SIGN MEDIA SYSTEMS INC
Form 10KSB/A
April 18, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB/A
(1st Amendment)
ANNUAL REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE YEAR ENDED DECEMBER 31, 2006

0-50742
(Commission file number)

SIGN MEDIA SYSTEMS, INC.
(Name of small business issuer in its charter)

Florida **02-0555904**
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

2100 19th Street, Sarasota, FL **34234**
(Address of principal executive offices) (Zip Code)

Issuer's telephone number is: **(941) 330-0336**

None
(Former name or former address, if changed since last report)

Securities registered under Section 12(b) of the Exchange Act: **None**

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, No Par Value
(Title of Class)

Check whether the issuer is not required to file reports pursuant to Section 13 of 15(d) of the Exchange Act. [ ]

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this from, and no disclosure will be contained to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10KSB or any amendment to this Form 10KSB. [X]

Indicate by check mark whether the issuer is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [ ] No [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes [ ] No [X]

The issuer's revenues for the most recent fiscal year were $726.812.

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and ask price of such equity as of a specified dated within the past 60 days. As of March 30, 2007, the aggregate market value of the voting common equity held by non-affiliates was $631,547.

The number of shares outstanding of the issuer's common equity as of April 1, 2007, was 11,043,267, No Par Value.

Documents Incorporated by reference: Exhibits 3.1, 3.2, 4.1, 14.1, and 21.1 from the Issuer's Form 10-SB filed as of May 4, 2004. Exhibits 10.1, 10.2, 10.3, and 10.4 from the Issuer's Form 10-SB/A Third Amendment filed as of February 9, 2005. Exhibits 10.5, and 10.6, from the Issuer's Form 10-SB/A Fourth Amendment filed as of April 1, 2005. Exhibit 16.4 form the Issuer's Form 10-SB/A Sixth Amendment filed as of September 12, 2005.

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Our History.

We started business as E Signs Plus.com, LLC, a Florida limited liability company on June 20, 2000. We were engaged in the business of manufacturing and selling signage of all types. We were also in the business of selling advertising space on the sides of trucks. We would rent space on the sides of trucks and sell that space to other businesses that wished to advertise their products in that manner ("third party advertising"). We also printed the advertising materials ("graphics"). At that time we were purchasing truck side mounting systems from third parties to attach to the truck sides in which to insert the graphics.

It soon became apparent that the third party advertising business would not be profitable if we had to purchase mounting systems from third parties. In August of 2001, we began developing our own proprietary truck side mounting systems for the display of graphics on the sides of trucks. We also determined that there was another market for our mounting systems and graphics; businesses that wished to advertise their products on their own fleet of trucks. At that time we decided to limit our business to developing, manufacturing and marketing mobile billboard mounting systems which are primarily mounted on trucks, to printing the graphics that are inserted into the mounting systems and to third party advertising. On August 27, 2001, we changed E Signs Plus.com's name to GO! AGENCY, LLC.

On January 28, 2002, we incorporated Sign Media Systems, Inc. in the State of Florida. GO! AGENCY continued in the business of marketing its proprietary truck side mounting systems, the sale of third party advertising and the printing and sale of graphics. Sign Media Systems engaged the business of developing, manufacturing and marketing the mounting systems.

In December, 2002, we determined that it would be in our best interest to operate the truck side mounting system, third party advertising and graphics business through one entity rather than two entities. Therefore, effective January 1, 2003, GO! AGENCY contributed all of its assets to Sign Media Systems, in exchange for Sign Media Systems common stock and Sign Media Systems became a subsidiary of GO! AGENCY. GO! AGENCY owns 97% of our shares of common stock. At that time, GO! AGENCY ceased conducting the truck side mounting system, third party advertising and graphics business and all of those business activities are conducted through Sign Media Systems. Both GO! AGENCY and Sign Media Systems are "small business issuers" as that term is defined in Section 228.10 of Regulation S-B promulgated by the Securities and Exchange Commission. Please refer to Note 1 of the Consolidated Financial Statements contained in Part F/S hereof and to Item 7, Certain Relationships and Related Transactions for more information concerning our relationship with GO! AGENCY.

Antonio F. Uccello, III, is the manager and the 51% owner, the control person and promoter of GO! Agency formerly known as E Signs Plus.com and, therefore, pursuant the terms of GO! Agency's Operating Agreement, has the sole power, subject to his fiduciary duties to the other GO! Agency members, to vote, or dispose of or direct the disposition of all the shares of Sign

Media System's common stock beneficially owned by GO! Agency. Antonio F. Uccello, III, has absolute control of us by virtue of his voting control of 7,960,000 shares of our common stock.

On November 17, 2003, we entered into a merger agreement with American Powerhouse, Inc., a Delaware corporation and its wholly owned subsidiary, Sign Media Systems Acquisition Company, Inc., a Florida corporation. Pursuant to the merger agreement, we merged with Sign Media Systems Acquisition Company. The merger was completed on December 8, 2003 with the filing of Articles of Merger with the State of Florida at which time Sign Media Systems Acquisition ceased to exist and we became the surviving corporation. Some time prior to the merger, American Powerhouse had acquired certain technology for the manufacture of a water machine in the form of a water cooler that manufactures water from ambient air. American Powerhouse was not engaged in the business of manufacturing and distributing the water machine but was engaged in the licensing of that right to others. Prior to the merger, American Powerhouse granted a license to Sign Media Systems Acquisition to use that technology and to manufacture and sell the water machines. The acquisition of this license was the business purpose of the merger. The license agreement is attached hereto as Exhibit 10.5. Material terms of the license agreement include the following:

- we have right to utilize certain proprietary technology for the manufacture, design, creation, sale or use of a water cooler ("Water Machine") which manufactures distilled water from ambient air;
- the term of the license is in perpetuity;
- the territory in which we are allowed to exploit the license is all countries in the world;
- the license in non-exclusive; and
- we do not have the right to sublicense the technology to others.

As consideration for the merger, we issued 300,000 shares of our common stock to American Powerhouse. The 300,000 shares of stock were valued at $1.50 per share based on recent private sales of our stock. There were no other material costs of the merger. Please refer to Note 1 of the Notes to Consolidated Financial Statements for December 31, 2003 and 2002 contained elsewhere herein for more information on the merger. Due to problems with our plans for marketing and distribution of the water machine subsequent to the merger, the license has no carrying or book value for the year ended December 31, 2003 in our Consolidated Financial Statements for December 31, 2004and 2003. There was and is no relationship between American Powerhouse and either Sign Media Systems or GO! AGENCY. To the best of our knowledge, the only control person of American Powerhouse is Denis C. Tseklenis.

Our Business.

We are in the business of developing, manufacturing and marketing mobile billboard mounting systems which are mounted primarily on truck sides, rear panels and breaking panel roll up doors. We also produce digitally created outdoor, full color vinyl images ("graphics") which are inserted into the mounting systems and displayed primarily on trucks. We have developed mounting systems which allow graphics to easily slide into an aluminum alloy extrusion with a cam-lever that snaps closed stretching the image tight as a drum, and that also easily opens to free the image for fast removals and change outs without damaging the truck body or the graphics. We are also in the business of selling third party advertising on truck sides utilizing our mounting systems.

In November, 2003, we acquired a license to certain proprietary technology for the manufacture, design, creation, sale or use of a water cooler which manufactures distilled water from ambient air. It was our intent to sell this product in Central and South America. At that time we were in negotiations with independent dealers in Central America who sold United States products in Central and South America who expressed a desire to market this product in that territory. Ultimately, we were unable to come to a satisfactory agreement with these dealers for the sale of this product. Accordingly, we are not currently engaged in the business of manufacturing and sale of this product. We will not become engaged in the business of manufacturing and selling this product until we can identify and come to a satisfactory agreement with an independent dealer or dealers in that territory for the sale of this product. We cannot currently predict when or if we will identify and come to a satisfactory agreement with an independent dealer or dealers in this territory for the sale of this product.

Our Products and Services.

We currently have five mounting systems; two for the sides of truck bodies and trailers of all sizes, one for the rear of side roll up beverage body trailers, one for the rear garage style roll up doors of trailers and one for the sides of commercial cargo vans. Our “Profile I” mounting system utilizes our proprietary Cam Lever technology to evenly tension images across wide surface areas and allows graphics to be inserted on both sides of truck bodies and trailers of all sizes. Our “Profile II” mounting system utilizes our proprietary Omega Lock and Insert technology combined with our grommeted floating rail/zip tie technology to evenly tension images across wide surface areas and allows graphics to be inserted on both sides of truck bodies and trailers of all sizes. Our Hotswap Lite mounting system evenly tensions images across small surface areas and allows graphics to be inserted on the rear panels of side roll up beverage trucks and trailers. Our Hotswap Stretch mounting system utilizes our proprietary stretch technology to evenly tension images across breaking panel garage type roll up doors, seamlessly allowing images to roll up with those doors and allows graphics to be changed and reused. Our VanGo mounting system utilizes our proprietary cap and insert technology to evenly tension images on curved surfaces such as the sides of commercial cargo van bodies.

With five products to cover key visible surface areas of trucks and trailers, we offer economical and easy image change-outs for semi and beverage trailers, urban box trucks, and cargo vans.

We are also in the digital printing and graphic design business, which allows us not only to market our mounting systems, but also to design and produce the graphics which are inserted in mounting systems.

Graphics are high-resolution full digital color prints, produced in heavy weight outdoor vinyl. They are mounted on truck sides, rear panels and roll-up doors utilizing our mounting systems. Whether a customer's advertising campaign reaches from coast to coast, or changes seasonally, our mounting systems will allow the customer to exchange and reuse images over and over again. Images can be "swapped" for a fraction of what it costs to remove, paint, and apply pressure sensitive adhesive vinyl to truck sides, with downtime measured in minutes, rather than days. Downtime for trucks is an extremely important consideration as the trucks generate no revenue and provide no services when not on the road.

We are also in the business of selling third party advertising on truck sides utilizing our mounting systems and graphics.

Our Target Markets and Marketing Strategy.

Currently, we have three primary sources of revenue: (i) the sale and installation of our mounting systems, (ii) third party advertising; and (iii) the printing of graphics to be inserted on trucks utilizing our mounting systems

Our Mounting Systems.

According to *Fleet Owner* magazine, the commercial trucking market consists of more than 10 million vehicles - trucks, tractors, and trailers - of all types and sizes, from light to heavy duty, serving all segments of the nation's economy. Commercial trucking fleets in the U.S. operate more than 7 million trucks and 3.4 million trailers. Trucking is a large and diverse business. It hauls roughly 80% of America's freight and serves virtually every sector of the nation's economy. Truckers fall into two basic categories: for-hire carriers and private fleets. For-hire truckers haul freight and provide transportation services for others. Trucking is their primary business. Private fleets, on the other hand, are the proprietary transport, distribution, or service arms of companies that are not in the trucking business. A private fleet's primary function is to haul its own company's goods or perform a service in support of its company's main business. Private fleets make up over two-thirds of the trucking market. In the trucking industry, fleets are defined as trucking operations of five or more vehicles. The "5+" truck-fleet segment is the heart of the trucking market, accounting for close to 80% of the total commercial vehicle population. The private fleet one the market where we are initially focused.

