



## 2010 – First Quarter Report

The first quarter of 2010 showed signs that the national and worldwide economic recession could be easing, as the Company's first quarter revenues improved 10.6% over the first quarter of 2009. All of the Company's segments surpassed last year's first quarter revenue numbers. The work gloves and protective wear segment increased sales \$98,000, or 1.2%, compared to the first quarter of 2009, primarily from increased sales of CAT® branded product and improved sales activity in Canada. The pet supplies segment continued to expand sales to existing accounts increasing first quarter sales \$683,000 or 35.0% above the first quarter of 2009. Sales in the promotional and specialty products segment increased \$451,000, or 27.1%, compared to the first quarter last year, as a result of increased sales to existing accounts and additional balloon sales from the AGA Balloon acquisition in November of 2009.

Gross margin for the Company improved to 26.3% for the first quarter of 2010 compared to 23.5% for the first quarter of 2009. Cost reductions and cost savings programs put in place last year along with better pricing from suppliers allowed all segments to increase gross margin. This margin performance may be difficult to maintain as prices from suppliers in the Far East along with shipping costs are likely to increase. To maintain margins, the Company will attempt to pass some cost increases on to customers, but competitive pressures will make this difficult.

Total operating expenses increased \$96,000 during the first quarter of 2010 compared to the corresponding period in 2009. This increase is driven primarily by selling expenses from the increased volume of sales activity at the pet supply and promotional and specialty products segments.

The overall increase in revenue, along with lower product costs from vendors and cost savings programs allowed operating income for the first quarter of 2010 to increase to \$531,000 an improvement of \$553,000 over the first quarter of 2009. The company recorded an income tax expense of \$206,000 based on current federal and estimated state income tax rates. The federal income tax portion of the tax provision is a non-cash expense, because the Company has substantial net operating loss carryforwards for federal income tax purposes resulting from losses in prior years.

Liquidity improved during the first quarter of 2010 with cash increasing by \$1,285,000. Operating activities provided \$1,388,000 in cash as inventory purchases were kept to a minimum. Investing activities utilized \$37,000 for the purchase of material handling equipment at the pet supplies and the promotional segments. Financing activities used \$128,000 for the pay down of debt and was partially offset by \$29,000 of proceeds from exercised stock options.

At March 27, 2010 the Company had \$8,335,000 in cash with zero borrowings against its \$7,000,000 revolving line of credit. Management believes the Company's cash on hand and availability under the credit facility should provide ample liquidity for the Company's expected working capital and operating needs.

## Part I - Financial Information

### Item 1. Financial Statements

#### Boss Holdings, Inc. and Subsidiaries

#### Consolidated Balance Sheets

(Dollars in Thousands, Except Per Share Data)

	March 27, 2010 (Unaudited)	December 26, 2009
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 8,335	\$ 7,050
Accounts receivable, net	7,635	7,573
Inventories	13,330	15,227
Deferred tax asset	1,554	1,554
Prepaid expenses and other	457	403
<b>Total current assets</b>	<b>31,311</b>	<b>31,807</b>
Property and Equipment, net	3,097	3,176
Other assets	115	150
Intangibles, net of amortization	569	623
Goodwill	2,853	2,853
Deferred tax asset	1,656	1,813
	<b>\$ 39,601</b>	<b>\$ 40,422</b>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Current portion of long-term obligations	\$ 1,057	\$ 1,091
Accounts payable	1,189	2,217
Accrued payroll and related expenses	822	1,095
Accrued promotional expenses	1,017	890
Other accrued liabilities	720	624
<b>Total current liabilities</b>	<b>4,805</b>	<b>5,917</b>
Long-Term Obligations, net of current portion	434	522
Deferred Compensation	151	151
Stockholders' Equity:		
Common stock, \$.25 par value; authorized 10,000,000 shares; issued and outstanding 2,124,047 and 2,116,047 shares in 2010 and 2009, respectively	531	529
Additional paid-in capital	66,754	66,727
Accumulated (deficit)	(33,180)	(33,504)
Accumulated other comprehensive income	106	80
<b>Total stockholders' equity</b>	<b>34,211</b>	<b>33,832</b>
	<b>\$ 39,601</b>	<b>\$ 40,422</b>

The accompanying notes are an integral part of these statements.

