MAXCO

For The Years Ended March 31, 2010 and 2009

Financial Statements of Maxco, Inc. and Subsidiaries (Unaudited)

MAXCO, INC. AND SUBSIDIARIES
Financial Statements

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Financial Information

CONSOLIDATED BALANCE SHEETS (LIQUIDATING BASIS)

MAXCO, INC. AND SUBSIDIARIES

	March 31, 2010	March 31, 2009
	(in thousands)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 4,877	$ 3,640
Restricted cash	-	523
Cash held in escrow - current portion	-	2000
Accounts and notes receivable	2,933	1,267
Prepaid expenses and other	107	92
Total Current Assets	7,917	7,522
Building, real estate, and real estate investments held for sale, net of reserve of $400,000 at March 31, 2009.		1,374
Recoverable Income Taxes	1,800	3,900
Investments	-	290
Notes and contracts receivable	-	150
Other	-	363
Property and equipment, net	27	31
	$ 9,744	$ 13,630
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 93	$ 285
Taxes, interest, and other liabilities	45	282
Accrued Liquidation Costs	1,421	1,750
Current maturities of long-term obligations	-	158
Total Current Liabilities	1,559	2,475
Long-Term Obligations, Less Current Maturities	-	516
Total Liabilities	1,559	2,991
Contingencies and Commitments—Note 8		
Net Assets in Liquidation	8,184	10,639

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD DECEMBER 5, 2008 THROUGH MARCH 31, 2009 AND APRIL 1, 2009 THROUGH MARCH 31, 2010 (LIQUIDATING BASIS)

MAXCO, INC. AND SUBSIDIARIES

		(in thousands)
Stockholders' Equity at December 4, 2008	**$**	**12,341**
Liquidation basis adjustments:		
Adjust assets and liabilities to estimated liquidation value		(250)
Accrued liquidation costs		(1,389)
Net assets in liquidation as of December 5, 2008		**10,702**
Net revenue incurred from December 5, 2008 to March 31, 2009		175
Net costs incurred from December 5, 2008 to March 31, 2009		(612)
Loss on sale of building and real estate investment		(2,398)
Income tax benefit		3,475
Adjust assets and liabilities to estimated liquidation value		(23)
Adjust to accrued liquidation costs		(680)
Net assets in liquidation as of March 31, 2009	**$**	**10,639**
Net revenue incurred from April 1, 2009 to March 31, 2010		181
Net costs incurred from April 1, 2009 to March 31, 2010		(945)
Loss on sale of building and real estate investment		(1,500)
Recoverable Income Taxes		2,076
Loss on distribution of Integral Vision, Inc. stock to shareholders		(44)
Adjust changes in assets and liabilities value to accrued liquidation costs		329
Distributions to shareholders		(2,552)
Net assets in liquidation as of March 31, 2010	**$**	**8,184**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE PERIOD APRIL 1, 2008 THROUGH DECEMBER 4, 2008 (GOING CONCERN BASIS)

MAXCO, INC. AND SUBSIDIARIES

		For the Period of April 1, 2008 to December 4, 2008 2009
Revenue and Gains:		
Rental income	$	600
Interest income		132
		732
Costs and Expenses:		
Selling, general, and administrative		927
Interest expense		330
Depreciation and amortization		216
		1,473
Loss Before Federal Income Taxes and Equity in Net Loss of Affiliates		(741)
Federal income tax benefit		-
Net Loss		(741)
Net Loss Per Common Share—Basic and Diluted	$	(0.23)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE PERIOD APRIL 1, 2008 THROUGH DECEMBER 4, 2008 (GOING CONCERN BASIS)

MAXCO, INC. AND SUBSIDIARIES

	Number of Common Shares Outstanding	Common Stock	Retained Earnings	Totals
	(in thousands, except number of common shares outstanding)			
Balances at April 1, 2008	3,276,875	$ 3,277	$ 9,813	$ 13,090
Net loss for the period			(741)	(741)
Acquisition and retirement of common shares	(2,998)	(3)	(5)	(8)
Balances at December 4, 2008	3,273,877	3,274	9,067	12,341

