



Cygnus eTransactions Group, Inc.

Consolidated Financial Statements

September 30, 2007

Cygnus eTransactions Group, Inc.
Condensed Consolidated Balance Sheets
For the Nine and Twelve Months Ended September 30, 2007 and December 31, 2006
(Unaudited)

ASSETS

	September 30, 2007	December 31, 2006
CURRENT ASSETS		
Cash and cash equivalents	\$ 214,700	\$ 665,765
Accounts receivable - trade, net	135,025	591,659
Deposits	377,968	407,640
Other current assets	311,691	282,332
	1,039,384	1,947,396
TOTAL CURRENT ASSETS		
Property and equipment, net	315,491	471,658
Other assets, net	3,247,889	3,134,997
	3,563,380	3,606,655
TOTAL ASSETS		
	\$ 4,602,763	\$ 5,554,050

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable, trade	\$ 358,775	\$ 461,697
Accounts payable, sales	1,243,771	2,764,419
Accrued expenses	17,229	11,424
Note Payable, net of discount	1,196,360	573,935
Deferred revenue	700,622	1,148,676
Other current liabilities	157,437	157,437
	3,674,195	5,117,589
TOTAL CURRENT LIABILITIES		
Accrued expenses, less current portion	-	-
Deferred revenue	219,692	445,579
Note Payable, net of discount	75,000	75,000
Commitments and contingencies		
	294,692	520,579
TOTAL LIABILITIES		
	3,968,887	5,638,168
Stockholder's Equity:		
Common stock - par value \$.001 per share	40,279	40,279
Additional paid-in capital - common stock	3,622,075	3,622,075
Accumulated deficit	(3,028,478)	(3,746,472)
	633,876	(84,118)
TOTAL STOCKHOLDER'S EQUITY		
	633,876	(84,118)
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY		
	\$ 4,602,763	\$ 5,554,050

Cygnus eTransactions Group, Inc.
Condensed Consolidated Statements of Operations
For the Three & Nine Months Ended September 30, 2007 and 2006
(Unaudited)

	Three Month Period Ended September 30, 2007	Three Month Period Ended September 30, 2006	Nine Month Period Ended September 30, 2007	Nine Month Period Ended September 30, 2006
REVENUES:				
Service & Processing fees	\$ 955,331	\$ 1,283,466	\$ 2,740,788	\$ 2,638,689
COST OF REVENUE:				
Costs of providing services	<u>282,541</u>	<u>364,281</u>	<u>873,529</u>	<u>785,064</u>
GROSS PROFIT	672,790	919,185	1,867,259	1,853,625
General and Administrative Expenses	418,651	460,398	1,335,900	1,371,317
Amortization of intangibles	112,974	98,175	338,922	294,788
Legal Settlement	<u>-</u>	<u>-</u>	<u>(800,000)</u>	<u>-</u>
	<u>531,625</u>	<u>558,573</u>	<u>874,822</u>	<u>1,666,105</u>
INCOME (LOSS) FROM OPERATIONS	141,165	360,612	992,437	187,520
OTHER INCOME AND EXPENSES				
Interest income	-	-	-	-
Interest expense	<u>(13,173)</u>	<u>(14,809)</u>	<u>(37,885)</u>	<u>(53,332)</u>
NET INCOME (LOSS) BEFORE INCOME TAXES AND DEPRECIATION EXPENSE	127,992	345,803	954,552	134,188
INCOME TAX EXPENSE	(1,058)	-	(1,058)	-
DEPRECIATION EXPENSE	<u>(85,500)</u>	<u>(75,000)</u>	<u>(235,500)</u>	<u>(225,000)</u>
NET INCOME (LOSS)	<u>\$ 41,434</u>	<u>\$ 270,803</u>	<u>\$ 717,994</u>	<u>\$ (90,812)</u>

Cygnus eTransactions Group, Inc.
Condensed Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2007 & 2006
(Unaudited)