**Boss Holdings, Inc. and Subsidiaries**

**Consolidated Statements of Operations**  
**(Dollars in Thousands, Except Per Share Data)**  
**(Unaudited)**

	Quarter Ended March 27, 2010	Quarter Ended March 28, 2009
Net sales	\$ 12,814	\$ 11,582
Cost of sales	9,442	8,859
<b>Gross profit</b>	3,372	2,723
Operating expenses	2,841	2,745
<b>Operating income (loss)</b>	531	(22)
Other income (expense):		
Interest income	4	5
Interest expense	(24)	(67)
Other	19	1
	(1)	(61)
<b>Income (loss) before income tax</b>	530	(83)
Income tax expense (benefit)	206	(32)
<b>Net income (loss)</b>	\$ 324	\$ (51)
Comprehensive income (loss)	\$ 350	\$ (58)
Weighted average shares outstanding	2,123,959	2,056,267
Basic earnings (loss) per common share	\$ 0.15	\$ (0.02)
Diluted earnings (loss) per common share	\$ 0.15	\$ (0.02)

The accompanying notes are an integral part of these statements.

## Boss Holdings, Inc. and Subsidiaries

### Consolidated Statements of Cash Flows (Dollars in Thousands) (Unaudited)

	Three Months Ended March 27, 2010	Three Months Ended March 28, 2009
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$ 324	\$ (51)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	170	146
Stock based compensation	-	3
Deferred tax expense (benefit)	153	(24)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(52)	2,229
Inventories	1,919	2,773
Prepaid expenses and other current assets	(10)	36
Other assets	-	(8)
Increase (decrease) in:		
Accounts payable	(1,065)	(882)
Accrued liabilities	(51)	(528)
<b>Net cash provided by operating activities</b>	<u>1,388</u>	<u>3,694</u>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(37)	(80)
<b>Net cash (used in) investing activities</b>	<u>(37)</u>	<u>(80)</u>
<b>Cash Flows from Financing Activities:</b>		
(Repayment) borrowing on revolving line of credit	-	(31)
Repayment on long-term obligation	(128)	(123)
Proceeds from exercise of stock options	29	140
<b>Net cash (used in) financing activities</b>	<u>(99)</u>	<u>(14)</u>
Effect of exchange rates on cash and cash equivalents	33	(15)
<b>Increase in cash and cash equivalents</b>	<u>1,285</u>	<u>3,585</u>
<b>Cash and cash equivalents:</b>		
Beginning of period	7,050	803
End of period	<u>\$ 8,335</u>	<u>\$ 4,388</u>

The accompanying notes are an integral part of these statements.



## 2010 – Second Quarter Report (corrected 9/22/10)

Continuing the trend of the first quarter, consolidated revenues for the second quarter increased 18.9% over the second quarter of 2009. Revenues for the first six months of 2010 have improved 14.6% or \$3.3 million over the comparable period of 2009. All of the Company's segments surpassed last year's second quarter and year to date revenue numbers. Boss Manufacturing Company's work gloves and protective wear segment increased sales \$745,000, or 5.0%, compared to the first six months of 2009, with sales increases from industrial customers, CAT® branded product and Canada. Boss Pet Products, Inc. continued to expand sales to existing accounts increasing six month sales \$1,585,000 or 42.5% above six months of 2009. Sales of promotional and specialty products at Galaxy Balloons increased \$955,000, or 24.2%, compared to the first six months of last year, due to increased sales to existing accounts and additional balloon sales resulting from Galaxy's purchase of AGA Balloon in November 2009.

Consolidated gross margin improved to 25.4% for the six months ended June 26, 2010 compared to 23.3% for the same period in 2009. Cost reductions and cost savings programs put in place last year along with better pricing from suppliers allowed all segments to increase gross margin. This margin performance may be difficult to maintain as prices from suppliers in the Far East along with shipping costs are increasing. To maintain margins, the Company will attempt to pass some cost increases on to customers, but competitive pressures will make this difficult.

Total operating expenses for the second quarter increased \$349,000, bringing the increase for the six months ending June 26, 2010 to \$446,000 compared to the corresponding period in 2009. These increases are largely attributable to selling expenses from increased sales at the pet supply and promotional products segments. In addition, during the second quarter the Company headquarters parking lot was resurfaced at a cost of \$85,000.