We are focusing on three primary channels for distribution of our mounting systems to the private fleet market: (i) developing a nation wide dealer base; (ii) strategic alliances with reselling partners, including truck body and trailer manufacturers, truck dealers and the traditional retail sign industry; and (iii) direct sales to existing fleets. We believe these three channels of distribution offer the opportunity for future growth and expansion.

Third Party Advertising.

Private fleets also offer a third source of revenue; third party advertising. We identify fleet owners who are willing to lease space on their trucks for advertising from third parties. We enter into a lease agreement with a fleet owner for truck side space that provides that so long as there is third party advertising on that space, we will pay the fleet owner a monthly lease fee. We identify third parties who wish to advertise their good or services in the area in which the fleet owners utilize their fleets and sell the third party advertiser space on the truck sides. We obtain revenue from the graphics we produce for the advertising and from the advertising fee. In this segment of our business, we do not sell the mounting systems and therefore derive no revenue from a sale of the mounting systems.

We are focusing on three primary channels for third party advertising: (i) developing a nation wide dealer base; (ii) alliances with advertising agencies; and (iii) direct sales to third parties seeking advertising space using our sales and marketing staff.

Graphics.

We believe that sales of graphics will be made in conjunction with sales of our mounting systems and sales of third party advertising.

Competition.

Our market for our products is based on the cost-effective use and re-use of graphics in conjunction with our mounting systems without damaging either the graphics or the truck sides to reach large and diverse adult audiences.

The truck side advertising business is fragmented into two segments; pressure sensitive applied vinyl and mounting systems that allow graphics to be attached to the sides of trucks.

Our primary competition is pressure sensitive applied vinyl (“PSAV”). PSAV is vinyl that adheres directly to the truck side. The initial cost of our mounting systems with graphics is about the same as applying PSAV to truck sides. However, removal of PSAV is extremely labor and time intensive and destroys the Fleet Graphic. The benefit of the our mounting systems is that the Fleet Graphic can be "swapped" for a fraction of what it costs to remove and re-apply PSAV, with downtime for the truck measured in minutes, rather than days. Our mounting systems also allow the Fleet Graphic to be reused at a later date.

The major manufacturers and marketers of PSAV are 3M Company and Avery Dennison Corporation. 3M and Avery Dennison are multi-billion dollar companies with established and successful sales and marketing organizations. Nevertheless, we believe that the advantages of our mounting systems will allow us to effectively compete in this industry.

There are other companies that design and manufacture some type of mounting system for attached graphics to vehicles. None of htese competitors has a system that is substantially similar to our mounting systems and we believe that the functionality and cost-effectiveness of our mounting systems make them competitive in the market. However, some of our potential competitors may have larger advertising and marketing budgets than we do and may be better able to establish a market presence.

Dependence on Major Customers

A material part of our business is currently dependent upon one key customer, Applied Advertising Network, LLC of Lake Mary, Florida. During the year ended December 31, 2006, our sales to this customer were approximately $700,632 or 96% of all sales. During the year ended December 31, 2005, our sales to this customer were approximately $1,401,265 or 94 % of all sales including a provision for bad debt in the amount of $207,565. See Note 2, Provision for Bad Debt, for more information on the provision for bad debt. We continue to rely on this customer for the majority of our sales. However, we are moving forward to expand our dealer base so that we will no longer depend on this one key customer. There can be no guarantee that we will be able to diversify our distribution base. Applied Advertising Network, LLC is not a related party. In 2003, we entered into a Distribution Agreement with Applied Advertising. That agreement provides:

- The term of the agreement is one year and can be renewed by the mutual agreement of the parties. The agreement was renewed in 2006 and does not expire until December 2007.

- The agreement grants Applied Advertising the territory of the United States of America and Central America which means that it can sell our products in those areas.

- The agreement allows Applied Advertising to appoint one or more dealers in its territory but only with our consent.

- The agreement obligates Applied Advertising to use its best efforts to actively promote market and sell our products in its territory.

- The agreement obligates Applied Advertising to maintain the formal name of our products, with their appropriate trademark, service mark, logo, or trade name designations, in all advertising and other printed materials relating to our products.

- The agreement allows Applied Advertising to purchase our products at specified prices but also allows us to change the pricing in out sole discretion upon fifteen days written notice. We considering our pricing arrangement with Applied Advertising and all of our other customers to be a trade secret.

A copy of the Distributor Agreement with Applied Advertising is attached hereto as an exhibit.

Sources and Availability of Raw Materials.

Raw material for the manufacture of the mounting systems consists primarily of extruded aluminum and fasteners which are readily available throughout the county. Raw material for the manufacture of the graphics consists primarily of vinyl billboard banner material which is readily available through the county.

Intellectual Property and Patents.

Our success may depend in large part upon our ability to preserve our trade secrets, obtain and maintain patent protection for our technologies, products and processes, and operate without infringing the proprietary rights of other parties. However, we may rely on certain proprietary technologies, trade secrets, and know-how that are not patentable. Although we do take action to protect our trade secrets and our proprietary information, in part, by the use of confidentiality and non-compete agreements with our employees, consultants and dealers, we cannot guaranty that:

· these agreements will not be breached;
· we would have adequate remedies for any breach; or
· our proprietary trade secrets and know-how will not otherwise become known or be independently developed or discovered by competitors.

On January 14, 2003, we filed a United States patent application for our sign and awing attachment system and method of use for image mounting systems and that patent was allowed by the U.S. Patent Office under serial number 10/341.471. Since then we have filed for two separate patents each relating to the mounting of images, one being a beadless signage system and method of use for image mounting systems and the other being an apparatus and method for attaching signs to vehicular surfaces and we therefore own a pending United States patent application that contains claims covering those two additional mounting systems. We believe that these new patent applications will reduce our cost of mounting images. The patent applications are being prosecuted by the intellectual property law firm of Fish & Richardson, PC of New York City. We believe that the additional patent application claims which are on file are sufficiently broad to cover not only the specific systems, but also similar systems; and that, if granted, will be infringed by systems that employ the fundamentals of our system. However, at this time our patent attorneys cannot advise as to the likelihood of obtaining allowance of the claims on file or other claims sufficiently broad to provide a competitive advantage.

We cannot guaranty that our actions will be sufficient to prevent imitation or duplication of either our products and services by others or prevent others from claiming violations of their trade secrets and proprietary rights.

On December 16, 2002, we filed a United States application for a trademark for the words “HOTSWAPROFILE” which we use to describe our mounting system for trucks of all sizes. That trade mark has been registered under registration number 2,963,602.

We intend to file in the near future a United States application for a trademark for the words “HOTSWAP GRAPHICS.”

Research and Development Activities.

In the years ended December 31, 2006, 2005, we did not incur research and development costs.

Employees.

As of the date of this Report, we have three full time employees and one part time employee for a total of four employees.

ITEM 2. DESCRIPTION OF PROPERTY

On November 1, 2002, we entered into a lease as the lessee with Hawkeye Real Estate, LLC, a Florida limited liability company and a related party, as lessor of 6,300 square feet of mixed office and warehouse space at 2100 19th Street, Sarasota, FL 34234 for a period of five years beginning December 1, 2002 and continuing until November 30, 2007 for a fixed monthly rental of $2,500 per month. Effective January 1, 2005 we amended the lease to obtain access to additional parking for our vehicles, employee vehicles and customer vehicles. The amended lease provided for a fixed monthly rental of $4,195 per month.

In December, 2005, Hawkeye Real Estate, LLC asked us to relocate to smaller premises in the same complex as it had found a buyer for the existing premises. As an inducement to vacate the existing premises described above, Hawkeye Real Estate agreed to temporarily provide a 2,000 square foot facility of mixed office and warehouse space and 5,000 square feet of outside storage space at the same address in the same complex for a $0.00 monthly rental until it could obtain the necessary permits and construct new custom premises for us in the same complex and lease us the newly constructed space on terms substantially similar to the original lease. We estimate it will take two years to obtain the necessary permits and build out the custom premises and during that two-year period we are occupying our premises rent-free.

Our executive offices and manufacturing facility are located at these premises. We believe the premises are adequate for our purposes.

ITEM 3. LEGAL PROCEEDINGS

There are no pending or threatened legal proceedings to which we are a party or of which any of our property is the subject. To our knowledge, there are no proceedings contemplated by governmental authorities.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

On November 30, 2006, our common stock was accepted for quotation on the OTC Bulletin Board under the stock symbol "SGNM." Trading and did not commence until after the close of our fiscal year ended December 31, 2006, and therefore, there was no bid or ask price for our common stock on the OTC Bulletin Board at the end to the last quarter of 2006.

None of our common stock is subject to outstanding options or warrants to purchase, or securities convertible into, our common equity.

470,000 shares of our common stock could be sold pursuant to Rule 144(k) under Regulation D promulgated under the Securities Act of 1933. 7,990,000 shares of our common stock, all owned by affiliates, could be sold pursuant to Rule 144 under Regulation D promulgated under the Securities Act of 1933 without the benefit of Rule 144(k). 1,935,000 shares of our stock is registered under the Securities Act of 1933 and can be freely sold.

There is no proposal to publicly offer any of our common stock.

Holders

There are approximately 235 holders of our common stock.

Dividends

We have never paid any cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. The future payment of dividends is directly dependent upon our future earnings, our financial requirements and other factors to be determined by our Board of Directors, in its sole discretion. For the foreseeable future, it is anticipated that any earnings that may be generated from our operations will be used to finance our growth, and that cash dividends will not be paid to common stockholders.

Recent Sales of Unregistered Securities

The following information is furnished with regard to all securities sold by us within the past three years that were not registered under the Securities Act. The issuances described hereunder were made in reliance upon the exemptions from registration set forth in Section 4(2) of the Securities Act relating to sales by an issuer not involving any public offering. All securities sold by us within the past three years were shares of common stock, no par value. No underwriter was used in any of these transactions and there were no underwriting discounts or commissions paid.

Date	Name	Number of Shares	Consideration in Dollars
			Services
January 24, 2007	Marcus Faller	150,000	75,000
			Services
February 8, 2007	Evelyn P. Silva	300,000	37,500
Total			$112,500(1)

(1) In the year ended December 31, 2006, we issued 583,267 shares of unregistered common stock to satisfy liabilities for stock to be issued in prior years for a total of $224,900.

All of the above purchasers, and all of the purchasers referred to in footnote (1) immediately above, were Accredited Investors at the time of the sale of shares of stock to the purchasers listed in the foregoing table, we provided all of the with our non-financial statement and financial statement information described in Section 502(b)(2) of Regulation D promulgated by the Securities and Exchange Commission. None of the offers or sales to these purchasers involved any form of general solicitation or general advertising. Prior to each sale, each of these purchasers was afforded the opportunity to ask questions and receive answers concerning the terms and conditions of the offering and to obtain additional information we possessed or could acquire without unreasonable effort or expense to verify the accuracy of the information provided them pursuant to Section502 (b)(2). We took reasonable care to insure that the shares of stock sold to these purchasers could not be resold without registration under the Securities Act of 1933 (the “Act”) or an exemption there from and that these purchasers were not underwriters under that Act and in connection there with: (a) made reasonable inquiry to insure that these purchasers were acquiring the shares of stock for themselves and not for any other persons; (b) provided written disclosure to each purchaser that the shares of stock had not been registered under the Act and therefore could not be resold unless registered under the Act or unless an exemption from registration is available; and (c) placed a restrictive legend on the shares of stock stating that they had not been registered under the act and setting forth restrictions on their transferability and sale. Finally, we made reasonable inquiry to insure that each of these purchasers had such knowledge and experience in financial and business matters that each purchaser was capable of evaluating the merits and risks of investment in the shares of stock and of making an informed investment decision with respect thereto or had consulted with advisors who possess such knowledge and experience.

