

Optical Systems, Inc  
Consolidated Balance Sheet  
June 30, 2008  
(Unaudited)

Assets	
Current Assets	
Cash	\$ 12,046
Accounts Receivable	2,346
Employee Advances	21,546
Total Current Assets	<u>35,938</u>
Fixed Assets Less accumulated depreciation of \$8,688	<u>61,329</u>
Other Assets	
Cost of Subsidiary	300,000
Subscription Receivable	382,000
Total Other Assets	<u>682,000</u>
Total Assets	<u>\$ 779,267</u>
Liabilities and Shareholders' Equity	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 25,429.00
Accrued Payroll Taxes	76,758
Accrued Sales Tax	9,264
Total Current Liabilities	<u>111,451</u>
Long Term Liabilities	
Due from ASD, Inc	-
Loan from Optical Systems, Inc	-
Total Long Term Liabilities	<u>-</u>
Total Liabilities	<u>111,451</u>
Equity	
Preferred Stock-	-
\$.0001 par value , authorized 10,000,000 shares	
No shares outstanding	
Common Stock-	10,557
\$.0001 par value, authorized 200,000,000 shares	
105,570,000 issued	
Additional Paid in Capital	2,818,387
Retained Earnings	(1,759,633)
Net Income (loss)	(401,494)
Total Equity	<u>667,816</u>
Total Liabilities and Equity	<u>\$ 779,267</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 period presented, in conformity with accounting principles generally accepted in the United States, consistently applied and hereby certified by B.J. Grisaffi, CEO for Optical Systems, Inc.

The accompanying notes are an integral part of these financial statements.

Optical Systems, Inc  
Consolidated Statements of Operations  
(Unaudited)

	Six Months Ended June 30, 2008
Revenue	
Software Sales	\$ 98,868
Total	98,868
Operating Expenses:	
Payroll and related fringe costs	302,914
Selling and Marketing	14,820
Administrative	177,415
Depreciation	5,213
Total Expenses	500,362
Net Loss	\$ (401,494)
Net Loss per share	\$ (0.004)
Weighted average common shares outstanding	96,820,000

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Optical Systems, Inc  
Consolidated Statements of Operations  
(Unaudited)

Quarter Ended  
June 30, 2008

Revenue	
Software Sales	\$ 55,698
Total	<u>55,698</u>
Operating Expenses:	
Payroll and related fringe costs	164,778
Selling and Marketing	7,402
Administrative	137,736
Depreciation	<u>2,606</u>
Total Expenses	<u>312,522</u>
Net Loss	<u>\$ (256,824)</u>
Net Loss per share	\$ (0.003)
Weighted average common shares outstanding	99,070,000

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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 Stockholders' Equity
	<u>Shares</u>	<u>Amount</u>			
Balance, December 31, 2007	94,570,000	\$9,457	\$2,379,487	\$(1,759,634)	\$629,310
Net(loss) for the quarter				(144,670)	(144,670)
Balance March 31, 2009	94,570,000	\$9,457	2,379,487	(1,904,304)	484,640
Common Stock issued for Subscription Receivable	9,000,000	900	359,100		360,000
Common Stock issued for services	2,000,000	200	79,800		80,000
Net (loss) for the quarter				(256,824)	(256,824)
Balance, June 30, 2008	<u>105,570,00</u>	<u>\$10,557</u>	<u>\$2,818,387</u>	<u>\$(2,161,128)</u>	<u>\$(667,816)</u>

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

	<u>Quarter Ended June 30, 2008</u>	<u>Six Months Ended June 30, 2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$(256,824)	\$(401,494)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	2606	5212
Increase (decrease) in cash resulting from changes in current operating assets and liabilities:	<u>(93,211)</u>	<u>(13,631)</u>
Net cash provided by (used in ) operating activities	(347,429)	(409,913)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to property and equipment		(516)
Increase in stock subscription receivables	<u>(205,000)</u>	<u>(122,000)</u>
Net cash used by investing activities	(205,000)	(122,516)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issuance of Common Stock	<u>440,000</u>	<u>440,000</u>
<b>DECREASE IN CASH:</b>	(112,429)	(112,429)
Cash beginning of period	<u>124,475</u>	<u>124,475</u>
Cash end of period	<u>\$12,046</u>	<u>\$12,046</u>

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The accompanying notes are an integral part of these financial statements.

## OPTICAL SYSTEMS, INC

### Note 1.-General Organization and Business

Optical Systems, Inc. (OSI) 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 2000 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 to 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

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Chief Executive Officer

Optical Systems, Inc.