



**For The Years Ended March 31, 2011 and 2010**

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

**MAXCO, INC. AND SUBSIDIARIES**  
**Financial Statements**

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## CONSOLIDATED BALANCE SHEETS (LIQUIDATING BASIS)

### MAXCO, INC. AND SUBSIDIARIES

|   | March 31,<br>2011     | March 31,<br>2010 |
|---|-----------------------|-------------------|
|   | <i>(Unaudited)</i>    |                   |
|   | <i>(in thousands)</i> |                   |
| <b>ASSETS</b>                               |                       |                   |
| <b>Current Assets</b>                       |                       |                   |
| Cash and cash equivalents                   | \$ 1,570              | \$ 4,877          |
| Notes receivable                            | 1,745                 | 2,933             |
| Prepaid expenses and other                  | 70                    | 107               |
| <b>Total Current Assets</b>                 | <b>3,385</b>          | <b>7,917</b>      |
| Recoverable Income Taxes                    | -                     | 1,800             |
| Property and equipment, net                 | 22                    | 27                |
|   | <b>\$ 3,407</b>       | <b>\$ 9,744</b>   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                       |                   |
| <b>Current Liabilities</b>                  |                       |                   |
| Accounts payable                            | \$ 44                 | \$ 93             |
| Taxes, interest, and other liabilities      | 39                    | 45                |
| Accrued liquidation costs                   | 868                   | 1,421             |
| <b>Total Current Liabilities</b>            | <b>951</b>            | <b>1,559</b>      |
| <b>Long-Term Obligations</b>                | <b>-</b>              | <b>-</b>          |
| <b>Total Liabilities</b>                    | <b>951</b>            | <b>1,559</b>      |
| <b>Contingencies and Commitments—Note 5</b> |                       |                   |
| <b>Net Assets in Liquidation</b>            | <b>2,456</b>          | <b>8,185</b>      |

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD APRIL 1, 2010 THROUGH MARCH 31, 2011 (LIQUIDATION BASIS)

**MAXCO, INC AND SUBSIDIARIES**

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|   |                       |
|---|-----------------------|
|   | <i>(unaudited)</i>    |
|   | <i>(in thousands)</i> |
| <b>Net assets in liquidation as of April 1, 2010</b>                | 8,185                 |
| Liquidation distribution of \$1.00 to shareholders - May 11, 2010.  | (3,274)               |
| Liquidation distribution of \$.75 to shareholders - March 30, 2011. | (2,455)               |
| <b>Net assets in liquidation as of March 31, 2011</b>               | <b>2,456</b>          |

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See notes to consolidated statements

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### MAXCO, INC. AND SUBSIDIARIES

March 31, 2011

#### NOTE 1 – BUSINESS

**Nature of Business** Maxco, Inc. (“Maxco” the “Company”) is a Michigan corporation. Maxco has 3,273,877 outstanding common shares which are traded on the Over-The-Counter (OTC) Market commonly referred to as “Pink Sheets”. On February 1, 2007, Maxco sold substantially all of the assets of its 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 distributions to Maxco shareholders.

Currently, Maxco’s assets consist primarily of cash, and notes receivable. The Company believes that its current cash position and cash generated from the collection of its remaining assets will be sufficient to meet its current obligations, to fund Maxco’s wind down operations, and allow the Company to pay liquidation distributions (see note 6).

#### *Financial Statement Presentation*

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition through June 17, 2011, the date the financial statements were issued.

The consolidated financial statements include the accounts of Maxco, Inc. and Ledges Commerce Park, Inc., the Company’s real estate subsidiary whose assets were sold at March 31, 2010. Upon consolidation, all intercompany accounts and transactions are eliminated.

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.

#### *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 changes in the economy and final results of the required IRS audit.

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 final liquidation were accrued in the Consolidated Statement of Net Assets as of March 31, 2011 prepared on a liquidation basis.