ITEM 6. MANAGEMENT’S DISCUSSION AND ANALYSIS

Management Discussion Snapshot.

The following table sets forth certain of our summary selected operating and financial data. The following table should be read in conjunction with all other financial information and analysis presented herein including the Audited Financial Statements for the Years Ended December 31, 2006 and 2005.

Summary Selected Statements of Profits and Losses and
Financial Data which is Derived From Our Audited Financial Statements

	2006	2005
Total Revenue	$ 726,812	$ 1,491,854
Total Cost of Goods Sold	189,131	204,211
Gross Profit	537,681	1,287,643
Total Operating Expenses	288,634	887,307
Net Income Before Other Income (Expense)	249,047	400,336
Other Income (Expense)	26,998	24,672
Income Before Provision For Income Tax	276,045	425,008
Provision For Income Taxes	45,007	-
Net Income (Loss) Applicable To Common Shares	$ 231,038	$ 425,008
Net Income (Loss) Per Basic And Diluted Shares	$ 0.03	$ 0.05
Weighted Average of Common Shares Outstanding	8,508,000	8,460,000
Total Assets	$ 1,217,026	$ 1,040,195
Total Liabilities	221,567	500,674
Stockholders’ Equity (Deficit)	995,459	539,521
Total Liabilities and Stockholders’ Equity (Deficit)	$ 1,217,026	$ 1,040,145

Results of Operations.

Revenue and Expenses.

For the year ended December 31, 2006, we had total revenue of $726,812 total costs of goods sold of $189,131, gross profit of $537,681, net income applicable to common shares of $231,038 and net income per basic and diluted shares of $0.03 based on a weighted average of 8,508,606 common shares outstanding.

For the year ended December 31, 2005, we had total revenue of $1,491,854, total costs of goods sold of $204,211, gross profit of $1,287,643, net income applicable to common shares of $425,008 and net income per basic and diluted shares of $0.05 based on a weighted average of 8,460,000 common shares outstanding.

Our revenue for both periods was generated from three sources; the sale of our mobile billboard mounting systems, the printing of digital graphics, and truck advertising. During the year ended December 31, 2006, we generated $700,632 or 96% of our revenue from the sale of our mobile billboard mounting systems, 26,180 or 4% of our revenue from the printing of digital graphics and $0.00 or 0% of our revenue from truck side advertising. During the year ended December 31, 2005, we generated $1,449,831 or 97% of our revenue from the sale of our mobile billboard mounting systems, $39,014 or 3% of our revenue from the printing of digital graphics and $3,009 or 0% of our revenue from truck side advertising.

During the years ended December 31, 2006, 2005, a material part of our business was dependent upon one key customer, Applied Advertising Network, LLC of Lake Mary, Florida. During the year ended December 31, 2006, our sales to this customer were approximately $700,632 of 96% of revenue. During the year ended December 31, 2005, our sales to this customer were approximately $1,401,265 or 94% of revenue including a provision for bad debt in the amount of $207,565. We continue to rely on this customer for the majority of our sales. However, we are moving forward to expand our dealer base so that we will no longer depend on this one key customer. There can be no guarantee that we will be able to diversify our distribution base.

Our revenue in the year ended December 31, 2006, was $726,812 compared to revenue in the preceding period or $1,491,854. This is a decrease from period to period of $765,042. This decreased in revenue is attributable to decreased sales of mounting systems to one key customer, Applied Advertising Network, LLC of Lake Mary, Florida. We attributed this decrease in revenue to an overall decrease in sales in our industry. We cannot predict when there will be an increase in sales in our industry. Applied Advertising Network is not a related party.

In the year ended December 31, 2005, our cost of goods sold was 189,131 which is 26% of revenue. In the year ended December 31, 2005, our cost of goods sold was $204,211 which is 14% of revenue before the provision for bad debt. We increase this percentage increase in cost of goods sold to acquisition of raw materials to manufacture our mobile billboard mounting systems.

In the year ended December 31, 2006, of professional fees and administrative payroll was $146,262, In the year ended December 31, 2005, our professional fees and administrative payroll was $342,545. This decrease of $196,282 in professional fees and administrative payroll from the pervious period is primarily due to decreased sales.

In the year ended December 31, 2006, our general and administrative expenses were $83,679. In the year ended December 31, 2005, our general and administrative expenses were $279,429 The decrease of $195,754 in general and administrative expenses from the previous period to period is primarily due to a reduction in sales.

In the year ended December 31, 2005, we recognized a net recovery of bad debt from our key customer in the amount of $207,565. In the year ended December 31, 2006, there is no allowance for bad debt as the company anticipates that all receivables are collectable.

In the year ended December 31, 2006, our depreciation expense was $58,693. In the year ended December 31, 2005, our depreciation expense was $57,768. There was virtually no change in depreciation expense from period to period.

In the year ended December 31, 2006, our other income (expense) was 26,998. In the year ended December 31, 2005, our other income (expense) was $24,672. The increase in other income was due to the reduction of debt due to a related party and interest received from a loan to a related party.

Working Capital.

The following table sets forth a summary of our working capital.

AT DECEMBER 31:	**2006**	**2005**
Current assets	$ 705,424	$ 27,252
Current liabilities	221,567	467,909
Working capital	$ 483,857	$ (440,657)
Current ratio	1.46	0.06

Cash Flow.

Our cash flow from operating, investing and financing activities, as reflected in the Consolidated Statement of Cash Flows is summarized in the table below.

FOR THE YEARS ENDED DECEMBER 31:	**2006**	**2005**
Net cash provided by/(used in):		
Operating activities	$ (110,434)	$ 1,118,599
Investing activities	422,157	(946,156)
Financing activities	(9,848)	(176,543)
Net increase (decrease) in cash and cash equivalents	$ 301,875	$ (4,100)

Net cash provided by operating activities for the year ended December 31, 2006, decresed compared to the preceding period. This decrease was driven primarily by a decrease in sales.

Net cash used in investing activities for the year ended December 31, 2006, increased compared to the preceding period. This increase was driven primarily by two reasons: (1) an increase in interest from a related party, (2) a loan to a related party.

Net cash used in financing activities for the year ended December 31, 2006, decreased compared to the preceding period. This decrease was primarily the result of decrease in liability for stock to be issued and an increase in interest from debt due from a related party.

Assets and Debt.

Our current assets and current liabilities are summarized in the table below.

AT DECEMBER 31:	**2006**	**2005**
Current assets	$ 705,454	$ 27,252
Current Liabilities	$ 221,567	$ 467,909

Current assets for the year ended December 31, 2006, increased compared to the preceding period. Current assets for the year ended December 31, 2006, consists of $304,127 of cash and cash equivalents, $393,835 of accounts receivable, net and $7,462 of inventory. The increase in current assets was due primarily to a partial repayment of long term loan to a related party and an increase in accounts receivable.

Current liabilities for the year ended December 31, 2006, decreased compared to the preceding period The decrease in current liabilities was primarily due to a reduction in accounts payable and a decrease in the liability for stock to be issued.

Accounts receivable aging for the year ended December 31, 2005 are summarized in the table below.

AT DECEMBER 31, 2006:

	1-30	31-60	61-90	>90	TOTAL
TOTALS	$ 0.00	$ 135	$ 0.00	$ 393,700	$ 393,835

All accounts receivable are delinquent after 30 days. The account receivable of $393,700 is due from one key customer.
Accounts receivable aging for the year ended December 31, 2006 are summarized in the table below.

AT DECEMBER 31, 2005:

	1-30	31-60	61-90	>90	TOTAL
TOTALS	$ (707,565)	$ 681	$ 702,160	$ 4,724	$ 0

All accounts receivable are delinquent after 30 days.

15

Our non-current assets and long-term debt are summarized in the table below.

AT DECEMBER 31:		**2006**		**2005**
Non-current assets	$	511,602	$	1,012,943
Long-term debt	$	0.00	$	32,765

Non-current assets for the year ended December 31, 2006, decreased compared to the preceding period. The decrease in non-current assets is due to two factors: (1) the disposition of certain assets no longer needed by the company; and (2) reduction in debt due from related parties.

Our debt owed to related parties is summarized in the table below.

AT DECEMBER 31:		**2006**		**2005**
Current debt due to related parties	$	17,177	$	8,319
Long-term debt due to related parties	$	-	$	-
Total debt due to related parties	$	17,177	$	8,319

Current debt due to related parties for the year ended December 31, 2006, increased compared to the preceding period due to advances from an officer.

Our debt owed to unrelated parties is summarized in the table below.

AT DECEMBER 31:		**2006**		**2005**
Current portion of long term debt	$	11,988	$	18,420
Long-term debt	$	-		32,765
Total debt due to unrelated parties	$	11,988	$	51,185

The current portion of long term debt decreased from period to period due to payments made on the an installment note with GMAC to finance a vehicle for business use. The current portion of long term debt reflected at December 31, 2006 represents the final payment to satisfy the installment note. Long-term debt decreased from period to period due to the disposition of a second vehicle which was financed by GMAC resulting in no further long term debt.

Our total debt is summarized in the table below which summarizes the disclosures regarding debt set forth above.

AT DECEMBER 31:		**2006**		**2005**
Current portion of debt due to related parties	$	17,177	$	8,319
Long-term debt due to related parties	$	-		-
Current portion of long term debt due to unrelated parties	$	11,988		18,420
Long-term debt due to unrelated parties	$	-		32,765
Total Debt	$	29,165	$	59,504

Our stockholders' equity (deficit) is summarized in the table below.

AT DECEMBER 31:		2006		2005
Stockholders' equity (deficit)	$	995,459	$	539,521

Our stockholders' equity (deficit) for the year ended December 31, 2006 increased from the preceding period primarily because of increased retained earnings and increased sales of common stock.

Off Balance Sheet Arrangements.

We have not entered into any off-balance sheet arrangements as defined by SEC Final Rule 67 (FR-67) "Disclosure in Management's Discussion and Analysis about Off-Balance Sheet Arrangements and Aggregate Contractual Obligations,"

Liquidity and Capital Resources.

For the reported periods, cash flow from operating activities has not been sufficient to cover our working capital requirements or to finance expansion of our sales and marketing activities. We have utilized cash flows from financing activities to provide working capital and to expand sales and marketing activities. Financing has been provided primarily by loans from related parties and from the issuance of common stock. We do not have any institutional financing in place and do not anticipate being able to arrange any institutional financing for the foreseeable future.

The following table summarizes our cash flow provided by or used in operating activities, investing activities and financing activities.

