SIGN MEDIA SYSTEMS INC
Form 10QSB/A
August 20, 2007

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

FORM 10-QSB/A
(1st Amendment)

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from ________________ to ________________

Commission file number 0-50742

SIGN MEDIA SYSTEMS, INC.

(Exact name of small business issuer as specified in its charter)

FLORIDA	02-0555904
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2100 19th Street, Sarasota FL 34234

(Address of principal executive offices)

(941) 330-0336

(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

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 [ ]

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 11,493,267 Common Shares no par value as of June 30, 2007

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

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

SIGN MEDIA SYSTEMS, INC.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(UNAUDITED)

SIGN MEDIA SYSTEMS, INC.

INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SIGN MEDIA SYSTEMS, INC.

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
JUNE 30, 2007

ASSETS

		June 30 2007
CURRENT ASSETS		
Cash and cash equivalents	$	2,132
Accounts receivable, net		875
Total current assets		3,007
PROPERTY AND EQUIPMENT - Net		78,420
OTHER ASSETS		
Due from related parties		613,342
Total other assets		613,342
TOTAL ASSETS	$	694,769
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	$	7,410
Accounts payable and accrued expenses		138,477
Due to related parties		99,953
Income tax payable		45,007
Total current liabilities		290,847
TOTAL LIABILITIES		290,847
STOCKHOLDERS' EQUITY		
Common stock, no par value, 100,000,000 shares authorized at June 30, 2007; 11,493,267 shares issued and outstanding at June 30 2007		1,394,900
Additional paid-in capital		671,700
Accumulated deficit		(1,662,678)
Total stockholders' equity		403,922
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	694,769

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

SIGN MEDIA SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 2007 AND 2006 (UNAUDITED)

	SIX MONTHS ENDED June 30, 2007	June 30, 2006	THREE MONTHS ENDED June 30, 2007	June 30, 2006
REVENUE				
Truck side advertising	$ -	$ -	$ -	$ -
Graphics and imaging	7,482	1,476	7,306	-
Truck side mounting systems	17,231	727,203	1,148	426,427
Total revenue	24,713	728,679	8,454	426,427
COST OF GOODS SOLD	19,955	15,820	1,258	6,469
GROSS PROFIT	4,758	712,859	7,196	419,958
OPERATING EXPENSES				
Professional fees and administrative payroll	1,270,788	157,386	42,495	78,003
General and administrative expenses	477,792	63,522	432,258	22,971
Depreciation	20,332	32,938	10,166	23,938
Total operating expenses	1,768,912	253,846	484,919	124,912
NET INCOME (LOSS) BEFORE OTHER INCOME (EXPENSE)	(1,764,154)	459,013	(477,723)	295,046
OTHER INCOME (EXPENSE)				
Impairment of inventory	(7,462)	-	-	-
Interest income and other	15,460	18,000	7,350	7,296
Interest expense	(381)	(583)	(309)	(316)
Total Other Income (Expense)	7,617	17,417	7,041	6,980
NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(1,756,537)	476,430	(470,682)	302,026
Provision for income taxes	-	(101,775)	-	(96,175)
NET INCOME (LOSS) APPLICABLE TO COMMON SHARES	$ (1,756,537)	$ 374,655	$ (470,682)	$ 205,851

NET INCOME (LOSS) PER BASIC AND DILUTED SHARES	$	(0.16)	$	0.04	$	(0.04)	$	0.02
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		11,287,742		8,460,000		11,493,267		8,460,000

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

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SIGN MEDIA SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (1,756,537)	$ 374,655
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation	20,332	32,938
Bad debt expense	393,835	-
Issuance of common stock for consulting	1,075,000	-
Issuance of common stock for compensation	90,000	-
Changes in assets and liabilities:		
(Increase) in accounts receivable	(875)	(724,575)
Decrease in inventory	7,462	7,540
Increase (decrease) in accounts payable and accrued expenses	(8,919)	89,275
Total adjustments	1,576,835	(594,822)
Net cash (used in) operating activities	(179,702)	(220,167)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(3,280)	(1,984)
(Increase) in interest receivable - related party	(197,211)	(17,594)
Net cash (used in) investing activities	(200,491)	(19,578)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) on long-term debt	(4,578)	(11,023)
(Payments) on debt-related party	(96,773)	(8,319)
Proceeds from related parties	179,549	260,998
	78,198	241,656