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

FOR THE PERIOD APRIL 1, 2008 THROUGH DECEMBER 4, 2008 (GOING CONCERN BASIS)

MAXCO, INC. AND SUBSIDIARIES

		For the period April 1, 2008 to December 4, 2008
Operating Activities		
Net income (loss)	$	(741)
Adjustments to reconcile income (loss) from to net cash (used in) provided by operating activities:		-
Depreciation		216
Changes in operating assets and liabilities which provided (used) cash:		-
Collection of cash held in escrow		3,000
Accounts receivable		(841)
Prepaid expenses and other		(6)
Accounts payable and other current liabilities		(476)
Net Cash (Used in) Provided by Operating Activities		1,152
Investing Activities		
Purchase of vehicle		(33)
Investment in real estate held for sale		2
Increase in notes receivable		(575)
Purchase of treasury shares		(8)
Other		-
Net Cash Provided by Investing Activities		(614)
Financing Activities		
Payments of common stock dividends		
Repayments on other debt obligations		(144)
Net Cash Used in Financing Activities		(144)
Decrease in cash and cash equivalents		394
Cash and cash equivalents at beginning of period		4,315
Cash and cash equivalents at end of period	$	4,709
Supplemental cash flows disclosure:		
Interest paid		330
Taxes paid (federal and state)	$	-

See notes to consolidated financial statements.

MAXCO, INC. AND SUBSIDIARIES

March 31, 2010

NOTE 1 – BUSINESS

Nature of Business Maxco, Inc. ("Maxco" the "Company") is a Michigan corporation incorporated in 1946. On February 1, 2007, Maxco sold substantially all of the assets of Atmosphere Annealing, Inc. ("AAI") which was Maxco's last 100% owned operating subsidiary.

The Company's Board of Directors concluded in a meeting held September 18, 2008 that the implementation of a Formal Plan of Complete Dissolution and Liquidation is in the best interest of the Company and its shareholders. Subsequently, the Plan was submitted to Maxco's shareholders as of October 28, 2008 for approval at the Company's annual meeting held on December 4, 2008. The Plan of Complete Dissolution and Liquidation was approved by the shareholders at the annual meeting.

As a result of the adoption of the Plan of Complete Dissolution and Liquidation, Maxco activities are now limited to: selling, collecting or otherwise realizing the value of its remaining assets; making tax and other regulatory filings; winding down the Company's remaining business activities; paying (or adequately providing for the payment) of valid creditor claims and obligations; and making liquidation distribution(s) to Maxco shareholders.

At March 31, 2010, Maxco's assets consist primarily of cash, recoverable income taxes and notes receivable. The Company believes that the funds generated by the sale of AAI and cash generated from the disposal of its remaining assets will be sufficient to meet its current obligations, as well as to fund the cost of Maxco's wind down operations.

Financial Statement Presentation

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition through May 11, 2010, the date the financial statements were issued.

The Company included the financial results of Capital Center Associates ("CCA") in the consolidated statement of operation for the prior period of April 1, 2008 to December 4, 2008 required by FASB Interpretation No. 46(R), "Consolidation of Variable Interest Entities," due to Maxco's guarantee of CCA's debt, Maxco's loan to CCA, and Maxco's management control of CCA's building prior to the sale of CCA's building in December 2008.

Following the sale of AAI, Company operations consisted only of rental and other income from the operations of CCA, whose building was sold on December 24, 2008, and Maxco's Ledges Commerce Park, Inc. ("Ledges") real estate investment which was sold on March 31, 2010.

The consolidated financial statements include the accounts of Maxco, Inc., Ledges Commerce Park, Inc. and Capital Center Associates. Upon consolidation, all intercompany accounts and transactions are eliminated.

