything to the contrary herein, certain Stock-Based Awards granted under this Section 8 may be granted in a manner which is deductible by the Company under Section 162(m) of the Code (or any successor section thereto) ("Performance-Based Awards"). A Participant's Performance-Based Award shall be determined based on the attainment of written performance goals approved by the Committee for a performance period established by the Committee (i) while the outcome for that performance period is substantially uncertain and (ii) no more than 90 days after the commencement of the performance period to which the performance goal relates or, if less, the number of days which is equal to 25 percent of the relevant performance period. The performance goals, which must be objective, shall be based upon one or more of the following criteria: (i) consolidated earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization); (ii) net income; (iii) operating income; (iv) earnings per Share; (v) book value per Share; (vi) return on shareholders' equity; (vii) expense management; (viii) return on investment; (ix) improvements in capital structure; (x) profitability of an identifiable business unit or product; (xi) maintenance or improvement of profit margins; (xii) stock price; (xiii) market share; (xiv) revenues or sales; (xv) costs; (xvi) cash flow; (xvii) working capital and (xviii) return on assets. The foregoing criteria may relate to the Company, one or more of its Subsidiaries or one or more of its divisions or units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee shall determine. In addition, to the degree consistent with Section 162(m) of the Code (or any successor section thereto), the performance goals may be calculated without regard to extraordinary items. The Committee shall determine whether, with respect to a performance period, the applicable performance goals have been met with respect to a given Participant and, if they have, to so certify and ascertain the amount of the applicable Performance Based Award. No Performance-Based Awards will be paid for such performance period until such certification is made by the Committee. The amount of the Performance-Based Award actually paid

to a given Participant may be less than the amount determined by the applicable performance goal formula, at the discretion of the Committee. The amount of the Performance-Based Award determined by the Committee for a performance period shall be paid to the Participant at such time as determined by the Committee in its sole discretion after the end of such performance period; provided, however, that a Participant may, if and to the extent permitted by the Committee and consistent with the provisions of Section 162(m) of the Code, elect to defer payment of a Performance-Based Award.

B-7

8. ADJUSTMENTS UPON CERTAIN EVENTS

Notwithstanding any other provisions in the Plan to the contrary, the following provisions shall apply to all Awards granted under the Plan:

- (a) Generally. In the event of any change in the outstanding Shares after the Effective Date by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of Shares or other corporate exchange, or any distribution to shareholders of Shares other than regular cash dividends or any transactions similar to the foregoing, the Committee in its sole discretion and without liability to any person may make such substitution or adjustment, if any, as it deems to be equitable, as to (i) the number or kind of Shares or other securities issued or reserved for issuance pursuant to the Plan or pursuant to outstanding Awards, (ii) the Option Price and/or (iii) any other affected terms of such Awards.
- (b) Change in Control. Except as otherwise provided in an Award agreement or an employment, severance or change in control agreement, in the event of a Change in Control or a Parent Triggering Event, the Committee in its sole discretion and without liability to any person may take such actions, if any, as it deems necessary or desirable with respect to any Award (including, without limitation, (i) the acceleration of an Award, (ii) the payment of a cash amount in exchange for the cancellation of an Award and/or (iii) the requiring of the issuance of substitute Awards that will substantially preserve the value, rights and benefits of any affected Awards previously granted hereunder) as of the date of the consummation of the Change in Control.

9. NO RIGHT TO EMPLOYMENT OR AWARDS

The granting of an Award under the Plan shall impose no obligation on the Company or any Subsidiary to continue the employment or service or consulting relationship of a Participant and shall not lessen or affect the Company's or Subsidiary's right to terminate the employment or service or consulting relationship of such Participant. No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants, or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee's determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not such Participants are similarly situated).

10. SUCCESSORS AND ASSIGNS

The Plan shall be binding on all successors and assigns of the Company and a Participant, including without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

11. NONTRANSFERABILITY AWARDS

Unless otherwise determined by the Committee or as hereinafter provided, an Award shall not be transferable or assignable by the Participant otherwise than by will or by the laws of descent and distribution. An Award exercisable after the death of a Participant may be exercised by the legatees, personal representatives or distributees of the Participant. However, unless the Award agreement provides otherwise, a Participant may transfer his or her rights under a nonqualified Option agreement, by assignment, satisfactory in form and substance to the Committee, to a trust or similar entity established solely for the benefit of the Participant's lineal descendants; provided, that such assignee must first agree to be bound by the same terms and conditions as the Participant with respect to such Option; and provided, further, that the rights of such assignee shall not themselves be transferable.

