

Reeltime Rentals, Inc.

2201 Sixth Avenue, Suite 1222
Seattle, Washington 98121

Financial Statements For The Period Ended June 30, 2006

REELTIME RENTALS, INC.
(A Development Stage Company)
BALANCE SHEET
JUNE 30, 2006
Unaudited

ASSETS

Current Assets	
Cash	\$ 600
Accounts Receivable	12,426
Notes Receivable	118,000
Notes Receivable Shareholders	206,059
	337,085
Total current assets	337,085
Fixed Assets - Net	7,601
Other Assets	20,744
	\$ 365,430

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	
Accounts payable	\$ 156,344
	156,344
Total current liabilities	156,344
Stockholders' Equity	
Common stock, no par value, 500,000,000 shares authorized, 112,850,000 shares issued and outstanding	1,344,379
Retained deficit	(1,135,293)
	209,086
	\$ 365,430

REELTIME RENTALS, INC.
(A Development Stage Company)
STATEMENT OF OPERATIONS
Unaudited

	For The Quarter Ending June 30, 2006	For The Year To Date June 30, 2006	June 24, 2004 (inception) through June 30, 2006
	<u> </u>	<u> </u>	<u> </u>
Revenue			
Technology Transfer	\$ -	\$ -	\$ 149,582
Expenses			
General and Administrative	10,656	28,106	922,815
Technical	26,909	49,409	356,011
Depreciation	1,172	2,301	6,468
	<u>38,737</u>	<u>79,816</u>	<u>1,285,294</u>
Interest Income	<u> -</u>	<u> -</u>	<u> 418</u>
Net Loss	<u>\$ (38,737)</u>	<u>\$ (79,816)</u>	<u>\$ (1,135,294)</u>

REELTIME RENTALS, INC.
(A Development Stage Company)
STATEMENT OF CASH FLOWS
Unaudited

	For The Quarter Ending June 30, 2006	For The Year To Date June 30, 2006	June 24, 2004 (inception) through June 30, 2006
Net Loss	\$ (38,737)	\$ (79,816)	\$ (1,135,294)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	1,172	2,301	6,468
Common stock issued for technology	0	0	3,000
Common stock issued for conversion of debt	0	0	75,000
Common stock issued for conversion of debt	0	0	62,500
Changes in assets and liabilities:			
(Incr) Decr in Accounts Receivable	(3,575)	(8,166)	(12,426)
(Incr) Decr in Notes Receivable	0	0	(118,000)
(Incr) Decr in Notes Receivable Shareholders	14,186	33,936	(206,059)
(Incr) Decr in Other Assets	(788)	(4,766)	(20,744)
Incr (Decr) in Accounts Payable	28,342	56,271	156,344
 Total Adjustments	<u>39,337</u>	<u>79,576</u>	<u>(53,917)</u>
 Net cash provided by (used in) operating activities	<u>600</u>	<u>(240)</u>	<u>(1,189,211)</u>
 Cash flows from investing activities:			
Purchases of equipment	0	(793)	(14,068)
Sale of common stock	0	0	1,203,879
 Net cash provided by (used in) operating activities	<u>0</u>	<u>(793)</u>	<u>1,189,811</u>
 Cash and cash equivalents, beginning of period	0	1,633	0
 Cash and cash equivalents, end of period	<u>\$ 600</u>	<u>\$ 600</u>	<u>\$ 600</u>

REELTIME RENTALS, INC.
(A Development Stage Company)
STATEMENT IN SHAREHOLDERS' EQUITY
Unaudited

	Common Stock Shares	Common Stock Amount	Deficit Accumulated During The Development Stage	Total Stockholders' Deficit
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
Net loss for year ending	-	-	(552,714)	(552,714)
Balance - December 31, 2004	78,100,000	\$ 834,479	\$ (552,714)	\$ 281,765
Issuance of common stock - 504 offering	14,000,000	162,400	-	162,400
Net loss for quarter ending	-	-	(385,999)	(385,999)
Balance - March 31, 2005	92,100,000	\$ 996,879	\$ (938,713)	\$ 58,166
Net loss for quarter ending	-	-	(129,782)	(129,782)
Balance - June 30, 2005	92,100,000	\$ 996,879	\$ (1,068,495)	\$ (71,616)
Net income for quarter ending	-	-	34,036	34,036
Balance - September 30, 2005	92,100,000	\$ 996,879	\$ (1,034,459)	\$ (37,580)

REELTIME RENTALS, INC.
(A Development Stage Company)
STATEMENT IN SHAREHOLDERS' EQUITY – continued
Unaudited

	Common Stock Shares	Common Stock Amount	Deficit Accumulated During The Development Stage	Total Stockholders' Deficit
Issuance of common stock - 504 offering	16,250,000	262,500	-	262,500
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
<u>Net income for quarter ending</u>	-	-	(21,019)	(21,019)
Balance - December 31, 2005	112,850,000	\$ 1,344,379	\$ (1,055,478)	\$ 288,901
<u>Net loss for quarter ending</u>	-	-	(41,078)	(41,078)
Balance - March 31, 2006	112,850,000	\$ 1,344,379	\$ (1,096,556)	\$ 247,823
<u>Net loss for quarter ending</u>	-	-	(38,737)	(38,737)
Balance - June 30, 2006	112,850,000	\$ 1,344,379	\$ (1,135,293)	\$ 209,086

REELTIME RENTALS, INC
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Reeltime Rentals, Inc. headquartered in Seattle, Washington was incorporated on June 24, 2004, under the laws of the State of Washington, to commercialize the renting movies in real-time to the living rooms of broadband customers nationwide. Reeltime's customers will have access to thousands of DVD-quality full screen movies without the hassles of going to the video store or mailbox, nor the inconvenience of late fees. Reeltime offers a unique, new and convenient approach to renting movies at home or elsewhere. Reeltime will utilize cutting edge technology by implementing a revolutionary new media rental delivery system that brings high quality video content direct-to-consumers, while taking unprecedented measures to combat the threat of piracy. The system adds convenience and simplicity to the entertainment experience.

Reeltime's vision in the marketplace is to create a technological revolution that allows customers to be able to point their remotes at televisions or computers and pull up a menu to select a movie, play games, or watch television content. Any movie you select would be available at your fingertips with a few button presses and at the most competitive prices available.

To date the Company has had no revenue from operations. Accordingly, the Company's activities have been accounted for as those of a "Development Stage Enterprise" as set forth in Financial Accounting Standards Board Statement No. 7 ("SFAS 7"). Among the disclosures required by SFAS 7 are that the Company's financial statements be identified as those of a development stage company, and that the financial statements disclose activity since the date of the Company's inception.

The year end of the Company is December 31.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in accordance with accounting principles generally 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.

Unaudited Interim Information

The information presented for the three-month period and year to date ended June 30, 2006, and for the cumulative period June 24, 2004 (Inception) to June 30, 2006 has not been audited. In the opinion of management, the unaudited interim financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the information set forth therein. The results of operations for the three-month period and year to date ended June 30, 2006, and for the cumulative period June 24, 2004 (Inception) to June 30, 2006 are not necessarily indicative of the results for the years ending December 31, 2004 and 2005.

Certification Of Financial Statements

I, Barry Henthorn, President, Reeltime Rentals, Inc., hereby certify that the financial statements dated June 30, 2006 that are filed herewith and any notes thereto, present fairly, in all material respects, the financial position, results of operations and cash flows for the periods presented, in conformity with accounting principles generally accepted in the United States, consistently applied.

Dated this July 31, 2006