Operating income for the second quarter of 2010 is \$487,000 and increases the operating income for the first six months of the year to \$1,018,000, an increase of \$876,000 over the first six months of 2009. The increase in revenue, along with lower product costs from vendors and cost savings programs put in place last year all contributed to this improved performance. The company has recorded an income tax expense year to date of \$389,000 based on current federal and estimated state income tax rates. The federal income tax portion of the tax provision is a non-cash expense, because the Company has substantial net operating loss carryforwards for federal income tax purposes resulting from losses in prior years.

Liquidity improved slightly during the second quarter of 2010 with cash increasing \$220,000. For the first six months of 2010 cash has increased \$1,505,000. Operating activities provided \$2,873,000 in cash as inventory purchases were kept to a minimum. Investing activities utilized \$106,000, mostly for the purchase of material handling equipment and system upgrades. Financing activities used \$1,068,000 for the buyback of shares of Company common stock and \$240,000 to pay down debt. During the second quarter, the Company's shareholders approved the buyback of shares from shareholders owning less than 100 shares of Company common stock. The resulting amendments to the Company's certificate of incorporation were filed and the Company terminated the registration of its shares with the SEC.

At June 26, 2010 the Company had \$8,555,000 in cash with zero borrowings against its \$7,000,000 revolving line of credit. Management believes the Company's cash on hand and availability under the credit facility should provide ample liquidity for the Company's expected working capital and operating needs.

## Part I - Financial Information

### Item 1. Financial Statements

#### Boss Holdings, Inc. and Subsidiaries

#### Consolidated Balance Sheets

(Dollars in Thousands, Except Per Share Data)

	June 26, 2010	December 26, 2009
<b>Assets</b>	(Unaudited)	
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 8,555	\$ 7,050
Accounts receivable, net	6,999	7,573
Inventories	13,935	15,227
Deferred tax asset	1,554	1,554
Prepaid expenses and other	450	403
<b>Total current assets</b>	<b>31,493</b>	<b>31,807</b>
Property and Equipment, net	3,057	3,176
Other assets	166	150
Intangibles, net of amortization	524	623
Goodwill	2,853	2,853
Deferred tax asset	1,518	1,813
	<b>\$ 39,611</b>	<b>\$ 40,422</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities:</b>		
Current portion of long-term obligations	\$ 1,037	\$ 1,091
Accounts payable	2,498	2,217
Accrued payroll and related expenses	744	1,095
Accrued promotional expenses	879	890
Other accrued liabilities	543	624
<b>Total current liabilities</b>	<b>5,701</b>	<b>5,917</b>
Long-Term Obligations, net of current portion	339	522
Deferred Compensation	151	151
<b>Stockholders' Equity:</b>		
Common stock, \$.25 par value; authorized 10,000,000 shares; issued and outstanding 1,984,489 and 2,116,047 shares in 2010 and 2009, respectively	496	529
Additional paid-in capital	65,721	66,727
Accumulated (deficit)	(32,895)	(33,504)
Accumulated other comprehensive income	98	80
<b>Total stockholders' equity</b>	<b>33,420</b>	<b>33,832</b>
	<b>\$ 39,611</b>	<b>\$ 40,422</b>

The accompanying notes are an integral part of these statements.

**Boss Holdings, Inc. and Subsidiaries****Consolidated Statements of Operations**  
**(Dollars in Thousands, Except Per Share Data)**  
**(Unaudited)**

	Quarter Ended June 26, 2010	Quarter Ended June 27, 2009	Six Months Ended June 26, 2010	Six Months Ended June 27, 2009
Net sales	\$ 12,942	\$ 10,890	\$ 25,756	\$ 22,471
Cost of sales	9,764	8,385	19,206	17,243
<b>Gross profit</b>	3,178	2,505	6,550	5,228
Operating expenses	2,691	2,342	5,532	5,086
<b>Operating income</b>	487	163	1,018	142
Other income (expense):				
Interest income	3	4	7	9
Interest expense	(23)	(66)	(47)	(133)
Other	1	(1)	20	-
	(19)	(63)	(20)	(124)
<b>Income before income tax</b>	468	100	998	18
Income tax expense	183	415	389	383
<b>Net income (loss)</b>	\$ 285	\$ (315)	\$ 609	\$ (365)
Comprehensive income (loss)	\$ 277	\$ (258)	\$ 627	\$ (315)
Weighted average shares outstanding	2,028,964	2,116,047	2,076,461	2,086,157
Basic earnings (loss) per common share	\$ 0.14	\$ (0.15)	\$ 0.29	\$ (0.18)
Diluted earnings (loss) per common share	\$ 0.13	\$ (0.15)	\$ 0.28	\$ (0.18)

The accompanying notes are an integral part of these statements.

