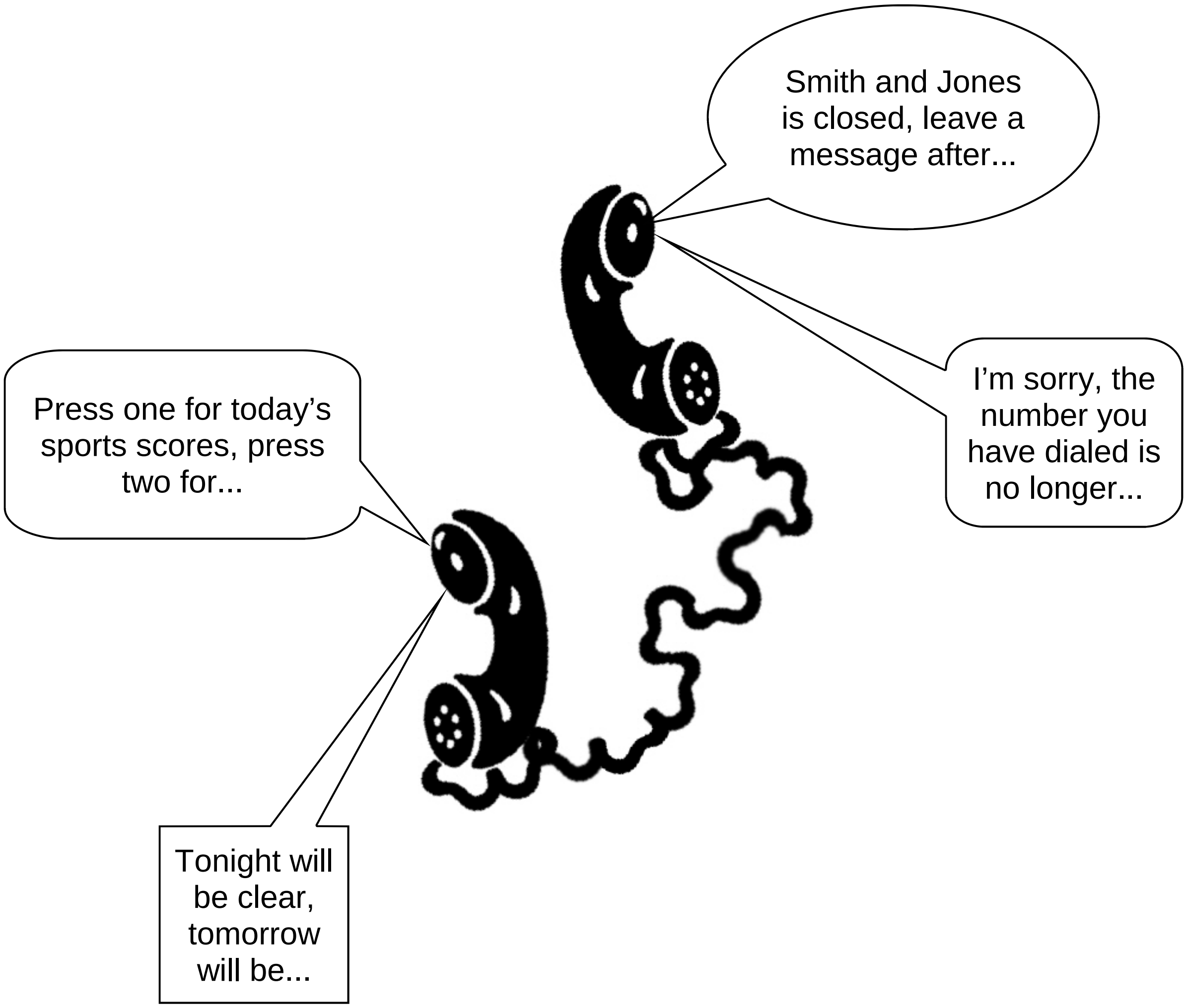


ETC

The Voice of the Network®

2008 Annual Report

Electronic Tele-Communications, Inc.

PRODUCTS

ETC, "The Voice of the Network," designs, manufacturers and services quality telecommunications products. Our markets require products that are scalable, allow for easy to manage applications and reports, and have both centralized and decentralized administration. The ability to work in both circuit switched and packet based networks is critical. Regular certification and compliance testing programs ensure network compatibility and customer approval.

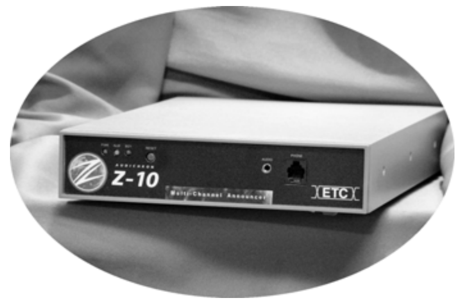
Digicept Emcee
Our fifth generation application server features CompactPCI architecture, hot-swappable components, web-based administration, and interfaces for existing and emerging telephone carrier switch-specific protocols to include SIP/VoIP. The ability to work in both the circuit-switched and packet networks plays an integral part in the Emcee's market acceptance. The Emcee's revenue-generating applications and enhanced services include voicemail, privacy call screening, calling name database, internet call waiting, changed number, multi-level audiotex, time-temperature-weather services, along with standard intercept announcements. Additionally, security features to protect against virus and internet attacks are standard features.

Digicept Emcee ELF
Our newest product offering, the ELF features PCI architecture. By serving as a scaled down version of the Emcee, and having the ability to work in both the packet and circuit-switched carrier networks, the ELF is proving itself to be a staple for the carriers that serve predominately Tier 2, 3, 4, and 5 markets. The ELF's revenue-generating applications, specifically Voicemail and Time and Temperature Announcements, in conjunction with its attractive price point ensure that this cost-effective performer is an ETC strength.

Audichron Z-10
Our mainstream time, temperature, and weather announcement system offers essential services to the community. Providers select from Weathertel packages and receive forecast information electronically from ETC's Weather Center. Optional advertising messages, played either before or after these announcements, can be recorded by the sponsor or ordered through ETC's professional recording services studio. Phase three product development has resulted in a cost effective Multi Channel Announcer now available for our enterprise, government and central office customers.

Max Terminator
This system keeps telephone peripherals such as call sequencers and automated attendants working efficiently by detecting steady or interrupted progress tones and quickly disconnecting the line. This is our largest selling product in the international marketplace.

Digicept Emcee ELF



Audichron Z-10 Multi-Channel Announcer

MARKETS

ETC's markets encompass all aspects of the telecommunications industry, from the network service providers and major switch manufactures to consumer-oriented businesses. These specific customers include local exchange carriers, cellular and PCS providers and long distance companies. Emerging providers such as cable companies and softswitch manufacturers offering VoIP services also constitute part of our customer mix.

Major switch OEM's and the softswitch manufacturers offer ETC's systems to their customers as part of their total integrated product solution. ETC's revenue generating applications assist the OEM in securing additional business and allow them to allocate research funds to areas other than peripheral development.

Our enterprise business customers come from industries that include health care, finance, education, manufacturing, transportation, government and hospitality. They use ETC's products as a simple, economical way to turn their telecom networks into a productivity enhancer by offering a myriad of voice announcements that seamlessly provide information where and when needed. This is an area of increased focus for ETC. The ability to deal with customers directly via different distribution paths reduces ETC's reliance on the central office telecom market.

Internationally, ETC continues to market it's products in Canada, Mexico, South America, Europe, Africa, Asia, the Far East, and other parts of the world. A well trained network of distributors assists in the sales, service, marketing and promotion of ETC's products worldwide.

A LETTER TO OUR SHAREHOLDERS

ETC experienced uneven sales in 2008. The year began slow, improved in the second quarter, slid back in the third quarter and improved slightly again in the fourth quarter. Generally, as we anticipated in our letter to shareholders last year, no real industry recovery occurred in equipment sales for our market segment. ETC, like our competition, continued to fight an uphill battle to regain consistent annual revenue and profits. In the end, notwithstanding a 20% drop in sales, we were able to prevent a large increase in losses. In order to have a perspective on these results, we need to look beyond ETC.

As now confirmed, the United States (US) and world economies entered a recession at the end of 2007. This recession deepened throughout 2008, ending the year in a near free fall as the mortgage industry collapsed. As the economy faltered, so did any hope of a 2008 recovery of telephone equipment sales. Expansion in our industry is largely tied to new construction, which in turn is tied to the mortgage industry. If lenders aren't willing to finance new home construction or even the re-financing of existing mortgages, they likely aren't going to finance utility infrastructure (telephone networks) either. This results in a drop in projects, new or upgrades, throughout our industry.

Two examples of the effects of the economy are Nortel Networks and Thinkengine Networks. Nortel Networks is one of the leading suppliers of telephone equipment, the largest based in North America. In January 2009 Nortel was forced to file for protection and reorganization under Chapter 11 of the bankruptcy laws. Thinkengine Networks, formerly Cognitronics, has been one of our largest competitors for intercept equipment for over 20 years. Thinkengines also filed for bankruptcy in January 2009, but in this case chapter 7 dissolution bankruptcy.