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ 717,994	\$ (90,812)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	574,422	519,788
Issuance of restricted stock for services	-	-
Loss on sale of equipment	-	4,437
Changes in assets & liabilities:		
Accounts and notes receivable	156,554	14,896
Capitalized expenses	(451,814)	(447,107)
Deposits & advances	312	232,506
Accounts payable	(102,922)	(172,359)
Accounts payable - sales	(48,067)	10,976
Accrued expenses	8,305	(357,035)
Deferred revenue	(623,941)	(165,896)
Other	-	-
	<u>230,842</u>	<u>(450,606)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(79,333)	(46,778)
Sale of equipment	-	22,500
	<u>(79,333)</u>	<u>(24,278)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from common stock financing, net	-	125,000
Debt financing, net	(602,575)	93,911
	<u>(602,575)</u>	<u>218,911</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
DECREASE IN CASH AND CASH EQUIVALENTS	(451,065)	(255,974)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>665,765</u>	<u>377,499</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 214,700</u>	<u>\$ 121,525</u>

CYGNUS eTRANSACTIONS GROUP, INC.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1. GENERAL ORGANIZATION AND BUSINESS

Cygnus eTransactions Group, Inc. (previously known as Antiquescollections.com, Inc., a Colorado corporation) was originally formed by the filing of Articles of Incorporation with the Secretary of State of Colorado on July 25, 2000. Antiquescollections.com, Inc., a Nevada corporation, was formed by the filing of Articles of Incorporation in the State of Nevada on July 6, 2004. On July 26, 2004 Antiquescollections.com, Inc. (Colorado) merged with Antiquescollections.com, Inc. (Nevada) for purposes of changing domicile only. Subsequent to such merger, Antiquescollections.com, the surviving entity, filed with the Nevada Secretary of State, an amendment to its Articles of Incorporation, changing its corporate name to "Cygnus eTransactions Group, Inc", herein after referred to as the "Company" or "Cygnus".

On January 14, 2005, the Company approved the merger of Cygnus Entertainment, Inc., a Florida corporation, into Cygnus eTransactions Group, Inc. Upon completion of the merger, Cygnus eTransactions Group, Inc. owned 100% of Cygnus Entertainment, Inc. in exchange for 6,366,028 shares of restricted common stock in the Company. A 3:1 stock split was accomplished in March 2005.

Cygnus is a transaction driven company that processes sales and payments for its customers' wholesale and retail sales and distribution channels. The Company utilizes its proprietary technologies to service primarily the leisure industry as North America's leading provider of e-commerce and kiosk ticketing systems for amusement parks. The Company provides smart client online sales engines; electronic, print at home, and traditional delivery of tickets to consumers; virtual inventory distribution for 3rd party sales channels; online sales of merchandise, lodging, rentals, ground transportation, shows and events; self service ticketing systems with electronic will-call; and on-property box office management systems. Additionally, the Company provides a cePay® payment processing system that allows its leisure customers and dedicated financial processing customers to obtain credit card, debit card, and e-check payment processing through a consolidated payment solution. cePay® is implemented utilizing a plug 'n' play Virtual Terminal or a proprietary Application Programming Interface (API). Cygnus' cePay® customers enjoy consolidated reporting across multiple financial vehicles (credit / debit cards and e-checks), card present and e-commerce sales channels utilizing a friendly web interface.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of the Company. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For financial reporting purposes, the Company considers short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost. Furniture and equipment are depreciated using the straight-line method over the estimated lives (three to seven years) of the assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Such depreciation and amortization is included in other general and administrative expenses on the consolidated statements of operations.

Research and Development

Research and development costs are charged to operations in the year incurred. The cost of certain equipment used in research and development activities which have alternative uses is capitalized as equipment and depreciated using the straight-line method over the estimated lives of the assets. Total expenditures on research and development for the years ended December 31, 2006 and 2005 were approximately \$228,145 and \$318,522, respectively.

Earning (Loss) per Share

The basic earnings (loss) per share is 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 adopted any policy regarding payment of dividends. No dividends have been paid during the periods shown.

Income Taxes

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Realization of deferred tax assets is dependent upon generating sufficient taxable income prior to their expiration. Management believes that there is a risk that these deferred tax assets may expire unused and, accordingly, has established a valuation allowance against them.

