ETC

The Voice of the Network®

2009 Annual Report

Electronic Tele-Communications, Inc.

A LETTER TO OUR SHAREHOLDERSE

Throughout 2009 we commented in connection with our quarterly reports on the fact that sales were lagging the prior year, which ended the year with a 15% reduction in overall sales. This sales reduction was felt across all of our product lines as our customers dealt with the national economic recession. Telephone companies deferred or cancelled infrastructure projects, and as much as possible delayed replacement of old equipment. On the Time Weather Temperature side of the business, customers reduced their advertising budgets, which resulted in reductions of both equipment sales and recurring revenue sales for ETC.

The result of lower sales in both of our market segments was an increased loss in 2009 when compared to 2008, and reduced cash flow for the Company. As we enter 2010 we have taken a number of steps to reduce our fixed operating costs, including but not limited to a reduction in our employment. These actions will slowly reduce operating expenses during the year. When combined with projected improvements in the marketplace, we anticipate the Company will return to positive earnings as the year progresses .

ETC continues to produce and support sophisticated, quality and reliable products with thousands of our systems operating throughout North America and the world. Many of the installed systems, both ours and others, are well beyond their expected useful lives, as is much of the equipment currently installed in the wire line telephone industry. The age of this equipment, coupled with the inability of our customers to maintain equipment purchased from now non-existent suppliers, supports our belief that there is a market for upgrades and replacements. ETC is continuing 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 flagship Emcee and Emcee Elf Systems 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’s Time Weather and Temperature (TWT) announcement services continue to be provided to customers throughout the United States, with over one million calls answered by ETC’s TWT equipment every day. ETC provides the TWT announcers, the professionally recorded announcements and advertisements, and the weather forecasts updated twice a day. Whether a telephone company is providing this service as a public service to its customers or a business is using this service as an advertising medium, there is no question that 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.

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 7, 2010. 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 77 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, P.E. - President & CEO
February 23, 2010

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. Through 2008 and 2009 ETC worked at reducing spending and reducing inventory levels. 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.

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) 2009 vs. 2008
	2009	2008	
Net sales	100.0%	100.0%	(15.8%)
Cost of products sold	61.7	58.2	(10.7)
Gross profit	38.3	41.8	(23.0)
General and administrative expenses	18.7	12.6	25.5
Marketing and selling expenses	22.4	21.1	(10.6)
Research and development expenses	17.9	14.6	3.4
Other income (expense)	(1.5)	(1.1)	(20.3)
Loss before income taxes	(22.2)	(7.4)	(151.5)
Income taxes (benefit)	--	--	--
Net loss	(22.2)	(7.4)	(151.5)

Revenues

Net sales were $1,560,723 in 2009 and $1,854,558 in 2008, a decrease of 15.8% between years. The 2009 net sales consisted primarily of equipment sales of $540,697, or 34.6% of net sales, and revenues from operating leases, sales-type leases, and services of $1,020,026, or 65.4% of net sales. 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.

In 2009 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 38.3% of net sales in 2009 versus 41.8% of net sales in 2008. The decrease in the 2009 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 customers' needs.

Operating Expenses
Total operating expenses in 2009 were $921,485 or 59% of net sales, compared to $894,343 in 2008 or 48% of net sales. General and administrative expenses were up in 2009 compared to 2008. 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 2009 compared to 2008 due to a decision to stop capitalizing software production costs, which had been previously capitalized and was amortized to cost of goods sold as the products were sold to customers.

Cost reduction programs and staff downsizing implemented beginning late in the first quarter of 2001 and continuing through 2009 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 2009 was $23,509 compared to $19,537 in 2008. The increase between years was due to interest expense incurred on borrowings and less interest received on bank balances.

Income Taxes
Income tax expense was $0 in 2009 and 2008.

Net Earnings and Earnings Per Share
Net loss in 2009 was $347,241 compared to a net loss of $138,064 in 2008. Lower sales, with operating expenses increased, contributed to the increase in 2009 net loss compared with 2008.

LIQUIDITY AND CAPITAL RESOURCES

Working capital was ($599,639) at December 31, 2009, compared to ($277,218) at December 31, 2008. The significant decrease in working capital in 2009 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 2009 loss.

Capital expenditures were $2,371 in 2009 and $12,679 in 2008. The capital expenditures in both years consisted primarily of computer equipment upgrades. The Company discontinued capitalizing software production costs incurred in 2009. In 2008, capitalized software production costs of $30,954 related to internally developed software products that will be sold, leased, or otherwise marketed.