The problems in the telephone industry have been going on since 2001, and now the entire US and world economies are in a tailspin. As our government, along with other countries in the world, works to stabilize the financial markets and get things moving forward again, companies like ETC will have to continue to minimize expenses, maximize efficiencies, and seek out every sales opportunity possible.

ETC continues to produce high quality and high reliability products. Our systems continue to operate even though many of the installed systems are well beyond their expected usable lives. The age of much of the equipment currently installed in the industry, coupled with the inability of our customers to maintain equipment purchased from now non-existent suppliers, supports our belief that there is a positive market building for upgrades and replacements. Eventually, the economy will recover and we expect to see a growth in new installations when it does. ETC must continue to work with all of our telephone equipment customers, assisting them in their purchase of upgrades from us as it becomes impractical to repair the older systems. Our Emcee and MCA (Multi-Channel Announcer) products meet or exceed the requirements of our customers and provide the ability for our customers to offer additional services to their customers, more economically than if they had to purchase multiple independent systems.

ETC also provides Time Weather and Temperature (TWT) announcement services to customers throughout the United States. This business continues to generate revenue and cash flow for ETC. Every day over one million calls are answered by ETC's TWT equipment. ETC provides the TWT announcers, the professionally recorded announcements and advertisements, and the weather forecasts updated twice a day. There is no question that for a host of reasons a lot of people listen to ETC time, temperature, and weather announcements every day. This service is especially important for those individuals who do not have the option or ability to get this information via the internet or other channels, such as the blind.

Our TWT systems in some locations are used by telephone companies to provide time and temperature or weather announcements as a public service to their customers. In other areas, individual businesses and banks use the announcements as a backdrop to advertise their own local products and services. As the recession and banking troubles came to light, we have seen some erosion in our TWT sites. These reductions are primarily the result of cost cutting measures on the part of the local sponsors. Wherever possible, we locate new sponsors for these services, minimizing our revenue losses while continuing to provide a valuable service to those communities.

In accordance with the provisions of our Articles of Incorporation, both the Class A and Class B shareholders will vote on the election of directors and on any other business to be conducted at this year's annual meeting on May 1, 2009. Proxy materials are being distributed by ETC's Registered Transfer Agent consisting of this annual report, a proxy statement, and a proxy card. Please complete your proxy card and mail it to our Registered Transfer Agent, who will compile the Class A votes and forward the results to ETC's Corporate Secretary to be merged with the Class B votes being compiled by ETC's Corporate Secretary. All shareholders are entitled to vote, one vote for each share of Class A or Class B stock that they own.

Between ETC and Audichron, acquired in 1989, we have been in business for over 75 years, providing high quality, highly reliable voice announcement systems and services. Although we are always looking for ways to expand beyond the telephone industry, we believe this industry is still vital and it remains the primary segment of our business. We will continue to control expenses, and look forward to improvements in sales as the economy recovers.

Dean W Danner

Dean W. Danner, P.E. - President & CEO
March 5, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis should be read in conjunction with the Financial Statements, Notes to Financial Statements, Five Year Review of Selected Financial Data, and Quarterly Financial Data, all of which appear later in this report.

OVERVIEW

ETC designs, manufactures, markets and sells digital voice information systems and related services to the telecommunications industry and other businesses. Its systems are sold to operating telephone companies, competitive local exchange carriers, wireless carriers, cable companies, leading telecom manufacturers, and other telecom companies to provide them with revenue generating applications and informational services for their networks. In addition, ETC provides time weather temperature systems and related services to telecom customers and other businesses that allow them to advertise and provide informational services to their communities.

Revenues are generated by selling and leasing equipment to customers. In addition, ETC generates revenue by providing services to customers such as installation, repair, maintenance, professional recording of announcements, and weather updates.

Beginning in the middle of 2000, ETC and the telecommunications industry was severely impacted by slowing economic conditions. In addition, the explosive growth of the telecom industry over the approximate ten-year period prior to the slowdown caused over capacity in industry infrastructure. In our opinion, these conditions caused our customers to delay their purchases of capital equipment for their wired telecommunications networks, where many of ETC’s products are deployed. Our customers continue to invest in other segments of the industry. This has resulted in significant decreases in our sales volume. The decreased sales volume has caused large financial losses for ETC. A substantial amount of working capital was used to fund the financial losses. ETC adjusted its operations by cutting costs several times beginning in 2001 and continuing through 2003. In 2004, ETC and the telecommunications industry showed signs of increasing activity. ETC was profitable in three quarters during the year and generated cash reserves during 2004, although posting a small loss for the year. During 2005 and 2006, sales declined, and ETC again had losses from operations. In the fourth quarter of 2005, ETC again adjusted its operations by implementing cost saving measures. In the second quarter of 2007, ETC further reduced operating expenses by closing its Atlanta office. We continue to monitor our sales levels and operations to determine if additional adjustments are necessary to consistently reach breakeven for profitability and cash flow.

In 2007, ETC reported the resignation of four of its Directors and the election of new Directors to its Board. Resigning were J. Huelsman, J. Johns, R. Gabriel, and C. Goodkind. Appointed to the Board to fill vacancies until the May 2008 annual meeting were Joe Voight, Vice President of Sales and Marketing and Elizabeth Danner, Controller. Joe Voight and Elizabeth Danner were re-elected at the 2007 Annual Meeting in May 2008 along with the remaining previous board members. None of the departing members cited any disagreement with management on any matter relating to ETC’s operations, policies or practices in their letters of resignation. Hazel Danner retired as corporate secretary effective December 31, 2008, but retains her position on the Board of Directors. Elizabeth Danner was appointed to fill the vacant position as secretary until the annual meeting in May 2009 officers will be elected.

RESULTS OF OPERATIONS

The following table presents certain items from our Statements of Operations, expressed as percentages of net sales, together with the percentage change in the actual amounts of such items from the prior period.

	Percentage of Net Sales		Percent Change Increase (Decrease)
	2008	2007	2008 vs. 2007
Net sales	100.0%	100.0%	(19.7%)
Cost of products sold	58.2	56.7	(17.6)
Gross profit	41.8	43.3	(22.4)
General and administrative expenses	12.6	15.7	(35.6)
Marketing and selling expenses	21.1	19.0	(10.9)
Research and development expenses	14.6	11.0	6.6
One-time charges	--	4.1	(100.0)
Other income (expense)	(1.1)	(1.2)	(30.3)
Earnings (loss) before income taxes	(7.4)	(7.7)	(22.1)
Income taxes (benefit)	--	(2.3)	(100.0)
Net earnings (loss)	(7.4)	(5.4)	10.2

Revenues

Net sales were $1,854,558 in 2008 and $2,309,206 in 2007, a decrease of 19.7% between years. The 2008 net sales consisted primarily of equipment sales of $625,344, or 33.7% of net sales, and revenues from operating leases, sales-type leases, and services of $1,229,214, or 66.3% of net sales. The 2007 net sales consisted primarily of equipment sales of $898,089, or 38.9% of net sales, and revenues from operating leases, sales-type leases, and services of $1,411,117, or 61.1% of net sales.

In 2008 ETC experienced a decrease in customer demand for our interactive voice information systems. Reduced sales of the time weather temperature equipment, older business products, and sales to government buyers all contributed to the lower sales volume. The majority of sales of our interactive voice information systems were from existing customers implementing network maintenance projects. ETC expects our customers to focus their capital spending in broadband expansion before investing in wire line operations, where ETC network equipment has mainly been deployed. We continue to see an increase in quotation activity for new systems, but it is not possible to predict the success rates in turning these quotations into sales.

The decrease in revenues from leases and services was impacted by large customers terminating leases of older time weather temperature systems. In addition, as the sale of newer units replaced older time weather temperature systems that are leased by other customers, lease revenues decreased. It is anticipated that lease revenue will continue to decrease, but will be replaced in part by revenue from increased services provided with respect to the new time weather temperature systems that replace the leased units.

Product pricing for our equipment remained relatively constant between years. Inflation did not have a material impact on revenues.

Gross Profit
Gross profit was 41.8% of net sales in 2008 versus 43.3% of net sales in 2007. The slight decrease in the 2008 gross profit level was due primarily to lower net sales over which to spread fixed manufacturing costs, along with a lower sales mix of equipment sales versus services. It is possible that the lower levels of manufacturing and service personnel from prior cost reductions could hamper our ability to meet customer demand should sales volumes increase in the future. However, if this occurs we believe we will be able to hire additional personnel to meet our needs.