## Boss Holdings, Inc. and Subsidiaries

### Consolidated Statements of Cash Flows (Dollars in Thousands) (Unaudited)

	Six Months Ended June 26, 2010	Six Months Ended June 27, 2009
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$ 609	\$ (365)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	330	309
Stock based compensation	-	4
Deferred tax expense	289	381
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	578	2,340
Inventories	1,302	4,535
Prepaid expenses and other current assets	(56)	167
Other assets	-	(34)
Increase (decrease) in:		
Accounts payable	(13)	(240)
Accrued liabilities	(166)	(674)
<b>Net cash provided by operating activities</b>	<u>2,873</u>	<u>6,423</u>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(106)	(189)
<b>Net cash (used in) investing activities</b>	<u>(106)</u>	<u>(189)</u>
<b>Cash Flows from Financing Activities:</b>		
(Repayment) borrowing on revolving line of credit	-	(13)
Repayment on long-term obligation	(240)	(248)
Cash used for stock buy back	(1,068)	-
Proceeds from exercise of stock options	29	140
<b>Net cash (used in) financing activities</b>	<u>(1,279)</u>	<u>(121)</u>
Effect of exchange rates on cash and cash equivalents	17	60
<b>Increase in cash and cash equivalents</b>	1,505	6,173
<b>Cash and cash equivalents:</b>		
Beginning of period	7,050	803
End of period	<u>\$ 8,555</u>	<u>\$ 6,976</u>

The accompanying notes are an integral part of these statements.



# Boss Holdings, Inc.

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## 2010 – Third Quarter Report

Consolidated revenues of Boss Holdings, Inc. (the “Company”) for the third quarter increased 16.1% over the third quarter of 2009. Revenues for the first nine months of 2010 improved 15.1% or \$5.3 million over the comparable period of 2009. Boss Manufacturing Company’s work gloves and protective wear segment increased sales \$1.7 million, or 7.9%, compared to the first nine months of 2009, with sales increases from industrial customers, CAT® branded product and Canada. Boss Pet Products, Inc. continued to expand sales to existing accounts increasing nine month sales \$1.1 million or 18.7% above the first nine months of 2009. Sales of promotional and specialty products at Galaxy Balloons increased \$1.4 million, or 20.3%, compared to the first nine months of last year, due to increased sales to existing accounts and additional balloon sales resulting from Galaxy’s purchase of AGA Balloon in November 2009.

Third quarter and year-to-date 2010 revenues also increased approximately \$1.0 million as a result of the Company’s entry into a new line of business through the acquisition of the cell phone accessory distribution business and related assets of Aries Manufacturing, Inc. The Company formed a new subsidiary, Boss Tech Products, Inc., which purchased the Aries cell phone accessory distribution business pursuant to an Asset Purchase and Sale Agreement which closed on July 30, 2010. Aries, headquartered in Libertyville, IL, markets cell phone accessories, including wireless headsets, car chargers and related accessories through multiple distribution channels, including service stations, convenience stores and truck stops.

Consolidated gross margin improved to 26.3% for the nine months ended September 25, 2010 compared to 24.6% for the same period in 2009. Increased volumes and cost reductions put in place last year along with better pricing from suppliers allowed the work gloves and protective wear and the promotional and specialty products segments to increase gross margin. Gross margin at Boss Pet Products declined from 25.3% to 23.5% as a result of increased product and freight costs. Margin performance may be difficult to maintain going forward as prices from suppliers in the Far East along with shipping costs are increasing. To maintain margins, the Company will attempt to pass some cost increases on to customers, but competitive pressures will likely make this difficult.