Liquidation Basis of Accounting

As a result of the Company's shareholders' approval of the Plan of Complete Dissolution, the Company adopted the liquidation basis of accounting effective December 5, 2008. This basis of accounting is considered appropriate when, among other things, liquidation of a company is probable and the net realizable values of assets are reasonably determinable. Under this basis of accounting, assets are valued at their net values and liabilities are stated at their estimated settlement amounts. The conversion from the going concern to liquidation basis of accounting required management to make significant estimates and judgments to record assets at estimated net realizable value and liabilities at estimated settlement amounts. These estimates are subject to change based upon the timing of potential sales and further deterioration of the market.

The Company will continue to incur operating costs and receive income on its investments and cash and cash equivalents throughout the liquidation period. On a regular basis management evaluate assumptions, judgment and estimates that can have a significant impact on reported net assets in liquidation based on the most recent information available to us, and when necessary make changes accordingly. Actual costs and income may differ from estimates, which might reduce net assets available in liquidation to be ultimately distributed to shareholders.

Accrued Cost of Liquidation The Company is required to make significant estimates and exercise judgment in determining accrued liquidation costs. The Company reviewed all operating expenses and contractual commitments such as payroll and related expenses, lease termination costs, professional fees, and other outside services to determine the estimated costs to be incurred during the liquidation period. Accordingly, estimated expenses anticipated to occur from December 5, 2008 through March 31, 2011 have been accrued in the Consolidated Statement of Net Assets as of March 31, 2010 prepared on a liquidation basis.

The payroll and related expenses as well as all other expenses are principally expected to occur through March of 2011 in order to complete all required filings and required audits. The accrued costs expected to be incurred in liquidation and recorded payments since March 31, 2009 made related to the accrued liquidation costs are as follows:

Accrued Liquidation Costs	As Booked March 31, 2009	Adjustements to Reserve	Payments	Balance at March 31, 2010
Payroll related costs	$ 800	$ 182	$ (427)	$ 555
Contractual commitments	80	0	(43)	37
Professional services	190	28	(115)	103
Insurance, taxes and other	680	225	(179)	726
Total	$ 1,750	$ 435	$ (764)	$ 1,421

Going Concern Basis of Accounting

The consolidated financial statements for the prior period from April 1, 2008 to December 4, 2008 were prepared on the going concern basis of accounting, which contemplates realization of assets and satisfaction of liabilities in the normal course of business. In the opinion of Management, the accompanying Consolidated Statement of Operations and Cash Flows contain all adjustments, including normal recurring adjustments, necessary to present fairly the results of operations and changes in cash flows for the period April 1, 2008 through December 4, 2008 on a going concern basis.

Revenue Recognition Rental real estate revenue on a going concern basis through December 4, 2008, was recognized as earned on a straight-line basis over the lease term, regardless of when the rent payments are received. The difference between recognized rental income and rental cash receipts was recorded as either a receivable or a liability, as applicable, on the consolidated balance sheets. The Company believes its revenue recognition policy is appropriate and in accordance with generally accepted accounting principles.

Use of Estimates The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the reported amounts of changes in net assets. The estimates also affect the reported estimated value of net realizable assets and settlement of liabilities for litigation and other contingencies. The Company bases its estimates on historical experience, current and expected conditions and various other assumptions that are believed to be reasonable under the circumstances. The results of which forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

New Accounting Pronouncement Although other new accounting pronouncements were issued during the years ended March 31, 2010 and 2009, the following pronouncement was applied to the Company when considering the liquidation basis for accounting.

SFAS No. 165

In May 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events." This Statement establishes general standards of accounting for and disclosures of events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. SFAS No. 165 is effective for interim and annual periods ending after June 15, 2009 and as such, the Company applied this Statement in its liquidation presentation beginning in the first quarter of fiscal 2010. SFAS No. 165 did not materially impact the Company's consolidated financial statements.