Operating Expenses
Total operating expenses were $894,343 in 2008 or 48% of net sales, compared to $1,149,550 in 2007 or 50% of net sales. In 2007 $95,194 of operating expenses were one-time charges associated with the closing of the Norcross, Georgia office. General and administrative expenses were down in 2008 compared to 2007. Marketing and selling expenses were down because of controlled selling expenses and lower commissions paid on lower sales. Research and development expenses were higher in 2008 compared to 2007 due to less activity related to the production of software for our products, which was capitalized and is amortized to cost of goods sold as the products are sold to customers.

Cost reduction programs and staff downsizing implemented beginning late in the first quarter of 2001 and continuing through 2008 have reduced our workforce by approximately 75% and included all departments within ETC. While our staffing levels are sufficient at the current sales volume, we may have to add staff in the future should sales volume increase.

Despite the sizable reductions in sales and engineering personnel, we believe we have sufficient staff to accomplish our current sales and product development goals. We have adequate sales personnel in place to service our customers' needs and develop opportunities for new sales of products and services. The company expects to increase sales through alternate sales channels. We also have sufficient engineers on staff to add new features to our existing products that are intended to increase future sales volume. However, even though new product and feature development is continuing, it has been slowed by the staff reductions.

Other Income and Expense
Net other expense in 2008 was $19,537 compared to $28,047 in 2007. The decrease between years of net other expenses was due to less interest expense incurred on borrowings and greater interest received on bank balances.

Income Taxes
Income tax expense was $0 in 2008 compared to an income tax benefit of $52,000 in 2007. The 2007 income tax benefit came from a reduction of state income taxes payable.

Net Earnings and Earnings Per Share
Net loss was $138,064 in 2008 versus a net loss of $125,272 in 2007. Despite lower sales, reduced operating expenses in 2008 helped minimize the loss in comparison with 2007. In 2007 the reserve for income taxes was evaluated and found to be excessive. Reducing the reserve created a significant non-operations income tax benefit that off-set a portion of the 2007 net loss. 2008 earnings were unaffected by such events.

LIQUIDITY AND CAPITAL RESOURCES

Working capital was ($277,218) at December 31, 2008, compared to ($71,080) at December 31, 2007 as restated. The significant decrease in working capital in 2008 was primarily due to the net loss. A decrease in inventory levels and accounts receivable, along with net borrowings on the line of credit, was used to fund the 2008 loss.

In 2008, 2007, and 2006, ETC used a decrease in accounts receivables and inventories and net borrowings on the line of credit to fund the net loss. In 2005, ETC used beginning cash balances, carried from 2004, and also cash from borrowing from its revolving credit facility, in addition to the small reduction in inventory levels, to fund the net loss, reduce accounts payable and make a small amount of capital equipment purchases.

Capital expenditures were $12,679 in 2008 and $3,049 in 2007. The capital expenditures in both years consisted primarily of computer equipment upgrades. In addition, the Company capitalized software production costs incurred in 2008 of $30,954 and 2007 of $81,999 related to internally developed software products that will be sold, leased, or otherwise marketed.

Accounts receivable increased from $103,072 in 2007 to $153,370 in 2008, primarily due to timing of collections from end of the year sales. Inventories decreased from $390,928 in 2007 to $334,656 in 2008 due to our concerted effort to keep inventory levels low to conserve cash and the disposal of maintenance inventory for discontinued products. Net investment in sales-type leases decreased from $18,856 in 2007 to $8,124 due to payments received from customers on sale-type leases of our Audichron 410 time weather temperature systems. Sales-type leases will continue to decline because, rather than adding new sales-type lease contracts for time weather temperature systems, most new systems are now sold to the customer or leased by the customer through a third party lessor. It is expected that the cash flow generated from new sales of time weather temperature systems will offset in whole or in part the decrease in cash flow related to the declining sales-type leases. Accounts payable decreased slightly from $23,811 in 2007 to $23,326 primarily due to timing differences. We are current with our vendors and our efforts to minimize inventory levels resulted in fewer purchases.

To supplement cash flow, the Company has an agreement with an entity controlled by affiliates of the Company for up to $200,000 of borrowing availability. As of December 31, 2008, the Company had cash borrowings of $160,000 on this revolving credit facility. Additionally as of December 31, 2008, the Company has unpaid rent due to the same entity totaling $353,227.

Management is cautiously optimistic that market conditions and demand for the Company's new products will improve and that the Company's operations will become profitable and generate sufficient internal cash flow to support operations at its current expense levels. If the Company is able to increase its sales volume, additional financing in the form of internally generated cash flow and/or third-party financing may be required to finance increases in inventory and accounts receivable. Management believes the Company's current operating structure will enable the Company to continue operations for the foreseeable future. However, there can be no assurance that any or all of these items will be accomplished.

Contractual Obligations

ETC has contractual obligations for operating leases for its facilities in Waukesha, Wisconsin. The lease ends in 2012. Future minimum lease payments as of December 31, 2008, for the facility are as follows:

2009	$ 184,920
2010	$ 194,280
2011	$ 204,000
2012	$ 214,080
Total	$ 797,280

We treat these contractual obligations as normal operating expenses and plan to fund them with internally generated cash flow. Our ability to do this will depend on achieving the sales levels necessary to reach cash flow breakeven levels. There are no assurances that this can be accomplished.

ETC does not have any contractual obligations for purchases of materials from vendors used in the manufacture of our products for 2009 or future years.

Critical Accounting Estimates

There are a few areas of our financial statements that require us to use accounting estimates to comply with generally accepted accounting principles. These accounting estimates are made using our best judgment and may vary from actual results. Critical accounting estimates are used in the following areas:

Accounts Receivable -- Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. The estimated allowance for uncollectible accounts is based primarily on a specific analysis of accounts in the receivable portfolio and historical write-off experience. While we believe the allowance to be adequate, if the financial condition of our customers were to change resulting in impairment of their ability to make payments, additional allowances may be required.

Inventory -- Our inventories are valued at the lower of cost or market value. We periodically review inventory quantities on hand and record a provision for excess and/or obsolete inventory based primarily on our estimated forecast of product demand, as well as historical usage. Our industry is characterized by rapid technological change and frequent new product development, both of which could result in an increase in the amount of obsolete inventory quantities on hand. In such a case, there is a possibility that the reserve for excess or obsolete inventory may need to be adjusted in the future. Any significant unanticipated change in demand or technological developments could have a significant impact on the value of our inventory, the reserve required, and our future reported operating results.

Income Taxes -- The preparation of our financial statements requires us to estimate our current tax exposure together with assessing temporary differences between the carrying amounts of various assets and liabilities for financial reporting purposes and income tax purposes. These timing differences result in the recognition of deferred tax assets and liabilities to which we must record a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be realized.

Significant judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against the deferred tax assets. We have recorded a full valuation allowance against our deferred tax assets of $2,484,000 as of December 31, 2008 and $2,439,000 as of December 31, 2007, due to our uncertainties related to our ability to utilize these assets because of our financial losses in the current and prior years.

In the event actual results differ from our estimates, or we adjust our estimates in future periods, we may need to adjust our valuation allowance, which would materially impact our financial position and results of operations. If we are profitable in future years, our net operating loss carryforwards, which are our primary deferred tax assets, could be realized and our valuation allowance would be reduced and used to offset future income tax expense.

Goodwill and Long-Lived Assets – Annually during preparation of financial statements, we evaluate long term fixed assets. Special care is taken in the valuation of goodwill. Significant judgment is required in estimating future cash flows related to these assets to determine if impairment exists. Due to the uncertainties in estimating future financial results and cash flows in the Company's current environment, we determined in 2005 that goodwill carried forward from acquisitions in 1989 and 1991 was impaired and recorded the impairment in the 2005 financial statements.

Forward Looking Information

From time to time, information provided by ETC, statements made by its employees, and information included in its press releases and other public statements which are not historical facts are forward-looking in nature and relate to trends and events that may affect our future financial position and operating results. Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties including, but not limited to: business conditions in the telecommunications industry, the length and severity of the current worldwide recession and the timing and strength of a subsequent recovery, the Company's ability to achieve adequate sales levels or sufficient cash flow or cash reserves to support operations, technology changes, backlog, status of the economy, government regulations, sources of supply, expense structure, product mix, major customers, competition, litigation, and other risk factors. Investors are encouraged to consider the risks and uncertainties.

REPORT OF WIPFLI, LLP - INDEPENDENT ACCOUNTANTS

We have reviewed the accompanying balance sheets of Electronic Tele-Communications, Inc. as of December 31, 2008 and 2007, and the related statements of operations, stockholders' deficit, and cash flows for each of the three years in the period ended December 31, 2008 in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Electronic Tele-Communications, Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for each of the three years in the period ended December 31, 2008 and as of December 31, 2008 and 2007 in order for them to be in conformity with accounting principles generally accepted in the United States.