Accounts receivable decreased from $153,370 in 2008 to $42,947 in 2009, primarily due to timing of collections from end of the year sales. Inventories decreased from $334,656 in 2008 to $305,290 in 2009 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 $8,124 in 2008 to $197 in 2009 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 most new systems are now sold to the customer or leased by the customer through a third party leaser. Accounts payable increased from $23,326 in 2008 to $30,093 in 2009 primarily due to timing differences.

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, 2009, the Company had cash borrowings of $160,000 on this revolving credit facility. Additionally as of December 31, 2009, the Company has unpaid rent due to the same entity totaling $517,457.

Management is cautiously optimistic that market conditions and demand for the Company's products will improve and that the Company's operations will become profitable and generate sufficient internal cash flow to support operations at 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, 2009, for the facility are as follows:

2010	$	194,280
2011		204,000
2012		214,080
Total	$	612,360

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 2010 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 $2,590,000 as of December 31, 2009 and $2,484,000 as of December 31, 2008, 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.

Independent Accountants

As a part of our effort to reduce expenses, the Board of Directors has opted to not have the 2009 financial statements reviewed by our independent accountants. This reduction in scope is not expected to change the accuracy of the financial reports. We have had consultations with our independent accountants regarding accounting matters, however they have not been engaged to report or otherwise express any assurance on our 2009 financial statements. All internal accounting procedures and reporting remains unchanged, including the quarterly review by all senior management of the financial disclosures and procedures

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 adverse effects of the recent 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 these risks and uncertainties, which may cause ETC’s actual future results to be materially different than those expressed in its forward-looking statements. ETC does not undertake to update its forward-looking statements.

STATEMENT OF OPERATIONS
YEARS ENDED DECEMBER 31, 2009, 2008, AND 2007 - UNAUDITED

	2009	2008	2007
NET SALES (Note 16)	**$ 1,560,723**	$ 1,854,558	$ 2,309,206
COST OF PRODUCTS SOLD	**962,970**	1,078,742	1,308,881
GROSS PROFIT	**597,753**	775,816	1,000,325
OPERATING EXPENSES:			
General and administrative	**292,172**	232,802	361,489
Marketing and selling	**349,678**	391,179	439,176
Research and development	**279,635**	270,362	253,691
Relocation Costs	**-**	-	95,194
	921,485	894,343	1,149,550
LOSS FROM OPERATIONS	**(323,732)**	(118,527)	(149,225)
OTHER INCOME (EXPENSE):			
Interest expense	**(28,185)**	(24,207)	(28,258)
Interest and dividend income	**4,676**	4,670	211
LOSS BEFORE INCOME TAXES	**(347,241)**	(138,064)	(177,272)
Income taxes (benefit) (Note 9)	**-**	-	(52,000)
NET LOSS	**$ (347,241)**	$ (138,064)	$ (125,272)
BASIC AND DILUTED EARNINGS			
(LOSS) PER SHARE (Notes 13, 14 and 15):			
Class A common	**$ (0.14)**	$ (0.06)	$ (0.05)
Class B common	**$ (0.14)**	$ (0.06)	$ (0.05)

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

BALANCE SHEETS
YEARS ENDED DECEMBER 31, 2009 AND 2008 - UNAUDITED

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 28,122	$ 62,272
Available for sale investments	125,793	122,474
Trade accounts receivable, less allowance for doubtful accounts of $30,600 in 2009 and $48,000 in 2008	42,947	153,370
Inventories (Note 3)	305,290	334,656
Net investment in sales-type leases (Note 4)	197	7,711
Prepaid expenses and other current assets	10,324	10,869
Total current assets	512,673	691,352
PROPERTY, PLANT AND EQUIPMENT (Notes 5 and 7)	12,112	16,887
NET INVESTMENT IN SALES-TYPE LEASES (Note 4)	-	413
CAPITALIZED SOFTWARE PRODUCTION COSTS (Note 6)	8,870	50,515
Total Assets	$ 533,655	$ 759,167
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Revolving credit facility - related party (Note 10)	$ 677,457	$ 513,227
Accounts payable	30,093	23,326
Accrued expenses (Note 8)	300,703	324,882
Income taxes payable	10,022	11,424
Deferred revenue and customer deposits	68,702	70,376
Deferred gain on sale of building (Note 7)	25,335	25,335
Total current liabilities	1,112,312	968,570
DEFERRED GAIN ON SALE OF BUILDING (Note 7)	50,661	75,993
Total liabilities	1,162,973	1,044,563
COMMITMENTS (Note 7)		
STOCKHOLDERS' DEFICIT (Notes 13 and 14):		
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
Accumualted other comprehensive income (loss)	125,793	122,474
Retained earnings (deficit)	(4,115,849)	(3,768,608)
Total stockholders' deficit	(629,318)	(285,396)
Total Liabilities and Stockholders' Deficit	$ 533,655	$ 759,167

