

ELECTRONIC TELE-COMMUNICATIONS, INC.

# FINANCIAL REPORT

SEPTEMBER 30, 2011

**ELECTRONIC TELE-COMMUNICATIONS, INC.**  
**BALANCE SHEETS**  
**September 30, 2011 and December 31, 2010**

	(Unreviewed) September 30 2011	(Unreviewed) December 31 2010
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 81,693	\$ 94,976
Available for sale investments	57,392	91,672
Trade accounts receivable, net	171,732	80,559
Inventories	190,590	206,213
Net investment in sales-type leases	-	-
Prepaid expenses and other current assets	2,818	7,369
Total current assets	504,225	480,789
PROPERTY, PLANT AND EQUIPMENT, NET	5,849	6,753
NET INVESTMENT IN SALES-TYPE LEASES	-	-
CAPITALIZED SOFTWARE PRODUCTION COSTS, NET	-	-
Total Assets	\$ 510,074	\$ 487,542
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Revolving credit facility and unpaid rent - related party	\$ 689,427	\$ 602,437
Accounts payable	69,005	21,543
Accrued expenses	203,183	271,756
Income taxes payable	7,381	8,787
Deferred revenue and customer deposits	63,229	61,982
Deferred gain on sale of building	11,302	11,302
Deferred rent	32,982	32,982
Total current liabilities	1,076,509	1,010,789
DEFERRED GAIN ON SALE OF BUILDING	36,731	45,208
DEFERRED RENT	107,190	131,925
Total liabilities	1,220,430	1,187,922
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	57,392	91,672
Retained earnings (deficit)	(4,128,486)	(4,152,790)
Total stockholders' equity	(710,356)	(700,380)
Total Liabilities and Stockholders' Equity	\$ 510,074	\$ 487,542

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, 2011 and 2010 - (Unreviewed)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2011	2010	2011	2010
NET SALES	\$ 485,633	\$ 510,465	\$ 1,170,563	\$ 1,293,687
COST OF PRODUCTS SOLD	246,622	247,696	606,535	711,685
GROSS PROFIT	239,011	262,769	564,028	582,002
OPERATING EXPENSES:				
General and administrative	62,795	73,354	190,997	221,954
Marketing and selling	54,861	54,817	156,552	167,933
Research and development	51,485	46,431	169,612	173,805
Restructuring Charge	-	-	-	35,151
	169,141	17,462	517,161	598,843
EARNINGS (LOSS) FROM OPERATIONS	69,870	88,167	46,867	(16,841)
OTHER INCOME (EXPENSE):				
Interest expense	(7,727)	(7,866)	(22,264)	(24,687)
Interest and dividend income	14	10	51	17
	-	-	-	-
EARNINGS (LOSS) BEFORE INCOME TAXES	62,157	80,311	24,654	(41,511)
Income taxes	350	-	350	-
NET EARNINGS (LOSS)	\$ 61,807	\$ 80,311	\$ 24,304	\$ (41,511)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:				
Class A common	\$ 0.02	\$ 0.03	\$ 0.01	\$ (0.02)
Class B common	\$ 0.02	\$ 0.03	\$ 0.01	\$ (0.02)
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, 2011 and 2010 - (Unreviewed)**

	<b>Nine Months Ended September 30</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net earnings (loss)	\$ 24,304	\$ (41,511)
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,750	12,631
(Gain) loss from sale of property, plant and equipment	(8,477)	(16,661)
Changes in operating assets and liabilities:		
Accounts receivable	(91,173)	(81,221)
Inventories	15,623	64,864
Net investment in sales-type leases	-	197
Prepaid expenses and other current assets	4,553	11,367
Accounts payable and accrued expenses	(21,112)	184,481
Deferred rent	(24,736)	-
Income taxes	(1,406)	(1,335)
Deferred revenue and customer deposits	1,247	(2,253)
Total adjustments	(121,731)	172,070
Net cash provided by (used in) operating activities	(97,427)	130,559
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(2,846)	-
Capitalized software production costs	-	-
Net cash provided by (used in) investing activities	(2,846)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Payments) borrowings on revolving credit facility, net	86,990	(76,170)
Net cash provided by (used in) financing activities	86,990	(76,170)
Net increase (decrease) in cash and cash equivalents	(13,283)	54,389
Cash and cash equivalents at beginning of year	94,976	28,122
Cash and cash equivalents at end of period	\$ 81,693	\$ 82,511
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 1,406	\$ 1,335
Cash received from income tax refunds	-	-
Cash paid for interest expense	22,513	24,256

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

**ELECTRONIC TELE-COMMUNICATIONS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2011 - (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, 2011, are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

The balance sheet at December 31, 2010, 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 2010 Annual Report to Shareholders.