As indicated in Note 18 certain conditions indicate the Company may be unable to continue as a going concern. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

Wipfli LLP

Milwaukee, Wisconsin
March 5, 2009

STATEMENT OF OPERATIONS
YEARS ENDED DECEMBER 31, 2008, 2007, AND 2006 - REVIEWED

	2008	2007	2006
NET SALES (Note 17)	**$ 1,854,558**	$ 2,309,206	$ 2,323,017
COST OF PRODUCTS SOLD	**1,078,742**	1,308,881	1,416,178
GROSS PROFIT	**775,816**	1,000,325	906,839
OPERATING EXPENSES:			
General and administrative	**232,802**	361,489	512,049
Marketing and selling	**391,179**	439,176	474,310
Research and development	**270,362**	253,691	264,183
Relocation Costs	**0**	95,194	0
	894,343	1,149,550	1,250,542
LOSS FROM OPERATIONS	**(118,527)**	(149,225)	(343,703)
OTHER INCOME (EXPENSE):			
Interest expense	**(24,207)**	(28,258)	(20,998)
Interest and dividend income	**4,670**	211	8
LOSS BEFORE INCOME TAXES	**(138,064)**	(177,272)	(364,693)
Income taxes (benefit) (Note 10)	**0**	(52,000)	0
NET LOSS	**$ (138,064)**	$ (125,272)	$ (364,693)
BASIC AND DILUTED			
LOSS PER SHARE (Notes 14, 15 and 16):			
Class A common	**$ (0.06)**	$ (0.05)	$ (0.15)
Class B common	**$ (0.06)**	$ (0.05)	$ (0.15)

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

BALANCE SHEETS
DECEMBER 31, 2008 AND 2007 - REVIEWED

	2008	(Restated) 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 62,272**	$ 173,412
Available for sale investments	**122,474**	206,304
Trade accounts receivable, less allowance for doubtful accounts of $48,100 in 2008 and $37,000 in 2007	**153,370**	103,072
Inventories (Note 4)	**334,656**	390,928
Net investment in sales-type leases (Note 5)	**7,711**	10,732
Prepaid expenses and other current assets	**10,869**	15,301
Total current assets	**691,352**	899,749
PROPERTY, PLANT AND EQUIPMENT (Notes 6 and 8)	**16,887**	12,119
NET INVESTMENT IN SALES-TYPE LEASES (Note 5)	**413**	8,124
CAPITALIZED SOFTWARE PRODUCTION COSTS (Note 7)	**50,515**	88,660
Total Assets	**$ 759,167**	$ 1,008,652
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Revolving credit facility - related party (Note 11)	**$ 513,227**	$ 383,601
Accounts payable	**23,326**	23,811
Accrued expenses (Note 9)	**324,882**	415,120
Income taxes payable	**11,424**	12,659
Deferred revenue and customer deposits	**70,376**	110,303
Deferred gain on sale of building (Note 8)	**25,335**	25,335
Total current liabilities	**968,570**	970,829
DEFERRED GAIN ON SALE OF BUILDING (Note 8)	**75,993**	101,325
Total liabilities	**1,044,563**	1,072,154
COMMITMENTS (Note 8)		
STOCKHOLDERS' EQUITY (Notes 14 and 15):		
Preferred stock, authorized 5,000,000 shares, none issued	**-**	-
Class A common stock, authorized 10,000,000 shares, par value $.01, issued and outstanding 2,009,149 shares	**20,091**	20,091
Class B common stock, authorized 10,000,000 shares, par value $.01, issued and outstanding 499,998 shares	**5,000**	5,000
Additional paid-in capital	**3,335,647**	3,335,647
Accumulated other comprehensive income	**122,474**	206,304
Accumulated deficit	**(3,768,608)**	(3,630,544)
Total stockholders' deficit	**(285,396)**	(63,502)
Total Liabilities and Stockholders' Deficit	**$ 759,167**	$ 1,008,652

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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006 - REVIEWED

	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	**$ (138,064)**	$ (125,272)	$ (364,693)
Adjustments to reconcile loss to			
net cash provided by (used in) operating activities:			
Depreciation and amortization	**77,010**	114,836	174,006
Gain from sale of property, plant and equipment	**(25,332)**	(23,677)	(25,355)
Changes in operating assets and liabilities:			
Accounts receivable	**(50,298)**	3,371	94,999
Inventories	**56,272**	155,744	104,267
Net investment in sales-type leases	**10,732**	11,439	(239)
Prepaid expenses and other assets	**4,432**	15,874	(1,932)
Accounts payable and accrued expenses	**(90,723)**	(3,878)	(9,997)
Income taxes payable	**(1,235)**	(53,816)	(1,856)
Unpaid rent - related party	**129,626**	46,530	62,430
Deferred revenue and customer deposits	**(39,927)**	40,587	15,211
Total adjustments	**70,557**	307,010	411,534
Net cash provided by (used in) operating activities	**(67,507)**	181,738	46,841
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	**(12,679)**	(3,049)	(1,845)
Capitalized software production costs (Note 7)	**(30,954)**	(81,999)	(87,884)
Net cash used in investing activities	**(43,633)**	(85,048)	(89,729)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings on revolving credit facility, net	**-**	30,000	-
Net cash provided by financing activities	**-**	30,000	-
Net increase (decrease) in cash and cash equivalents	**(111,140)**	126,690	(42,888)
Cash and cash equivalents at beginning of year	**173,412**	46,722	89,610
Cash and cash equivalents at end of year	**$ 62,272**	$ 173,412	$ 46,722
Supplemental disclosures of cash flow information:			
Cash paid for income taxes	**$ 1,235**	$ 1,816	$ 1,856
Cash paid for interest expense	**23,735**	27,778	21,304

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

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006 - REVIEWED

	Common Stock (Note 14)					Accumulated		Total
	Class A		Class B		Additional	Other		Stock-
	Number of Shares	Amount	Number of Shares	Amount	Paid-in Capital	Comprehensive Income (Loss)	Accumulated Deficit	holders' Deficit
Balances at January 1, 2006, as originally stated	2,009,149	$ 20,091	499,998	$ 5,000	$ 3,335,647	$ -	$ (3,140,579)	$ 220,159
Restatement for excluded investments						157,222		157,222
Balances at January 1, 2006, as restated	2,009,149	20,091	499,998	5,000	3,335,647	157,222	(3,140,579)	377,381
Net loss	-	-	-	-	-	-	(364,693)	(364,693)
Unrealized gain on investments	-	-	-	-	-	34,083	-	34,083
Comprehensive income (loss), restated	-	-	-	-	-	-	-	(330,610)
Balances at December 31, 2006, as restated	2,009,149	20,091	499,998	5,000	3,335,647	191,305	(3,505,272)	46,771
Net loss	-	-	-	-	-	-	(125,272)	(125,272)
Unrealized gain on investments	-	-	-	-	-	14,999	-	14,999
Comprehensive income (loss), restated	-	-	-	-	-	-	-	(110,273)
Balances at December 31, 2007, as restated	2,009,149	20,091	499,998	5,000	3,335,647	206,304	(3,630,544)	(63,502)
Net loss	**-**	**-**	**-**	**-**	**-**	**-**	**(138,064)**	**(138,064)**
Unrealized loss on investments	**-**	**-**	**-**	**-**	**-**	**(83,830)**	**-**	**(83,830)**
Comprehensive income (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(221,894)**
Balances at December 31, 2008	**2,009,149**	**$ 20,091**	**499,998**	**$ 5,000**	**$ 3,335,647**	**$ 122,474**	**$ (3,768,608)**	**$ (285,396)**

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

1. RESTATEMENT

In 2008 the Company determined that through the demutualization of life insurance policies held by a previously terminated pension plan, the Company owned equity securities since 2001. Since the Company was unaware of its ownership in these investments, the prior financial statements did not reflect the value of the investments. The following table sets forth the effects of the restatement adjustments on affected line items within the previously reported Balance Sheet as of December 31, 2007, and the Statements of Stockholders' Equity (Deficit) as of January 1, 2006 and for the years ended December 31, 2007 and 2006. Because the restatement is non-cash in nature, and changes in value are reported as a component of comprehensive income, it had no impact on the Statements of Cash Flows or the Statements of Operations. There is no tax effect for any of the periods restated below.