FOR THE YEARS ENDED DECEMBER 31:		2006		2005
Net cash provided by/(used in):				
Operating activities	$	(110,434)	$	1,118,599
Investing activities		422,157		(946,156)
Financing activities		(9,848)		(176,543)
Net increase (decrease) in cash and cash equivalents	$	301,875	$	(4,100)

The following table depicts our known contractual obligations for the periods reflected. These obligations may vary from period to period and provide a view as to certain unavoidable cash outflows. The term "known contractual obligations" has the same meaning as is contemplated by its use in Item 303(a)(5) of Regulation S-K. The term "total contractual payment stream" means the total of all payments due in the periods reflected in the table.

CONTRACTUAL OBLIGATIONS		TOTAL CONTRACTUAL PAYMENT STREAM		2007		2008		2009		2010
Current portion of long term debt	$	11,185	$	11,185		-		-		-
Operating Lease Obligations	$	151,020		-	$	50,340	$	50,340	$	50,340
Total	$	162,205								

The current portion of long-term debt consists of one installment note with GMAC Finance for the purchase of one truck in the original amount of $45,761. The final payment on this installment note is $11,185, all of which is due in the fiscal year ending December 31, 2007.

Operating lease obligations consists of one lease for our corporate offices. In December, 2005, Hawkeye Real Estate, LLC, the owner of our previous premises, requested that we relocate to smaller premises in the same complex as it had found a buyer for the existing premises. As an inducement to vacate the existing premises, Hawkeye Real Estate agreed to temporarily provide a 2,000 square foot facility of mixed office and warehouse space and 5,000 square feet of outside storage space at the same address in the same complex for a $0.00 monthly rental until it could obtain the necessary permits and construct new custom premises for us in the same complex and lease us the newly constructed space on terms substantially similar to the original lease. We estimate we will not be obligate to pay rent until the beginning of the fiscal year ending December 31, 2008 and until that time we are occupying our premises rent-free. See Item 12, Certain Relationships and Related Transactions contained elsewhere herein.

We believe, but cannot guarantee, that sales of our products will generate sufficient cash flow to meet our firm contractual commitments. If cash flow from sales is insufficient, we will be required to raise money through financing activities including loans from related parties and sales of common stock. We cannot guarantee that we will be able to obtain
loans or sell stock in sufficient amounts to meet our firm contractual commitments and our budgeted expenses.

Critical Accounting Policy and Estimates

Our Management's Discussion and Analysis of Financial Condition and Results of Operations section discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, accrued expenses, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the

basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of our financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources. These accounting policies are
described at relevant sections in this discussion and analysis and in the notes to the consolidated financial statements included in this Annual Report.

Looking Forward.

Water Machine

For the reasons set forth in Part 1, Item 1 above, we are not currently engaged in the business of manufacturing and selling the Water Machine. When and if we become engaged in this business, we believe that the Water Machines can be manufactured at a cost that will allow their sale to be competitive with bottled water products. Because we are not currently engaged in this business, we cannot predict the impact of this product on our results of operation and financial condition going forward.

Our Truck Side Mounting Systems, Advertising and Digital Printing Business

Our emphasis in the coming months is to increase our dealer network. We are actively pursuing the securing more qualified dealers. We believe that securing a larger dealer base will result in additional sales. There can be no guarantee that we will be successfully in securing additional dealers and if we do secure additional dealers that they will increase sales.

In addition to securing additional dealers, we are working to improve our truck side mounting systems to reduce their cost and improve their quality. We have an in-house engineer working on this project.

There can be no guarantee that we will continue to be profitable or that our revenue or net income will increase sufficiently to support expansion. Unless and until our marketing activities succeed and we sell our products on a wide-scale commercial basis, we may not have enough revenue to cover our operating expenses and may incur losses. We do not expect to generate significant revenue until such time, if ever, that sales increase substantially from their present levels. Accordingly, we cannot assure anyone that we will generate sufficient revenue to profitably operate in the future.

Our operations have consumed and will continue to consume substantial amounts of capital, which, up until now, have been largely financed from loans from related parties and sales of stock to private investors. We expect capital and operating expenditures to increase. Although we believe that we will be able to attract additional capital through private investors and as a result thereof our cash reserves and cash flows from operations will be adequate to fund our operations through the end of calendar year 2006, there can be no assurance that such sources will, in fact, be adequate or that additional funds will not be required either during or after such period. No assurance can be given that any additional financing will be available or that, if available, it will be available on terms favorable to us. If adequate funds are not available to satisfy either short or long-term capital requirements, we may be required to limit our operations significantly or discontinue our operations. Our capital requirements are dependent upon many factors including, but not limited to, the rate at which we develop and introduce our products and services, the market acceptance and competitive position of such products and services, the level of promotion and advertising required to market such products and services and attain a competitive position in the marketplace, and the response of competitors to our products and services.

We believe that we have assembled an experienced team of senior management. We believe that it is an essential part of our strategy to continue to aggressively strengthen the breadth, depth and industry expertise of our executive team. Our growth depends to a substantial degree on Antonio F. Uccello, III, the Chairman, President, Chief Executive Officer and Chief Financial Officer as well as other executive officers and key management personnel. Our loss of the services of any of these key personnel could have a material adverse effect on our business. There is currently no “key person” life insurance on the life of any of our executive officers, and no plans are underway to secure adequate key man coverage. Our continued growth will also be dependent upon our ability to attract and retain additional skilled management and sales personnel. We may not be successful, which could adversely affect our business. Our inability to retain key personnel or attract new high quality senior management could materially adversely affect our results of operations.

Our business may be dependent on obtaining patent protection for our mobile sign mounting systems and on the continued validity of a patent, if obtained. We have a patent pending on this proprietary technology. However, a patent may never be issued. There can be no assurance that any steps taken by us to protect its proprietary technology will be adequate to prevent misappropriation, that any patent issued to us will not be invalidated, circumvented or challenged, or that any patent we may obtain will provide a competitive advantage. There can be no assurance that others will not independently develop a technology superior to our technology and obtain patents thereon. In such event, we may not be able to license such technology on reasonable terms, or at all. Although we believe that our mobile sign mounting system does not infringe upon proprietary rights of others, there can be no assurance that third parties will not assert infringement claims in the future. Moreover, litigation might be necessary in the future to enforce our patent (if obtained), or to defend against claims of infringement or invalidity. Such litigations, regardless of outcome, could result in substantial cost and diversion of resources, and could have a material adverse effect on our business, financial condition and results of operations. We have not received any notifications from either the United States Patent and Trademark Office or any third party making any such claims, nor do we have knowledge of any technology that is substantially similar to its technology that could lead to such a claim.

Because our technology is attached to vehicles that travel throughout populated areas, it is possible that faults in the mounting system or in the installation thereof could cause accidents or injuries to others or their property. If this were to occur, we could be held liable for damages, including punitive damages that could materially adversely affect our business. We carry products liability insurance in the amount of $2,000,000 per incident in order to protect against such occurrences. In addition, where we have certified installers of our products, such installers will have entered into contracts with us to indemnify us for the installers' faulty installations. However, there can be no guarantee that either the insurance or indemnification would be sufficient to shield us from large damage claims that could adversely affect our business.

Federal regulations exist that govern outdoor billboard advertising along the nation's roadways affecting the size, placement and other aspects of such advertising. Currently, however, regulations have not specifically targeted mobile vehicle advertising. There can be no guarantee that new regulations will not be promulgated that affect our business. In addition, certain current regulations restrict the advertising of alcohol and tobacco products. We do not anticipate that these regulations will affect our business, as we do not focus on these types of advertisers, nor do we currently intend to do so in the future.

We offer several warranties on our products, for five years, covering the functionality of the mounting systems and the ultraviolet protection of the graphics where we do the printing of the graphics. There can be no guarantee that we will be able to afford to process all of the warranted maintenance if more legitimate repairs are requested than we have forecasted.

We have begun training outside parties to become certified installers of our products. We anticipate that having more installers will make repairs and change-outs of graphics convenient and cost effective for our customers. However, we may not be able to train enough installers to handle the potential demand for our products. This would result in delays in service, which could affect customer satisfaction and adversely affect our business. Currently, we believe that we have sufficient numbers of trained installers to handle the potential demand and expect to be able to continue to train additional installers to keep pace with the anticipated growth of our business. However, there can be no guarantee that this will occur.

Once we train outside independent installers to install our products, we will not be supervising each of them on a continuing basis. Although each certified independent installer is anticipated to be under contract with us to install our products only according to our specifications, we cannot guarantee that this level of installation will occur in every case, and it is possible that we may face liability for the installers' actions if our products injure or damage other people or their property. We intend to procure indemnification agreements from our certified independent installers to avoid this potential problem.

ITEM 7. FINANCIAL STATEMENTS

SIGN MEDIA SYSTEMS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

21

SIGN MEDIA SYSTEMS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

PAGE(S)

BAGELL, JOSEPHS, LEVINE & COMPANY, L.L.C.
Certified Public Accountants

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Gibbsboro, New Jersey 08026
(856) 346-2828 Fax (856) 346-2882

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders of
Sign Media Systems, Inc.
Sarasota, FL

We have audited the accompanying consolidated balance sheets of Sign Media Systems, Inc., (the "Company") as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity (deficit) and cash flows for each of the years in the two-year period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sign Media Systems, Inc., as of December 31, 2006 and 2005, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

BAGELL, JOSEPHS, LEVINE & COMPANY, L.L.C.
BAGELL, JOSEPHS, LEVINE & COMPANY, L.L.C.
Certified Public Accountants
Gibbsboro, New Jersey

April 16, 2007

MEMBER OF: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA)
CENTER FOR PUBLIC COMPANY AUDIT FIRMS (CPCAF)
NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANT

23

SIGN MEDIA SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2006 AND 2005

ASSETS

		2006		2005
CURRENT ASSETS				
Cash and cash equivalents	$	304,127	$	2,252
Accounts receivable, net		393,835		-
Inventory, net		7,462		25,000
		705,424		27,252
PROPERTY AND EQUIPMENT - net		95,471		174,793
OTHER ASSETS				
Due from related parties		416,131		838,150
		416,131		838,150
TOTAL ASSETS	$	1,217,026	$	1,040,195

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES				
Current portion of long-term debt	$	11,988	$	18,420
Accounts payable and accrued expenses		147,395		216,270
Current portion of debt - related parties		17,177		8,319
Liability for stock to be issued		-		224,900
Income tax payable		45,007		-
		221,567		467,909
LONG-TERM DEBT - net of current portion		-		32,765
TOTAL LIABILITIES		221,567		500,674

STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, no par value, 100,000,000 shares authorized 9,043,267 and 8,460,000 shares issued and outstanding at December 31, 2006 and 2005	229,900	5,000
Additional paid-in capital	671,700	671,700
Retained earnings (deficit)	93,859	(137,179)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	995,459	539,521
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 1,217,026	$ 1,040,195