Total operating expenses for the third quarter increased \$490,000 of which \$176,000 was attributable to the addition of the cell phone accessory business and the remaining portion was a result of increased sales volume. Operating expenses increased \$936,000 for the nine months ending September 25, 2010 compared to the corresponding period in 2009. These increases largely were attributable to selling expenses from increased sales in all reporting segments, the addition of the cell phone accessory business and resurfacing of the Company’s headquarter parking lot during the second quarter at a cost of \$85,000.

Operating income for the third quarter of 2010 was \$860,000 and totaled \$1,878,000 for the first nine months of the year, an increase of \$1,026,000 over the first nine months of 2009. Increased revenue, along with lower product costs from vendors and cost savings programs put in place last year all contributed to this improved performance. The Company has recorded an income tax expense year to date of \$713,400 based on current federal and estimated state income tax rates. The federal income tax portion of the tax provision is a non-cash expense, because the Company has substantial net operating loss carryforwards for federal income tax purposes resulting from losses in prior years.

Cash on hand decreased \$3,866,000 during the third quarter. Cash was utilized during the quarter to purchase additional inventory to meet the increased demand and to acquire the assets of Aries

Manufacturing. For the first nine months of 2010, cash has decreased \$2,361,000. Operating activities for the nine months provided \$308,000 in cash as the Company's increased inventory purchases were offset by net income, increased accounts payable and accrued liabilities. Investing activities utilized \$1,310,000 during the first three quarters of the year, mostly for the Aries Manufacturing acquisition.

Financing activities used \$1,068,000 during the first nine months of 2010, primarily for the Company's stock buyback and \$345,000 to pay down debt. During the second quarter, the Company's shareholders approved the buyback of shares from shareholders owning less than 100 shares of Company common stock by means of a reverse stock split followed immediately by a matching forward stock split. The resulting amendments to the Company's certificate of incorporation were filed during April 2010 and the Company terminated the registration of its shares with the SEC.

At September 25, 2010, the Company held \$4,689,000 in cash with zero borrowings against its \$7,000,000 revolving line of credit. Management believes the Company's cash on hand and availability under the credit facility should provide ample liquidity for the Company's expected working capital and operating needs.

## Part I - Financial Information

### Item 1. Financial Statements

#### Boss Holdings, Inc. and Subsidiaries

#### Consolidated Balance Sheets

(Dollars in Thousands, Except Per Share Data)

	September 25, 2010 (Unaudited)	December 26, 2009
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 4,689	\$ 7,050
Accounts receivable, net	8,680	7,573
Inventories	18,035	15,227
Deferred tax asset	1,311	1,554
Prepaid expenses and other	443	403
<b>Total current assets</b>	<b>33,158</b>	<b>31,807</b>
Property and Equipment, net	2,988	3,176
Other assets	169	150
Intangibles, net of amortization	615	623
Goodwill	2,853	2,853
Deferred tax asset	1,518	1,813
	<b>\$ 41,301</b>	<b>\$ 40,422</b>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Current portion of long-term obligations	\$ 423	\$ 1,091
Accounts payable	3,190	2,217
Accrued payroll and related expenses	1,172	1,095
Accrued promotional expenses	849	890
Other accrued liabilities	727	624
<b>Total current liabilities</b>	<b>6,361</b>	<b>5,917</b>
Long-Term Obligations, net of current portion	851	522
Deferred Compensation	151	151
Stockholders' Equity:		
Common stock, \$.25 par value; authorized 10,000,000 shares; issued and outstanding 1,984,489 and 2,116,047 shares in 2010 and 2009, respectively	496	529
Additional paid-in capital	65,721	66,727
Accumulated (deficit)	(32,388)	(33,504)
Accumulated other comprehensive income	109	80
<b>Total stockholders' equity</b>	<b>33,938</b>	<b>33,832</b>
	<b>\$ 41,301</b>	<b>\$ 40,422</b>

The accompanying notes are an integral part of these statements.