Net cash provided by financing activities				
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(301,995)		1,911
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD		304,127		2,252
CASH AND CASH EQUIVALENTS - END OF PERIOD	$	2,132	$	4,163
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the year for interest	$	381	$	583
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:				
Issuance of common stock for consulting	$	1,075,000	$	-
Issuance of common stock for compensation	$	90,000	$	-
Bad debt expense	$	393,835	$	-

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

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SIGN MEDIA SYSTEMS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2007 AND 2006

NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION

The condensed consolidated unaudited interim financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The condensed consolidated unaudited financial statements and notes are presented as permitted on Form 10-QSB and do not contain information included in the Company's annual condensed consolidated unaudited statements and notes. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed consolidated unaudited financial statements be read in conjunction with the December 31, 2006 audited consolidated financial statements and the accompanying notes thereto. While management believes the procedures followed in preparing these condensed consolidated unaudited financial statements are reasonable, the accuracy of the amounts are in some respects dependent upon the facts that will exist, and procedures that will be accomplished by the Company later in the year.

These condensed consolidated unaudited financial statements reflect all adjustments, including normal recurring adjustments which, in the opinion of management, are necessary to present fairly the consolidated operations and cash flows for the periods presented.

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 receivale	$ 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.

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 for the years ended December 31, 2007 and 2006 in the Company's consolidated financial statements for December 31, 2007 and 2006. 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. The Company recorded this license as an intangible asset for $150,000 for the 100,000 shares of stock issued in 2003 and subsequently impaired the entire amount. The Company issued the remaining 200,000 shares in 2004, and recorded a liability for stock to be issued at $300,000. There is a $450,000 charge against income reflected in the consolidated statements of income for the year ended December 31, 2003.

NOTE 2- <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>

<u>Principles of Consolidation</u>

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

<u>Use of Estimates</u>

The preparation of condensed consolidated unaudited 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.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Cost Recognition

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.

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.

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 de minimus. 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 six months ended June 30, 2007 and 2006.

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 for the six months ended June 30, 2007 and 2006. The following table represents the Company's losses in the past two years with respect to warranties.

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
Six Months ended June 30, 2007	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -

Six Months ended June 30, 2006

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. The Company's former major customer at June 30, 2007, was uncharacteristically slow in paying their outstanding invoices during June 30, 2007 and a reserve of $393,835 was booked.

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 six months ended June 30, 2007 and 2006 was $393,835 and $-0-, 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.

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 $1,200 and $1,200 for the six months ended June 30, 2007 and 2006, respectively.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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*”.

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.

Loss per Share of Common Stock

Historical net (loss) 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. Common stock equivalents are not included in the computation of diluted earnings per share when the Company reports a loss because to do so would be antidilutive for the periods presented.

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

		June 30, 2007		2006
Net income (loss)	$	(1,756,537)	$	374,655
Weighted-average common shares outstanding				
Basic		11,287,742		8,460,000
Weighted-average common stock equivalents				
Stock options		-		-
Warrants		-		-
Weighted-average common shares outstanding				
Diluted		11,287,742		8,460,000

Share Based Payments

In December 2004, the FASB issued Financial Accounting Standards No. 123 (revised 2004)(FAS 123R), "Share Based Payment", FASB 123R replaces FAS No. 123, "Accounting for Stock Based Compensation", and supercedes APB Opinion No. 25, "Accounting for Stock Issued To Employees." FAS 123R requires compensation expense, measured as the fair value at the grant date, released 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 material impact on 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 voluntary changes 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 material impact on the Company's financial position, results of operations, or cash flow.

NOTE 2- <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> <u>(CONTINUED)</u>

<u>Recent Accounting Pronouncements (continued)</u>

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 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 embedded derivative requiring bifurcation, claries 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 SGAS 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 on 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 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 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 of Uncertainty in Income Taxes" (FIN48), 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 in 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 or 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.