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

STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009, 2008, AND 2007 - UNAUDITED

	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings (loss)	**$ (347,241)**	$ (138,064)	$ (125,272)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	**48,791**	77,010	114,836
Gain from sale of property, plant and equipment	**(25,332)**	(25,332)	(23,677)
Changes in operating assets and liabilities:			
Accounts receivable	**110,423**	(50,298)	3,371
Inventories	**29,366**	56,272	155,744
Net investment in sales-type leases	**7,927**	10,732	11,439
Prepaid expenses and other assets	**545**	4,432	15,874
Accounts payable and accrued expenses	**(17,412)**	(90,723)	(3,878)
Income taxes payable	**(1,402)**	(1,235)	(53,816)
Unpaid rent - related party	**164,230**	129,626	46,530
Deferred revenue and customer deposits	**(1,674)**	(39,927)	40,587
Total adjustments	**315,462**	70,557	307,010
Net cash provided by (used in) operating activities	**(31,779)**	(67,507)	181,738
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	**(2,371)**	(12,679)	(3,049)
Capitalized software production costs (Note 6)	**-**	(30,954)	(81,999)
Net cash provided by (used in) investing activities	**(2,371)**	(43,633)	(85,048)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings (payments) on revolving credit facility, net	**-**	-	30,000
Net cash provided by (used in) financing activities	**-**	-	30,000
Net decrease in cash and cash equivalents	**(34,150)**	(111,140)	126,690
Cash and cash equivalents at beginning of year	**62,272**	173,412	46,722
Cash and cash equivalents at end of year	**$ 28,122**	$ 62,272	$ 173,412
Supplemental disclosures of cash flow information:			
Cash paid for income taxes	**$ 1,402**	$ 1,235	$ 1,816
Cash paid for interest expense	**28,894**	23,735	27,778

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

STATEMENT OF STOCKHOLDERS' DEFICIT
YEARS ENDED DECEMBER 31, 2009, 2008, AND 2007 - UNAUDITED

	Common Stock (Note 14)					Accumulated		Total
	Class A		Class B		Additional	Other	Retained	Stock-
	Number		Number		Paid-in	Comprehensive	Earnings	holders'
	of Shares	Amount	of Shares	Amount	Capital	Income (Loss)	(Deficit)	Deficit
Balances at January 1, 2007	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 loss	-	-	-	-	-	-	-	(110,273)
Balances at December 31, 2007	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 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)
Net loss	**-**	**-**	**-**	**-**	**-**	**-**	**(347,241)**	**(347,241)**
Unrealized gain on investments	**-**	**-**	**-**	**-**	**-**	**3,319**	**-**	**3,319**
Comprehensive loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(343,922)**
Balances at December 31, 2009	**2,009,149**	**$ 20,091**	**499,998**	**$ 5,000**	**$ 3,335,647**	**$ 125,793**	**$ (4,115,849)**	**$ (629,318)**

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

1. 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 businesses and organizations.

The Company was incorporated in Wisconsin in 1980. The Company's executive offices, 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 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

A three-tier hierarchy prioritizes the inputs used in measuring fair value as follows: Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurements.

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 6 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 71%, 66%, and 60% of total revenue in 2009, 2008, and 2007, 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 $3,666, $6,182, and $7,089 in 2009, 2008, and 2007, respectively. Costs incurred for shipping and handling were $3,817, $7,353, and $9,269 in 2009, 2008, and 2007, 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 about geographic areas and major customers. See Note 16 for additional information.

Comprehensive Income (Loss)
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 (loss) for 2009, 2008 and 2007. The Company's comprehensive income (loss), as reported in the Statement of Stockholders' Deficit, includes net income (loss) and unrealized gains (losses).

Variable Interest Entities
GAAP 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.

Subsequent Events
Subsequent events were evaluated through March 15, 2010 which is the date the financial statements were issued.

