

ELECTRONIC TELE-COMMUNICATIONS, INC.

FINANCIAL REPORT

SEPTEMBER 30, 2010

ELECTRONIC TELE-COMMUNICATIONS, INC.		
BALANCE SHEETS		
September 30, 2010 and December 31, 2009		
	(Unreviewed)	(Unaudited)
	September 30	December 31
	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 82,511	\$ 28,122
Available for sale investments	78,784	125,793
Trade accounts receivable, net	124,168	42,947
Inventories	240,426	305,290
Net investment in sales-type leases	-	197
Prepaid expenses and other current assets	(1,043)	10,324
Total current assets	524,846	512,673
PROPERTY, PLANT AND EQUIPMENT, NET	7,961	12,112
NET INVESTMENT IN SALES-TYPE LEASES	-	-
CAPITALIZED SOFTWARE PRODUCTION COSTS, NET	390	8,870
Total Assets	\$ 533,197	\$ 533,655
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 601,287	\$ 677,457
Accounts payable	24,138	30,093
Accrued expenses	491,139	300,703
Income taxes payable	8,687	10,022
Deferred revenue and customer deposits	66,449	68,702
Deferred gain on sale of building	11,302	25,335
Total current liabilities	1,203,002	1,112,312
DEFERRED GAIN ON SALE OF BUILDING	48,033	50,661
Total liabilities	1,251,035	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	78,784	125,793
Retained earnings (deficit)	(4,157,360)	(4,115,849)
Total stockholders' equity	(717,838)	(629,318)
Total Liabilities and Stockholders' Equity	\$ 533,197	\$ 533,655

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, 2010 and 2009 - (Unreviewed)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2010	2009	2010	2009
NET SALES	\$ 510,465	\$ 383,102	\$ 1,293,687	\$ 1,229,538
COST OF PRODUCTS SOLD	<u>247,696</u>	<u>230,482</u>	<u>711,685</u>	<u>769,291</u>
GROSS PROFIT	262,769	152,620	582,002	460,247
OPERATING EXPENSES:				
General and administrative	73,354	71,231	221,954	222,684
Marketing and selling	54,817	85,082	167,933	269,873
Research and development	46,431	66,421	173,805	212,566
Restructuring Charge	-	-	35,151	-
	<u>174,602</u>	<u>222,734</u>	<u>598,843</u>	<u>705,123</u>
EARNINGS (LOSS) FROM OPERATIONS	88,167	(70,114)	(16,841)	(244,876)
OTHER INCOME (EXPENSE):				
Interest expense	(7,866)	(7,201)	(24,687)	(20,257)
Interest and dividend income	<u>10</u>	<u>41</u>	<u>17</u>	<u>2,384</u>
EARNINGS (LOSS) BEFORE INCOME TAXES	80,311	(77,274)	(41,511)	(262,749)
Income taxes	-	-	-	-
NET EARNINGS (LOSS)	<u>\$ 80,311</u>	<u>\$ (77,274)</u>	<u>\$ (41,511)</u>	<u>\$ (262,749)</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:				
Class A common	\$ 0.03	\$ (0.03)	\$ (0.02)	\$ (0.10)
Class B common	\$ 0.03	\$ (0.03)	\$ (0.02)	\$ (0.10)
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, 2010 and 2009 - (Unreviewed)

	Nine Months Ended September 30	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	\$ (41,511)	\$ (262,749)
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,631	40,032
(Gain) loss from sale of property, plant and equipment	(16,661)	(18,999)
Changes in operating assets and liabilities:		
Accounts receivable	(81,221)	63,222
Inventories	64,864	29,387
Net investment in sales-type leases	197	6,501
Prepaid expenses and other current assets	11,367	9,202
Accounts payable and accrued expenses	184,481	4,756
Income taxes	(1,335)	(1,335)
Deferred revenue and customer deposits	(2,253)	(4,343)
Total adjustments	172,070	128,423
Net cash provided by (used in) operating activities	130,559	(134,326)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	-	(650)
Capitalized software production costs	-	-
Net cash provided by (used in) investing activities	-	(650)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments) borrowings on revolving credit facility, net	(76,170)	118,000
Net cash provided by (used in) financing activities	(76,170)	118,000
Net increase (decrease) in cash and cash equivalents	54,389	(16,976)
Cash and cash equivalents at beginning of year	28,122	62,272
Cash and cash equivalents at end of period	\$ 82,511	\$ 45,296
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	24,256	20,631

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

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