

ELECTRONIC TELE-COMMUNICATIONS, INC.

# FINANCIAL REPORT

MARCH 31, 2010

<b>ELECTRONIC TELE-COMMUNICATIONS, INC.</b>		
<b>BALANCE SHEETS</b>		
<b>March 31, 2010 and December 31, 2009</b>		
	<b>(Unreviewed)</b>	(Unaudited)
	<b>March 31</b>	December 31
	<b>2010</b>	2009
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 45,230	\$ 28,122
Available for sale investments	88,804	125,793
Trade accounts receivable, net	92,567	42,947
Inventories	257,533	305,290
Net investment in sales-type leases	-	197
Prepaid expenses and other current assets	9,684	10,324
Total current assets	493,818	512,673
PROPERTY, PLANT AND EQUIPMENT, NET	10,640	12,112
NET INVESTMENT IN SALES-TYPE LEASES	-	-
CAPITALIZED SOFTWARE PRODUCTION COSTS, NET	5,001	8,870
Total Assets	\$ 509,459	\$ 533,655
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 719,057	\$ 677,457
Accounts payable	42,802	30,093
Accrued expenses	327,336	300,703
Income taxes payable	9,922	10,022
Deferred revenue and customer deposits	59,380	68,702
Deferred gain on sale of building	25,335	25,335
Total current liabilities	1,183,832	1,112,312
DEFERRED GAIN ON SALE OF BUILDING	44,328	50,661
Total liabilities	1,228,160	1,162,973
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	88,804	125,793
Retained earnings (deficit)	(4,168,243)	(4,115,849)
Total stockholders' equity	(718,701)	(629,318)
Total Liabilities and Stockholders' Equity	\$ 509,459	\$ 533,655
The accompanying notes are an integral part of these financial statements.		

**ELECTRONIC TELE-COMMUNICATIONS, INC.**  
**STATEMENTS OF OPERATIONS**  
**Three-Month Periods Ended March 31, 2010 and 2009 - (Unreviewed)**

	Three Months Ended	
	March 31	
	2010	2009
NET SALES	\$ 470,031	\$ 383,473
COST OF PRODUCTS SOLD	269,016	251,317
GROSS PROFIT	201,015	132,156
OPERATING EXPENSES:		
General and administrative	77,219	82,167
Marketing and selling	65,404	94,829
Research and development	67,531	77,260
Restructuring Charge	35,151	-
	245,305	254,256
EARNINGS (LOSS) FROM OPERATIONS	(44,290)	(122,100)
OTHER INCOME (EXPENSE):		
Interest expense	(8,105)	(6,250)
Interest income	1	2,305
	(8,104)	(3,945)
EARNINGS (LOSS) BEFORE INCOME TAXES	(52,394)	(126,045)
Income taxes	-	-
NET EARNINGS (LOSS)	\$ (52,394)	\$ (126,045)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:		
Class A common	\$ (0.02)	\$ (0.05)
Class B common	\$ (0.02)	\$ (0.05)
Weighted average common shares outstanding	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**  
**Three-Month Periods Ended March 31, 2010 and 2009 - (Unreviewed)**

	<b>Three Months Ended March 31</b>	
	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net earnings (loss)	\$ (52,394)	\$ (126,045)
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,924	16,237
(Gain) loss from sale of property, plant and equipment	(6,333)	(6,333)
Changes in operating assets and liabilities:		
Accounts receivable	(49,620)	105,297
Inventories	47,757	2,487
Net investment in sales-type leases	197	2,945
Prepaid expenses and other current assets	640	616
Accounts payable and accrued expenses	39,343	2,240
Income taxes	(100)	(150)
Deferred revenue and customer deposits	(9,322)	(14,242)
Total adjustments	27,486	109,097
Net cash provided by (used in) operating activities	<u>(24,908)</u>	<u>(16,948)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	416	(1,345)
Capitalized software production costs	0	-
Net cash provided by (used in) investing activities	<u>416</u>	<u>(1,345)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Payments) borrowings on revolving credit facility, net	41,600	32,510
Net cash provided by (used in) financing activities	<u>41,600</u>	<u>32,510</u>
Net increase (decrease) in cash and cash equivalents	17,108	14,217
Cash and cash equivalents at beginning of year	28,122	62,272
Cash and cash equivalents at end of period	<u>\$ 45,230</u>	<u>\$ 76,489</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for income taxes	\$ 100	\$ 150
Cash paid for interest expense	8,182	6,373

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

**ELECTRONIC TELE-COMMUNICATIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2010 - (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 three-month period ended March 31, 2010, are not necessarily indicative of the results that may be expected for the year ended December 31, 2010.

The balance sheet at December 31, 2009, has been derived from the unaudited 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 2009 Annual Report to Shareholders.