NOTE 2 – DELISTING OF MAXCO FROM NASDAQ AND GOING PRIVATE TRANSACTIONS

As a result of the sale of AAI, Maxco was delisted on April 20, 2007 from NASDAQ. Maxco common stock is now electronically quoted and traded on the Pink Sheets over–the–counter (OTC) Market. On May 31, 2007, through an odd-lot transaction, the Company repurchased 4,396 common shares from certain shareholders who had owned fewer than 100 shares of Maxco stock. The repurchase of shares reduced the number of shareholders of record to fewer than 300, thereby allowing the Company to terminate the registration of its common stock under the Securities Exchange Act of 1934. On June 8, 2007 the Company filed a Form 15 with the Securities and Exchange Commission to effect a termination of registration of its common stock.

NOTE 3 – CASH HELD IN ESCROW AND RESTRICTED CASH

Cash and Cash Equivalents The Company considers cash and other highly liquid investments, with less than 90-day maturities, as cash and cash equivalents. Cash and cash equivalents are stated at cost which approximates liquidation value. The majority of cash and cash equivalents were federally insured.

Cash Held in Escrow At March 31, 2009 cash held in escrow represented $2.0 million due Maxco from the sale of AAI. In January 2010, Maxco's escrow agent was authorized by the purchaser of AAI to release to Maxco the cash held in escrow. These funds were received by the Company on February 1, 2010.

As a result of the payment, the final $200,000 in liabilities related to an incentive agreement on the sale of AAI was paid. In October 2008 an additional $300,000 was paid, under the incentive agreement, as a result of Maxco being paid $3.0 million in escrow funds at that time.

Restricted Cash The Company provided cash security which totaled $498,000 at March 31, 2009 to a bank for a loan made to Maxco's President, Max A. Coon. At March 31, 2009 the Company also had restricted cash of $25,000 held as collateral under a letter of credit issued on behalf of the Company's former worker's compensation insurer. As of July 2009, the insurer no longer requires this letter of credit.

In addition, $2.0 million of cash at March 31, 2009 was pledged to facilitate the sale of the Company's 110 W. Michigan Avenue building owned by CCA. This pledge was no longer required by the bank as of July 2009.

During the year ended March 31, 2010, the Company authorized, per request of the bank, payoff of the Mr. Coon's note using the secured funds and increased the note receivable from Mr. Coon accordingly. As of February 1, 2010, the date of this payoff no cash of the Company is restricted.

NOTE 4 – LIQUIDATING DISTRIBUTIONS

On February 2, 1010, Maxco declared a liquidation cash distribution of 75¢ per share, payable February 25, 2010 to common shareholders of record as of February 16, 2010.

Also, on March 3, 2010 Maxco's Board, as part of its liquidation process, declared a non – cash liquidating distribution of the approximately 2.4 million shares of Integral Vision stock that Maxco owned.

Maxco shareholders of record on March 5, 2010 holding 1000 shares or more of Maxco stock received a non – cash liquidation distribution of .7362 shares of Integral Vision (INVI) common stock for each share of Maxco stock owned.

In consideration of Integral Vision and the expenses incurred in issuing certificates, mailing proxies and other related materials sent to its shareholders, including the new shareholders that this offering will produce, Maxco's Board decided not to issue Integral Vision shares to Maxco stockholders owning 999 shares or less of Maxco stock. These shareholders received a cash liquidation distribution based on a calculation equal to .7362 shares of Integral Vision, Inc. (INVI) stock for each share of Maxco stock owned. This calculation was then converted into cash at the Fair Market Value of Integral Vision, Inc.'s (INVI) stock at 4 cents per share.

This distribution did NOT affect the current number of Maxco, Inc. shares held by Maxco shareholders.

NOTE 5 – RELATED PARTY TRANSACTIONS

Notes receivable at March 31, 2010 include approximately $1,400,000 from Max A. Coon, the Company's President. Obligations of Mr. Coon to the Company are evidenced by a promissory note at 6% interest as well as a pledge of Maxco stock held by Mr. Coon. Interest is paid through February 28, 2009. Loans are to be paid by 85% of any distributions Mr. Coon receives from his Company stock, with payment of any outstanding amount in full by March 31, 2011. These advances as well as the cash security discussed in Note 3 were approved by Maxco's Board.