**Boss Holdings, Inc. and Subsidiaries**

**Consolidated Statements of Operations**  
**(Dollars in Thousands, Except Per Share Data)**  
**(Unaudited)**

	Quarter Ended September 25, 2010	Quarter Ended September 26, 2009	Nine Months Ended September 25, 2010	Nine Months Ended September 26, 2009
Net sales	\$ 14,232	\$ 12,258	\$ 39,988	\$ 34,729
Cost of sales	10,283	8,949	29,489	26,192
<b>Gross profit</b>	3,949	3,309	10,499	8,537
Operating expenses	3,089	2,599	8,621	7,685
<b>Operating income</b>	860	710	1,878	852
Other income (expense):				
Interest income	3	5	10	14
Interest expense	(19)	(68)	(67)	(201)
Other	(12)	40	8	40
	(28)	(23)	(49)	(147)
<b>Income before income tax</b>	832	687	1,829	705
Income tax expense	324	26	713	409
<b>Net income</b>	\$ 508	\$ 661	\$ 1,116	\$ 296
Comprehensive income	\$ 519	\$ 710	\$ 1,145	\$ 395
Weighted average shares outstanding	1,984,489	2,116,047	2,045,804	2,096,120
Basic earnings per common share	\$ 0.26	\$ 0.31	\$ 0.55	\$ 0.14
Diluted earnings per common share	\$ 0.24	\$ 0.30	\$ 0.52	\$ 0.13

The accompanying notes are an integral part of these statements.

**Boss Holdings, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows**  
**(Dollars in Thousands)**  
**(Unaudited)**

	Nine Months Ended September 25, 2010	Nine Months Ended September 26, 2009
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 1,116	\$ 296
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	334	454
Stock based compensation	-	4
Deferred tax expense	530	339
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(506)	765
Inventories	(2,420)	3,663
Prepaid expenses and other current assets	115	132
Other assets	152	(61)
Increase (decrease) in:		
Accounts payable	740	(177)
Accrued liabilities	247	(253)
<b>Net cash provided by operating activities</b>	<u>308</u>	<u>5,162</u>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of operating assets	(1,179)	-
Purchases of property and equipment	(131)	(200)
<b>Net cash (used in) investing activities</b>	<u>(1,310)</u>	<u>(200)</u>
<b>Cash Flows from Financing Activities:</b>		
(Repayment) borrowing on revolving line of credit	-	(23)
Repayment on long-term obligation	(345)	(374)
Repurchase of common stock	(1,068)	-
Proceeds from exercise of stock options	29	140
<b>Net cash (used in) financing activities</b>	<u>(1,384)</u>	<u>(257)</u>
Effect of exchange rates on cash and cash equivalents	<u>25</u>	<u>133</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>(2,361)</u>	<u>4,838</u>
<b>Cash and cash equivalents:</b>		
Beginning of period	7,050	803
End of period	<u>\$ 4,689</u>	<u>\$ 5,641</u>

The accompanying notes are an integral part of these statements.



# Boss Holdings, Inc.

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## 2010 – Fourth Quarter Report

Consolidated revenues of Boss Holdings, Inc. (the “Company”) for the fourth quarter of 2010 increased 9.2% over the fourth quarter of 2009. For the year ended December 25, 2010 revenues grew 13.4% or \$6.6 million over 2009 as all of the Company’s segments surpassed last year’s revenue numbers. Boss Manufacturing Company’s work gloves and protective wear segment increased sales \$2.1 million, or 6.8%, compared to 2009, with sales increases from industrial customers, CAT® branded product and Boss Canada. Boss Pet Products, Inc. continued to expand sales to existing accounts increasing year to date sales \$1.1 million or 13.8% above 2009. Sales of promotional and specialty products at Galaxy Balloons increased \$1.7 million, or 17.1%, compared to 2009, due to increased sales to existing accounts and additional balloon sales resulting from Galaxy’s purchase of AGA Balloon in November 2009.

Revenue growth in 2010 also benefited from approximately \$1.7 million in sales as a result of the Company’s entry into a new line of business through the acquisition of the cell phone accessory distribution business and related assets of Aries Manufacturing, Inc. The Company formed a new subsidiary, Boss Tech Products, Inc., which purchased the Aries cell phone accessory distribution business pursuant to an Asset Purchase and Sale Agreement which closed on July 30, 2010. Aries, headquartered in Libertyville, IL, markets cell phone accessories, including wireless headsets, car chargers and related accessories through multiple distribution channels, including service stations, convenience stores and truck stops.