SIGN MEDIA SYSTEMS, INC.
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

		2006		**2005**
REVENUE		726,812		1,491,854
COSTS OF GOODS SOLD		189,131		204,211
GROSS PROFIT		537,681		1,287,643
OPERATING EXPENSES				
Professional fees and administrative payroll		146,262		342,545
General and administrative expenses		83,679		279,429
Bad debt expense - net of recovery		-		207,565
Depreciation		58,693		57,768
		288,634		887,307
INCOME BEFORE OTHER INCOME (EXPENSE)		249,047		400,336
OTHER INCOME (EXPENSE)				
Interest income		27,503		26,757
Interest expense		(505)		(2,085)
		26,998		24,672
INCOME BEFORE INCOME TAXES		276,045		425,008
Provision for income taxes		45,007		-
NET INCOME APPLICABLE TO COMMON SHARES	$	231,038	$	425,008
NET INCOME PER BASIC AND DILUTED SHARES	$	0.03	$	0.05
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		8,508,606		8,406,000

SIGN MEDIA SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	Common Stock Shares		Amount		Additional Paid-In Capital		Retained Earnings (Deficit)		Total
Balance, January 1, 2005	8,460,000	$	5,000	$	671,700	$	(562,187)	$	114,513
Net income	-		-		-		425,008		425,008
Balance, December 31, 2005	8,460,000	#	5,000	#	671,700	#	(137,179)		539,521
Issuance of common stock for liability for stock to be issued	583,267		224,900		-		-		224,900
Net income	-		-		-		231,038		231,038
Balance, December 31, 2006	9,043,267	$	229,900	$	671,700	$	93,859	$	995,459

SIGN MEDIA SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 231,038	$ 425,008
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	58,693	57,768
Provision for losses on accounts receivable	-	707,565
Changes in assets and liabilities:		
(Increase) in accounts receivable	(393,835)	(156,987)
Decrease in inventory	17,538	60,572
(Increase) decrease in prepaid expenses and other current assets	-	4,000
Increase (decrease) in accounts payable and accrued expenses	(23,868)	20,673
Total adjustments	(341,472)	693,591
Net cash provided by (used in) operating activities	(110,434)	1,118,599
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	138	(108,006)
Increase in interest receivable - related party	(27,500)	(26,650)
Reduction from related parties	449,519	551,918
Payments to related parties	-	(1,363,418)
Net cash provided by (used in) investing activities	422,157	(946,156)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in liability for stock to be issued	-	24,900
Payments on long-term debt	(18,706)	(18,419)
Increase (decrease) on debt-related party	8,858	(183,024)
Net cash (used in) financing activities	(9,848)	(176,543)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	301,875	(4,100)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,252	6,352
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 304,127	$ 2,252
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 505	$ 2,085
Debt reduced to trade in on vehicle	$ 20,491	$ -

SIGN MEDIA SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 1- <u>ORGANIZATION AND BASIS OF PRESENTATION</u>

The Company was incorporated on January 28, 2002 as a Florida corporation. Upon incorporation, an officer of the Company contributed $5,000 and received 1,000 shares of common stock of the Company. Effective January 1, 2003, the Company issued 7,959,000 shares of common stock in exchange of $55,702 of net assets of Go! Agency, LLC, a Florida limited liability company ("Go Agency"), a company formed on June 20, 2000, as E Signs Plus.com, LLC, a Florida limited liability company. In this exchange, the Company assumed some debt of Go Agency and the exchange qualified as a tax-free exchange under IRC Section 351. The net assets received were valued at historical cost. The net assets of Go Agency that were exchanged for the shares of stock were as follows:

Accounts receivable	$ 30,668
Fixed assets, net of depreciation	112,214
Other assets	85,264
Accounts payable	(29,242)
Notes payable	(27,338)
Other payables	(115,864)
Total	$55,702

Go Agency was formed to pursue third party truck side advertising. The principal of Go Agency invested approximately $857,000 in Go Agency pursuing this business. It became apparent that a more advanced truck side mounting system would be required and that third party truck side advertising alone would not sustain an ongoing profitable business. Go Agency determined to develop a technologically advanced mounting system and focused on a different business plan. Go Agency pre-exchange transaction was a company under common control of the major shareholder of SMS. Post-exchange transactions have not differed. Go Agency still continues to operate and is still under common control.

Go Agency and the Company developed a new and unique truck side mounting system, which utilizes a proprietary cam lever technology, which allows an advertising image to be stretched tight as a drum. Following the exchange, the Company had 7,960,000 shares of common stock issued and outstanding. The Company has developed and filed an application for a patent on its mounting systems. The cam lever technology is considered an intangible asset and has not been recorded as an asset on the Company's consolidated balance sheet. This asset was not recorded due to the fact that there was no historic recorded value on the books of Go Agency for this asset.

SIGN MEDIA SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005

NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

On November 17, 2003, the Company entered into a merger agreement by and among American Power House, Inc., a Delaware corporation and its wholly owned subsidiary, Sign Media Systems Acquisition Company, Inc., a Florida corporation and Sign Media Systems, Inc. Pursuant to the merger agreement, Sign Media Systems merged with Sign Media Systems Acquisition Company with Sign Media Systems being the surviving corporation. The merger was completed on December 8, 2003, with the filing of Articles of Merger with the State of Florida at which time Sign Media Systems Acquisition ceased to exist and Sign Media Systems became the surviving corporation. American Powerhouse was not actively engaged in any business at the time of the merger. However, sometime prior to the merger, American Power House had acquired certain technology for the manufacture of a water machine in the form of a water cooler that manufactures water from ambient air. Prior to the merger, American Power House granted a license to Sign Media Systems Acquisition to use that technology and to manufacture and sell the water machines. The acquisition of this license was the business purpose of the merger. As consideration for the merger, Sign Media Systems issued 300,000 shares of its common stock to American Power House, 100,000 shares in the year ending December 31, 2003, and 200,000 shares in the year ending December 31, 2004. The 300,000 shares of stock were valued at $1.50 per share based on recent private sales of Sign Media Systems common stock. At the time of the merger the Company was in negotiations with independent dealers in Central America who sold United States products in Central and South America and who had expressed a desire to market this product in that territory. Ultimately, the Company was unable to come to a satisfactory agreement with these dealers for the sale of this product. Accordingly, the Company is not currently engaged in the business of manufacturing and sale of this product. The Company will not become engaged in the business of manufacturing and selling this product until it can identify and come to a satisfactory agreement with an independent dealer or dealers in that territory for the sale of this product. The Company cannot currently predict when or if it will identify and come to a satisfactory agreement with an independent dealer or dealers in this territory for the sale of this product. Due to these problems with the Company's plans for marketing and distribution of the water machine subsequent to the merger, the license has no carrying or book value. There were no other material costs of the merger. There was and is no relationship between American Powerhouse and either Sign Media Systems or GO! AGENCY.

SIGN MEDIA SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and Cost Recognition (continued)

Currently, the Company has three primary sources of revenue:

(1) The sale and installation of their mounting system;
(2) The printing of advertising images to be inserted on trucks utilizing the Company's mounting systems; and
(3) Third party advertising.

The Company's revenue recognition policy for these sources of revenue is as follows. The Company relies on Staff Accounting Bulletin Topic 13, in determining when recognition of revenue occurs. There are four criteria that the Company must meet when determining when revenue is realized or realizable and earned. The Company has persuasive evidence of an arrangement existing; delivery has occurred or services rendered; the price is fixed or determinable; and collectibility is reasonably assured. The Company recognizes revenue from the sale of its mounting systems and images when it completes the work and either ships or installs the products. The Company recognizes revenue from third party advertising
only when it has the contractual right to receive such revenue. The Company does retain a liability to maintain systems and images that are installed for purposes of third party advertising. However, any damage caused by the operator of the truck is the responsibility of the lessor of the space and is not the Company's liability. To date the Company has experienced no cost for maintaining these leased systems. All deposits are non-refundable.

SIGN MEDIA SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, the Company offers manufacturer's warranties. These warranties are provided by the Company and not sold. Therefore, no income is derived from the warranty itself.

Cost is recorded on the accrual basis as well, when the services are incurred rather than when payment is made.

Revenue and Cost Recognition

Costs of goods sold are separated by components consistent with the revenue categories. Mounting systems, printing and advertising costs include purchases made, and payroll costs attributable to those components. Payroll costs is included for sales, engineering and warehouse personnel in cost of goods sold. Cost of overhead is diminimus. The Company's inventory consists of finished goods, and unassembled parts that comprise the framework for the mounting system placed on trucks for their advertising. All of these costs are included in costs of goods sold for the years ended December 31, 2006 and 2005.

Warranties

The Company offers manufacturers warranties that covers all manufacturer defects. The Company accrues warranty costs based on historical experience and management's estimates. The Company has not experienced any losses in the past two years with respect to the warranties, therefore has not accrued any liability as of December 31, 2006 and 2005. The following table represents the Company's losses in the past two years with respect to warranties.

	Balance at Beginning of Year	Charged to Costs and Expenses	Deductions	Balance at End of Year
Year ended December 31, 2005	$ -	$ -	$ -	$ -
Year ended December 31, 2005	$ -	$ -	$ -	$ -

31

SIGN MEDIA SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provision for Bad Debt

Under SOP 01-6 "Accounting for Certain Entities (including Entities with Trade Receivables) That Lend to or Finance the Activities of Others" the Company has intent and belief that all amounts in accounts receivable are collectible. The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated credit risk by performing credit checks and actively pursuing past due accounts over 90 days.

Management's policy is to vigorously attempt to collect its receivables monthly. The Company estimated the amount of the allowance necessary based on a review of the aged receivables from the major customer. Management additionally instituted a policy for recording the recovery of the allowance if any in the period where it is recovered.

Bad debt expense for the years ending December 31, 2006 and 2005 was $0 and $207,565, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less to be cash equivalents.

The Company maintains cash and cash equivalent balances at several financial institutions that are insured by the Federal Deposit Insurance Corporation up to $100,000.

Accounts Receivable

Accounts receivable are presented at face value, net of the allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income and is maintained at a level believed adequate by management to absorb estimated bad debts based on current economic conditions. The balance of the reserve for doubtful accounts, to reflect the realizable value, is $0 and $707,565 at December 31, 2006 and 2005, respectively.

SIGN MEDIA SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful life of the assets.

Furniture and fixtures	5 years
Equipment	5 years
Trucks	3 years

Advertising

Costs of advertising and marketing are expensed as incurred. Advertising and marketing costs were $0 and $1,800 for the years ended December 31, 2006 and 2005, respectively.

Fair Value of Financial Instruments

The carrying amount reported in the balance sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value because of the immediate or short-term maturity of these financial instruments.

Inventory

Inventory at December 31, 2006 and 2005 consisted of raw materials. Included in these raw materials are top rails, side rails, floating rails, fixed pivot rails, lever rails and right and left end caps. Inventory is stated at the lower of cost or market, utilizing the first in, first out method, “FIFO”, to determine which amounts are removed from inventory.

Income Taxes

The provision for income taxes includes the tax effects of transactions reported in the financial statements. Deferred taxes would be recognized for differences between the basis for assets and liabilities for financial statement and income tax purposes. The major difference relates to the net operating loss carry forwards generated by sustaining deficits during the development stage.

SIGN MEDIA SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain balances in the 2005 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2006 financial statements. These reclassifications have not had any impact on net income.