B-8

12. AMENDMENTS OR TERMINATION

The Board may amend, alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which, (a) without the approval of the shareholders of the Company, would (except as is provided in Section 9 of the Plan), increase the total number of Shares reserved for the purposes of the Plan or change the maximum number of Shares for which Awards may be granted to any Participant or (b) without the consent of a Participant, would impair any of the rights or obligations under any Award theretofore granted to such Participant under the Plan; provided, however, that the Committee may amend the Plan in such manner as it deems necessary to permit the granting of Awards meeting the requirements of the Code or other applicable laws. Notwithstanding anything to the contrary herein, the Board may not amend, alter or discontinue the provisions relating to Section 8(b) of the Plan after the occurrence of a Change in Control.

13. INTERNATIONAL PARTICIPANTS

With respect to Participants who reside or work outside the United States of America and who are not (and who are not expected to be) "covered employees" within the meaning of Section 162(m) of the Code, the Committee may, in its sole discretion, amend the terms of the Plan or Awards with respect to such Participants in order to conform such terms with the requirements of local law.

14. CHOICE OF LAW

The Plan shall be governed by and construed in accordance with the laws of the State of California, without regard to conflicts of laws.

15. EFFECTIVENESS OF THE PLAN

The Plan shall be effective as of the Effective Date.

B-9

EXHIBIT C

2003 EQUITY COMPENSATION PLAN

1. PURPOSE OF THE PLAN

The purpose of the Plan is to aid the Company, its Subsidiaries and Affiliates, as may be applicable, in recruiting and retaining key individuals of outstanding ability and to motivate such individuals to exert their best efforts on behalf of the Company, its Subsidiaries and Affiliates by providing incentives through the granting of Awards. The Company expects that it will benefit from the added interest which such key individuals will have in the welfare of the Company as a result of their proprietary interest in the Company's success.

2. DEFINITIONS

The following capitalized terms used in the Plan have the respective meanings set forth in this Section:

- (a) Act: The Securities Exchange Act of 1934, as amended, or any successor thereto.
- (b) Affiliate: With respect to the Company, any company directly or indirectly controlling, controlled by, or under common control with, the Company or any other entity designated by the Board of Directors of the Company in which the Company has an interest.
- (c) Award: An Option or Stock-Based Award granted pursuant to the Plan. (d) Beneficial Owner: A "beneficial owner", as such term is defined in Rule 13d-3 under the Act (or any successor rule thereto).
- (d) Beneficial Owner: A "beneficial owner" as such term is defined in Rule 13d-3 under the Act (or any successor rule thereto)
- (e) Board: The Board of Directors of the Company.
- (f) Board Change: Within the twenty-four consecutive month period following the occurrence of any of the events set forth in Section 2(v)(i), individuals who immediately prior to the occurrence of any of such events constitute the Board cease for any reason to constitute at least a majority thereof (other than in the event of a director's death or Disability).
- (g) Cause: In the event that a Participant is a party to an employment agreement with the Company, the Parent, a Subsidiary or an Affiliate at the date an Award is granted, "Cause" shall have the same meaning ascribed to such term in such employment agreement. In the event that a Participant is not party to any such

employment agreement or there is no

(h) such definition, "Cause" shall be defined as follows:

(i) a Participant's continued failure substantially to perform the Participant's duties (other than as a result of total or partial incapacity due to physical or mental illness) for a period of 10 days following written notice by the Company to the Participant of such failure; or

C-1

(ii) dishonesty in the performance of, or willful malfeasance or willful misconduct in connection with, a Participant's duties; or

(iii) an act or acts on a Participant's part constituting (x) a felony under the laws of the United States or any state thereof or (y) a misdemeanor involving moral turpitude; or

(iv) any act or omission of a Participant which is materially injurious to the financial condition or business reputation of Parent, the Company or any of its Subsidiaries or Affiliates; or

(v) a Participant's breach of any restrictive covenants contained in any agreement with the Company or any of its Subsidiaries or Affiliates to which Participant is a party.