Consolidated gross margin improved to 26.8% for the year ended December 25, 2010 compared to 26.3% for the same period in 2009. Increased volumes and cost reductions put in place last year along with better pricing from suppliers allowed the work gloves and protective wear and the promotional and specialty products segments to increase gross margin. Gross margin at Boss Pet Products declined from 26.8% to 23.0% as a result of increased product and freight costs. Margin performance may be difficult to maintain going forward as prices from suppliers in the Far East along with shipping costs have increased. To maintain margins, the Company will attempt to pass certain cost increases on to customers, but competitive pressures could make this difficult.

Total operating expenses for the fourth quarter increased \$111,000 over the fourth quarter of 2009. The addition of the cell phone accessory business added \$261,000 to operating expenses and was partially offset by savings in compensation costs at the work gloves and protective wear segment. Operating expenses increased \$980,000 for the year ending December 25, 2010 compared to the corresponding period in 2009. These increases largely were attributable to selling expenses from increased sales in all reporting segments, the addition of the cell phone accessory business and resurfacing of the Company’s headquarter parking lot during the second quarter at a cost of \$85,000.

Operating income for the fourth quarter of 2010 was \$1,061,000 and totaled \$2,939,000 for the year, an increase of \$1,018,000 over fiscal year 2009. Increased revenue, along with lower product costs from vendors and cost savings programs all contributed to this improved performance.

Other income (expense), decreased slightly to \$87,000 for 2010 as a result of less bank borrowings. The Company’s primary line of credit was not used at all during 2010 and excess cash generated \$14,000 of interest income.

The Company has recorded an income tax benefit year to date of \$340,600 based on current federal and estimated state income tax rates. The federal income tax portion of the tax provision is a non-cash expense, because the Company has substantial net operating loss carryforwards for federal income tax purposes resulting from losses in prior years. These losses have provided approximately \$18,743,000 of NOL carryforwards which the Company has available, for U.S. income tax purposes. During the fourth quarter of 2010, the Company reevaluated its estimates and, based upon its current and projected profitability determined that it was more likely than not that it would be able to utilize an additional \$4,559,000 of its remaining NOL carryforwards. Accordingly, at the end of 2010 the Company reduced its valuation allowance and recognized a \$1,550,000 tax benefit. In all subsequent periods, for book purposes, the Company will record income tax expense on earnings at normal rates, approximately 39% currently, and reduce the related deferred tax asset. The tax benefits and tax expenses recorded for book purposes have no effect on the Company's actual tax liability.

Shareholders and other users of the Company's financial statements should carefully consider the effect of non-cash tax entries (such as the tax benefits recognized in 2004, 2006, 2009 and 2010) when comparing current results with past or future financial statements of the Company.

Cash and cash equivalents decreased \$378,000 during the fourth quarter. Cash was utilized during the quarter to purchase additional inventory, invest in a new shipping software system at Boss Pet Products and to pay down debt. For the year, cash has decreased \$2,739,000. Operating activities for the year provided \$364,000 in cash as the Company's increased inventory purchases were offset by net income, increased accounts payable and accrued liabilities. Investing activities utilized \$1,641,000 during the year, mostly for the Aries Manufacturing acquisition.

Financing activities used \$1,526,000 during the year, primarily for the Company's stock buyback and \$446,000 to pay down debt. During the second quarter, the Company's shareholders approved the buyback of shares from shareholders owning less than 100 shares of Company common stock by means of a reverse stock split followed immediately by a matching forward stock split. The resulting amendments to the Company's certificate of incorporation were filed during April 2010 and the Company terminated the registration of its shares with the SEC.

At December 25, 2010, the Company held \$4,311,000 in cash with zero borrowings against its \$7,000,000 revolving line of credit. Management believes the Company's cash on hand and availability under the credit facility should provide ample liquidity for the Company's expected working capital and operating needs.