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 requirements 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- <u>ACCOUNTS RECEIVABLE</u>

Accounts receivable consists of the following at June 30, 2007:

		2007
Accounts receivable	$	394,710
Less uncollectible receivables written-off		(393,835)
Total accounts receivable, net	$	875

NOTE 4- <u>PROPERTY AND EQUIPMENT</u>

Property and equipment consists of the following at June 30, 2007:

		2007
Equipment	$	128,745
Furniture and Fixtures		112,022
Transportation Equipment		24,621
		265,388
Less: Accumulated Depreciation		186,968
Net Book Value	$	78,420

Depreciation expense for the six months ended June 30, 2007 was $20,332.

NOTE 5- 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 therewith 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 June 30, 2007 and 2006, there was $0 and $0 due to Olympus, respectively.

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.
Since the making of the loan by the Company to Olympus Leasing, Olympus Leasing has made payments to the Company of $956,272 pursuant to the note. The remaining balance that was due from related party on the balance sheet was $613,342 on June 30, 2007.

NOTE 6- SHORT-TERM DEBT

Short-term debt consists of an installment note with GMAC Finance. Balance due on June 30, 2007 was $7,410.

NOTE 7- PROVISION FOR INCOME TAXES

There was no provision for income taxes during the six months ended June 30, 2007. For the six months ended June 30, 2006 there was a $101,775 provision.

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 June 30, 2007.

NOTE 8- 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 six months ended June 30, 2007 and 2006 was $15,000, and $8,025, respectively.

NOTE 9- <u>CONCENTRATION OF CREDIT RISK</u>

A material part of the Company's business was dependent upon one key customer throughout its history. The company is no longer doing business with that customer which represented 99% of their revenues.

NOTE 10- <u>STOCKHOLDERS' EQUITY</u>

As of June 30, 2007 and 2006, there were 100,000,000 shares of common stock authorized.

As of June 30, 2007 and 2006, there were 11,493,267 and 8,460,000 shares of common stock issued and outstanding, respectively.

The following is a list of the common stock transaction during the six months ended June 30, 2007:

On January 10, 2007, the Company issued 150,000 shares of its common stock at a fair market value of $75,000, for services provided to the Company.

On January 12, 2007, the Company issued 2,000,000 shares of its common stock at a fair market value of $1,000,000, for consulting services provided to the Company.

On February 8, 2007, the Company issued 300,000 shares of its common stock at a fair market value of $90,000, as additional compensation for an employee's past services to the Company.

There were no options or warrants granted during the period beginning on January 28, 2002 (Inception) ending June 30, 2007.

NOTE 11- <u>SUBSEQUENT EVENT</u>

The company filed an 8-k on August 15, 2007 stating that the company sold securities in the amount of $235,294.

Item 2. Management's Discussion and Analysis or Plan of Operation.

THE FOLLOWING DISCUSSION OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE COMPANY SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND NOTES THERETO INCLUDED ELSEWHERE IN THIS REPORT.

THIS DISCUSSION CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES, AND THE COMPANY'S ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS, INCLUDING, BUT NOT LIMITED TO COMPETITION AND OVERALL MARKET AND ECONOMIC CONDITIONS.

RESULTS OF CONTINUING OPERATIONS

The following tables sets forth certain of our summary selected unaudited operating and financial data. The following table should be read in conjunction with all other financial information and analysis presented herein.

	Six Months Ended June 30			
		2007		2006
Total Revenue	$	24,713	$	728,679
Cost of Goods Sold		19,955		15,820
Gross profit		4,758		712,859
Total Operating Expenses		1,768,912		253,846
Net Income (Loss) Before Other Income (Expense)		(1,764,154)		459,013
Total Other Income (Expense)		7,617		17,417
Net Income (Loss)Before Provision For Income Taxes		(1,756,537)		476,430
Provision For Income Taxes		-		(101,775)
Net Income (Loss) Applicable To Common Shares	$	(1,756,537)	$	374,655
Net Income (Loss) Per Basic And Diluted Shares	$	(0.16)	$	0.04
Weighted Average Number OF Common Shares Outstanding		11,287,742		8,460,000
Gross profit margin		19%		98%

For the six months ended June 30, 2007, the Company had Total Revenue of $24,713, Cost of Goods Sold of $19,955, Gross Profit of $4,758, Total Operating Expenses $1,768,912, Net Income (Loss Before Other Income (Expense) of $(1,764,154), Total Other Income (Expense) $7,617, Net Income (Loss) Before Provision For Income Taxes of $(1,756,537), a Provision For Income Taxes of $0.00, Net Income (Loss) Applicable to Common Shares of $(1,756,537), and Net Income (Loss) Per Basic and Diluted Shares of $(0.16) based on 11,287,742 Weighted Average Number Of Common Shares Outstanding.