(i) Change in Control: The occurrence of any of the following events:

(i) any Person, other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any company owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of Stock of the Company, becomes the Beneficial Owner, directly or indirectly, of securities of the Company, (a) representing a greater percentage of the combined voting power of the Company's then-outstanding securities than the percentage of the combined voting power of the Company's then-outstanding securities held by Parent and its Affiliates and (b) representing 30% or more of the combined voting power of the Company's then-outstanding securities; or

(ii) during any period of twenty-four months (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board, and any new director (other than (A) a director nominated by a Person who has entered into an agreement with the Company to effect a transaction described in Sections 2(h)(i), (iii) or (iv) of the Plan, (B) a director nominated by any Person (including the Company) who publicly announces an intention to take or to consider taking actions (including, but not limited to, an

actual or threatened proxy contest) which if consummated would constitute a Change in Control or (C) a director nominated by any Person, other than Parent and its Affiliates, who is the Beneficial Owner, directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of the Company's securities) whose election by the Board or nomination for election by the Company's shareholders was approved in advance by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof; or

- (iii) the Company is merged or consolidated with any other company, other than a merger or consolidation which would result in the shareholders of the Company immediately prior thereto

C-2

continuing to own (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or

- (iv) the complete liquidation of the Company or the sale or disposition by the Company of all or substantially all of the Company's assets, other than a liquidation of the Company or sale of its assets to an Affiliate into a wholly-owned subsidiary.
- (j) Code: The Internal Revenue Code of 1986, as amended, or any successor thereto.
- (k) Committee: The Board of Directors of the Company, the Compensation Committee of the Board, or, if applicable, the subcommittee to which such Committee delegates its duties and powers.
- (l) Company: Advanced Refrigeration Technologies, Inc.
- (m) Disability: Inability to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which constitutes a permanent and total disability, as defined in Section 22(f)(3) of the Code (or any successor section thereto). The determination whether a Participant has suffered a Disability shall be made by the Committee based upon such evidence as it deems necessary and appropriate. A Participant shall not be considered disabled unless he or she furnishes such medical or other evidence of the existence of the Disability as the Committee, in its sole discretion, may require.
- (n) Effective Date: The date set by the Company's Board of Directors.

- (o) Employer: The Company, a Subsidiary or an Affiliate, as applicable, which employs any given Participant.
- (p) Fair Market Value: on a given date, the closing price of the Shares as reported on such date on the Composite Tape of the principal national securities exchange on which such Shares are listed or admitted to trading, or, if no Composite Tape exists for such national securities exchange on such date, then on the principal national securities exchange on which such Shares are listed or admitted to trading, or, if the Shares are not listed or admitted on a national securities exchange, the per Share closing bid price on such date as quoted on the National Association of Securities Dealers Automated Quotation System (or such market in which such prices are regularly quoted), or, if there is no market on which the Shares are regularly quoted, the Fair Market Value shall be the value established by the Committee in good faith;

If no sale of Shares shall have been reported on such Composite Tape or such national securities exchange on such date or quoted on the National Association of Securities Dealer Automated Quotation System on such date, then the immediately preceding date on which sales of the Shares have been so reported or quoted shall be used.

C-3

- (q) ISO: An Option that is also an incentive stock option granted pursuant to Section 6(d) of the Plan.
- (r) Stock-Based Awards: Awards granted pursuant to Section 8 of the Plan. Option: A stock option granted pursuant to Section 6 of the Plan. Option Price: The purchase price per Share of an Option, as determined pursuant to Section 6(a) of the Plan.
- (w) Participant: An employee or director of the Company, its Parent, Subsidiary or Affiliate, or an individual who is not such an employee or director but who otherwise performs services for the Company, its Parent, Subsidiary or Affiliate, and in any case, who is selected by the Committee to participate in the Plan.
- (x) Performance-Based Awards: Certain Other Stock-Based Awards granted pursuant to Section 8(b) of the Plan.
- (y) Person: A "person", as such term is used for purposes of Section 13(d) or 14(d) of the Act (or any successor section thereto).
- (z) Plan: The Advanced Refrigeration Technologies, Inc. 2003 Equity Compensation Plan.
- (aa) Public Offering: A sale of shares of the Company's common stock to the public pursuant to a registration statement under the Securities Act of 1933, as amended, that has been declared effective by the Securities and Exchange Commission (other than a

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

registration statement on Form S-4 or Form S-8, or any other successor or other forms promulgated for similar purposes, or a registration statement in connection with an offering to employees of the Company and its Subsidiaries) that results in an active trading market in the Company's common stock; provided, that there shall be deemed to be an "active trading market" if the Company's common stock is listed or quoted on a national stock exchange or the NASDAQ National Market.

