

ELECTRONIC TELE-COMMUNICATIONS, INC.

# FINANCIAL REPORT

JUNE 30, 2009

**ELECTRONIC TELE-COMMUNICATIONS, INC.**  
**BALANCE SHEETS**  
**June 30, 2009 and December 31, 2008**

	(Unreviewed)	
	June 30 2009	December 31 2008
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 31,749	\$ 62,272
Available for sale investments	\$ 104,696	\$ 122,474
Trade accounts receivable, net	120,597	153,370
Inventories	303,517	334,656
Net investment in sales-type leases	3,108	7,711
Prepaid expenses and other current assets	10,591	10,869
Total current assets	574,258	568,878
PROPERTY, PLANT AND EQUIPMENT, NET	13,997	16,887
NET INVESTMENT IN SALES-TYPE LEASES	0	413
CAPITALIZED SOFTWARE PRODUCTION COSTS, NET	24,655	50,515
Total Assets	\$ 612,910	\$ 759,167
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 591,967	\$ 513,227
Accounts payable	24,192	23,326
Accrued expenses	332,468	324,882
Income taxes payable	10,099	11,424
Deferred revenue and customer deposits	54,172	70,376
Deferred gain on sale of building	25,335	25,335
Total current liabilities	1,038,233	968,570
DEFERRED GAIN ON SALE OF BUILDING	63,327	75,993
Total liabilities	1,101,560	1,044,563
STOCKHOLDERS' EQUITY:		
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	104,696	122,474
Retained earnings (deficit)	(3,954,084)	(3,768,608)
Total stockholders' equity	(488,650)	(285,396)
Total Liabilities and Stockholders' Equity	\$ 612,910	\$ 759,167

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

**ELECTRONIC TELE-COMMUNICATIONS, INC.**  
**STATEMENTS OF OPERATIONS**

**Three-Month and Six-Month Periods Ended June 30, 2009 and 2008 - (Unreviewed)**

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2009	2008	2009	2008
NET SALES	\$ 462,963	\$ 550,507	\$ 846,436	\$ 975,071
COST OF PRODUCTS SOLD	287,492	282,977	538,809	562,983
GROSS PROFIT	175,471	267,530	307,627	412,088
OPERATING EXPENSES:				
General and administrative	69,286	75,712	151,453	91,380
Marketing and selling	89,962	100,674	184,791	203,080
Research and development	68,885	60,452	146,145	147,925
	228,133	236,838	482,389	442,385
EARNINGS (LOSS) FROM OPERATIONS	(52,662)	30,692	(174,762)	(30,297)
OTHER INCOME (EXPENSE):				
Interest expense	(6,806)	(5,820)	(13,056)	(11,481)
Interest and dividend income	38	60	2,343	195
	(6,768)	(5,760)	(10,713)	(11,286)
EARNINGS (LOSS) BEFORE INCOME TAXES	(59,430)	24,932	(185,475)	(41,583)
Income taxes	-	-	-	-
NET EARNINGS (LOSS)	\$ (59,430)	\$ 24,932	\$ (185,475)	\$ (41,583)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:				
Class A common	\$ (0.02)	\$ 0.01	\$ (0.07)	\$ (0.02)
Class B common	\$ (0.02)	\$ 0.01	\$ (0.07)	\$ (0.02)
Weighted average common shares outstanding	2,509,147	2,509,147	2,509,147	2,509,147

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

**ELECTRONIC TELE-COMMUNICATIONS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Six-Month Periods Ended June 30, 2009 and 2008 - (Unreviewed)**

	Six Months Ended June 30	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net earnings (loss)	\$ (185,475)	\$ (41,583)
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	28,750	43,990
(Gain) loss from sale of property, plant and equipment	(12,666)	(12,666)
Changes in operating assets and liabilities:		
Accounts receivable	32,773	(65,890)
Inventories	31,139	5,491
Net investment in sales-type leases	5,017	5,164
Prepaid expenses and other current assets	278	849
Accounts payable and accrued expenses	8,450	(18,495)
Income taxes	(1,325)	(1,325)
Deferred revenue and customer deposits	(16,204)	(31,811)
Total adjustments	76,212	(74,693)
Net cash provided by (used in) operating activities	(109,263)	(116,276)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	-	(8,559)
Capitalized software production costs	0	(20,580)
Net cash provided by (used in) investing activities	0	(29,139)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Payments) borrowings on revolving credit facility, net	78,740	62,085
Net cash provided by (used in) financing activities	78,740	62,085
Net increase (decrease) in cash and cash equivalents	(30,523)	(83,330)
Cash and cash equivalents at beginning of year	62,272	173,412
Cash and cash equivalents at end of period	\$ 31,749	\$ 90,082
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 1,325	\$ 1,325
Cash received from income tax refunds	-	-
Cash paid for interest expense	13,284	10,787

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

**ELECTRONIC TELE-COMMUNICATIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009 - (Unreviewed)**

**1. Basis of Presentation**

The accompanying unreviewed financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The information furnished herein reflects all adjustments and accruals that management believes are necessary to fairly state the operating results for the respective periods. Operating results for the six-month period ended June 30, 2009, are not necessarily indicative of the results that may be expected for the year ended December 31, 2009.

The balance sheet at December 31, 2008, has been derived from the reviewed financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements.

For further information, refer to the financial statements and footnotes thereto included in the Company's 2008 Annual Report to Shareholders.