For the six months ended June 30, 2006, the Company had Total Revenue of $728,689, Cost of Goods Sold of $15,820, Gross profit of $712,859, Total Operating Expenses of $253,846, Net Income (Loss) Before Other Income

(Expense) of $459,013, Total Other Income (Expense) of $17,417, Net Income (Loss) Before Provision For Income Taxes of $476,430, a Provision For Income Taxes of $(101,775), Net Income (Loss) Applicable To Common Shares of $374,655 and Net Income (Loss) Per Basic and Diluted Shares of $0.04 based on 8,460,000 Weighted Average Number Of Common Shares Outstanding.

	Three Months Ended June 30	
	2007	2006
Revenue	$ 8,454	$ 426,427
Cost of Goods Sold	1,258	6,469
Gross profit	7,196	419,958
Total Operating Expenses	484,919	124,912
Net Income (Loss) Before Other Income (Expense)	(477,723)	295,046
Total Other Income (Expense)	7,041	6,980
Net Income (Loss)Before Provision For Income Taxes	(470,682)	302,026
Provision For Income Taxes	-	(96,175)
Net Income (Loss) Applicable To Common Shares	$ (470,682)	$ 205,851
Net Income (Loss) Per Basic And Diluted Shares	$ (0.04)	$ 0.02
Weighted Average Number OF Common Shares Outstanding	11,493,267	8,460,000
Gross profit margin	85%	98%

For the three months ended June 30, 2007, the Company had Total Revenue of $8,454, Cost of Goods Sold of $1,258, Gross profit of $7,196, Total Operating Expenses of $484,919, Net Income (Loss) Before Other Income (Expense) of $(477,723), Total Other Income (Expense) of $7,041, Net Income (Loss) Before Provision For Income Taxes of $(470,682), a Provision For Income Taxes of $-, Net Income (Loss) Applicable To Common Shares of $(470,682) and Net Income (Loss) Per Basic and Diluted Shares of $(0.04) based on 11,493,267 Weighted Average Number Of Common Shares Outstanding.

For the three months ended June 30, 2006, the Company had Total Revenue of $426,427, Cost of Goods Sold of $6,469, Gross profit of $419,958, Total Operating Expenses of $124,912, Net Income (Loss) Before Other Income (Expense) of $295,046, Total Other Income (Expense) of $6,980, Net Income (Loss) Before Provision For Income Taxes of $302,026, a Provision For Income Taxes of $(96,175), Net Income (Loss) Applicable To Common Shares of $205,851 and Net Income (Loss) Per Basic and Diluted Shares of $0.02 based on 8,460,000 Weighted Average Number Of Common Shares Outstanding.

MANAGEMENT’S DISCUSSION

The Company’s revenue decreased by $703,966 from six month period to six month period. The Company attributes the decreases in Revenue, Gross Profit, Net Income Before Other Income, Net Income Before Provision For Income tax, Net Income Applicable to Common Shares, and Net Income Per Basic And Diluted Shares to the loss of one key customer that had previously accounted to more than ninety percent (90%) of the Company’s sales.

The Company attributes the increase in Total Operating Expenses to (a) the issuance of 150,000 shares of its unregistered restricted common stock valued at $75,000 for unpaid consulting services performed over a period of three years, (b) the issuance of 300,000 shares of its unregistered restricted common stock valued at $90,000 to an officer of the Company for unpaid services for a period of five years, and (c) the issuance of 2,000,000 shares of its registered common stock valued at $1,000,000 for consulting services over a period of four years for a total of $1,650,000.

The Company will require significant additional capital to implement both its short term and long-term business strategies. However, there can be no assurance that such additional capital will be available or, if available, that the terms will be favorable to the Company. The absence of significant additional capital whether raised through a public or private offering or through other means, including either private debt or equity financings, will have a material adverse effect on the Company’s operations and prospects.