Stock Based Compensation

The Company accounts for its stock based compensation based on provisions in SFAS No. 123, Accounting for Stock-Based Compensation which utilizes the fair method for the valuation of its securities given as compensation. The Company has adopted a Restricted Stock Plan.

Advertising

Advertising is expensed when incurred.

Revenue

The Company derives its revenue from primarily two sources: (i) fees associated with providing a payment processing system that allows our customers to obtain credit card, debit card, and e-check payment processing through a consolidated payment solution and (ii) fees associated with providing proprietary technologies to service primarily the leisure industry as North America's leading provider of e-commerce and kiosk ticketing systems for amusement parks. The Company provides smart client online sales engines; electronic, print at home, and traditional delivery of tickets to consumers; virtual inventory distribution for 3rd party sales channels; online sales of merchandise, lodging, rentals, ground transportation, shows and events; self service ticketing systems with electronic will-call; and on-property box office management systems. Revenue is recognized in the period of the sales transaction.

Cost of Revenue

Cost of Revenue consists of costs incurred to provide our services to customers in the period that services were provided.

NOTE 3. STOCKHOLDERS' EQUITY

Preferred Stock

No preferred stock has been issued.

Common Stock

In February 2006, the Company sold 300,000 shares of restricted Common Stock to an individual in exchange for \$75,000 in cash.

In April 2006, the Company converted a short-term note payable into 1,000,000 shares of restricted Common Stock to an individual. The value of the note payable at the time of the conversion was \$50,000.

NOTE 4. RELATED PARTY TRANSACTIONS

The Company had an outstanding note payable with one of its former officers. The note was entered into while the former officer was an officer of the Company. The note was paid in full as of June 30, 2007.

The Company has entered into a consulting agreement with one of its former directors in which the Company pays a monthly fee for consulting services to the former director. The agreement was entered into while the former director was a director of the Company.

The Company has entered into an agreement with one of its former directors. The agreement was entered into while the former director was a director of the Company and called for payment to the director for travel to and attendance at board of directors meetings.

The Company has outstanding notes payable with two of its officers as of June 30, 2007. The notes were entered into during 2006 and the balance of the notes is included in Notes Payable at June 30, 2007.

NOTE 5. 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 basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Realization of deferred tax assets is dependent upon generating sufficient taxable income prior to their expiration. Management believes that there is a significant risk that these deferred tax assets may expire unused and, accordingly, has established a valuation allowance against them.

There was no federal or state income tax expense for the period ended December 31, 2006.

NOTE 6. PROPERTY & EQUIPMENT

Property and Equipment at September 30, 2007 and December 31, 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Leasehold Improvements	\$ 18,232.95	\$ 18,232.95
Off Site Equipment	663,734.39	666,943.32
Office Equipment	467,802.01	385,260.18
Fixed Assets - Other	499,430.86	499,430.86
	<u>1,649,200.21</u>	<u>1,569,867.31</u>
Less Accumulated Depreciation	<u>1,333,709.38</u>	<u>1,098,209.38</u>
	<u>\$ 315,490.83</u>	<u>\$ 471,657.93</u>

NOTE 7. CAPITALIZED SOFTWARE

The Company has adopted FASB Statement No. 86, Accounting for the Costs of Software to be Sold, Leased, or Otherwise Marketed. In accordance with this pronouncement, costs to establish the technological feasibility of software applications developed by the Company are charged to expense as incurred. Certain costs incurred subsequent to achieving technological feasibility are capitalized. Accordingly, the Company capitalizes a portion of the internal labor costs and associated expenses associated with development of our products and enhancement activities. Costs associated with conceptual design and feasibility assessments as well as maintenance and routine changes are expensed as incurred. Capitalized costs are amortized based on current or future revenue for each product with an annual minimum equal to the straight-line basis over the estimated economic lives of the applications, generally 10 years.

NOTE 8. NOTES PAYABLE

In 2001, the Company entered into a loan agreement with Huntington National Bank for \$100,000. The terms of the note called for an annual interest rate of prime plus 2.5%. The current terms of the note call for interest only payments.