2. AVAILABLE FOR SALE INVESTEMENTS

Available for Sale Investments are comprised of corporate equity securities. Because the cost basis of the available for sale securities is zero, the cumulative net unrealized gain equals the fair value. Fair value of the investment is derived from the quoted market price in an active market (level 1). Information as of and for the years ended December 31, 2009, 2008, and 2007, is summarized as follows:

	2009	2008	2007
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	**122,474**	206,304	191,305
Current year unrealized net gain (loss) included in comprehensive income	**3,319**	(83,830)	14,999
Cumulative net unrealized gain as reported in accumulated other comprehensive income, end of year	**$ 125,793**	$ 122,474	$ 206,304

3. INVENTORIES

Inventories consisted of the following at December 31:

	2009	2008
Raw materials and supplies	**$ 180,201**	$ 235,545
Work-in-process and finished goods	**35,519**	36,194
Maintenance and demo parts	**129,111**	117,463
Reserve for obsolescence	**(39,541)**	(54,546)
Total Inventories	**$ 305,290**	$ 334,656

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.

4. 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:

	2009	2008
Total minimum lease payments to be received	**$ 418**	$ 8,707
Unearned revenue	**(221)**	(583)
Allowance for doubtful accounts	**-**	-
Net investment in sales-type leases	**$ 197**	$ 8,124

Future minimum lease payments to be received under these agreements at December 31, 2009 are as follows:

Year	Lease Payments
2010	$ 418
Total minimum lease payments to be received	$ 418

5. PROPERTY, PLANT AND EQUIPMENT

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

	2009	2008
Equipment and furniture	**$ 1,635,823**	$ 1,732,292
Accumulated depreciation and amortization	**(1,623,711)**	(1,715,405)
Net property, plan and equipment	**$ 12,112**	$ 16,887

6. 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:

	2009	2008
Capitalized software production costs	**$ 856,622**	$ 856,622
Accumulated amortization	**(847,752)**	(806,107)
Net capitalized software production costs	**$ 8,870**	$ 50,515

Software production costs capitalized were $0, $30,953, and $81,999, in 2009, 2008, and 2007, respectively. Amortization expense of software production costs, which were included in cost of products sold in the statements of operations, were $41,645, $69,099, and $106,273, for 2009, 2008, and 2007, respectively.

Amortization of capitalized software production costs scheduled for future years is $8,870 for 2010.

7. 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 2009, 2008, and 2007, gains of $25,355 each year were recognized.

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 $15,410 during 2009. 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, 2009 and 2008, net deferred gain totaling $75,996 and $101,328, respectively, relating to the sale leaseback transaction was 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 2007 financial statements and include a lump-sum buyout of the lease.

Future minimum lease payments at December 31, 2009 for the Waukesha facility are as follows:

Year		Rental Payments
2010	$	194,280
2011		204,000
2012		214,080
Total minimum lease payments	$	612,360

Total rent expense for 2009, 2008, and 2007, was $184,920, $175,920, and $185,341, respectively.

8. ACCRUED EXPENSES

Accrued expenses consist of the following at December 31:

		2009		2008
Accrued wages and benefits	**$**	**137,887**	$	153,293
Directors fees		**91,950**		91,950
Other accrued professional fees		**1,803**		3,650
Product warranty reserve		**14,181**		14,823
State and local sales tax accrual		**6,854**		12,248
Other accrued expenses		**48,028**		48,918
Total accrued expenses	**$**	**300,703**	$	324,882

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.

9. INCOME TAXES

Income tax expense consists of the following:

		2009		2008		2007
Current:						
Federal	**$**	**-**	$	-	$	-
State		**-**		-		(52,000)
Total current		**-**		-		(52,000)
Deferred		**58,000**		15,000		37,000
Benefit of net operating losses		**(164,000)**		(60,000)		(108,000)
Change in valuation reserve		**106,000**		45,000		71,000
Income tax expense (benefit)	**$**	**-**	$	-	$	(52,000)

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

	2009	2008	2007
Statutory rate	**(34.0)%**	(34.0)%	(34.0)%
Reversal of state income taxes	**-**	-	(25.0)
State income taxes net of Federal benefit	**(4.0)**	(4.3)	(4.1)
Change in deferred income tax valuation allowances	**30.5**	32.6	36.2
Permanent differences	**0.3**	0.7	0.5
Other	**7.2**	5.0	0.0
Effective tax rate	**0.0%**	0.0%	(26.5)%

At December 31, 2009, the Company had federal net operating loss carryforwards of approximately $6,200,000 and research and development credits totaling $66,000 which are subject to federal regulations and limitations and expire at various times from 2010 to 2024. The carryforwards and credits, which expire in various years, are available to offset future federal taxable income and income taxes. The valuation reserve of $2,590,000 and $2,484,000 at December 31, 2009 and 2008, 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:

	2009	2008
Deferred tax assets:		
Excess of book over tax depreciation	**17,000**	15,000
Net operating loss carryforwards	**2,373,000**	2,220,000
Inventories	**59,000**	70,000
Allowance for doubtful accounts	**12,000**	18,000
Research and development tax credit	**66,000**	66,000
Accrued charges and other	**34,000**	56,000
Deferred gain	**29,000**	39,000
Total deferred tax assets	**2,590,000**	2,484,000
Net deferred tax asset before valuation reserve	**2,590,000**	2,484,000
Valuation reserve	**(2,590,000)**	(2,484,000)
Net deferred tax asset	**$ -**	$ -

In 2007, 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, 2009 and 2008 were $0.

10. 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, 2009),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, 2009 and 2008, the Company had borrowings of $160,000 and $160,000, respectively, under the revolving credit facility. Interest paid for borrowings on the revolving credit facility was $28,185, $24,207, and $28,258 for the years ending December 31, 2009, 2008, and 2007, respectively.

As of December 31, 2009 and 2008, unpaid rent due to esitec, llc. totaled $517,457 and $353,227, respectively.

11. 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 2009, 2008, and 2007.

12. 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, 2009, the 1999 Nonqualified Stock Option Plan has expired with respect to granting of future options, and, accordingly, 0 shares are eligible for future grants. Options outstanding under the 1999 Plan will remain in effect until they have been exercised or have expired or terminated.

All non-expired options were vested as of December 31, 2005.

Pro forma information regarding net income and earnings per share required by GAAP 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:

	2007		2008		**2009**	
	Option Shares	Weighted Average Exercise Price	Option Shares	Weighted Average Exercise Price	**Option Shares**	**Weighted Average Exercise Price**
Outstanding at beginning of year	135,800	$1.17	105,000	$1.16	**86,900**	**$1.04**
Granted	-	-	-	-	**-**	**-**
Exercised	-	-	-	-	**-**	**-**
Forfeited	(10,800)	1.30	(18,100)	1.31	**(6,000)**	**1.49**
Outstanding at end of year	125,000	1.16	86,900	1.04	**80,900**	**1.01**
Exercisable at end of year	113,680	1.24	83,280	1.07	**80,900**	**1.01**
Weighted average fair value of Options granted during the year		-		-		**-**

Exercise prices for options outstanding as of December 31, 2009, 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 $2.69
Options outstanding	49,100	9,900	21,900
Weighted average exercise price of options outstanding	$0.29	$0.91	$2.69
Weighted average remaining contractual life of options outstanding	3.04 years	0.92 years	0.34 years
Options exercisable	49,100	9,900	21,900
Weighted average exercise price of options exercisable	$0.29	$0.91	$2.69

13. 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.

14. 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 2009, 2008, and 2007. Because no dividends were paid for three years, as of January 1, 2010, holders of Class A common stock are entitled to vote at the Company's 2010 Annual Meeting on an equal basis with holders of its Class B common stock.

15. 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 treasury 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:

	2009	2008	2007
Numerator for basic and diluted earnings per share:			
Net loss	**$ (347,241)**	$ (138,064)	$ (125,272)
Less dividends paid:			
Class A common	**-**	-	-
Class B common	**-**	-	-
Undistributed earnings (loss)	**$ (347,241)**	$ (138,064)	$ (125,272)
Denominator for basic and diluted loss 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 loss per share:			
Class A common:			
Distributed earnings	**$ -**	$ -	$ -
Undistributed loss	**(0.14)**	(0.06)	(0.05)
Basic and diluted loss per share	**$ (0.14)**	$ (0.06)	$ (0.05)
Class B common:			
Distributed earnings	**$ -**	$ -	$ -
Undistributed loss	**(0.14)**	(0.06)	(0.05)
Basic and diluted loss per share	**$ (0.14)**	$ (0.06)	$ (0.05)

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 80,900 for 2009, 86,900 for 2008, and 125,000 for 2007. See Note 12 for additional information regarding stock options.

16. 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)			Long-Lived Assets	
	Years Ended December 31,			December 31,	
	2009	2008	2007	**2009**	2008
United States	**$ 1,537,843**	$ 1,653,556	$ 2,134,570	**$ 12,112**	$ 16,887
Other countries	**22,880**	200,992	174,636	**-**	-
Total	**$ 1,560,723**	$ 1,854,558	$ 2,309,206	**$ 12,112**	$ 16,887

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

Major Customers
No customer accounted for more than 10% of sales in 2009, 2008, and 2007.