Balance Sheet at December 31, 2007:

	As Previously Reported	Restated
Available for sale investments	$ 0	$ 206,304
Total current assets	693,445	899,749
Total assets	802,348	1,008,652
Accumulated other comprehensive income	0	206,304
Total stockholders' deficit	(269,806)	(63,502)
Total liabilities and stockholders' deficit	802,348	1,008,652

Statements of Stockholders' Equity (Deficit):

	As Previously Reported	Adjustment	Restated
Balances as of January 1, 2006:			
Accumulated other comprehensive income	$ 0	$ 157,222	$ 157,222
Total stockholders' equity (deficit)	220,159	157,222	377,381
Year ended December 31, 2006:			
Unrealized gain on investments	$ 0	$ 34,083	$ 34,083
Comprehensive income (loss)	(367,693)	34,083	(330,610)
Balances as of December 31, 2006:			
Accumulated other comprehensive income	$ 0	$ 191,305	$ 191,305
Total stockholders' equity (deficit)	(144,534)	191,305	46,771
Year ended December 31, 2007:			
Unrealized gain on investments	$ 0	$ 14,999	$ 14,999
Comprehensive income (loss)	(125,272)	14,999	(110,273)
Balances as of December 31, 2007:			
Accumulated other comprehensive income	$ 0	$ 206,304	$ 206,304
Total stockholders' equity (deficit)	(269,806)	206,304	(63,502)

The Five Year Review of Selected Financial Data for the years ended December 31, 2007 through 2004 has been restated as applicable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company designs, manufactures, and markets digital voice information systems and related services. The Company's equipment provides a wide range of audio and computer information and call handling capabilities via telephone networks, computer networks, and the Internet. The Company's digital voice information systems deliver network interoperability and revenue-generating applications. Branding, time and temperature announcements, and weather forecasts are among the applications designed to increase customers' name recognition and market presence. Additionally, revenue-generating applications such as automatic callback, changed number with call completion, repeat dialing, and wake-up/reminder services enables providers to differentiate themselves from their competition. Services include professional recording, turn-key installations, on-site trainings, and 24-hour technical support.

The Company's customers include Regional Bell Operating Companies (RBOCs), Competitive Local Exchange Carriers (CLECs), independent telephone companies, long distance companies, wireless carriers, cable companies, utilities, leading telecommunications manufacturers, and other business and organizations.

The Company was incorporated in Wisconsin in 1980. The Company's executive officers, together with manufacturing, engineering, marketing, sales, and technical services are located in Waukesha, Wisconsin.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Management considers its estimates related to inventory valuation, impairment evaluations for goodwill and fixed assets, valuation of deferred tax assets, and capitalization and amortization of software to be significant estimates that may be subject to change in the near term.

Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Investments

Investments in equity securities that the Company does not necessarily intend to hold until maturity and that were not purchased for the purpose of selling the securities in the near term are classified as available for sale securities. Available for sale securities are reported at fair value with unrealized gains and losses reported in accumulated other comprehensive income (loss).

Fair Value Measurements

SFAS No. 157, Fair Value Measurements ("SFAS 157"), defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The Company has partially adopted Financial Accounting Standards Board (FASB) SFAS No. 157, Fair Value Measurements (SFAS 157), pursuant to the provisions of FSP FAS 157-2, which deferred the effective date of SFAS 157 for non-financial assets and liabilities. The provisions of SFAS 157 are applicable to all of the Company's financial assets and liabilities that are measured and recorded at fair value.

SFAS 157 establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1 - Observable inputs such as quoted prices in active markets.

Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 - Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company does not have any assets or liabilities measured at fair value on a recurring basis at December 31, 2008. The Company did not have any fair value adjustments for assets and liabilities measured at fair value on a nonrecurring basis during the year ended December 31, 2008.

Trade Accounts Receivable and Concentration of Credit Risk

Trade accounts receivable are customer obligations due on normal trade terms requiring payment within 30 days from the invoice date. Payments of trade accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The carrying amount of trade accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances that exceed 60 days from invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected.

The Company's sales are concentrated primarily in the domestic telecommunications industry. The Company performs periodic credit evaluations of its customers' financial condition and does not require collateral.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. For financial reporting purposes, depreciation and amortization is provided using the straight-line method over estimated useful lives of three to five years.

The Company leases certain voice announcement equipment to certain customers for terms of one month to three years with renewal options on a month-to-month basis. All such leases are treated as operating leases. The leased equipment is stated at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the equipment.

Capitalized Software Production Costs

Software production costs incurred related to internally developed software products, enhancements, and purchased software to be sold, leased, or otherwise marketed are capitalized once technological feasibility of the software product has been established. Capitalization ends when the software product is available for general release. Software production costs incurred up to the time technological feasibility is established are considered research and development costs and are expensed as incurred.

Capitalized software production costs are amortized on a straight-line basis over the remaining estimated economic life of the product. Capitalized software production costs are reported at the lower of unamortized costs or net realizable value. The net realizable value of the capitalized software production costs is evaluated for all periods after capitalization.

See Note 7 for additional information on capitalized software production costs.

Long-lived Assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected undiscounted cash flows is less than the carrying value of the related asset or group of assets, a loss is recognized for the difference between the fair value and carrying value of the asset or group of assets. Such analyses necessarily involve significant judgment.

Fair Value of Financial Instruments
The Company's financial instruments, other than cash, consist primarily of cash equivalents, investments, accounts receivable, accounts payable, accrued liabilities, notes payable, and long-term debt. The fair value of these instruments approximates their carrying amounts based upon their short-term nature or current market indicators such as prevailing interest rates.

Income Taxes
Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred income taxes related primarily to differences between the bases of certain assets and liabilities for financial statement and income tax purposes. The deferred income tax benefits and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. If full realization is not expected, a deferred income tax valuation allowance will be recorded. Deferred income tax benefits also are recognized for operating losses that are available to offset future taxable income and tax credits that are available to offset future income taxes.

Revenue Recognition
The Company sells and leases equipment and related services. Terms of sale are documented on purchase orders and sales agreements. There are no multi-element contracts. Revenue from equipment and software sales is recognized at the time of shipment. Revenue from operating leases of time/weather/temperature equipment is recognized on a monthly basis as the monthly lease amount is billed to the customer. Revenue from services is recognized when the related service is provided. Revenue from the sale of maintenance contracts is deferred and recognized evenly over the term of the contract.

Sales of the Company's Audichron® 410 and Audichron® Z-10 interactive systems are accounted for as sales-type leases. Revenue is recognized upon shipment of these systems to the customer. The difference between the expected minimum payments and the revenue recognized for each agreement is unearned revenue. The unearned revenue is amortized over the term of each agreement using the effective interest method.

Revenue from sales-type leases, operating leases and services was approximately 66%, 60%, and 70% of total revenue in 2008, 2007, and 2006, respectively.

Shipping and Handling
Revenue received from and costs incurred for shipping and handling are reported in cost of products sold. Revenue received from shipping and handling fees were $6,182, $7,089, and $10,301 in 2008, 2007, and 2006, respectively. Costs incurred for shipping and handling were $7,353, $9,269, and $11,021 in 2008, 2007, and 2006, respectively.

Research and Development
Research and development costs related to the design and development of new products are expensed as incurred.

Segment Information
The Company reports segment information in accordance with Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of Business Enterprise and Related Information," which establishes standard for disclosures about operating segments in annual and interim financial statements, products and services, geographic areas and major customers. See Note 17 for additional information.

Comprehensive Income
Comprehensive income is a more inclusive financial reporting method that includes disclosure of financial information that historically has not been recognized in the calculation of net income. The Company has reported comprehensive income for 2008 and restated comprehensive income for 2007 and 2006, as discussed in Note 1. The Company's comprehensive income (loss), as reported in the Statements of Stockholders' Equity (Deficit), includes net income (loss) and unrealized gains (losses).

Variable Interest Entities
The Financial Accounting Standards Board (FASB) has issued FASB Interpretation No. (FIN) 46R, "Consolidation of Variable Interest Entities." FIN 46 addresses consolidation by business enterprises of variable interest entities and is intended to achieve more consistent application of consolidation policies. The Interpretation requires an entity to consolidate a variable interest entity if that enterprise has a variable interest (or combination of variable interests) that will absorb a majority of the entity's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur, or both. In addition, the Interpretation requires an entity that holds significant variable interest in a variable interest entity, but is not the primary beneficiary, to disclose certain information. Currently, the Company leases real estate from an affiliated entity and borrows money under a revolving credit facility from the same affiliated entity. Based on management's review of the affiliated entity and the Company's transactions with it, the Company is not required to consolidate or disclose further information under the Interpretation.

3. AVAILABLE FOR SALE INVESTEMENTS

Available for Sale Investments, which are comprised of corporate equity securities, were restated as described in Note 1. Because the cost basis of the available for sale securities is zero, the cumulative net unrealized gain equals the fair value. Fair value is derived from the quoted market price in an active market (level 1). Information as of and for the years ended December 31, 2008, 2007, and 2006 is summarized as follows:

	2008	(restated) 2007	(restated) 2006
Securities available for sale:			
Cost of equity securities	**$ 0**	$ 0	$ 0
Cumulative net unrealized gain as reported in accumulated other comprehensive income, beginning of year	**206,304**	191,305	157,222
Current year unrealized net gain (loss) included in comprehensive income	**(83,830)**	14,999	34,083
Cumulative net unrealized gain as reported in accumulated other comprehensive income, end of year	**$ 122,474**	$ 206,304	$ 191,305

4. INVENTORIES

Inventories consisted of the following at December 31:

	2008	2007
Raw materials and supplies	**$ 235,545**	$ 283,692
Work-in-process and finished goods	**36,194**	49,808
Maintenance and demo parts	**117,463**	123,439
Reserve for obsolescence	**(54,546)**	(66,011)
Total Inventories	**$ 334,656**	$ 390,928

The Company has determined that certain inventories are obsolete or are in excess of anticipated future demand. Accordingly, the Company has recorded a reserve for obsolescence as indicated above. The Company will continue to evaluate these inventories and will adjust the reserve as needed in the future. Accordingly, this significant estimate is subject to change in the near term.