In September 2005, the Company entered into a loan agreement with Cilantro Fund Ltd. Partnership. The terms of the note called for an annual interest rate of 12%, common stock to be issued at an annual rate of 6% on the original loan amount and converted at a rate of \$1.25 per share and, at the option of the lender, conversion of the note amount into common stock at conversion rate of \$0.75 per share. The note matured on December 1, 2005 at which time the terms were altered by mutual agreement of the parties. The note was converted to restricted common stock in January 2006 at a rate of approximately \$0.32 per share.

In June 2005, the Company entered into a loan agreement with an individual for \$50,000. The terms of the note called for an annual interest rate of 12% and common stock to be issued at an annual rate of 5% on the original loan amount and converted at a rate of \$0.68 per share. The note matured in September 2005 and is still outstanding. The individual has the right to enforce a provision of the note that calls for the issuance of 25,000 common stock warrants at \$0.50 per share as a penalty for late payment. In December 2005, the Company altered the terms by mutual agreement with the individual when the Company borrowed an additional \$50,000 from the individual. The note was still outstanding at September 30, 2007.

In June 2005, the Company entered into a loan agreement with an officer of the Company for \$75,990. The terms of the note called for an annual interest rate of 12% and common stock to be issued at an annual rate of 5% on the original loan amount and converted at a rate of \$0.68 per share. The note matured in September 2005 and is still outstanding.

In December 2004, the Company agreed to purchase the stock of a former employee as consideration in settlement of a law suit brought by the former employee. The agreement called for payments to be made over time to the individual. The Company recorded the full liability at the time of the settlement and had no obligation to the individual at December 31, 2006.

In March 2006, the Company entered into a loan agreement with one of its officers for \$50,000. The terms of the note called for annual interest of 12%. The Company had an outstanding balance on the note of \$25,000 at September 30, 2007.

In February 2007, the Company reached a settlement agreement with a former customer regarding a lawsuit brought by the former customer. At the time of the settlement the Company recorded the settlement agreement in Notes Payable. Since the Company had previously recorded the potential liability to the customer as Accounts Payable – Sales, the amount of the settlement was reclassified to Notes Payable at the time of the settlement. The settlement amount was paid in full at September 30, 2007.

In March 2007, the Company reached a settlement agreement with a former customer regarding a lawsuit brought by the former customer. At the time of the settlement the Company recorded the settlement agreement in Notes Payable. Since the Company had previously recorded the potential liability to the customer as Deferred Revenue, the amount of the settlement was reclassified to Notes Payable at the time of the settlement. The Company had an outstanding balance on the agreement at September 30, 2007.

In April 2007, the Company reached a settlement agreement with a former customer regarding a lawsuit brought by the former customer. At the time of the settlement the Company recorded the settlement agreement in Notes Payable. Since the Company had previously recorded the potential liability to the customer as Accounts Payable – Sales, the amount of the settlement was reclassified to Notes Payable at the time of the settlement. The Company believes that the previously accrued potential liability was accrued at a much larger than necessary amount. Subsequent to the settlement, the Company has adjusted the amount of the liability down to an amount equal to the settlement amount. The adjustment was recorded as a reduction of operating expenses in the income statement at June 30, 2007 under the caption "Legal

Settlement". The Company had an outstanding balance on the agreement at September 30, 2007.

NOTE 9. THE EFFECT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123." Statement No. 148 amends Statement No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, Statement No. 148 amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements. We do not expect the adoption of SFAS No. 148 to have a material impact on our financial position or results of operations.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 (SFAS 150), "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity". SFAS No. 150 requires that certain financial instruments, which under previous guidance were accounted for as equity, must now be accounted for as liabilities. The financial instruments affected include mandatory redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets and certain obligations that can be settled with shares of stock. SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, although certain aspects have been delayed pending further clarifications. We do not expect the adoption of SFAS No. 150 to have a material impact on our financial position or results of operations.

