

ELECTRONIC TELE-COMMUNICATIONS, INC.

FINANCIAL REPORT

JUNE 30, 2010

ELECTRONIC TELE-COMMUNICATIONS, INC.		
BALANCE SHEETS		
June 30, 2010 and December 31, 2009		
	(Unreviewed)	(Unaudited)
	June 30	December 31
	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 34,190	\$ 28,122
Available for sale investments	77,370	125,793
Trade accounts receivable, net	51,958	42,947
Inventories	252,727	305,290
Net investment in sales-type leases	-	197
Prepaid expenses and other current assets	10,308	10,324
Total current assets	426,553	512,673
PROPERTY, PLANT AND EQUIPMENT, NET	9,169	12,112
NET INVESTMENT IN SALES-TYPE LEASES	-	-
CAPITALIZED SOFTWARE PRODUCTION COSTS, NET	1,687	8,870
Total Assets	\$ 437,409	\$ 533,655
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 760,657	\$ 677,457
Accounts payable	15,370	30,093
Accrued expenses	332,264	300,703
Income taxes payable	8,597	10,022
Deferred revenue and customer deposits	56,754	68,702
Deferred gain on sale of building	25,335	25,335
Total current liabilities	1,198,977	1,112,312
DEFERRED GAIN ON SALE OF BUILDING	37,995	50,661
Total liabilities	1,236,972	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	77,370	125,793
Retained earnings (deficit)	(4,237,671)	(4,115,849)
Total stockholders' equity	(799,563)	(629,318)
Total Liabilities and Stockholders' Equity	\$ 437,409	\$ 533,655

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, 2010 and 2009 - (Unreviewed)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2010	2009	2010	2009
NET SALES	\$ 313,191	\$ 462,963	\$ 783,222	\$ 846,436
COST OF PRODUCTS SOLD	<u>194,973</u>	<u>287,492</u>	<u>463,989</u>	<u>538,809</u>
GROSS PROFIT	118,218	175,471	319,233	307,627
OPERATING EXPENSES:				
General and administrative	71,381	69,286	148,600	151,453
Marketing and selling	47,712	89,962	113,116	184,791
Research and development	59,843	68,885	127,374	146,145
Restructuring Charge	-	-	35,151	-
	<u>178,936</u>	<u>228,133</u>	<u>424,241</u>	<u>482,389</u>
EARNINGS (LOSS) FROM OPERATIONS	(60,718)	(52,662)	(105,008)	(174,762)
OTHER INCOME (EXPENSE):				
Interest expense	(8,716)	(6,806)	(16,821)	(13,056)
Interest and dividend income	<u>6</u>	<u>38</u>	<u>7</u>	<u>2,343</u>
EARNINGS (LOSS) BEFORE INCOME TAXES	(69,428)	(59,430)	(121,822)	(185,475)
Income taxes	-	-	-	-
NET EARNINGS (LOSS)	<u>\$ (69,428)</u>	<u>\$ (59,430)</u>	<u>\$ (121,822)</u>	<u>\$ (185,475)</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:				
Class A common	\$ (0.03)	\$ (0.02)	\$ (0.05)	\$ (0.07)
Class B common	\$ (0.03)	\$ (0.02)	\$ (0.05)	\$ (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
Six-Month Periods Ended June 30, 2010 and 2009 - (Unreviewed)

	Six Months Ended June 30	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ (121,822)	\$ (185,475)
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	10,126	28,750
(Gain) loss from sale of property, plant and equipment	(12,666)	(12,666)
Changes in operating assets and liabilities:		
Accounts receivable	(9,011)	32,773
Inventories	52,563	31,139
Net investment in sales-type leases	197	5,017
Prepaid expenses and other current assets	17	278
Accounts payable and accrued expenses	16,837	8,450
Income taxes	(1,425)	(1,325)
Deferred revenue and customer deposits	(11,948)	(16,204)
Total adjustments	44,690	76,212
Net cash provided by (used in) operating activities	(77,132)	(109,263)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	-	-
Capitalized software production costs	-	-
Net cash provided by (used in) investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) borrowings on revolving credit facility, net	83,200	78,740
Net cash provided by (used in) financing activities	83,200	78,740
Net increase (decrease) in cash and cash equivalents	6,068	(30,523)
Cash and cash equivalents at beginning of year	28,122	62,272
Cash and cash equivalents at end of period	\$ 34,190	\$ 31,749
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 1,425	\$ 1,325
Cash received from income tax refunds	-	-
Cash paid for interest expense	16,964	13,284

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

ELECTRONIC TELE-COMMUNICATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 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 six-month period ended June 30, 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.