

Reeltime Rentals, Inc.

34233 Pacific Hwy S. Suite 128
Federal Way, Washington 98003

Unaudited Financial Statements
For Years Ended December 31, 2008 And 2007

The accompanying notes are an integral part of these financial statements

| | <u>2008</u> | <u>2007</u> |
|---------------------------|-------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ - | \$ 1,957 |
| Cash - restricted | 1,000 | 233,000 |
| | <u>1,000</u> | <u>234,957</u> |
| Accounts Receivable | 393 | - |
| Related party receivables | 94,975 | 75,753 |
| Prepaid expenses | 16,782 | 56,059 |
| Total current assets | <u>113,149</u> | <u>366,769</u> |
| Fixed Assets - Net | 31,853 | 34,644 |
| Other Assets | | |
| Deposits - noncurrent | 230 | 230 |
| Technology acquisition | 28,500 | 25,000 |
| Other | - | - |
| TOTAL ASSETS | <u>\$ 173,732</u> | <u>\$ 426,643</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|---|-------------------|-------------------|
| Current Liabilities | | |
| Bank overdraft | \$ 24,218 | \$ 16,203 |
| Accounts payable | 289,517 | 159,421 |
| Related party loans | 348,183 | 10,532 |
| Deferred compensation | 150,830 | 150,830 |
| Accrued liabilities | 188,071 | 47,741 |
| Total current liabilities | <u>1,000,819</u> | <u>384,727</u> |
| TOTAL LIABILITIES | 1,000,819 | 384,727 |
| Shareholders' Equity(Deficit) | | |
| Common stock, no par value, 200,000,000 shares authorized, 199,899,999 shares issued and outstanding at December 31, 2008 | 3,298,715 | 2,975,154 |
| 200,000,000 shares authorized, 167,694,586 shares issued and outstanding at December 31, 2007 | | |
| Stock subscription receivable | (149,640) | (224,446) |
| Paid-in-capital | 148,436 | 144,409 |
| Deficit accumulated during the development stage | (4,124,598) | (2,853,201) |
| TOTAL SHAREHOLDERS' EQUITY(DEFICIT) | <u>(827,087)</u> | <u>41,916</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY(DEFICIT) | <u>\$ 173,732</u> | <u>\$ 426,643</u> |

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REELTIME RENTALS, INC.
(A Development Stage Company)
Statement of Operations

For the years ended December 31, 2008 and 2007 and from inception (June 24, 2004) to December 31, 2008

| | 2008 | 2007 | From Inception (June 24, 2004) to December 31, 2008 |
|---|----------------|----------------|---|
| Sales | \$ 3,010 | \$ 26,543 | \$ 31,383 |
| Cost of Sales | (296,336) | (147,093) | (452,247) |
| Gross Profit (Loss) | (293,326) | (120,550) | (420,863) |
| Expenses | | | |
| General and administrative | (921,750) | (983,876) | (3,546,954) |
| Technical | (43,149) | (90,000) | (297,703) |
| Depreciation | (16,060) | (16,562) | (45,939) |
| | (980,958) | (1,090,438) | (3,890,596) |
| Other Income | | | |
| Technology transfer | - | - | 149,582 |
| Other income | 2,887 | 29,562 | 37,280 |
| Net Loss | \$ (1,271,397) | \$ (1,181,427) | \$ (4,124,598) |
| Net Loss Per Common Share: | | | |
| Basic and fully diluted | (\$0.01) | (\$0.01) | |
| Weighted Average Number Of Common Shares: | | | |
| Basic and fully diluted | 190,458,344 | 138,785,898 | |

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REELTIME RENTALS, INC.
(A Development Stage Company)
STATEMENTS OF SHAREHOLDERS' EQUITY(DEFICIT)