Stock-Based Compensation

Employee stock awards under the Company's compensation plans are accounted for in accordance with Accounting Principles Board Opinion No. 25 ("APB 25"), "*Accounting for Stock Issued to Employees*", and related interpretations. The Company provides the disclosure requirements of Statement of Financial Accounting Standards No. 123, "*Accounting for Stock-Based Compensation*" ("SFAS 123"), and related interpretations. Stock-based awards to non-employees are accounted for under the provisions of SFAS 123 and has adopted the enhanced disclosure provisions of SFAS No. 148 "Accounting for Stock-Based Compensation- Transition and Disclosure, an amendment of SFAS No. 123".

The Company measures compensation expense for its employee stock-based compensation using the intrinsic-value method. Under the intrinsic-value method of accounting for stock-based compensation, when the exercise price of options granted to employees is less than the estimated fair value of the underlying stock on the date of grant, deferred compensation is recognized and is amortized to compensation expense over the applicable vesting period. In each of the periods presented, the vesting period was the period in which the options were granted. All options were expensed to compensation in the period granted rather than the exercise date.

The Company measures compensation expense for its non-employee stock-based compensation under the Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) Issue No. 96-18, "*Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*".

SIGN MEDIA SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fair value of the option issued is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to compensation expense and additional paid-in capital.

Earnings per Share of Common Stock

Historical net income per common share is computed using the weighted-average number of common shares outstanding. Diluted earnings per share (EPS) include additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants.

The following is a reconciliation of the computation for basic and diluted EPS:

	December 31, 2006	2005
Net income	$ 231,038	$ 425,008
Weighted-average common shares outstanding		
Basic	8,508,606	8,406,000
Weighted-average common stock equivalents		
Stock options	-	-
Warrants	-	-
Weighted-average common shares outstanding		
Diluted	8,508,606	8,406,000

SIGN MEDIA SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share Based Payments

In December 2004, the FASB issued Financial Accounting Standards No. 123 (revised 2004) (FAS 123R), "Share-Based Payment, "FAS 123R replaces FAS No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." FAS 123R requires compensation expense, measured as the fair value at the grant date, related to share-based payment transactions to be recognized in the financial statements over the period that an employee provides service in exchange for the award. The Company intends to adopt FAS 123R using the "modified prospective" transition method as defined in FAS 123R. Under the modified prospective method, companies are required to record compensation cost prospectively for the unvested portion, as of the date of adoption, of previously issued and outstanding awards over the remaining vesting period of such awards. FAS 123R is effective January 1, 2006. The Company does not anticipate that the implementation of this standard will have a material impact on its financial position, results of operations or cash flows.

Recent Accounting Pronouncements

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections." SFAS No. 154 replaces Accounting Principles Board ("APB") Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements." SFAS No. 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. APB No. 20 previously required that most voluntary changes in accounting principle be recognized by including the cumulative effect of changing to the new accounting principle in net income in the period of the change. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 did not have a material impact on the Company's financial position, results of operations, or cash flows.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140." SFAS No. 155 resolves issues addressed in SFAS No. 133 Implementation Issue No. D1, "Application of Statement 133 to

SIGN MEDIA SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

Beneficial Interests in Securitized Financial Assets," and permits fair value remeasurement for any hybrid financial instrument that contains an
embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of the first fiscal year that begins after September 15, 2006. The adoption of FAS 155 is not anticipated to have a material impact on the Company's financial position, results of operations, or cash flows.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140." SFAS No. 156 requires an entity to recognize a servicing asset or liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract under a transfer of the servicer's financial assets that meets the requirements for sale accounting, a transfer of the servicer's financial assets to a qualified special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available-for-sale or trading securities in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" and an acquisition or assumption of an obligation to service a financial asset that does not relate to financial assets of the servicer or its consolidated affiliates. Additionally, SFAS No. 156 requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, permits an entity to choose either the use of an amortization or fair value

SIGN MEDIA SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

method for subsequent measurements, permits at initial adoption a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights and requires separate presentation of servicing assets and liabilities subsequently measured at fair value and additional disclosures for all separately recognized servicing assets and liabilities. SFAS No. 156 is effective for transactions entered into after the beginning of the first fiscal year that begins after September 15, 2006. The adoption of FAS 156 is not anticipated to have a material impact on the Company’s financial position or results of operations. In June 2006, the FASB issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with SFAS No. 109, “Accounting for Income Taxes.” FIN 48 establishes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact the adoption of this interpretation will have on its future financial statements.

In September 2006, The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurement" ("SFAS No. 157"). This standard provides guidance for using fair value to measure assets and liabilities. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. Prior to SFAS No. 157, the methods for measuring fair value were diverse and inconsistent, especially for items that are not actively traded. The standard clarifies that for items that are not actively traded, such as certain kinds of derivatives, fair value should reflect the price in a transaction with a market participant, including an adjustment for risk, not just the company's mark-to-model value. SFAS No. 157 also requires expanded disclosure of the effect on earnings for items measured using unobservable data. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact of this statement on its financial statements and expects to adopt SFAS No.157 on December 31, 2007.

SIGN MEDIA SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans -- An Amendment of FASB Statements No. 87, 88, 106, and 132R." This standard requires an employer to: (a) recognize in its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status; (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year (with limited exceptions); and (c) recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. Those changes will be reported in comprehensive income. The requirement to recognize the funded status of a benefit plan and the disclosure requirements are effective as of the end of the fiscal year ending after December 15, 2006. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. The Company is evaluating the impact of this statement on its financial statements and believes that such impact will not be material.

NOTE 3- ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at December 31, 2006 and 2005:

	2006	2005
Accounts receivable	$ 573,835	$ 707,565
Less allowance for doubtful accounts	(180,000)	(707,565)
Total accounts receivable	$ 393,835	$ -

SIGN MEDIA SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005

NOTE 4- PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2006 and 2005:

	2006	2005
Equipment	$ 125,465	$ 125,327
Furniture and Fixtures	112,022	112,022
Transportation Equipment	24,621	54,621
	262,108	291,970
Less: accumulated depreciation	166,637	117,177
Net Book Value	$ 95,471	$ 174,793

SIGN MEDIA SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005

Depreciation expense for the years ended December 31, 2006 and 2005 was $58,693 and $57,768, respectively.

NOTE 5- COMMITMENTS AND CONTINGENCIES

The Company entered into a lease agreement on November 1, 2002 with Hawkeye Real Estate, LLC, a related entity, to lease warehouse and office space. The
rent is anticipated to be $30,000 per annum. The lease expires in November of 2007.

Rent expense for the years ended December 31, 2006 and 2005 was $30,000, and $29,425, respectively.

SIGN MEDIA SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005

NOTE 6- RELATED PARTY TRANSACTIONS

On January 28, 2002, Sign Media Systems, Inc. was formed as a Florida Corporation but did not begin business operations until April 2002. Most of the revenue that Sign Media Systems, Inc. earned was contract work with Go! Agency, LLC., a Florida limited liability company, a related party. Sign Media Systems, Inc. would contract Go! Agency, LLC. to handle and complete jobs. There was no additional revenue or expense added from one entity to the other.

On January 3, 2003, the Company entered into a loan agreement with Olympus Leasing Company, a related party, and in connection there with executed a promissory note with a future advance clause in favor of Olympus Leasing, whereby Olympus Leasing agreed to loan the Company up to a maximum of $1,000,000 for a period of three years, with interest accruing on the unpaid balance at 18% per annum, payable interest only monthly, with the entire unpaid balance due and payable in full on January 3, 2006. As of December 31, 2006 and 2005 there was $0 and $0 due to Olympus, respectively. A new loan agreement is being negotiated.

On June 28, 2005, the Company loaned $1,200,000 to Olympus Leasing Company, a related party. At June 28, 2005, Antonio F. Uccello, III, was, and is now the President, Chairman, a minority owner of the issued and outstanding shares of stock of Olympus Leasing and reports to its board of directors. Antonio F. Uccello, III, was and is one of the Company's officers and directors and an indirect shareholder of Sign Media Systems, Inc. The loan is for a period of five years with interest accruing on the unpaid balance at 5.3% per annum payable annually, with the entire principle and unpaid interest due and payable in full on June 28, 2010. There is no prepayment penalty. The purpose of the loan was to obtain a higher interest rate than is currently available at traditional banking institutions. Olympus Leasing's primary business is making secured loans to chiropractic physicians throughout the United States for the purchase of chiropractic adjustment tables. The loans are generally for less than $3,000 each and are secured by a first lien on each chiropractic adjustment table. The chiropractic physician personally guarantees each loan. The rate of return on the Olympus Leasing loans is between 15% and 25% per annum.

To date, Olympus Leasing has suffered no loss from any loan to a chiropractic physician for the purchase of a chiropractic adjustment table. There is an excellent market for the re-sale of tables, which may be the subject of a foreclosure. Olympus Leasing currently has in excess of $1,000,000 in outstanding finance receivables from chiropractic physicians secured by a first lien on each chiropractic adjustment table.

SIGN MEDIA SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005

NOTE 6- RELATED PARTY TRANSACTIONS (CONTINUED)

Since the making of the loan by the Company to Olympus Leasing, Olympus Leasing has made payments to the Company of $838,022 pursuant to the note. The remaining balance that was due from related party on the balance sheet was $416,131 and $838,150, in 2006 and 2005, respectively.

NOTE 7- LONG-TERM DEBT

Long-term debt consists of one installment note with GMAC Finance. The remaining balance on this loan is $11,988.

The above represents maturities over the next year ending December 31, 2007.

NOTE 8- INCOME TAXES

Current:	2006	2005
Federal	$ 37,407	$ -
State	7,600	-
Total Current Tax	45,007	-
Deferred:		
Federal	-	-
State	-	-
Total Deferred Tax	-	-
Total provision for income taxes	45,007	0

In conformity with SFAS No. 109, deferred tax assets and liabilities are classified based on the financial reporting classification of the related assets and liabilities, which give rise to temporary book/tax differences. Deferred taxes were immaterial at December 31, 2006 and 2005.

SIGN MEDIA SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005

NOTE 9- CONCENTRATION OF CREDIT RISK

A material part of the Company's business was dependent upon one key customer during the years ended December 31, 2006 and 2005. Sales to this customer were approximately 99% and 99%, respectively. Approximately 99% of the Company's accounts receivable at December 31, 2006 are due from this one customer.

NOTE 10- STOCKHOLDERS' EQUITY

As of December 31, 2006 and 2005, there were 100,000,000 shares of common stock authorized.

As of December 31, 2006 and 2005, there were 9,043,267 and 8,460,000 shares of common stock issued and outstanding, respectively.

The Company received $224,900 in cash in 2004 and 2005. The Company had recorded this as a liability for stock to be issued as of December 31, 2005. The Company issued in December 2006, the following 583,267 shares with a FMV of $224,900 and was reclassified as equity upon the issuance of the shares.

There were no options or warrants granted during the period January 28, 2002 (Inception) through December 31, 2006.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 8A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized, and reported within the required time periods. Our Chief Executive Officer and our Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this annual report. They have concluded that, as of that date, our disclosure controls and procedures were effective at ensuring that required information will be disclosed on a timely basis in our reports filed under the Exchange Act.