NOTE 6 –REAL ESTATE AND REAL ESTATE INVESTMENTS HELD FOR SALE, SALE OF BUILDING

Ledges Commerce Park, Inc.

Maxco's remaining real estate investments at March 31, 2009 consisted primarily of approximately 13 acres of undeveloped commercial office land in Grand Ledge, MI, Ledges, as well as approximately 5,100 sq. ft. of leased and vacant office space.

The Company's building, real estate, and real estate investments held for sale are comprised of the following:

	March 31, 2010	March 31, 2009
Gross Value:	*(in thousands)*	
Real estate held for sale	$ -	$ 1,774
	-	1,774
Asset valuation allowance	-	(400)
	$ -	$ 1,374

On March 31, 2010 Maxco sold its remaining real estate investments to Charlevoix Drive Properties, LLC which Max A. Coon, Maxco's President has an ownership interest. Maxco's Board of Directors authorized the sale of the real estate to the LLC in order for the Company to be able to carryback the tax loss which occurred as a result of the sale. The sale of properties by March 31, 2010 will allow the Company to recover income taxes of approximately $600,000 in addition to the purchase price of $250,000. This tax recovery would not have been available after March 31, 2010 under current tax regulations, and with the Mid Michigan real estate market struggling the Board felt that it was in the best interest of the shareholders to complete the transaction by March 31, 2010.

CCA 110 W. Michigan

Previously, during the year-ended March 31, 2009, the Company sold its 110 W. Michigan Avenue building owned by CCA, to a new LLC, which Maxco's President has a 45% interest. The building was sold under a $3.8 million land contract at 6% interest with the Purchaser responsible for the land contract payoff, including the discharge of the mortgage note payment or assumption of the note including any fees or penalties by March 2009.

The Purchaser formally assumed the mortgage note of $2.6 million on March 30, 2009 and is required to pay the $1,188,000 note balance including 6% interest on the amount the purchase price exceeded the mortgage note. This note is recorded as a note receivable currently due on the balance sheet. Interest is being paid monthly.

The Company recorded a tax loss on the sale of its 110 W. Michigan Avenue building of approximately $4.5 million which Maxco filed a carryback to its 2007 tax year resulting in $1.5 million in recoverable income taxes (see note 9).

Since the sale of CCA's 110 W. Michigan Avenue building was completed by December 31, 2008 and the sale by March 31, 2009 of its investment in L/M Associates, LLC, and L/M's investment in its MEIP portfolio the Company was able to carryback the tax loss related to these sales. Accordingly Maxco recorded $3.9 million in recoverable income taxes at March 31, 2009.

NOTE 7 – INVESTMENT IN INTEGRAL VISION, INC.

On March 3, 2010 Maxco's Board, as part of its liquidation process, declared a non-cash liquidating distribution of the 2.4 million shares of Integral Vision, Inc. common stock it owned to Maxco shareholders. Maxco owned 2,410,183 shares of Integral Vision's common stock representing approximately 8% of Integral Vision's total common stock outstanding. The fair market value of the Company's Integral Vision stock at the date of distribution was four cents per share.

In March 2007, Maxco advanced Integral Vision $250,000 to permit Integral Vision to meet its obligations. This advance, which is now represented by convertible notes are secured primarily by the Integral Vision's intellectual property, although $125,000 of the amount is also secured by accounts receivable and inventory. These notes also include warrants earned in payment of outstanding interest on these notes. An adjustment of $250,000 was made to the fair value upon adoption of the liquidation basis of accounting at December 5, 2008 to reflect the estimated net realizable value of the note. These convertible notes and warrants were sold to Charlevoix Drive Properties, LLC on March 31, 2010. A tax loss will be recognized on the sale which will result in approximately $88,000 in recoverable income taxes to the Company.