## Part I - Financial Information

### Item 1. Financial Statements

#### Boss Holdings, Inc. and Subsidiaries

#### Consolidated Balance Sheets

(Dollars in Thousands, Except Per Share Data)

	December 25, 2010	December 26, 2009
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 4,311	\$ 7,050
Accounts receivable, net	8,112	7,573
Inventories	20,024	15,227
Deferred tax asset	1,619	1,554
Prepaid expenses and other	465	403
<b>Total current assets</b>	<b>34,531</b>	<b>31,807</b>
Property and Equipment, net	3,120	3,176
Other assets	20	150
Intangibles, net of amortization	567	623
Goodwill	2,853	2,853
Deferred tax asset	2,292	1,813
	<b>\$ 43,383</b>	<b>\$ 40,422</b>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Current portion of long-term obligations	\$ 362	\$ 1,091
Accounts payable	3,351	2,217
Accrued payroll and related expenses	1,318	1,095
Accrued promotional expenses	939	890
Other accrued liabilities	601	624
<b>Total current liabilities</b>	<b>6,571</b>	<b>5,917</b>
Long-Term Obligations, net of current portion	838	522
Deferred Compensation	-	151
Stockholders' Equity:		
Common stock, \$.25 par value; authorized 10,000,000 shares; issued and outstanding 1,984,489 and 2,116,047 shares in 2010 and 2009, respectively	496	529
Additional paid-in capital	65,660	66,727
Accumulated (deficit)	(30,311)	(33,504)
Accumulated other comprehensive income	129	80
<b>Total stockholders' equity</b>	<b>35,974</b>	<b>33,832</b>
	<b>\$ 43,383</b>	<b>\$ 40,422</b>

**Boss Holdings, Inc. and Subsidiaries**

**Consolidated Statements of Operations**  
**(Dollars in Thousands, Except Per Share Data)**  
**(Unaudited)**

	Quarter Ended December 25, 2010	Quarter Ended December 26, 2009	Twelve Months Ended December 25, 2010	Twelve Months Ended December 26, 2009
Net sales	\$ 15,542	\$ 14,227	\$ 55,530	\$ 48,957
Cost of sales	11,177	9,898	40,666	36,091
<b>Gross profit</b>	4,365	4,329	14,864	12,866
Operating expenses	3,304	3,193	11,925	10,945
<b>Operating income</b>	1,061	1,136	2,939	1,921
Other income (expense):				
Interest income	4	4	14	18
Interest expense	(17)	10	(84)	(121)
Other	(25)	(41)	(17)	(4)
	(38)	(27)	(87)	(107)
<b>Income before income tax</b>	1,023	1,109	2,852	1,814
Income tax expense	496	522	1,209	797
Change in deferred tax asset valuation	(1,550)	(884)	(1,550)	(750)
<b>Net income</b>	\$ 2,077	\$ 1,471	\$ 3,193	\$ 1,767
Comprehensive income	\$ 2,097	\$ 1,499	\$ 3,242	\$ 1,895
Weighted average shares outstanding	1,984,489	2,116,047	2,030,475	2,101,102
Basic earnings per common share	\$ 1.05	\$ 0.70	\$ 1.57	\$ 0.84
Diluted earnings per common share	\$ 1.00	\$ 0.66	\$ 1.50	\$ 0.80

## Boss Holdings, Inc. and Subsidiaries

### Consolidated Statements of Cash Flows

(Dollars in Thousands)

(Unaudited)

	Twelve Months Ended December 25, 2010	Twelve Months Ended December 26, 2009
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 3,193	\$ 1,767
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	651	640
Stock based compensation	-	86
Deferred tax benefit	(552)	(158)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	72	751
Inventories	(4,377)	3,843
Prepaid expenses and other current assets	68	35
Other assets	150	(9)
Increase (decrease) in:		
Accounts payable	1,064	135
Accrued liabilities	95	(9)
<b>Net cash provided by operating activities</b>	<u>364</u>	<u>7,081</u>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of operating assets	(1,279)	(388)
Purchases of property and equipment	(362)	(226)
<b>Net cash (used in) investing activities</b>	<u>(1,641)</u>	<u>(614)</u>
<b>Cash Flows from Financing Activities:</b>		
(Repayment) borrowing on revolving line of credit	20	(35)
Repayment on long-term obligation	(446)	(502)
Repurchase of common stock	(1,129)	-
Proceeds from exercise of stock options	29	140
<b>Net cash (used in) financing activities</b>	<u>(1,526)</u>	<u>(397)</u>
Effect of exchange rates on cash and cash equivalents	64	177
<b>Increase (decrease) in cash and cash equivalents</b>	<u>(2,739)</u>	<u>6,247</u>
<b>Cash and cash equivalents:</b>		
Beginning of period	7,050	803
End of period	<u>\$ 4,311</u>	<u>\$ 7,050</u>