Financial Statements of Maxco, Inc. and Subsidiaries

For The Quarter Ended September 30, 2009 and 2008

MAXCO, INC. AND SUBSIDIARIES
Financial Statements

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CONSOLIDATED STATEMENT OF NET ASSETS IN LIQUIDATION AS OF SEPTEMBER 30, 2009 AND AS OF MARCH 31, 2009

MAXCO, INC. AND SUBSIDIARIES

	September 30, 2009	March 31, 2009
	(unaudited)	
	(in thousands)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,814	$ 3,638
Restricted cash	450	525
Cash held in escrow	2,000	2,000
Notes receivable	2,797	1,267
Prepaid expenses and other	82	92
Total Current Assets	7,143	7,522
Building, real estate, and real estate investments held for sale, net of reserve of $400,000 at September 30, 2009 and at March 31, 2009	1,362	1,374
Recoverable income tax	3,900	3,900
Investments	290	290
Notes receivable - non current	-	150
Other	381	363
Property and equipment, net	30	31
Total Assets	$ 13,106	$ 13,630
LIABILITIES		
Current Liabilities		
Accounts payable	$ 213	$ 274
Taxes, interest, and other liabilities	240	293
Accrued liquidation costs	1,417	1,750
Current maturities of long-term obligations	158	158
Total Current Liabilities	2,028	2,475
Long-Term Obligations, Less Current Maturities	439	516
Total Liabilities	2,467	2,991
Net Assets liquidation basis	$ 10,639	$ 10,639

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDING SEPTEMBER 30, 2008 (GOING CONCERN BASIS, UNAUDITED)

MAXCO, INC. AND SUBSIDIARIES

	Three -Months Ended September 30, 2008	Six -Months Ended September 30, 2008
	(In thousands, except per share data)	
Revenue and Gains:		
Rental income	$ 216	$ 438
Investment and other (loss) income, net	6	11
Interest income	48	112
	270	561
Costs and Expenses:		
Selling, general, and administrative	357	688
Interest expense	120	251
Depreciation and amortization	81	162
	558	1,101
Loss Before Federal Income Taxes	(288)	(540)
Federal income tax benefit	-	-
Net Loss	(288)	(540)
Net Loss Per Common Share—Basic and Diluted	$ (0.08)	$ (0.16)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD APRIL 1, 2009 THROUGH SEPTEMBER 30, 2009 (LIQUIDATION BASIS)

MAXCO, INC AND SUBSIDIARIES

		(in thousands)
Net assests in liquidation as of April 1, 2009	**$**	**10,639**
Liquidation basis adjustments:		
Adjust assets and liabilities to estimate liquidation value		-
Net assests in liquidation as of September 30, 2009	**$**	**10,639**

See notes to consolidated statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD APRIL 1, 2008 THROUGH SEPTEMBER 30, 2008 (GOING CONCERN BASIS, UNAUDITED)

MAXCO, INC. AND SUBSIDIARIES

		For the Period April 1, 2008 to September 30, 2008
		(in thousands)
Operating Activities		
Net loss	$	(540)
Adjustments to reconcile net loss from to net cash provided by (used in) operating activities:		
Depreciation		162
Changes in operating assets and liabilities which provided (used) cash:		-
Collection of cash held in escrow		3,000
Accounts Receivable		255
Prepaid expenses and other		35
Accounts payable and other current liabilities		(129)
Net Cash Provided by (Used in) Operating Activities		2,783
Investing Activities		
Investment made in real estate and investment in real estate		(102)
Additions to note receivable, net		(450)
Purchase of treasury shares		(6)
Other		(60)
Net Cash Provided by Investing Activities		(618)
Financing Activities		
Repayments on other debt obligations		(107)
Net Cash Used in Financing Activities		(107)
Decrease in cash and cash equivalents		2,058
Cash and cash equivalents at beginning of period		4,315
Cash and cash equivalents at end of period	$	6,373
Supplemental cash flows disclosure:		
Interest paid		251
Taxes paid (federal and state)	$	-

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MAXCO, INC. AND SUBSIDIARIES

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. Currently, Maxco holds investments in real estate, a $2.0 million escrow remaining from the sale of AAI and other miscellaneous assets including a tax carryback of approximately $3.9 million which Maxco will apply against the gain on the sale of AAI. Miscellaneous assets include approximately 2.4 million common shares of Integral Vision, Inc., a developer, manufacturer, and marketer of flat panel display inspection systems which ensure product quality in the display manufacturing process and notes receivable, certain of which are due from related parties.

The Company has included the balance sheet and operating results of Capital Center Associates ("CCA") in the accompanying consolidated financial statements as 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. 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 short term and long term debt service and other obligations, as well as to fund continuing operations for the reasonably foreseeable future.

The consolidated financial statements include the accounts of Maxco, Inc., its majority owned subsidiaries, and Capital Center Associates. Upon consolidation, all intercompany accounts and transactions are eliminated.

Basis of Presentation: 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 distribution(s) to Maxco shareholders.

Management's goal is to substantially have all assets liquidated by March 31, 2010. Payroll and related costs and other expenses are expected to occur through September of 2010, in order to complete all required regulatory filings and required audits. Accordingly, estimated expenses anticipated to occur from April 1, 2009 through September 30, 2010 have been accrued in the Consolidated Statement of Net Assets as of March 31, 2009 prepared on a liquidation basis. There have been no significant change in the estimated net expenses anticipated to occur from April 1, 2009 through September 30, 2010.

In preparing these financial statements, the Company has elevated events and transactions for potential recognition through October 15, 2009, the date the financial statements were issued.

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 liquid 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.