5. SALES-TYPE LEASES

The Company engages in sales agreements with customers for Audichron® 410 and Audichron® Z-10 systems that are accounted for as sales-type leases. The agreements have varying length terms expiring in various years through 2010.

Following is a summary of the components of the Company's net investment in sales-type leases at December 31:

	2008	2007
Total minimum lease payments to be received	**$ 8,707**	$ 21,569
Unearned revenue	**(583)**	(2,713)
Allowance for doubtful accounts	**-**	-
Net investment in sales-type leases	**$ 8,124**	$ 18,856

Future minimum lease payments to be received under these agreements at December 31, 2008 are as follows:

Year	Lease Payments
2009	$ 8,289
2010	418
Total minimum lease payments to be received	$ 8,707

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at December 31:

	2008	2007
Equipment and furniture	**$ 1,732,292**	$ 1,753,493
Accumulated depreciation and amortization	**(1,715,405)**	(1,741,374)
Net property, plan and equipment	**$ 16,887**	$ 12,119

7. CAPITALIZED SOFTWARE PRODUCTION COSTS

Capitalized software production costs are accounted for in accordance with SFAS No. 86, "Accounting for Computer Software to be Sold, Leased, or Otherwise Marketed." These costs are being amortized on a straight-line basis over periods of two to three years.

Capitalized software production costs consisted of the following at December 31:

	2008	2007
Capitalized software production costs	**$ 856,622**	$ 825,668
Accumulated amortization	**(806,107)**	(737,008)
Net capitalized software production costs	**$ 50,515**	$ 88,660

Software production costs capitalized were $30,953, $81,999, and $87,884 in 2008, 2007, and 2006, respectively. Amortization expense of software production costs, which were included in cost of products sold in the statements of operations, were $69,099, $106,273, and $158,200 for 2008, 2007, and 2006, respectively.

Amortization of capitalized software production costs scheduled for future years is approximately $41,646 for 2009 and $8,869 for 2010.

8. LEASE COMMITMENTS

On July 18, 2001, the Company entered into a sale leaseback transaction with an entity controlled by affiliates of the Company for the building and associated land located in Waukesha, Wisconsin, which serves as the Company's principal office and manufacturing facility. The leaseback transaction has been accounted for as an operating lease. A gain of $576,379 was realized on the transaction. The gain has been deferred and will be amortized to income in proportion to rental payments over the term of the lease. In 2008, 2007, and 2006 gains of $25,355 were recognized each year.

The Company has leased the facility back from the buyer under a triple net lease which currently expires on December 31, 2012. The lease required monthly payments of $14,600 during 2008. The required monthly payment increases annually by approximately 4%. The Company is responsible for its share of operating costs as defined in the agreement.

As of December 31, 2008 and 2007, net deferred gain totaling $101,328 and $126,660, respectively, relating to the sale leaseback transaction is included in the accompanying financial statements.

The Company bought out of its lease for the Norcross, Georgia facility in 2007 and closed the office. Costs associated with the closing of the Norcross office appear on the accompanying 2007 financial statements and include a lump-sum buyout of the lease.

Future minimum lease payments at December 31, 2008 for the Waukesha facility are as follows:

Year	Rental Payments
2009	184,920
2010	194,280
2011	204,000
2012	214,080
Total minimum lease payments	$ 797,280

Total rent expense for 2008, 2007, and 2006, was $175,920, $185,341, and $312,826, respectively.

9. ACCRUED EXPENSES

Accrued expenses consist of the following at December 31:

	2008	2007
Accrued wages and benefits	**$ 153,293**	$ 140,868
Directors fees	**91,950**	179,200
Other accrued professional fees	**3,650**	4,945
Product warranty reserve	**14,823**	15,716
State and local sales tax accrual	**12,248**	10,306
Other accrued expenses	**48,918**	64,085
Total accrued expenses	**$ 324,882**	$ 415,120

As a result of an agreement reached during 2008 with certain current and former directors, the Company's obligation for unpaid directors fees was reduced by approximately $77,000, which was reflected as reduced operating expenses in the accompanying 2008 financial statements.

10. INCOME TAXES

Income tax expense consists of the following:

	2008	2007	2006
Current:			
Federal	**$ -**	$ -	$ -
State	**-**	(52,000)	-
Total current	**-**	(52,000)	-
Deferred	**15,000**	37,000	24,000
Benefit of net operating losses	**(60,000)**	(108,000)	(177,000)
Change in valuation reserve	**45,000**	71,000	153,000
Income tax expense (benefit)	**$ -**	$ (52,000)	$ -

A reconciliation of income taxes at the United States statuary rate to the effective tax rate follows:

	2008	2007	2006
Statutory rate	**(34.0)%**	(34.0)%	(34.0)%
Reversal of state income taxes	**-**	(25.0)	-
State income taxes net of Federal benefit	**(4.3)**	(4.1)	(4.1)
Change in deferred income tax valuation allowances	**32.6**	36.2	39.3
Permanent differences	**0.7**	0.5	0.5
Other	**5.1**	0.0	(1.7)
Effective tax rate	**0.0%**	(26.5)%	0.0%

At December 31, 2008, the Company had a federal net operating loss carryforwards of approximately $5,800,000 and research and development credits totaling $66,000 which are subject to federal regulations and limitations and expire at various times from 2012 to 2023. The carryforwards and credits, which expire in various years, are available to offset future federal taxable income and income taxes. The valuation reserve of $2,484,000 and $2,439,000 at December 31, 2008 and 2007, respectively, was provided because of uncertainty as to whether the net deferred tax asset would be realized, based on the Company's financial results in the current and prior years. If the Company is profitable in future years, the valuation reserve will be reduced and used to offset income tax expense.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets as of December 31 are as follows:

	2008	2007
Deferred tax liabilities:		
Excess of tax over book depreciation	**$ -**	$ -
Deferred tax assets:		
Excess of book over tax depreciation	**15,000**	12,000
Net operating loss carryforwards	**2,220,000**	2,167,000
Inventories	**70,000**	80,000
Allowance for doubtful accounts	**18,000**	14,000
Research and development tax credit	**66,000**	66,000
Accrued charges and other	**56,000**	51,000
Deferred gain	**39,000**	49,000
Total deferred tax assets	**2,484,000**	2,439,000
Net deferred tax asset before valuation reserve	**2,484,000**	2,439,000
Valuation reserve	**(2,484,000)**	(2,439,000)
Net deferred tax asset	**$ -**	$ -

The Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48 “Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109” (“FIN 48”) on January 1, 2007. In conjunction with the adoption of FIN 48, the Company had a change in estimate for its state income tax liability, and reduced the estimated state tax liability by $52,000. Accordingly, the reversal of the liability in 2007 resulted in an income tax benefit on the Statement of Operations. The Company’s reserves for uncertain tax positions as of December 31, 2008 and 2007 were $0.

11. REVOLVING CREDIT FACILITY & UNPAID RENT - RELATED PARTY

On December 23, 2002, the Company signed a revolving credit facility renewal with esitec, llc, an affiliate. The term of the revolving credit facility ended December 31, 2003, at which time it renewed automatically in consecutive one-year increments, provided that either party may terminate the revolving credit facility upon 45 days written notice. Under the revolving credit facility, the Company can borrow up to a maximum of $200,000. Interest is payable monthly at a rate of up to prime plus two percentage points as quoted in the Wall Street Journal (effective rate of 4.5% as of December 31, 2008),and any outstanding balances of principal and interest are due at the end of the term. The revolving credit facility is secured by trade accounts receivable. As of December 31, 2008 and 2007, the Company had borrowings of $160,000 and $160,995, respectively, under the revolving credit. Interest paid for borrowings on the revolving credit facility was $24,207, $28,258, and $20,998 for the years ending December 31, 2008, 2007, and 2006, respectively.

As of December 31, 2008 and 2007, unpaid rent due to esitec, llc. totaled $353,227 and $222,606, respectively.

12. PROFIT SHARING PLAN

The Company has a profit sharing plan pursuant to Section 401(k) of the Internal Revenue Code, whereby participants may contribute a percentage of compensation, but not in excess of the maximum allowed under the Code. Substantially all employees are eligible to participate. The plan provides for, and the Company expenses, Company matching contributions and additional discretionary contributions determined by the Board of Directors. There were no Company matching or additional discretionary contributions paid in 2008, 2007, and 2006.