In December 2003, the SEC issued Staff Accounting Bulletin ("SAB") No. 104 "Revenue Recognition" which codifies, revises and rescinds certain sections of SAB No. 101, "Revenue Recognition", in order to make this interpretive guidance consistent with current authoritative accounting and auditing guidance and SEC rules and regulations. The changes noted in SAB No. 104 did not have a material effect on our financial position or results of operations.

In December 2003, the FASB revised Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" which it had originally issued in January 2003. As revised, FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. As revised, application of FIN 46 is required for interests in special-purpose entities for periods ending after December 15, 2003. Application for all other types of entities covered by FIN 46 is required in financial statements for periods ending after March 15, 2004. The adoption of FIN 46 as revised is not expected to have a material impact on our financial position or results of operations.

NOTE 10. LEGAL

In March 2006 Universal City Studios LLLP filed suit in the Circuit Court of the Ninth Judicial Circuit, Orange County, Florida, Cause No. 2006-CA-2430 and styled *Universal City Studios LLP, a Delaware limited liability partnership, f/k/a Universal City Studios, Inc. v. Cygnus eTransactions Group, Inc., a Nevada corporation, successor by merger to Cygnus Entertainment, Inc. a Florida corporation* alleging claims of breach of contract and seeking damages in excess of \$75,000. Plaintiff alleges that the Company entered into certain agreements to process electronic ticket sales to Plaintiff's various theme parks and breached such agreements by failing to remit ticket revenues and failure to report and record ticket sales to Plaintiff. The Company reached a settlement agreement with the Plaintiff in February 2007. The Company met the requirements of the settlement agreement and in August 2007, the Court issued an Order of Dismissal citing that the plaintiff, *Universal City Studios LLP*, voluntarily dismissed this action in its entirety.

On June 9, 2006 Expedia Inc. filed suit in the Superior Court of the State of Washington for King County, Cause No. 06-2-19055-6SEA and styled *Expedia Inc. v. Cygnus eTransactions Group, Inc., a Nevada Corporation* alleging claims of breach of contract and seeking damages of \$75,000. Plaintiff alleges that the Company did not meet certain obligations within a specified period of time as required in an agreement between the parties and failure to honor a previous settlement agreement. The Company reached a settlement with the Plaintiff in March 2007. The agreement was recorded in Notes Payable at September 30, 2007. In the opinion of the Company, the settlement will not have a material effect on the operations of the Company.

On March 23, 2006 Universal City Development Partners, Ltd. filed suit in the Circuit Court of the Ninth Judicial Circuit, Orange County, Florida, Cause No. 2006-CA-2431 and styled *Universal City Development Partners, Ltd., a Florida limited liability partnership v. Cygnus eTransactions Group, Inc., a Nevada corporation, successor by merger to Cygnus Entertainment, Inc. a Florida corporation* alleging claims of breach of contract and seeking damages in excess of \$75,000. Plaintiff alleges that Cygnus Entertainment, Inc. entered into certain agreements to process electronic ticket sales to Plaintiff's various theme parks and breached such agreements by failing to properly process tickets, failure to remit ticket revenues, and failure to report and record ticket sales to Plaintiff. The Company reached a settlement agreement with the Plaintiff in April 2007. The agreement was recorded in Notes Payable at September 30, 2007. In the opinion of the Company, the settlement will not have a material effect on the operations of the Company.

NOTE 11. SUBSEQUENT EVENTS

On October 19, 2007, the Board of Directors of the Company informed then-CEO J. Richard Crowley that his employment would be terminated as of October 29, 2007.

On November 1, 2007, the Company hired Steven K. Brown as President and Chief Executive Officer. Mr. Brown will also occupy a seat on the Company's Board of Directors.

CERTIFICATION

I, Steven K. Brown, Chief Executive Officer of Cygnus eTransactions Group, Inc., hereby certify that the unaudited consolidated financial statements and related footnotes hereto fairly present, in all material respects, the financial position, results of operations and cash flows as of and for the period ended September 30, 2007, in conformity with accounting principles generally accepted in the United States, consistently applied.

Dated this 6th day of December, 2007

/s/ Steven K Brown

Steven K. Brown