Going Concern Basis of Accounting

The consolidated financial statements for the period from April 1, 2008 to September 30, 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 six months ended September 30, 2008 on a going concern basis.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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. The payroll and related expenses as well as all other expenses are principally expected to occur through September of 2010. 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 September 30, 2009
Payroll related costs	$ 800		$ (164)	$ 636
Contractual commitments	80		(21)	59
Professional services	190		(68)	122
Insurance, taxes and other	680		(80)	600
Total	$ 1,750	$ -	$ (333)	$ 1,417

New Accounting Pronouncement:

Although other new accounting pronouncements were issued during the first quarter of fiscal 2010, 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 the first quarter of fiscal 2010. SFAS No. 165 did not materially impact the Company's consolidated financial statements.

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.

Revenue Recognition: Rental real estate revenue is 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 is 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.

NOTE 3 – 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 4 – RESTRICTED CASH AND CASH HELD IN ESCROW

The Company, at September 30, 2009 and March 31, 2009 has a $250,000 certificate of deposit as security under its $250,000 line of credit with a bank. At March 31, 2009 the Company had restricted cash of $25,000 ($100,000 at March 31, 2008) 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.

The Company also provides cash security which totals $450,000 at September 30, 2009 and $498,000 at March 31, 2009 to a bank as security for a loan made to a company in which Maxco's President has a stock ownership interest. 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.

NOTE 5 – RELATED PARTY TRANSACTIONS

Notes receivable at September 30, 2009 include approximately $1,330,000 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. 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, 2010. These advances as well as the cash security discussed in Note 4 were approved by Maxco's Board.

In April 2004 the Company entered into an incentive agreement with the then President of its formerly wholly-owned subsidiary AAI. The agreement provided for compensation to the former officer based on the increased value, as defined, of the subsidiary. The Company paid approximately $3.0 million in incentive compensation to the former officer in February 2007 using the proceeds from the sale of Atmosphere Annealing, Inc. In October 2008, $300,000 of the balance remaining under the agreement was paid as a result of Maxco being paid $3.0 million of its cash held in escrow. The remaining $200,000 is expected to be paid to the former officer when the final $2.0 million from the sale, which is held in escrow, is paid to the Company.

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

CCA 110 W. Michigan

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 by March 31, 2010. This note is recorded as a note receivable currently due on the balance sheet.

The Company recorded a tax loss on the sale of its 110 W. Michigan Avenue building of approximately $4.5 million which Maxco will carryback to its 2007 tax year resulting in $1.5 million in recoverable income taxes (see note 7).

NOTE 7 – RECOVERABLE INCOME TAXES

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.

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 anticipates the carryback of the tax loss related to these sales. Accordingly Maxco has recorded $3.9 million in recoverable income taxes as of June 30, 2009.

NOTE 8 –BUILDING, REAL ESTATE, AND REAL ESTATE INVESTMENTS HELD FOR SALE

Maxco's remaining real estate investments at June 30, 2009, and March 31, 2009 consist 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:

		September 30, 2009		March 31, 2009
Gross Value:		*(in thousands)*		
Real estate held for sale	$	1,768	$	1,774
		1,768		1,774
Asset valuation allowance		(400)		(400)
	$	1,368	$	1,374

NOTE 9 – INVESTMENT IN INTEGRAL VISION, INC.

Maxco owns 2,410,183 shares of Integral Vision's common stock representing approximately 8% of Integral Vision's total common stock outstanding. At September 30, 2009, Integral Vision's stock was trading at approximately seven 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 3 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, 2009 to reflect the estimated net realizable value of the note.

NOTE 10 – DEBT

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

		September 30, 2009		March 31, 2009
		(in thousands)		
Line of Credit				
Long term obligations:				
Mortgage notes payable	$	597	$	674
		597		674
Less current maturities		158		158
	$	439	$	516

The Company has a $250,000 line of credit that requires interest only payments and matures in October 2009. There were no outstanding draws on this facility at September 30, 2009 or March 31, 2009. As security for this line of credit the bank required the Company to deposit $250,000 in a certificate of deposit with the bank. The certificate currently pays interest of approximately 2.0% per annum and matures in October 2009.

Mortgage notes payable consisted of one mortgage which finances the land and building owned by Ledges Commerce Park, Inc. The balance of this note is approximately $597,000 at September 30, 2009. The note requires 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 is Prime plus 1.25% with a floor of 7.5% (effective rate of 7.5% at September 30, 2009 and March 31, 2009).

NOTE 11 – FEDERAL INCOME TAXES

Federal income taxes (benefit) consist of the following components:

		Period End September 30, 2009
		(in thousands)
Current tax (benefit)	$	-

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets were as follows as of September 30, 2009 and March 31, 2009:

		(in thousands)
Deferred Tax Assets:		
Net cumulative asset impairment losses	$	2,689
Other		196
Total Deferred Tax Assets		2,885
Valuation Allowance for Deferred Tax Assets		2,885
Net Deferred Tax Assets	$	-

The Company will carryback its losses for the year ended March 31, 2009 to the March 31, 2007 period. As a result, A $3.9 million receivable at September 30, 2009 and March 31, 2009 is due for 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 $3.9 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.

NOTE 12 – LIQUIDATING DIVIDEND

The Company anticipates that its Board of Directors will establish the timing and amount of the next shareholder dividend as soon as Maxco collects its cash held in escrow, 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. The timing will also depend on completion of the statutory review that will be required to be preformed by the IRS, due to the substantial amount of the refund. Based on the value of nets assets in liquidation at September 30, 2009 the liquidating dividends are estimated to total $3.25 per common share.