

ELECTRONIC TELE-COMMUNICATIONS, INC.

FINANCIAL REPORT

SEPTEMBER 30, 2009

ELECTRONIC TELE-COMMUNICATIONS, INC.		
BALANCE SHEETS		
September 30, 2009 and December 31, 2008		
	(Unreviewed)	
	September 30	December 31
	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 45,296	\$ 62,272
Available for sale investments	\$ 132,934	\$ 122,474
Trade accounts receivable, net	90,148	153,370
Inventories	305,269	334,656
Net investment in sales-type leases	1,623	7,711
Prepaid expenses and other current assets	1,667	10,869
Total current assets	576,937	568,878
PROPERTY, PLANT AND EQUIPMENT, NET	13,567	16,887
NET INVESTMENT IN SALES-TYPE LEASES	-	413
CAPITALIZED SOFTWARE PRODUCTION COSTS, NET	14,453	50,515
Total Assets	\$ 604,957	\$ 759,167
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 631,227	\$ 513,227
Accounts payable	31,564	23,326
Accrued expenses	321,401	324,882
Income taxes payable	10,089	11,424
Deferred revenue and customer deposits	66,033	70,376
Deferred gain on sale of building	25,335	25,335
Total current liabilities	1,085,649	968,570
DEFERRED GAIN ON SALE OF BUILDING	56,994	75,993
Total liabilities	1,142,643	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	132,934	122,474
Retained earnings (deficit)	(4,031,358)	(3,768,608)
Total stockholders' equity	(537,686)	(285,396)
Total Liabilities and Stockholders' Equity	\$ 604,957	\$ 759,167
The accompanying notes are an integral part of these financial statements.		

ELECTRONIC TELE-COMMUNICATIONS, INC.
STATEMENTS OF OPERATIONS

Three-Month and Nine-Month Periods Ended September 30, 2009 and 2008 - (Unreviewed)

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
NET SALES	\$ 383,102	\$ 320,712	\$ 1,229,538	\$ 1,295,783
COST OF PRODUCTS SOLD	230,482	211,917	769,291	774,900
GROSS PROFIT	152,620	108,795	460,247	520,883
OPERATING EXPENSES:				
General and administrative	71,231	75,512	222,684	166,892
Marketing and selling	85,082	79,868	269,873	282,948
Research and development	66,421	77,365	212,566	225,290
	222,734	232,745	705,123	675,130
EARNINGS (LOSS) FROM OPERATIONS	(70,114)	(123,950)	(244,876)	(154,247)
OTHER INCOME (EXPENSE):				
Interest expense	(7,201)	(4,236)	(20,257)	(15,717)
Interest and dividend income	41	1,582	2,384	1,777
EARNINGS (LOSS) BEFORE INCOME TAXES	(77,274)	(126,604)	(262,749)	(168,187)
Income taxes	-	-	-	-
NET EARNINGS (LOSS)	\$ (77,274)	\$ (126,604)	\$ (262,749)	\$ (168,187)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:				
Class A common	\$ (0.03)	\$ (0.05)	\$ (0.10)	\$ (0.07)
Class B common	\$ (0.03)	\$ (0.05)	\$ (0.10)	\$ (0.07)
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
Nine-Month Periods Ended September 30, 2009 and 2008 - (Unreviewed)

	Nine Months Ended September 30	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ (262,749)	\$ (168,187)
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	40,032	59,632
(Gain) loss from sale of property, plant and equipment	(18,999)	(18,999)
Changes in operating assets and liabilities:		
Accounts receivable	63,222	(26,793)
Inventories	29,387	11,705
Net investment in sales-type leases	6,501	7,894
Prepaid expenses and other current assets	9,202	13,752
Accounts payable and accrued expenses	4,756	(66,702)
Income taxes	(1,335)	(1,335)
Deferred revenue and customer deposits	(4,343)	(31,661)
Total adjustments	128,423	(52,507)
Net cash provided by (used in) operating activities	(134,326)	(220,694)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(650)	(8,559)
Capitalized software production costs	-	(27,833)
Net cash provided by (used in) investing activities	(650)	(36,392)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) borrowings on revolving credit facility, net	118,000	106,065
Net cash provided by (used in) financing activities	118,000	106,065
Net increase (decrease) in cash and cash equivalents	(16,976)	(151,021)
Cash and cash equivalents at beginning of year	62,272	173,412
Cash and cash equivalents at end of period	\$ 45,296	\$ 22,391
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 1,335	\$ 1,335
Cash received from income tax refunds	-	-
Cash paid for interest expense	20,631	15,198

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
September 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 nine-month period ended September 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.