13. STOCK OPTION PLAN

The Company has a 1999 Nonqualified Stock Option Plan whereby 175,000 shares of Class A common stock are authorized for granting of options to key employees of the Company as determined by the Compensation and Stock Option Committee of the Board of Directors. Options granted may be vested at the discretion of the Compensation and Stock Option Committee and expire ten years from date of grant. The exercise price is the average of the highest and lowest transaction prices of the stock on the date of grant. Options are cancelled upon termination of employment and that stock becomes available for future option grants. As of December 31, 2008, 94,100 shares are eligible for future grants.

In addition, the Company has a 1989 Nonqualified Stock Option Plan that has expired with respect to granting of future options. Options outstanding under the 1989 Plan will remain in effect until they have been exercised or have expired or terminated.

Beginning in 2006, the Company is required to account for its Employee Stock Options in accordance with FASB Statement of Finance Accounting Standards (SFAS) No. 123R "Accounting for Stock-Based Compensation" which requires use of option valuation models. Prior to 2006, the Company had elected to follow Accounting Principles Board Option No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equaled the market price of the underlying stock on the measurement date, no compensation expense was recognized.

As of December 31, 2005, the Compensation and Stock Option Committee decided to vest all non-expired options in order to avoid future recognition of compensation expense under revised accounting rules that were applicable beginning January 1, 2006 for the Company.

Pro forma information regarding net income and earnings per share required by SFAS No. 123R has not been presented as the amount of compensation expense that would have been recorded is immaterial.

Transactions with respect to the Company's stock option plans were as follows:

	2006		2007		**2008**	
	Option Shares	Weighted Average Exercise Price	Option Shares	Weighted Average Exercise Price	**Option Shares**	**Weighted Average Exercise Price**
Outstanding at beginning of year	173,500	$1.20	135,800	$1.17	**105,000**	**$1.16**
Granted	-	-	-	-	**-**	**-**
Exercised	-	-	-	-	**-**	**-**
Forfeited	(37,700)	1.31	(10,800)	1.30	**(18,100)**	**1.31**
Outstanding at end of year	135,800	1.17	125,000	1.16	**86,900**	**1.04**
Exercisable at end of year	110,340	1.36	113,680	1.24	**83,280**	**1.07**
Weighted average fair value of Options granted during the year		-		-		**-**

Exercise prices for options outstanding as of December 31, 2008, ranged from $0.22 to $2.687. Additional information related to these options segregated by exercise price range is as follows:

	Exercise Price Range		
	$0.22 to $0.89	$0.90 to $1.75	$1.76 to $2.88
Options outstanding	49,100	15,900	21,900
Weighted average exercise price of options outstanding	$0.29	$1.13	$2.69
Weighted average remaining contractual life of options outstanding	4.03 years	1.40 years	1.33 years
Options exercisable	45,480	15,900	21,900
Weighted average exercise price of options exercisable	$0.28	$1.13	$2.69

14. CAPITAL STOCK

The Company has two classes of common stock and has also authorized 5,000,000 shares of preferred stock.

In December 2004, the board of directors voted to deregister the Class A Common Stock with the Securities and Exchange Commission. Subsequent to that decision, the Audit Committee considered options for year end financial statements and recommended that the company have its financial statements reviewed rather than audited. This decision was based on the cost savings generated. We have continued to work with the firm that has been auditing ETC's statements and is familiar with the company operations. Internal processes have not changed and will continue to be documented in a manner that will allow future auditing if necessary.

In the event of liquidation, holders of Class A common stock are entitled to receive, after distribution of amounts due to holders of preferred stock, $3 per share (subject to adjustments for stock splits, stock dividends or similar events involving Class A common stock) before any distribution to holders of Class B common stock. After the payment of $3 per share to Class A common stockholders, the Class B common stockholders are entitled to receive $3 per share. Thereafter, the Class A and Class B common shareholders share equally in any further distributions.

The Company's Board of Directors has the authority and responsibility to determine the rate of dividend, liquidation value, and other preferences of the preferred stock upon issuance. No shares of preferred stock have been issued to date.

15. DIVIDENDS

The holders of Class A common stock, which is non-voting, are entitled to receive a non-cumulative annual cash dividend of $0.08 per share before any dividends may be paid to the holders of Class B common stock. Thereafter, any additional dividend in a fiscal year must be paid on the two classes of common stock on an equal basis. If the preferential dividend is omitted for three consecutive years, the Class A common stock is entitled to vote in the following year.

No dividends were declared or paid in 2008, 2007, and 2006. Because no dividends were paid for three years, as of January 1, 2009, holders of Class A common stock are entitled to vote at the Company's 2009 Annual Meeting on an equal basis with holders of its Class B common stock.

16. EARNINGS PER SHARE

Earnings (loss) net of dividends paid (undistributed earnings) are allocated equally per share to weighted average Class A shares, as adjusted for the dilutive effect of stock options using the treasure stock method, and weighted average Class B shares outstanding during the year. Earnings (loss) per Class A and Class B common share were computed, as shown in the table below, by adding dividends paid per Class A and Class B common share (distributed earnings) to undistributed earnings. The following table sets forth the computation of basic and diluted earnings per share:

	2008	2007	2006
Numerator for basic and diluted earnings per share:			
Net earnings (loss)	**$ (138,064)**	$ (125,272)	$ (364,693)
Less dividends paid:			
Class A common	**-**	-	-
Class B common	**-**	-	-
Undistributed earnings (loss)	**$ (138,064)**	$ (125,272)	$ (364,693)
Denominator for basic and diluted earnings per share:			
Weighted average shares:			
Class A common	**2,009,149**	2,009,149	2,009,149
Class B common	**499,998**	499,998	499,998
Total	**2,509,147**	2,509,147	2,509,147
Calculation of basic and diluted earnings (loss) per share:			
Class A common:			
Distributed earnings	**$ -**	$ -	$ -
Undistributed earnings (loss)	**(0.06)**	(0.05)	(0.15)
Basic and diluted earnings (loss) per share	**$ (0.06)**	$ (0.05)	$ (0.15)
Class B common:			
Distributed earnings	**$ -**	$ -	$ -
Undistributed earnings (loss)	**(0.06)**	(0.05)	(0.15)
Basic and diluted earnings (loss) per share	**$ (0.06)**	$ (0.05)	$ (0.15)

Options to purchase shares of Class A common stock under the Company's Nonqualified Stock Option Plan were outstanding. However, these shares were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares. The number of shares excluded from the computation was 86,900 for 2008, 125,000 for 2007, and 135,800 for 2006. See Note 13 for additional information regarding stock options.

17. ENTERPRISE INFORMATION

The Company operates as one reportable segment.

Geographic Information

Geographic information related to the Company's revenues and long-lived assets are as follows:

	Revenues (a) Years Ended December 31,			Long-Lived Assets December 31,	
	2008	2007	2006	**2008**	2007
United States	**$ 1,653,566**	$ 2,134,570	$ 2,153,964	**$ 16,887**	$ 12,119
Other countries	**200,992**	174,636	169,053	**-**	-
Total	**$ 1,854,558**	$ 2,309,206	$ 2,323,017	**$ 16,887**	$ 12,119

(a) Revenues are attributed to countries based on the location of customers.

Major Customers

No customer accounted for more than 10% of sales in 2008, 2007, and 2006.

18. COMPANY OPERATIONS

Cumulatively over the past three years the Company has sustained operating losses requiring the Company to use substantial amounts of working capital to fund its operations. The losses and use of working capital were a result of the significant decrease in sales caused by lower customer demand for the Company's products. The Company's customers have been severely impacted by slowing economic conditions, especially in the domestic telecommunications industry, which adversely impacted customers' buying decisions. These factors raise substantial doubt about the Company's ability to continue as a going concern.

To address the resultant cash flow requirements caused by the decrease in sales, the Company reduced its workforce through a combination of terminations and lay-offs. To supplement cash flow in the short-term, the Company maintains an agreement with an entity controlled by affiliates of the Company for up to $200,000 of borrowing availability. As of December 31, 2008, the Company had borrowings on this revolving credit facility of $160,000. With the workforce reductions and strict control of all costs, the Company has significantly reduced the sales levels necessary to turn its operations profitable. The Company will continue to monitor its operations to determine if additional cost savings measures need to be implemented to improve cash flow.

Management is cautiously optimistic that market conditions and demand for the Company's new products will improve and that the Company's revised operating structure will once again consistently be profitable and generate sufficient internal cash flow to support its operations at some point in the future. If the Company is able to increase its sales volume, additional financing in the form of internally generated cash flow and/or third-party financing may be required to finance increases in inventory and accounts receivables. Management believes the Company's revised operating structure should enable the Company to continue operations for the near term. However, there can be no assurances that any or all of these items will be accomplished.