The accrued costs expected to be incurred in liquidation and recorded payments since March 31, 2010 made related to the accrued liquidation costs are as follows:

| (In Thousands)                   | As Booked<br>March 31,<br>2010 | Adjustments<br>to<br>Reserve | Payments     | Balance at<br>March 31,<br>2011 |
|----------------------------------|--------------------------------|------------------------------|--------------|---------------------------------|
| <b>Accrued Liquidation Costs</b> |                                |                              |              |                                 |
| Payroll related costs            | 555                            | 300                          | (508)        | 347                             |
| Contractual commitments          | 37                             | 56                           | (47)         | 46                              |
| Professional services            | 103                            | 0                            | (1)          | 102                             |
| Insurance, taxes and other       | 726                            | (250)                        | (103)        | 373                             |
| <b>Total</b>                     | <b>1421</b>                    | <b>106</b>                   | <b>(659)</b> | <b>868</b>                      |

Expenses during the liquidation period are continually reviewed in order to insure that the overall cost structure during the wind down of the Company are reduced to minimal levels necessary to effectively manage the liquidation.

**New Accounting Pronouncement** Although other new accounting pronouncements were issued during the periods presented, 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**

Maxco was delisted on April 20, 2007 from NASDAQ primarily as a result of the sale of its last owned subsidiary. As a result, Maxco common stock is electronically quoted and traded on the Over-The-Counter (OTC) Market, commonly referred to as “Pink Sheets”. 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 – RELATED PARTY TRANSACTIONS**

Notes receivable at March 31, 2011 include approximately \$226,000 from Max A. Coon, the Company’s President. This obligation of Mr. Coon to the Company is evidenced by a promissory note at 6% interest as well as a pledge of Maxco stock held by Mr. Coon. Interest is paid through March 31, 2011. 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, 2012 or the final liquidation date whichever comes first. These advances were approved by Maxco’s Board.

#### **NOTE 4 – REAL ESTATE HELD FOR SALE**

##### **Ledges Commerce Park, Inc.**

In March, 2010 Maxco sold under a land contract its remaining real estate investments to Charlevoix Drive Properties, LLC which Max A. Coon, Maxco’s President has an ownership interest. The real estate investments sold consisted primarily of approximately 13 acres of land in Grand Ledge, MI, as well as approximately 5,100 sq. ft. of leased and vacant office space.

As a result of this sale, the Company paid off a mortgage note payable related to its real estate holdings. The Company has no outstanding bank debt.

Previously, during the year-ended March 31, 2009, the Company sold its 110 W. Michigan Avenue building to an LLC, which Maxco’s President has a 45% interest in.

The balance of the land contracts related to these two sales total \$1,388,000 and earn 6% interest. The contracts are recorded in notes receivable on the attached statement of assets in liquidation. Interest is being paid monthly on both notes.

#### **NOTE 5 – FEDERAL INCOME TAXES**

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

|   | <b>March 31,<br/>2011</b> | <b>March 31,<br/>2010</b> |
|---|---------------------------|---------------------------|
|   | <i>(in thousands)</i>     |                           |
| Estimated recoverable tax at balance sheet date | \$ -                      | \$ 1,800                  |

There were no material deferred tax assets available to the Company at March 31, 2011.

Current tax regulations permitted 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 entitles 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 was an important element of Maxco's overall liquidation strategy of obtaining the maximum value for ultimate shareholder distribution.

The Company filed a carryback for losses for the year ended March 31, 2010 to the March 31, 2007 period. As a result, a \$1.8 million receivable at March 31, 2010 was recorded for recoverable income taxes. This refund was received by the Company during the year ended March 31, 2011.

Previously, Maxco filed a carryback for operating and capital losses which occurred for the tax year ended March 31, 2009. This loss carryback, resulted primarily from the loss from operations for fiscal year 2009, and the tax loss on the sale of Maxco's real estate.

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. Consequently, the Company is required to be audited on the refund of taxes received as a result of filing of these carrybacks. The required audit has not been scheduled as of the date of these financial statements.

#### **NOTE 6 – LIQUIDATING DISTRIBUTIONS**

On March 1, 2011, the Board declared a liquidation distribution of 75¢ per share paid March 30, 2011 to shareholders of record as of March 23, 2011.

On May 11, 2010 Maxco declared a liquidation distribution of \$1.00 per share, which was paid on June 2, 2010 to common shareholders of record as of May 24, 2010.

On February 2, 2010, Maxco declared a liquidation cash distribution of 75¢ per share, paid 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 at that time.

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.

#### **LIQUIDATING DISTRIBUTION STATUS**

The Board anticipates that a final distribution currently estimated at 60 cents per share will not be declared by the Board and paid until remaining assets are liquidated and the required statutory audit has been completed by the IRS. The Company anticipates that the final distribution may take 18 months or longer to be declared and ultimately paid out because the audit has not been scheduled with the Company as of the date of these financial statements.