

# OPTICAL SYSTEMS, INC.

## CONSOLIDATED BALANCE SHEET (Unaudited)

	<u>December 31, 2007</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Bank Accounts	\$ 36,251
Accumulated receivables	27,585
Employee advances	<u>9,146</u>
Total Current Assets	72,982
Fixed assets, less accumulated depreciation of \$3,475	66,025
Other Assets:	
Cost of subsidiary	300,000
Stock subscription receivables	<u>217,000</u>
Total Assets	<u>\$ 656,007</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>	
Current Liabilities	
Accounts payable	\$ 1,907
Accrued payroll liabilities	<u>27,722</u>
Total Current Liabilities	<u>29,629</u>
Shareholders' Equity:	
Preferred stock, \$.0001 par value, authorized 10,000,000 shares; 0 outstanding	9,457
Common stock, \$.0001 par value authorized 200,000,000 shares; 94,570,000 issued	2,379,487
Additional Paid in Capital	(1,762,566)
Accumulated Deficit	<u>626,378</u>
Total Stockholders' Equity	<u>\$ 656,007</u>

\*These financial statements and notes thereto present fairly, in all material respects, the financial position of the company and the results of its operations and cash flows for the periods presented, in conformity with the accounting principles generally accepted in the United States, consistently applied and hereby certified by B.J. Grisaffi for Optical Systems, Inc.

The accompanying notes are in integral parts of these financial statements

OPTICAL SYSTEMS, INC  
CONSOLIDATED  
STATEMENTS OF CASH FLOWS  
(unaudited)

	<u>Year Ended</u> <u>December 31, 2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net loss	\$(109,522)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	3,475
Increase (decrease) in cash resulting from changes in current operating assets and liabilities:	(36,731)
Total adjustments	<u>29,629</u>
Net cash provided by (used in ) operating activities	(3,627)
	(113,149)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Additions to property and equipment	300,000
Cost of Subsidiary	65,500
Increase in stock subscription receivables	<u>217,000</u>
Net cash used by investing activities	(586,500)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Sale of common stock	360,000
Issuances of common stock for acquisition	369,500
Issuance of common stock for services	6,400
Net cash provided by financing activities	735,900
<b>DECREASES IN CASH:</b>	
Cash beginning of period	-0-
Cash end of period	<u>\$36,251</u>

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OPTICAL SYSTEMS, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)

	Year ended <u>December 31, 2007</u>
REVENUE:	\$50,555
Software Sales	9,930
Hardware Sales	<u>          </u>
Total	60,491
Operating expenses:	
Payroll and related fringe costs	100,374
Selling and marketing	24,287
Administrative	41,882
Depreciation	3,475
Total operating expenses	<u>157,013</u>
(loss)	
Income from operations	(109,522)
Other income (expense):	
Interest Expense	
Interest Income	
Total other income (expense)	-
Net Income (loss)	<u><u>\$(109,522)</u></u>
Net (loss) per share	<u><u>\$(.002)</u></u>
Weighted average common shares outstanding	<u>44,030,000</u>

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OPTICAL SYSTEMS, INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(unaudited)

	<u>Common Stock</u> <u>Par value .0001</u>		Additional Paid in Capital	Accumulated Deficit	Total Stockhold ers' Equity
	<u>Shares</u>	<u>Amount</u>			
Balance, December 31, 2006	6,510,000	\$651	\$1,652,393	\$(1,653,044)	\$-0-
Issuance of common stock in acquisition of Automotive Software Designers, Inc.	75,000,000	7,500	369,500		369,500
Sale of common stock	9,000,000	900	359,100		360,000
Issuance of stock to employees & consultant	4,060,000	406	5,994		6,400
Net loss for the year				(109,522)	(109,522)
Balance December 31, 2006	<u>94,570,000</u>	<u>\$9,457</u>	<u>\$2,379,487</u>	<u>\$(1,762,566)</u>	<u>\$626,378</u>

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## OPTICAL SYSTEMS, INC

### Note 1.-General Organization and Business

#### (OSI)

Optical Systems, Inc. was formed and incorporated in the state of New Jersey in 1992. The Company was the successor in a reverse merger transaction effective June 30, 1997, changing the state of domicile to Florida and resulting in OSI stock trading on OTC Bulletin Band system using the symbol: OPSY. In May 2008 the company filed a Chapter 7 voluntary Bankruptcy court petitions and all assets were applied to liabilities. In May 2001 a final decree was entered and the bankruptcy case closed.

The Company (OSI) was inactive until October 2007 when it acquired Automotive Software Designers, Inc., a Nevada corporation, with the issuance of 75,400,000 shares of common stock. In anticipation of the acquisition, OSI amended its articles of incorporation to increase common stock to 200,000,000 shares with a par value of \$.0001. Automotive Software Designers, Inc. is the successor to the business of ASDI two shareholders who are officers of OSI. ASDI owns and distributes a completely integrated management system for new and used care dealerships.

### Note 2.-Summary of Significant Accounting Practices

#### *Accounting Basis*

The basis is generally accepted accounting principles

#### *Earnings per Shares*

The basic earnings (loss) per share are calculated by dividing the Company's net income available to common shareholders by the weighted average number of common shares during the year. The diluted earnings (loss) per share is calculated by dividing the Company's net income (loss) available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted as of the first of the year for any potentially dilutive debt or equity.

#### *Dividends*

The Company has not yet adopted any policy regarding payment of dividends. Not dividends have been paid during the periods shown.

#### *Income Taxes*

The provision for income taxes is the total of the current taxes payable and the net of the change in the deferred income taxes. Provision is made for the deferred income taxes where differences exist between the periods in which transactions affect current taxable income and the period in which they enter into the determination of net income in the financial statements.

#### *Use of Estimates*

The preparation of financial statements in conformity 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### Note 3. Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company's continuation as a going concern is dependent on its ability to meet its obligations, to obtain additional financing as may be required and ultimately to attain profitability. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

#### Note 4. Stockholders' Equity

##### Authorized

The Company is authorized to issue 200,000,000 shares of \$0.0001 par value common stock and 10,000,000 shares of \$0.0001 par value preferred stock. All common stock shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company. The preferred shares may be issued in series, with the powers, rights and limitations of the preferred shares to be determined by the Board.

#### Note 5. Provision for Income Taxes

The Company provides for income taxes under Statement of Financial Accounting Standards NO.109 Accounting for Income Taxes SFAS No. 109 requires the use of an asset and liability approach in accounting for income taxes. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect when these differences are expected to reverse.

SFAS No. 109 requires the reduction of deferred tax assets by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. All of the expenditures thus far have been to organize the Company and will not be expensed for tax purposes until the Company has operations.

The provision for income taxes is comprised of the net changes in deferred taxes less the valuation account plus the current taxes payable as shown in the chart below.

Net changes in Deferred Tax Benefit less than valuation account	0
Current Taxes Payable	<u>0</u>
Net Provision for Income Taxes	<u>0</u>

The Federal Income Tax filings are not current with the Company.

These financial statements, and the notes thereto, are based on the best information currently available to the Company, and the best of my knowledge present fairly, in all material respects, the financial position of the Issuer and the results of its operations and cash flow for the periods presented, in conformity with accounting principles generally accepted in the United States, consistently applied and certified by B. J. Grisaffi, CEO of Optical Systems, Inc.

B. J. Grisaffi

A large, stylized handwritten signature in black ink, appearing to read 'B. J. Grisaffi', written over a horizontal line.

Chief Executive Officer

Optical Systems, Inc.