(bb) Shares: Shares of Common Stock of the Company, no par value per Share.

(cc) Subsidiary: A subsidiary corporation, as defined in Section 424(f) of the Code (or any successor section thereto).

3. SHARES SUBJECT TO THE PLAN

The total number of Shares which may be issued under the Plan is less than 15% of the total Shares outstanding, which shall not exceed 2,500,000 Shares. The Shares may consist, in whole or in part, of unissued Shares or treasury Shares. The issuance of Shares or the payment of cash upon the exercise of an Award shall reduce the total number of Shares available under the Plan, as applicable. Shares which are subject to Awards which terminate or lapse may be granted again under the Plan.

4. ADMINISTRATION

The Plan shall be administered by the Board of Directors or the Committee, which may delegate its duties and powers in whole or in part to any subcommittee thereof consisting solely of at least two individuals who are intended to

C-4

qualify as "non-employee directors" within the meaning of Rule 16b-3 under the Act (or any successor rule thereto) and "outside directors" within the meaning of Section 162(m) of the Code (or any successor section thereto). Awards may, in the discretion of the Committee, be made under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Company or its affiliates or a company acquired by the Company or with which the Company combines. The number of Shares underlying such substitute awards shall be counted against the aggregate number of Shares available for Awards under the Plan. The Committee is authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make any other determinations that it deems necessary or desirable for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems necessary or desirable. Any decision of the Committee in the interpretation and administration of the Plan, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to, Participants and their beneficiaries or successors). The Committee shall have the full power and authority to establish the terms and conditions of any Award consistent with the provisions of the Plan and to waive any such terms and conditions at any time (including, without limitation, accelerating or waiving any vesting conditions). The Committee shall require payment of any amount it may determine

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

to be necessary to withhold for federal, state, local or other taxes as a result of the exercise of an Award. Unless the Committee specifies otherwise, the Participant may elect to pay a portion or all of such withholding taxes by (a) delivery in Shares or (b) having Shares withheld by the Company from any Shares that would have otherwise been received by the Participant.

5. LIMITATIONS

No Award may be granted under the Plan after the tenth anniversary of the Effective Date, but Awards theretofore granted may extend beyond that date.

6. TERMS AND CONDITIONS OF OPTIONS

Options granted under the Plan shall be, as determined by the Committee, nonqualified or incentive stock options for federal income tax purposes, as evidenced by the related Award agreements, and shall be subject to the foregoing and the following terms and conditions and to such other terms and conditions, not inconsistent therewith, as the Committee shall determine:

- (a) Option Price. The Option Price per Share shall be determined by the Committee.
- (b) Exercisability. Options granted under the Plan shall be exercisable at such time and upon such terms and conditions as may be determined by the Committee, but in no event shall an Option be exercisable more than ten years after the date it is granted.
- (c) Exercise of Options. Except as otherwise provided in the Plan or in an Award agreement, an Option may be exercised for all, or from time to time any part, of the Shares for which it is then exercisable. For purposes of Section 6 of the Plan, the exercise date of an Option shall be the later of the date a notice of exercise is received by the Company and, if applicable, the date payment is received by the Company pursuant to clauses (i), (ii) or (iii) in the following sentence. The purchase price for the Shares as to which an Option is exercised shall be paid to

C-5

the Company in full at the time of exercise at the election of the Participant (i) in cash or its equivalent (e.g., by check); (ii) in Shares having a Fair Market Value equal to the aggregate Option Price for the Shares being purchased and satisfying such other requirements as may be imposed by the Committee; provided, that such Shares have been held by the Participant for no less than six months (or such other period as established from time to time by the Committee or generally accepted accounting principles); (iii) partly in cash and partly in such Shares; or (iv) through the delivery of irrevocable instruments to a broker to deliver promptly to the Company an amount equal to the aggregate Option price for the shares being purchased. No Participant shall have any rights to dividends or other rights of a stockholder with respect to Shares subject to an Option until the Participant has given written notice of exercise of the Option, paid in full for such Shares and, if applicable, has satisfied any other conditions

imposed by the Committee pursuant to the Plan.