(b) Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 8B. OTHER INFORMATION

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

The Company’s executive officers, directors and key employees and their business experience follows:

Name and Age	Position	Term
Antonio F. Uccello, III Age 38	Chairman/President/ Chief Executive Officer/Chief Financial Officer	January 28, 2002 to present
Andrei A. Troubeev Age 39	Vice-President-Engineering	March 1, 2004 to present

45

Charles A. Pearson, III Vice-President-Sales July 5,
2004
A g e
39
to August 8, 2005 (1)

T h o m a s B a c h m a n
Director March 11, 2003
A g e
59
to present

S t e p h e n R . M a c N a m a r a
Director/Secretary March 11, 2003
A g e
52
to present

(1) Mr. Pearson resigned on August 5, 2005 for personal reasons.

Resumes

Antonio F. Uccello, III

Mr. Uccello is the founder, President, Chief Executive Officer, Chairman of the Board of Directors and the Chief Financial Officer of the Company. Mr. Uccello attended college at the University of Connecticut and took graduate courses at Hunter College in New York City. Mr. Uccello has been in the securities industry for the last 13 years. Mr. Uccello holds a Series 65, Registered Investment Advisor license from the National Association of Securities Dealers. From June, 1996, to February, 2001, Mr. Uccello was a branch manager for Brookstreet Securities. Brookstreet Securities is a registered broker-dealer. Mr. Uccello left Brookstreet Securities in February, 2001, to establish Chelsea Capital Management, LLC where he acts a registered investment advisor. Both Chelsea and Mr. Uccello are registered as investment advisors with The State of Florida, Department of Banking and Finance and the State of Connecticut Department of Banking, Division of Securities and Business Investments. Mr. Uccello is the owner of 99% of the membership interests and the sole manager of Chelsea and as such is the sole owner and sole control person of Chelsea. Mr. Uccello is a minority member and the manager of Hawkeye Real Estate, LLC and is the President of and a minority shareholder in Olympus Leasing Company, both of which are related parties to us. Hawkeye Real Estate is a real estate developer and Olympus Leasing is engage in the business of making commercial loans. Mr. Uccello will devote 80% of his time to us. Mr. Uccello has extensive experience in finance and is responsible for the over all profitability of the Company.

Andrei A. Troubeev

Mr. Troubeev is the Vice-President, Engineering for the Company. Mr. Troubeev earned his Bachelor of Science, Mechanical Engineering, from Belarus Agricultural and Mechanical University in 1997. Mr. Troubeev has experience in developing new designs, support of production and assembly teams, recommending changes to improve product designs and production efficiency, and the development and testing of new product designs. Mr. Troubeev was Distribution Director for DELO Magazine a monthly business journal published in English, Russian and German from Belarus from February, 1993 to July, 1999, and was Production Engineer from Trailmate, Inc. in Sarasota, Florida from July, 1999 to March, 2004. Trailmate, Inc. is in the business of manufacturing commercial edgers and mowers and adult and industrial tricycles. Mr. Troubeev participated in the development of new designs, support of production and assembly teams and recommendations of changes to improve product designs and production efficiency for

Trailmate.

Charles A. Pearson, III

Mr. Pearson is the Vice-President, Sales and Marketing for the Company. Mr. Pearson earned a Bachelor of Science, Industrial Technology & Technical Sales, from East Carolina University at Greenville, NC in 1991 and his Masters of Business Administration, International Business, from Florida Metropolitan University at Tampa, Florida in 2002. From October, 1995 to February, 1999, Mr. Pearson was employed by Pinnacle Broadcasting Co., Inc., first as an Account Executive for WRNS 95 1 FM, a radio station in Kinston, NC, then Sales Manager and finally General Manager of WREO 93.3 FM/WDLAX AM, a radio station in Washington, NC. From February, 1999 to August, 2000, Mr. Pearson was the Sales Manager for Tropic Petroleum Co., Inc. of Tampa, Florida. Tropic Petroleum is in the business of petroleum equipment sales. From August, 2000 to December, 2001, Mr. Pearson was an Account Executive for Freedom Sales & Marketing of Tampa, Florida. Freedom Sales & Marketing is in the business of electronic component sales. From December, 2001 to July, 2004, Mr. Pearson was Sales Manager for Gasoline Equipment Marketers of Tampa, Florida. Gasoline Equipment Marketers is in the business petroleum equipment sales. Mr. Pearson resigned August 5, 2005 for personal reasons.

Thomas Bachman

Mr. Bachman is a Director of the Company. Mr. Bachmann has been the Executive Publisher and Director of Industry Development of *Beverage Industry Magazine*, the leading trade publication for the beverage industry since 1994. Prior to becoming Executive Publisher and Director of Industry Development of *Beverage Industry Magazine* in 1994, Mr. Bachmann was the National Sales Manager and Associate Publisher of *Beverage Industry Magazine* from 1976 to 1981. From 1982 to 1992 Mr. Bachmann was Publisher of *Diary Field*, *Today's Catholic Teacher* and *Early Childhood News*. Mr. Bachmann ran his own consulting firm, Bachmann and Associates from 1992 to 1994. Mr. Bachmann is a member of the National Soft Drink Association, the Canadian Soft Drink Association, and the International Bottled Water Association. Mr. Bachmann will bring an industry wide perspective to the Company.

Stephen R. MacNamara

Mr. MacNamara is a Director and the Secretary of the Company. Mr. MacNamara holds a Bachelor of Science, Journalism, from the University of Florida and a Juris Doctor from Florida State University. Mr. MacNamara has been an Associate Professor, Department of Communication at Florida State University since 1994. Mr. MacNamara has been the President of The Florida Association of Health Plans since 2000. Mr. MacNamara served as Chief of Staff, Florida House of Representatives from July 1999, to May 2000, the Professor-in-Residence, Florida House of Representatives from January 1999, to May 2000, Visiting Associate, Department of Communications at Florida State University from 1993, to 1994, Director of The Collins Center for Public Policy from 1990 to 1992, and Secretary, Florida Department of Business regulation from 1989, to 1990. Mr. MacNamara is Associate Vice President for Academic Affairs at Florida State University. Mr. MacNamara has extensive experience in governmental affairs.

Family Relationships

There are no current family relationships among the Company's officers and directors. Prior to February 2, 2004 Abraham Uccello was our President and Chief Executive Officer and Salvatore Uccello was our Vice President of Engineering. Antonio F. Uccello, the current President and Chief Executive Officer and Abraham Uccello are brothers and Salvatore Uccello is their father. Abraham Uccello and Salvatore Uccello resigned on February 2, 2004.

Employment Agreements

There are no employment agreements between us and our executive officers and key personnel.

Code of Ethics

We have adopted a code of ethics which is a document of conduct we establish for ourselves to help us and our employees comply with laws and good ethical practices.

ITEM 10. EXECUTIVE COMPENSATION

Set forth below are the annual cash compensation and restricted stock grants paid to the Company's executive officers for the period ended December 31, 2006.

Summary Compensation Table

		Annual Compensation			Long Term Compensation	
Name and Principal Position	Year	Salary $	Bonus $	Other Annual Compensation $	Stock Grants #	All Other Compensation $ (1)
Antonio F. Uccello, III Chief Financial Officer	2006	125,000	0	0	0	11,194
Andrei A. Troubeeg Vice President, Engineering	2006	41,200	0	0		11,721

(1) All Other Compensation consists solely of health insurance.

None of the directors has been paid any fees for acting as such and we do not anticipate paying any directors' fees in the foreseeable future.

Other than as set forth in the foregoing table, with footnotes, there is no other plan, contract, authorization or arrangement, whether or not set forth in any formal documents, pursuant to which the following may be received by any or our officers or directors: cash, stock, restricted stock or restricted stock units, phantom stock, stock options, stock appreciation rights ("SARs"), stock options in tandem with SARs, warrants, convertible securities, performance units and performance shares, and similar instruments.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following tables set forth the security ownership as of April 15, 2005 by: (i) each person (or group of affiliated persons) who, to our knowledge, is the beneficial owner of five percent or more of our outstanding common stock, (ii) each named director and each named executive officer who, to out knowledge, is the beneficial owner of our outstanding common stock, and each of the foregoing as a group.

SECURITY OWNERSHIP
OF CERTAIN BENEFICIAL OWNERS

Title of Class	Name and Address Of Beneficial Owner	Amount and Nature Of Beneficial Owner	Percent of Class
Common Stock, No Par Value	Antonio F. Uccello, III(1) 2100 19th Street Sarasota, FL 34234	4,059,600(1)	45%(1)
Common Stock, No Par Value	Abraham Uccello(1) 637 Mecca Dr. Sarasota, FL 34234	2,388,000(1)	26%(1)
Common Stock, No Par Value	Salvatore Uccello(1) 6527 Waterford Circle Sarasota, FL 34238	716,400(1)	9%(1)
Common Stock, No Par Value	Roger P. Nelson(1) 14 Giovanni Drive Waterford, CT 06385	796,000	9%(1)
Totals for Class as a Whole		7,960,000(1)	97%

(1) Pursuant to Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended, beneficial ownership of a security consists of sole or shared voting power (including the power to vote or direct the voting) and/or sole or shared investment power (including the power to dispose or direct the disposition) with respect to a security whether through a contract, arrangement, understanding, relationship or otherwise. All of the shares described in the foregoing table are owned by GO! Agency, LLC, a Florida limited liability company whose address is 4744 Spinnaker Drive Bradenton, FL 34208. The individuals listed are the members of GO! Agency and the shares of common stock reflected for each person in the foregoing table reflect each such person's percentage ownership of GO! Agency. Antonio F. Uccello, III, is the

manager and the 51% owner of GO! Agency and, therefore, pursuant the terms of GO! Agency's Operating Agreement, has the sole power, subject to his fiduciary duties to the other GO! Agency members, to vote, or dispose of or direct the disposition of all the shares of Sign Media
System, Inc.'s common stock beneficially owned by GO! Agency. Antonio F. Uccello, III, has absolute control of us by virtue of his voting control of 7,960,000 shares of our common stock.

SECURITY OWNERSHIP
OF MANAGEMENT

(1) Title of Class	(2) Name and Address Of Beneficial Owner	(3) Amount and Nature Of Beneficial Owner	(4) Percent of Class
Common Stock, No Par Value	Antonio F. Uccello, III(1) 2100 19th Street Sarasota, FL 34234	4,059,600(1)	45%(1)
Common Stock, No Par Value	Stephen R. MacNamara(2) 1071 Meyers Park Drive Tallahassee, FL 32301	30,000	.003%
Common Stock, No Par Value	Thomas Bachman(3) 2960 S. McCall Road, Ste 210 Inglewood, FL 34224	-	-
Common Stock, No Par Value	Andrei A. Troubeev(4) 7736 37th Court E. Sarasota, FL	-	-
Common Stock, No Par Value	Charles A. Pearson, III(5) 6138 Turnbury Park Dr. Apt. 6301 Sarasota, FL 34234	-	-
Totals for Class as a Whole		4,089,600	45%

(1) Antonio F. Uccello, III is our Chairman, President, Chief Executive Officer, and Chief Financial Officer. Antonio F. Uccello, III is the 51% owner and manager of GO! Agency, LLC, a Florida limited liability company. GO! Agency owns 7,960,000 shares of the common stock of Sign Media Systems, Inc. which represents 94% of the total of the issued and outstanding shares of common stock. Antonio F. Uccello, III, as the manager and the 51% owner of GO! Agency, pursuant the terms of GO! Agency's Operating Agreement, has the sole power, subject to his fiduciary duties to the other GO! Agency members, to vote, or dispose of or direct the disposition of all the shares of Sign Media System, Inc.'s common stock beneficially owned by GO! Agency. Antonio F. Uccello, III, has absolute control of us by virtue of his voting control of 7,960,000 shares of our common stock.