| | Common Stock | | Deficit Accumulated During The Development Stage | Stock Subscriptions | Paid-in- Capital | Total Shareholders' Equity(Deficit) |
|---|--------------|--------------|--|------------------------|---------------------|---|
| | Shares | Amount | | | | |
| Balance - June 1, 2004 | - | \$ - | \$ - | | \$ - | \$ - |
| Issuance of common stock - founders | 8,100,000 | 810 | | | | 810 |
| Issuance of common stock - acquisition of technology | 30,000,000 | 3,000 | | | | 3,000 |
| Issuance of common stock - 504 offering | 40,000,000 | 830,669 | | | | 830,669 |
| Stock based compensation | | | | | 2,711 | 2,711 |
| Net subscriptions receivable | | | | (278,901) | | (278,901) |
| Net loss for year ending | | | (556,599) | | | (556,599) |
| Balance - December 31, 2004 | 78,100,000 | \$ 834,479 | \$ (556,599) | \$ (278,901) | \$ 2,711 | \$ 1,690 |
| Issuance of common stock - 504 offering | 24,000,000 | 362,400 | | | | 362,400 |
| Issuance of common stock - services | 6,250,000 | 62,500 | | | | 62,500 |
| Conversion of debt into common stock | 1,500,000 | 75,000 | | | | 75,000 |
| Sale of common stock - restricted | 3,000,000 | 10,000 | | | | 10,000 |
| Stock based compensation | | | | | 24,426 | 24,426 |
| Net subscriptions receivable | | | | 38,906 | | 38,906 |
| Net loss for quarter ending | | | (527,217) | | | (527,217) |
| Balance - December 31, 2005 | 112,850,000 | \$ 1,344,379 | \$ (1,083,816) | \$ (239,995) | \$ 27,137 | \$ 47,705 |
| Issuance of common stock - 504 offering | 16,133,333 | 670,000 | | | | 670,000 |
| Issuance of common stock - services | 2,000,000 | 50,000 | | | | 50,000 |
| Retirement of shares | (4,700,000) | (141,000) | | | | (141,000) |
| Adjustment for consideration received | | (173,774) | | | | (173,774) |
| Stock based compensation | | | | | 75,916 | 75,916 |
| Net subscriptions receivable | | | | 131,395 | | 131,395 |
| Net loss for quarter ending | | | (587,959) | | | (587,959) |
| Balance - December 31, 2006 | 126,283,333 | \$ 1,749,605 | \$ (1,671,775) | \$ (108,600) | \$ 103,053 | \$ 72,284 |
| Issuance of common stock - 504 offering | 38,000,000 | 640,000 | | | | 640,000 |
| Issuance of common stock - services | 200,000 | 6,000 | | | | 6,000 |
| Conversion of debt into common stock | 2,500,000 | 85,000 | | | | 85,000 |
| Sale of common stock - restricted | 3,400,000 | 930,000 | | | | 930,000 |
| Retirement of shares | (2,688,747) | (435,451) | | | | (435,451) |
| Stock based compensation | | | | | 41,356 | 41,356 |
| Net subscriptions receivable | | | | (115,846) | | (115,846) |
| Net loss for quarter ending | | | (1,181,427) | | | (1,181,427) |
| Balance - December 31, 2007 | 167,694,586 | \$ 2,975,154 | \$ (2,853,201) | \$ (224,446) | \$ 144,409 | \$ 41,915 |
| Issuance of common stock - 504 offering | 29,721,666 | 251,846 | | | | 251,846 |
| Issuance of common stock - services | - | - | | | | - |
| Conversion of debt into common stock | 3,718,059 | 80,887 | | | | 80,887 |
| Sale of common stock - restricted | 6,000,000 | 48,000 | | | | 48,000 |
| Retirement of shares | (7,234,312) | (57,172) | | | | (57,172) |
| Stock based compensation | | | | | 4,027 | 4,027 |
| Net subscriptions receivable | | | | 74,806 | | 74,806 |
| Net loss for quarter ending | | | (1,271,397) | | | (1,271,397) |
| Balance - December 31, 2008 | 199,899,999 | \$ 3,298,715 | \$ (4,124,598) | \$ (149,640) | \$ 148,436 | \$ (827,088) |