- (d) ISOs. The Committee may grant to employees Options under the Plan that are intended to be ISOs. Such ISOs shall comply with the requirements of Section 422 of the Code (or any successor section thereto), including, without limitation the requirement that the Option Price per Share subject to an ISO shall not be less than 100% of the Fair Market Value of the Shares on the date an ISO is granted.. No ISO may be granted to any Participant who at the time of such grant, owns more than ten percent of the total combined voting power of all classes of stock of the Company or of any Subsidiary, unless (i) the Option Price for such ISO is at least 110% of the Fair Market Value of a Share on the date the ISO is granted and (ii) the date on which such ISO terminates is a date not later than the day preceding the fifth anniversary of the date on which the ISO is granted. Any Participant who disposes of Shares acquired upon the exercise of an ISO either (i) within two years after the date of grant of such ISO or (ii) within one year after the transfer of such Shares to the Participant, shall notify the Company of such disposition and of the amount realized upon such disposition.
- (e) Attestation. Wherever in this Plan or any agreement evidencing an Award a Participant is permitted to pay the exercise price of an Option or taxes relating to the exercise of an Option by delivering Shares, the Participant may, subject to procedures satisfactory to the Committee, satisfy such delivery requirement by presenting proof of beneficial ownership of such Shares, in which case the Company shall treat the Option as exercised without further payment and shall withhold such number of Shares from the Shares acquired by the exercise of the Option.

7. STOCK-BASED AWARDS

- (a) Generally. The Committee, in its sole discretion, may grant Awards of Shares, Awards of restricted Shares and Awards that are valued in whole or in part by reference to, or are otherwise based on the Fair Market Value of, Shares ("Stock-Based Awards"). Such Stock-Based Awards shall be in such form, and dependent on such conditions, as the Committee shall determine, including, without limitation, the right to receive one or more Shares (or the equivalent cash value of such Shares) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. Stock-Based Awards may be granted alone or in addition to any

C-6

other Awards granted under the Plan. Subject to the provisions of the Plan, the Committee shall determine to whom and when other Stock-Based Awards will be made, the number of Shares to be awarded under (or otherwise related to) such Stock-Based Awards; whether such Stock-Based Awards shall be settled in cash, Shares or a combination of cash and Shares; and all other terms and conditions of such Awards (including, without limitation, the vesting provisions thereof and provisions ensuring that all Shares so awarded and issued shall be fully paid and

non-assessable).

- (b) Performance-Based Awards. Notwithstanding anything to the contrary herein, certain Stock-Based Awards granted under this Section 8 may be granted in a manner which is deductible by the Company under Section 162(m) of the Code (or any successor section thereto) ("Performance-Based Awards"). A Participant's Performance-Based Award shall be determined based on the attainment of written performance goals approved by the Committee for a performance period established by the Committee (i) while the outcome for that performance period is substantially uncertain and (ii) no more than 90 days after the commencement of the performance period to which the performance goal relates or, if less, the number of days which is equal to 25 percent of the relevant performance period. The performance goals, which must be objective, shall be based upon one or more of the following criteria: (i) consolidated earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization); (ii) net income; (iii) operating income; (iv) earnings per Share; (v) book value per Share; (vi) return on shareholders' equity; (vii) expense management; (viii) return on investment; (ix) improvements in capital structure; (x) profitability of an identifiable business unit or product; (xi) maintenance or improvement of profit margins; (xii) stock price; (xiii) market share; (xiv) revenues or sales; (xv) costs; (xvi) cash flow; (xvii) working capital and (xviii) return on assets. The foregoing criteria may relate to the Company, one or more of its Subsidiaries or one or more of its divisions or units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee shall determine. In addition, to the degree consistent with Section 162(m) of the Code (or any successor section thereto), the performance goals may be calculated without regard to extraordinary items. The Committee shall determine whether, with respect to a performance period, the applicable performance goals have been met with respect to a given Participant and, if they have, to so certify and ascertain the amount of the applicable Performance Based Award. No Performance-Based Awards will be paid for such performance period until such certification is made by the Committee. The amount of the Performance-Based Award actually paid to a given Participant may be less than the amount determined by the applicable performance goal formula, at the discretion of the Committee. The amount of the Performance-Based Award determined by the Committee for a performance period shall be paid to the Participant at such time as determined by the Committee in its sole discretion after the end of such performance period; provided, however, that a Participant may, if and to the extent permitted by the Committee and consistent with the provisions of Section 162(m) of the Code, elect to defer payment of a Performance-Based Award.