The Company’s operations have consumed and will continue to consume substantial amounts of capital, which, up until now, have been largely financed internally through cash flows, from loans from related parties, and private investors. The Company expects capital and operating expenditures to increase. Although the Company believes that it will be able to attract additional capital through private investors and as a result thereof its cash reserves and cash flows from operations will be adequate to fund its operations through the end of calendar year 2007, 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 the Company. If adequate funds are not available to satisfy either short or long-term capital requirements, the Company may be required to limit its operations significantly or discontinue its operations. The Company’s capital requirements are dependent upon many factors including, but not limited to, the rate at which it develops and introduces its 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 its products and services.

Because of the loss of a key customer and a corresponding decline in revenue, the Company’s Board of Directors have authorized the Company’s officers to pursue raising additional capital of up to $5,000,000 by the means of a private placement of its common stock pursuant to Regulation 230.506 of Regulation D promulgated by the Securities and Exchange Commission pursuant to the Securities Act of 1933. The proceeds from the private placement will be utilized to expand the Company’s current business. and to seek the acquisition of non-related businesses internationally, including. There is no assurance that the private placement will attract sufficient additional capital for these purposes.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

There are no pending or threatened legal proceedings against the Company or any of its subsidiaries.

Item 2. 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. (1)

Date	Name	Number of Shares	Consideration in Dollars
January 24, 2007	Marcus Faller	150,000	Services 75,000
February 8, 2007	Evelyn P. Silva	300,000	Services 90,000
Total			$165,00

The Company claims an exemption from registration for common stock issued to the above purchasers Pursuant to Section 4(2) of the Securities Act of 1933. All of the above purchasers, were provided the Company's non-financial statement and financial statement information described in Section 502(b)(2) of Regulation D promulgated by the Securities and Exchange Commission. 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. The Company 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, the Company 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.

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. Reference is made to the Company's First Amended Form 10-K for the period ended December 31, 2005 dated April 17, 2006 and filed with the Securities and Exchange Commission on April 17, 2006, which is incorporated herein by reference.

In addition to the above, reference is made to the Company's Form 8-K, Section 3 - Securities and Trading Markets dated August 15 2007 and filed with the Securities and Exchange Commission on August 15, 2007, which is incorporated herein by reference.

Item 3. Defaults Upon Senior Securities.

NONE

Item 4. Submission of Matters to a Vote of Security Holders.

NONE

Item 5. Other Information.

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 and 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 principal 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. Each loan is personally guaranteed by the chiropractic physician. 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. On January 3, 2007, the Company pursuant to the future advance clause in this note loaned Olympus Leasing an additional $300,000. Since the making of the loan, including future advances thereon, by the Company to Olympus Leasing, Olympus Leasing has made payments to the Company of $956,272 pursuant to the note attached hereto as Exhibit 10.6. The remaining balance that was due from related party on the balance sheet was $613,342 on June 30, 2007. Because of the foregoing facts, the Company believes that the probability of a default on the loan by it to Olympus Leasing is unlikely. The current principal balance due to the Company from Olympus Leasing is $594,746. There is an excellent market for the re-sale of chiropractic adjustment 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.

Item 6. Exhibits and Reports on Form 8-K.

INDEX TO EXHIBITS.

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
10.6	Promissory Note described in Part I, Item 2, Management's Discussion and Analysis and Plan of Operation above which is inforporated herein by reference from the Company's Second Amended Form 10-QSB, Quarterly Report under Section 13 or 15(d) of the Exchange Act for the period ended June 30, 2005 and filed with the Securities and Exchange Commission on November 22, 2005.
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 906of 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.

The Company filed one Form 8K for the quarter ended June 30, 2007 dated June 18, 2007 and filed with the Securities and Exchange Commission on June 18, 2007 relating to the amicable resignation of a director for personal reasons copy of which is incorporated herein by reference.

The Company filed no Forms 8K for the quarter ended March 31, 2007.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SIGN MEDIA SYSTEMS, INC.
(Registrant)

Date August 20, 2007

/s/Antonio F. Uccello, III
Antonio F. Uccello, III
Chief Executive Officer
Chairman of the Board