The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

19. RELATED PARTY TRANSACTIONS

The Company engaged the services of Quarles & Brady LLP of Milwaukee, Wisconsin as a general legal counsel during the years ended December 31, 2008, 2007 and 2006. Conrad Goodkind, an attorney at of Quarles & Brady LLP, served as a director of the Company in 2006 and part of 2007. The Company incurred legal expenses of approximately $1,000 and $5,000 with Quarles & Brady LLP during the years ended December 31, 2007 and 2006, respectively.

The Company leases its Waukesha facility from an entity controlled by affiliates of the Company. See Note 6 for additional information on this lease. In addition, the Company has a revolving credit facility from the same entity controlled by affiliates of the Company. See Note 11 for additional information on this revolving credit facility.

20. RELOCATION COSTS

In 2007, as a cost reduction strategy, the Company closed its Norcross, Georgia facility. The total amount incurred in connection with the closure is $95,194, which is separately disclosed as relocation costs in the accompanying financial statements. The relocation expense includes the cost to buyout the lease agreement for the facility, expenses to transfer equipment from the Norcross location to the Waukesha location, travel expenses to facilitate closure of the office, and costs to build a replacement recording studio. The accrual for unpaid relocation expenses as of December 31, 2008 and 2007 was $0 and $30,000, respectively.

For the Years Ended December 31,	**2008**	2007	2006	2005	2004
SUMMARY OF OPERATIONS:					
Net sales	**$ 1,854,558**	$ 2,309,206	$ 2,323,017	$ 2,689,269	$ 3,671,208
Cost of products sold	**1,078,742**	1,308,881	1,416,178	1,699,725	1,972,033
Gross profit	**775,816**	1,000,325	906,839	989,544	1,699,175
General and administrative	**232,802**	361,489	512,049	627,354	599,141
Marketing and selling	**391,179**	439,176	474,310	700,408	775,219
Research and development	**270,362**	253,691	264,183	306,519	349,633
Other income (expense)	**(19,537)**	(123,241)	(20,990)	(793,637)	(2,536)
Loss before income taxes	**(138,064)**	(177,272)	(364,693)	(1,438,374)	(27,354)
Income taxes (benefit)	**0**	(52,000)	0	0	4,000
Net loss	**$ (138,064)**	$ (125,272)	$ (364,693)	$ (1,438,374)	$ (31,354)
PER SHARE DATA:					
Weighted average shares outstanding	**2,509,147**	2,509,147	2,509,147	2,509,147	2,509,147
Basic and diluted earnings (loss) per share:					
Class A common	**$ (0.06)**	$ (0.05)	$ (0.15)	$ (0.58)	$ (0.01)
Class B common	**$ (0.06)**	$ (0.05)	$ (0.15)	$ (0.58)	$ (0.01)
Shares outstanding at year end	**2,509,147**	2,509,147	2,509,147	2,509,147	2,509,147
Book value per share	**$ (0.11)**				
Previously Stated		$ (0.11)	$ (0.06)	$ 0.09	$ 0.66
Adjustment		$ 0.08	$ 0.08	$ 0.06	$ 0.05
Restated		$ (0.03)	$ 0.02	$ 0.15	$ 0.71
Cash dividends paid per Class A share (Note 15)	**$ -**	$ -	$ -	$ -	$ -
OTHER DATA:					
Working capital	**$ (277,218)**				
Previously Stated		$ (277,385)	$ (168,954)	$ 74,351	$ 714,101
Restated		$ (71,081)	$ 22,351	$ 294,912	$ 845,477
Current ratio	**0.7**				
Previously Stated		0.7	0.8	1.1	2.0
Restated		0.9	1.0	1.4	2.2
Total assets	**$ 759,167**				
Previously Stated		$ 802,348	$ 893,529	$ 1,217,790	$ 2,567,991
Adjustment		206,303	195,322	160,537	131,376
Restated		$ 1,008,651	$ 1,084,834	$ 1,315,012	$ 2,699,367
Total long-term obligations	**$ -**	$ -	$ -	$ -	$ -
Stockholders' equity	**$ (285,396)**				
Previously Stated		$ (269,807)	$ (144,535)	$ 220,159	$ 1,658,533
Adjustment		206,303	195,322	160,537	131,376
Restated		$ (63,504)	$ 46,770	$ 377,381	$ 1,789,909
After tax return on sales	**(7.4)%**	(5.4)%	(15.7)%	(53.5)%	(0.9)%
Return on equity	**(48.4)%**				
Previously Stated		(46.4)%	(252.3)%	(653.3)%	(1.9)%
Restated		(197.3)%	(779.8)%	(381.1)%	(1.8)%

This data should be considered in conjunction with the accompanying financial statements.

QUARTERLY FINANCIAL DATA

	2008 Quarters				
	First	**Second**	**Third**	**Fourth**	**Total**
Net sales	**$ 424,564**	**$ 550,507**	**$ 320,712**	**$ 558,775**	**$ 1,854,558**
Gross profit	**144,558**	**267,530**	**108,795**	**254,933**	**775,816**
Net earnings (loss)	**(66,515)**	**24,932**	**(126,604)**	**30,123**	**(138,064)**
Basic and diluted earnings (loss) per share:					
Class A common	**(0.03)**	**0.01**	**(0.05)**	**0.01**	**(0.06)**
Class B common	**(0.03)**	**0.01**	**(0.05)**	**0.01**	**(0.06)**
Dividends per Class A common share (Note 15)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Stock price for Class A common:					
High	**0.210**	**0.230**	**0.150**	**0.150**	
Low	**0.120**	**0.160**	**0.120**	**0.100**	

	2007 Quarters				
	First	Second	Third	Fourth	Total
Net sales	$ 574,304	$ 524,202	$ 518,477	$ 692,223	$ 2,309,206
Gross profit	233,429	210,427	227,307	329,162	1,000,325
Net earnings (loss)	(63,033)	(178,320)	5,761	110,320	(125,272)
Basic and diluted earnings (loss) per share:					
Class A common	(0.03)	(0.07)	0.00	0.04	0.05
Class B common	(0.03)	(0.07)	0.00	0.04	0.05
Dividends per Class A common share (Note 15)	0.00	0.00	0.00	0.00	0.00
Stock price for Class A common:					
High	0.120	0.150	0.150	0.150	
Low	0.100	0.110	0.120	0.120	

This data should be considered in conjunction with the accompanying financial statements.

Annual Meeting of Shareholders
2:00 PM, Friday, May 1, 2009
Electronic Tele-Communications, Inc.
1915 MacArthur Road, Waukesha, WI 53188

Investor Relations
Investor relations inquiries may be made in writing to Investor Relations Department, Electronic Tele-Communications, Inc., 1915 MacArthur Road, Waukesha, WI 53188; by telephone at (262) 542-5600; or via email at investor_relations@etcia.com.

Stock Held in "Street Name"
Electronic Tele-Communications, Inc. maintains a direct mailing list to ensure that shareholders whose stock is held in broker accounts receive shareholder information on a timely basis. Shareholders may add their name to this list by writing or calling our Investor Relations Department.

Stock Listing
Electronic Tele-Communications, Inc. Class A common stock is quoted on the OTC Pink Sheets under the symbol ETCIA.

Shareholders of Record
As of March 13, 2009 there were approximately 560 shareholders of record and beneficial shareholders owning Class A common stock.

Termination of Regulation
In September 2004 the Company voluntarily terminated its registration of its Class A common stock under Section 12 of the Securities Exchange Act of 1934. This deregulation terminated the Company's obligation to file periodic reports with the SEC on Forms 10-KSB, 10-QSB, and 8-K.

Transfer Agent and Registrar
For address changes or questions regarding your shares, please contact:
American Stock Transfer and Trust Company, 59 Maiden Lane, New York, NY 10038-4502; telephone (800) 937-5449; website http://www.amstock.com; email info@amstock.com.

Independent Accountants
Wipfli LLP, 10000 Innovation Drive, Suite 250, Milwaukee, WI 53226

Legal Counsel
Quarles & Brady LLP, 411 East Wisconsin Avenue, Milwaukee, WI 53202

Corporate Officers
Dean W. Danner, P.E., President and Chief Executive Officer
Joseph A. Voight, Jr., Vice President Sales and Marketing
Bonita M. Danner, P.E., Treasurer and Vice President Engineering
Elizabeth Danner, Corporate Secretary

Directors
Hazel Danner, 2, 3, 4, Director Human Resources
Dean W. Danner, P.E., 2, 3, 4, President and Chief Executive Officer
Bonita M. Danner, P.E., 1, 3, Treasurer and Vice President Engineering
Joseph A. Voight, Jr., 1, 2, Vice President Sales and Marketing
Elizabeth Danner, 1, 4, Corporate Secretary and Controller

Committee Assignments
1 -- Audit Committee
2 -- Compensation and Stock Option Committee
3 -- Executive Committee
4 -- Facilities Committee

Electronic Tele-Communications, Inc.
1915 MacArthur Road
Waukesha, WI 53188
http://www.etcia.com