C-7

8. ADJUSTMENTS UPON CERTAIN EVENTS

Notwithstanding any other provisions in the Plan to the contrary, the following provisions shall apply to all Awards granted under the Plan:

Edgar Filing: ADVANCED REFRIGERATION TECHNOLOGIES INC - Form PRER14C

- (a) Generally. In the event of any change in the outstanding Shares after the Effective Date by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of Shares or other corporate exchange, or any distribution to shareholders of Shares other than regular cash dividends or any transactions similar to the foregoing, the Committee in its sole discretion and without liability to any person may make such substitution or adjustment, if any, as it deems to be equitable, as to (i) the number or kind of Shares or other securities issued or reserved for issuance pursuant to the Plan or pursuant to outstanding Awards, (ii) the Option Price and/or (iii) any other affected terms of such Awards.
- (b) Change in Control. Except as otherwise provided in an Award agreement or an employment, severance or change in control agreement, in the event of a Change in Control or a Parent Triggering Event, the Committee in its sole discretion and without liability to any person may take such actions, if any, as it deems necessary or desirable with respect to any Award (including, without limitation, (i) the acceleration of an Award, (ii) the payment of a cash amount in exchange for the cancellation of an Award and/or (iii) the requiring of the issuance of substitute Awards that will substantially preserve the value, rights and benefits of any affected Awards previously granted hereunder) as of the date of the consummation of the Change in Control.

9. NO RIGHT TO EMPLOYMENT OR AWARDS

The granting of an Award under the Plan shall impose no obligation on the Company or any Subsidiary to continue the employment or service or consulting relationship of a Participant and shall not lessen or affect the Company's or Subsidiary's right to terminate the employment or service or consulting relationship of such Participant. No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants, or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee's determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not such Participants are similarly situated).

10. SUCCESSORS AND ASSIGNS

The Plan shall be binding on all successors and assigns of the Company and a Participant, including without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

11. NONTRANSFERABILITY AWARDS

Unless otherwise determined by the Committee or as hereinafter provided, an Award shall not be transferable or assignable by the Participant otherwise than by will or by the laws of descent and distribution. An Award exercisable after the death of a Participant may be exercised by the legatees, personal representatives or distributees of the Participant. However, unless the Award agreement provides otherwise, a Participant may transfer his or her rights under a nonqualified Option agreement, by assignment, satisfactory in form and substance to the Committee, to a trust or similar entity established solely for

the benefit of the Participant's lineal descendants; provided, that such assignee must first agree to be bound by the same terms and conditions as the Participant with respect to such Option; and provided, further, that the rights of such assignee shall not themselves be transferable.

12. AMENDMENTS OR TERMINATION

The Board may amend, alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which, (a) without the approval of the shareholders of the Company, would (except as is provided in Section 9 of the Plan), increase the total number of Shares reserved for the purposes of the Plan or change the maximum number of Shares for which Awards may be granted to any Participant or (b) without the consent of a Participant, would impair any of the rights or obligations under any Award theretofore granted to such Participant under the Plan; provided, however, that the Committee may amend the Plan in such manner as it deems necessary to permit the granting of Awards meeting the requirements of the Code or other applicable laws. Notwithstanding anything to the contrary herein, the Board may not amend, alter or discontinue the provisions relating to Section 8(b) of the Plan after the occurrence of a Change in Control.

13. INTERNATIONAL PARTICIPANTS

With respect to Participants who reside or work outside the United States of America and who are not (and who are not expected to be) "covered employees" within the meaning of Section 162(m) of the Code, the Committee may, in its sole discretion, amend the terms of the Plan or Awards with respect to such Participants in order to conform such terms with the requirements of local law.

14. CHOICE OF LAW

The Plan shall be governed by and construed in accordance with the laws of the State of California, without regard to conflicts of laws.

15. EFFECTIVENESS OF THE PLAN

The Plan shall be effective as of the Effective Date.