



Boss Holdings, Inc.

1221 Page Street
Kewanee, IL 61443
(309) 852-2131
FAX (309) 852-0848
www.bossgloves.com

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
Assets		
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
Total current assets	31,311	31,807
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
	\$ 39,601	\$ 40,422
Liabilities and Stockholders' Equity		
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
Total current liabilities	4,805	5,917
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
Total stockholders' equity	34,211	33,832
	\$ 39,601	\$ 40,422

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
Gross profit	3,372	2,723
Operating expenses	2,841	2,745
Operating income (loss)	531	(22)
Other income (expense):		
Interest income	4	5
Interest expense	(24)	(67)
Other	19	1
	(1)	(61)
Income (loss) before income tax	530	(83)
Income tax expense (benefit)	206	(32)
Net income (loss)	\$ 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
Cash Flows from Operating Activities:		
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)
Net cash provided by operating activities	<u>1,388</u>	<u>3,694</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(37)	(80)
Net cash (used in) investing activities	<u>(37)</u>	<u>(80)</u>
Cash Flows from Financing Activities:		
(Repayment) borrowing on revolving line of credit	-	(31)
Repayment on long-term obligation	(128)	(123)
Proceeds from exercise of stock options	29	140
Net cash (used in) financing activities	<u>(99)</u>	<u>(14)</u>
Effect of exchange rates on cash and cash equivalents	33	(15)
Increase in cash and cash equivalents	<u>1,285</u>	<u>3,585</u>
Cash and cash equivalents:		
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.