The accompanying notes are an integral part of these financial statements

| | Common Stock | | Deficit accumulated during the development stage | Stock Subscriptions | Paid-In- Capital | Total Stockholders' Deficit |
|---------------------------------------|--------------------|---------------------|--|------------------------|---------------------|-----------------------------------|
| | Shares | Amount | | | | |
| Sale of Common Stock | 7,893,600 | \$ 73,648 | | | | \$ 73,648 |
| Issuance of common stock- Services | | | | | | \$ - |
| Conversion of debt into Common Stock | 2,400,000 | \$ 26,500 | | | | \$ 26,500 |
| Stock based compensation | | | | | | \$ - |
| Net loss for quarter ending | | | \$ (267,862) | | | \$ (267,862) |
| Balance - March 31, 2008 | 177,988,186 | \$ 3,075,302 | \$ (3,121,063) | \$ (224,446) | \$ 144,409 | \$ (125,799) |
| Sale of Common Stock | 12,981,400 | \$ 114,351 | | | | \$ 114,351 |
| Conversion of debt into Common Stock | 1,318,059 | \$ 54,387 | | | | \$ 54,387 |
| Stock based compensation | | | | | | \$ - |
| Net loss for quarter ending | | | \$ (219,717) | | | \$ (219,717) |
| Balance - June 30, 2008 | 192,287,645 | \$ 3,244,040 | \$ (3,340,780) | \$ (224,446) | \$ 144,409 | \$ (176,778) |
| Sale of Common Stock | - | | | | | \$ - |
| Stock based compensation | - | | | | \$ 4,027 | \$ 4,027 |
| Net loss for quarter ending | - | | \$ (237,918) | | | \$ (237,918) |
| Balance - September 30, 2008 | 192,287,645 | \$ 3,244,040 | \$ (3,578,698) | \$ (224,446) | \$ 148,436 | \$ (410,669) |
| Sale of Common Stock | 14,846,666 | \$ 111,847 | | | | \$ 111,847 |
| Retirement of shares | (7,234,312) | \$ (57,172) | | | | \$ (57,172) |
| Stock based compensation | | | | | | \$ - |
| Net Subscriptions receivable | | | | \$ 74,806 | | \$ 74,806 |
| Net loss for quarter ending | | | \$ (545,900) | | | \$ (545,900) |
| Balance - December 31, 2008 | 199,899,999 | \$ 3,298,715 | \$ (4,124,598) | \$ (149,640) | \$ 148,436 | \$ (827,088) |

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REELTIME RENTALS, INC.
(A Development Stage Company)
Statement of Cash Flows

For the years ended December 31, 2008 and 2007 and from inception (June 24, 2004) to December 31, 2008

| | 2008 | 2007 | From Inception (June 24, 2004) to December 31, 2008 |
|---|----------------|----------------|---|
| Cash flows from operating activities: | | | |
| Net Loss | \$ (1,271,397) | \$ (1,181,427) | \$ (4,124,598) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Stock based compensation | 4,027 | 41,356 | 148,436 |
| Common stock issued for services | | 6,000 | 118,500 |
| Depreciation | 16,060 | 16,562 | 45,940 |
| | | - | |
| Changes in assets and liabilities: | | | |
| Receivables | (19,615) | (32,552) | (95,368) |
| Prepaid expenses | 39,278 | 16,862 | (16,782) |
| Deposits - noncurrent | - | - | (230) |
| Bank overdraft | 8,015 | 16,203 | 24,218 |
| Accounts payable | 130,096 | 154,788 | 449,517 |
| Deferred compensation | - | 35,834 | 150,830 |
| Accrued expenses | 140,330 | 47,525 | 188,071 |
| Total Adjustments | 318,191 | 302,579 | 1,013,133 |
| Net cash used in operating activities | (953,206) | (878,848) | (3,111,465) |
| Cash flows from investing activities: | | | |
| Purchase of Technology Asset | - | - | - |
| Purchases of fixed assets | (13,269) | (16,385) | (77,792) |
| Net cash used in investing activities | (13,269) | (16,385) | (77,792) |
| Cash flows from financing activities: | | | |
| Net proceeds from stock issuance | 394,867 | 993,703 | 2,842,075 |
| Related party loans | 337,651 | 10,532 | 348,182 |
| Net cash used in financing activities | 732,518 | 1,004,235 | 3,190,257 |
| Increase in cash and cash equivalents | (233,957) | 109,002 | 1,000 |
| Cash, beginning of period | 234,957 | 125,955 | - |
| Cash, end of period | \$ 1,000 | \$ 234,957 | \$ 1,000 |
| Supplementary Information - Non-Cash Transactions: | | | |
| Common stock issued for conversion of debt | \$ 80,887 | \$ 85,000 | \$ 240,887 |
| Common stock issued for technology acquisition | \$ - | \$ 25,000 | \$ 28,000 |

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