17. 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, 2009, 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 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.

18. 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, 2009, 2008, and 2007. Conrad Goodkind, an attorney at of Quarles & Brady LLP, served as a director of the Company in part of 2007. The Company incurred legal expenses of approximately $1,000 with Quarles & Brady LLP during the year ended December 31, 2007.

The Company leases its Waukesha facility from an entity controlled by affiliates of the Company. See Note 7 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 10 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. All relocation costs were paid as of December 31, 2008.

FIVE YEAR REVIEW OF SELECTED FINANCIAL DATA - UNREVIEWED

For the Years Ended December 31,	**2009**	2008	2007	2006	2005
SUMMARY OF OPERATIONS:					
Net sales	**$ 1,560,723**	$ 1,854,558	$ 2,309,206	$ 2,323,017	$ 2,689,269
Cost of products sold	**962,970**	1,078,742	1,308,881	1,416,178	1,699,725
Gross profit	**597,753**	775,816	1,000,325	906,839	989,544
General and administrative	**292,172**	232,802	361,489	512,049	627,354
Marketing and selling	**349,678**	391,179	439,176	474,310	700,408
Research and development	**279,635**	270,362	253,691	264,183	306,519
Other income (expense)	**(23,509)**	(19,537)	(123,241)	(20,990)	(793,637)
Loss before income taxes	**(347,241)**	(138,064)	(177,272)	(364,693)	(1,438,374)
Income taxes (benefit)	**-**	-	(52,000)	-	-
Net loss	**$ (347,241)**	$ (138,064)	$ (125,272)	$ (364,693)	$ (1,438,374)
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 loss per share:					
Class A common	**$ (0.14)**	$ (0.06)	$ (0.05)	$ (0.15)	$ (0.58)
Class B common	**$ (0.14)**	$ (0.06)	$ (0.05)	$ (0.15)	$ (0.58)
Shares outstanding at year end	**2,509,147**	2,509,147	2,509,147	2,509,147	2,509,147
Book value per share	**$ (0.25)**	$ (0.11)	$ (0.03)	$ 0.02	$ 0.15
Cash dividends paid per Class A share (Note 14)	**$ -**	$ -	$ -	$ -	$ -
OTHER DATA:					
Working capital	**$ (599,639)**	$ (277,218)	$ (71,081)	$ 22,351	$ 294,912
Current ratio	**0.5**	1	0.9	1.0	1.4
Total assets	**$ 533,655**	$ 759,167	$ 1,008,651	$ 1,084,834	$ 1,315,012
Total long-term obligations	**$ -**	$ -	$ -	$ -	$ -
Stockholders' equity	**$ (629,318)**	$ (285,396)	$ (63,504)	$ 46,770	$ 377,381
After tax return on sales	**(22.2%)**	(7.4%)	(5.4%)	(15.7%)	(53.5%)
Return on equity	**(55.2%)**	(48.4%)	(197.3%)	(779.8%)	(381.1%)

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

QUARTERLY FINANCIAL DATA - UNREVIEWED

	2009 Quarters				
	First	**Second**	**Third**	**Fourth**	**Total**
Net sales	**$ 383,473**	**$ 462,963**	**$ 383,102**	**$ 331,185**	**$ 1,560,723**
Gross profit	**132,156**	**175,471**	**152,620**	**137,506**	**597,753**
Net loss	**(126,045)**	**(59,430)**	**(77,274)**	**(84,492)**	**(347,241)**
Basic and diluted loss per share:					
Class A common	**(0.05)**	**(0.02)**	**(0.03)**	**(0.04)**	**(0.14)**
Class B common	**(0.05)**	**(0.02)**	**(0.03)**	**(0.04)**	**(0.14)**
Dividends per Class A common share (Note 14)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Stock price for Class A common: *					
High	**0.100**	**0.100**	**0.080**	**0.100**	
Low	**0.080**	**0.080**	**0.080**	**0.070**	

	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 14)	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	

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

* The stock prices represent the high and low bid price each quarter as listed on the Nasdaq web site, or, following the Company's deregistration in September 2004, the quotation price on the OTC Pink Sheets. The stock prices reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

Annual Meeting of Shareholders
2:00 PM, Friday, May 7, 2010
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 22, 2010 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 deregistration 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
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