NOTE 8 – DEBT

A summary of the Company's debt obligations is as follows:

	March 31, 2010	March 31, 2009
	(in thousands)	
Long term obligations:		
Mortgage note payable	$ -	$ 674
	-	674
Less current maturities	-	158
	$ -	$ 516

Mortgage note payable consisted of one mortgage which financed the land and building owned by Ledges Commerce Park, Inc. The balance of this note of approximately $558,000 was paid off on March 31, 2010. The note required Ledges to make monthly payments of $16,900 (principle and interest) with final payment of any remaining principal and accrued interest on August 10, 2011. Interest charged on the note was Prime plus 1.25% with a floor of 7.5% (effective rate of 7.5% at March 31, 2010).

The Company had a $250,000 line of credit that required interest only payments and matured in October 2009. There were no outstanding draws on this facility at March 31, 2009 or through its maturity date in October 2009. The Company did not renew this line of credit.

NOTE 9 – FEDERAL INCOME TAXES

Recoverable Federal income tax included in net assets in liquidation consist of the following components:

	March 31, 2010	March 31, 2009
	(in thousands)	
Estimated recoverable tax at balance sheet date	$ 1,800	$ 3,900
Additional Federal tax refund received	-	276
	1,800	4,176

There are no material deferred tax assets available to the Company at March 31, 2010.;

Current tax regulations permit Maxco to carryback to the 2007 tax year certain operating losses as well as certain losses incurred on the sale of its real estate and other investments. This carryback will entitle Maxco to a refund on a portion of the federal income tax that was originally paid as a result of the gain recognized on the sale of AAI sold that year. The tax carryback is an important element of Maxco's overall liquidation strategy of obtaining the maximum value for ultimate shareholder distribution.

The Company has filed a carryback of its losses for the year ended March 31, 2009 to the March 31, 2007 period. As a result, A $3.9 million receivable at March 31, 2009 was due for recoverable income taxes for the March 31, 2009 year, which was subsequently collected.

Subsequent to March 31, 2010, Maxco will file another carryback for operating and capital losses occurring during the tax year ended March 31, 2010. This loss carryback, resulting was primarily from the loss from operations for fiscal year 2010, the tax loss on the sale of Maxco's real estate and the loss sustained on the distribution of Maxco's Integral Vision stock distributed to its shareholders will result in an additional $1.8 million in recoverable income taxes.

The IRS does not have express authority to refund large tax overpayments. The Joint Committee on Taxation reviews cases involving large refunds (those in excess of $2 million). The IRS is required to prepare a report for the Joint Committee that includes a summary of the facts and the Commissioner's decision regarding the refund. The Joint Committee can then delay the refund by requesting that the IRS make further investigations. The Company has classified its $1.8 million receivable, due from the IRS, as long term (greater than one year) in the accompanying balance sheet due to the uncertainty of the time frame as to when the refund will be scheduled and finalized. In addition, the $4.0 million in taxes recovered by the Company, is still subject to audit.

NOTE 10 – SUBSEQUENT EVENTS

On May 11, 2010, the Board declared a liquidation distribution of $1.00 per share to our shareholders of record as of May 24, 2010 and payable on June 2, 2010.

Future Liquidating Distribution The Company anticipates that its Board of Directors will establish the timing and amount of any additional shareholder distributions as soon as Maxco collects the land contract proceeds under the 110 W. Michigan Ave. building transaction and Maxco is able to ascertain the timing of the Federal recoverable income tax refund expected for the year ended March 31, 2010. The timing will also depend on completion of the statutory review that will be required to be performed by the IRS, due to the substantial amount of the refund received by Maxco for the fiscal year ended March 31, 2009. Based on the value of net assets in liquidation at March 31, 2010 remaining liquidating distributions are estimated to total $2.50 per common share, of which $1.00 is scheduled to be paid on June 2, 2010 leaving an estimated $1.50 as the remaining liquidating distributions to be paid subsequent to that date.