(2) Stephen R. MacNamara is our Secretary and is also a Director.

(3) Thomas Bachman is a Director.

(4) Andrei A. Troubeev is our Vice-President of Engineering.

(5) Charles A. Pearson, III is our Vice President of Sales and Marketing. Mr. Pearson resigned effective August 5, 2005, for personal reasons.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We were formed as a Florida corporation with the name Sign Media Systems, Inc. on January 28, 2002, but did not begin business operations until April 2002. Most of the revenue that we earned was contract work with GO! Agency, LLC, a Florida limited liability company, a related party. We would contract with GO! Agency to handle and complete jobs. There was no additional revenue or expense added from one entity to the other. Throughout 2002, we maintained Due To/From accounts with GO! Agency to properly reflect the related party transactions. As of December 31, 2003, we had an outstanding liability in the amount of $4,739 due to GO! Agency and this amount is reflected in our consolidated balance sheet for the year ended December 31, 2003, as current portion of debt-related parties.. As of December 31, 2004, we had an outstanding liability in the amount of $12,878 due to GO! Agency and this amount is reflected in our consolidated balance sheet for the year ended December 31, 2004, as current portion of debt-related parties. No payment or repayment terms had been established as of December 31, 2004. The total revenue derived from GO! Agency for the period January 28, 2002 (Inception) through December 31, 2002 was $143,775.

In January, 2002, Antonio F. Uccello, III, who is considered one of our promoters, and is a related party, contributed $5,000 to us as our initial paid-in capital in exchange for 1,000 shares of our common stock. Subsequently, in January 2003, Antonio F. Uccello, III, transferred his 1,000 shares of our common stock to GO! AGENCY, LLC.

On September 24, 2002, we entered into a Loan Agreement with GO! AGENCY, LLC, a related party, and in connection therewith executed a Promissory Note with a future advance clause (1) in favor of GO! Agency whereby GO! Agency agreed to loan us up to a maximum of $100,000 for a period of three years, with interest accruing on the unpaid balance at 18% per annum, payable interest only monthly, with the entire unpaid balance due and payable in full on September 15, 2005. At September 24, 2002, Antonio F. Uccello, III, was our sole shareholder, one of our officers and directors and was the owner of 51% of the economic interest of GO! Agency. GO! Agency is the owner of 94% of the issued and outstanding shares of our stock. At December 31, 2004, GO! Agency had loaned us a total of $96,883 pursuant to the Loan Agreement and the Promissory Note and we were indebted to GO! Agency in such amount as of that date and that amount is reflected in our consolidated balance sheet for the year ended December 31, 2004, as current portion of debt-related parties. As a result of payments to GO! Agency, the balance due on the debt to GO! Agency is $8,319.

On November 1, 2002, we entered into a lease as the lessee with Hawkeye Real Estate, LLC, a Florida limited liability company, as lessor for 6,300 square feet of mixed office and warehouse space at 2100 19th Street, Sarasota, FL 34234 for a period of five years beginning December 1, 2002 and continuing until November 30, 2007 for a fixed monthly rental of $2,500 per month. Effective January 1, 2005 we amended the lease to obtain access to additional parking for our vehicles, employee vehicles and customer vehicles. The amended lease now provides for a fixed monthly rental of $4,195 per month. Antonio F. Uccello, III, is the manager and a member of Hawkeye Real Estate, LLC and is one of our officers and directors and an indirect shareholder of Sign Media Systems, Inc. We believe that we are paying fair market value for the rent on this property. Hawkeye Real Estate is a real estate developer. In December, 2005, Hawkeye Real Estate, LLC, the owner of our previous premises, requested that we relocate to smaller premises in the same complex as it had found a buyer for the existing premises. As an inducement to vacate the existing premises, Hawkeye Real Estate agreed to temporarily provide a 2,000 square foot facility of mixed office and warehouse space and 5,000 square feet of outside storage space at the same address in the same complex for a $0.00 monthly rental until it could obtain the necessary permits and construct new custom premises for us in the same complex and lease us the newly constructed space on terms substantially similar to the original lease. We estimate it will take two years to obtain the necessary permits and build out the custom premises and during that two-year period we are occupying our premises rent-free.

Effective January 1, 2003, GO! AGENCY, LLC, which is considered one of our promoters, and is a related party, transferred all of its assets which together had an original cost basis of $300,000, to us in exchange for us issuing it 7,959,000 shares of our common stock. We valued the assets at $55,702 which was their historical cost. Please refer to Note 1 of our consolidated financial statements for the years ended December 31, 2003 and 2002 contained elsewhere in this report. GO! AGENCY, LLC is controlled by Antonio F. Uccello, III which means Mr. Uccello has absolute control of us by virtue of his voting control of 7,960,000 of our shares of common stock.

On January 3, 2003, we entered into a Loan Agreement with Olympus Leasing Company, a related party, and in connection therewith executed a Promissory Note with a future advance clause (1) in favor of Olympus Leasing, whereby Olympus Leasing agreed to loan us up to a maximum of $1,000,000 for a period of three years, with interest accruing on the unpaid balance at 18% per annum, payable interest only monthly, with the entire unpaid balance due and payable in full on January 3, 2006. At December 31, 2003, Olympus Leasing had loaned us a total of $350,521 pursuant to the Loan Agreement and the Promissory Note and we were indebted to Olympus Leasing in such amount as of that date. At December 31, 2004 we were indebted to Olympus Leasing in the amount of $107,190 and that amount is reflected in our consolidated balance sheet for the year ended December 31, 2004, as long-term debt-related parties. At January 3, 2003, Antonio F. Uccello, III, was, and is today, the President, Chairman and owner of 45% of the issued and outstanding shares of stock of Olympus Leasing. Antonio F. Uccello, III, and was and is one of our officers and directors and an indirect shareholder of Sign Media Systems, Inc. Olympus Leasing is engaged in the business of providing commercial financing. Olympus Leasing has outstanding financing agreements with numerous other unrelated parties. The liability to Olympus Leasing Company as of the end of the year ending December 31, 2005 has been fully satisfied.

On June 28, 2005, the Company loaned $1,200,000 to Olympus Leasing Company, a related party. At June 28, 2005, Antonio F. Uccello, III, was, and is now the President, Chairman, a minority owner of the issued and outstanding shares of stock of Olympus Leasing and reports to its board of directors. Antonio F. Uccello, III, was and is one of the Company's officers and directors and an indirect shareholder of Sign Media Systems, Inc. The loan is for a period of five years with interest accruing on the unpaid balance at 5.3% per annum payable annually, with the entire principle and unpaid interest due and payable in full on June 28, 2010. There is no prepayment penalty. The purpose of the loan was to obtain a higher interest rate than is currently available at traditional banking institutions. Olympus Leasing's primary business is making secured loans to chiropractic physicians throughout the United States for the purchase of chiropractic adjustment tables. The loans are generally for less than $3,000 each and are secured by a first lien on each chiropractic adjustment table. The chiropractic physician personally guarantees each loan. The rate of return on the Olympus Leasing loans is between 15% and 25% per annum. To date, Olympus Leasing has suffered no loss from any loan to a chiropractic physician for the purchase of a chiropractic adjustment table. There is an excellent market for the re-sale of tables, which may be the subject of a foreclosure. Olympus Leasing currently has in excess of $1,000,000 in outstanding finance receivables from chiropractic physicians secured by a first lien on each chiropractic adjustment table.

(1) A future advance clause as used herein is a provision in a promissory note that allows for an additional advance of funds by the lender to the borrower and for future advances of funds by the lender to the borrower up to the maximum amount stated in the promissory note all of which advances of funds are subject to the terms and conditions of the promissory note.

ITEM 13. EXHIBITS

INDEX TO EXHIBITS.

Exhibit Number	Description of Exhibit
3.1	Amended Articles of Incorporation of Sign Media Systems, Inc. Incorporated by reference from our Form 10-SB filed as of May 4, 2004.
3.2	By-Laws of Sign Media Systems, Inc. Incorporated by reference from our Form 10-SB filed as of May 4, 2004.
4.1	Specimen Certificate of the Common Stock of Sign Media Systems, Inc. Incorporated by reference from our Form 10-SB filed as of May 4, 2004.
10.1	Agreement and Plan of Merger Among American Powerhouse, Inc., Sign Media Systems Acquisition Company, Inc. and Sign Media Systems, Inc. Incorporated by reference from our Form 10-SB/A Third Amendment filed as of February 9, 2005.
10.2	Distribution Agreement between Sign Media Systems, Inc. and Applied Advertising Network, LLC. Incorporated by reference from our Form 10-SB/A Third Amendment filed as of February 9, 2005.

10.3	Promissory Note and Loan Agreement between GO! AGENCY, LLC and Sign Media Systems, Inc. Incorporated by reference from our Form 10-SB/A Third Amendment filed as of February 9, 2005.
10.4	Promissory Note and Loan Agreement between Olympus Leasing Company and Sign Media Systems, Inc. Incorporated by reference from our Form 10-SB/A Third Amendment filed as of February 9, 2005.
10.5	License Agreement for the acquisition of technology. Incorporated by reference from our Form 10-SB/A Fourth amendment filed as of April 1, 2005.
10.6	Contribution Agreement. Incorporated by reference from our Form 10-SB/A Fourth amendment filed as of April 1, 2005.
14.1	Code of Ethics. Incorporated by reference from our Form 10-SB filed as of May 4, 2004.
16.4	Letter on change in certifying accountant. Incorporated by reference from our Form 10-SB/A Sixth Amendment filed as of September 9, 2005.
21.	Our Subsidiaries. Incorporated by reference from our Form 10-SB filed as of May 4, 2004.
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate fees billed by our independent auditors, Bagell Josephs & Company, LLC, for the years ended December 31, 2005 and 2004, are as follows:

	2006	2005
Audit Fees	$41,000	$ 23,000
Audit Related Fees	$ -0-	$ -0-

Tax Fees	$	-0-	$	-0-
All Other Fees	$	-0-	$	-0-

SIGNATURES

In accordance with the requirements Section 15 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SIGN MEDIA SYSTEMS, INC.
(Registrant)

/s/ Antonio F. Uccello, III
Antonio F. Uccello, III
Chief Executive Officer, President, Chief Financial Officer,
Chairman of the Board of Directors
April 17, 2007

/s/ Thomas Bachman
Thomas Bachman
Director
April 17, 2007

/s/ Stephen R. MacNamara
Stephen R. MacNamara
Director
April 17, 2007