



THE TECHNICAL MATERIEL CORPORATION 1994 ANNUAL REPORT

directors . . .

Neil H. de PASQUALE

Frank BUDETTI

Sandra E. MacDONALD

officers . . .

Neil H. de PASQUALE
President

Frank BUDETTI
Vice President

business highlights . . .

	1994	1993	1992
Net Sales	244,497	314,165	600,512
Net Profit (Loss)	(946,964)	(903,591)	(905,368)
Current Assets	135,481	577,547	1,061,010
Current Liabilities	2,802,286	2,685,662	2,225,073
Working Capital	(2,666,805)	(2,108,115)	(1,164,063)
Current Ratio	<0.05-TO-1	0.2-TO-1	0.5-TO-1
Property, Plant and Equipment (Net)	122,872	136,288	145,827
Stockholders' Equity	(3,268,791)	(2,321,827)	(1,418,236)
Net Profit (Loss) per Share	(0.33)	(0.32)	(0.32)
Book Value per Share	(1.15)	(0.82)	(0.50)
Stockholders of Record	4,950	4,955	4,959
Shares of Stock Outstanding	2,847,704	2,847,704	2,847,704

The Technical Materiel Corporation's common stock has had a very limited market.

operations . . .

Statement of Operations and Deficit

For the Years Ended September 30, 1994, 1993 and 1992

	1994	1993	1992
Net Sales	\$ 244,497	\$ 314,165	\$ 600,512
Cost of Sales	<u>282,662</u>	<u>292,343</u>	<u>394,528</u>
Gross Profit	<u>(38,165)</u>	<u>21,822</u>	<u>205,984</u>
Operating Expenses:			
Engineering and Development	36,709	41,440	39,323
Selling, General and Administrative	<u>233,280</u>	<u>313,722</u>	<u>321,308</u>
	<u>269,989</u>	<u>355,162</u>	<u>360,631</u>
Income (Loss) from Operations	(308,154)	(333,340)	(154,647)
Other Income (Expense):			
Interest	(195,515)	(149,112)	(155,200)
Other, Net	<u>6,706</u>	<u>3,861</u>	<u>5,071</u>
Income (Loss) Before Provision for Taxes	(188,809)	(145,251)	(150,129)
	(496,963)	(478,591)	(304,776)
Provision for Taxes:	<u>-</u>	<u>-</u>	<u>592</u>
Income (Loss) Before Extraordinary Item	(496,963)	(478,591)	(305,368)
Extraordinary Item:			
Writedown of inventory to market value	<u>(450,000)</u>	<u>425,000</u>	<u>600,000</u>
Net Loss	(946,963)	(903,591)	(905,368)
Deficit, Beginning of Year	(9,601,832)	(8,698,241)	(7,792,873)
Deficit, End of Year	<u>\$ (10,548,795)</u>	<u>\$ (9,601,832)</u>	<u>\$ (8,698,241)</u>
Income (Loss) per Common Share before Extraordinary Item	\$ (0.1745)	\$ (0.1681)	\$ (.1072)
Extraordinary Item	<u>(0.1580)</u>	<u>(0.1492)</u>	<u>(.2107)</u>
Net Loss per Common Share	<u>\$ (0.3325)</u>	<u>\$ (0.3173)</u>	<u>\$ (.3179)</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

financial position . . .

Statement of Cash Flows

For the Years Ended September 30, 1994, 1993 and 1992

	1994	1993	1992
OPERATING ACTIVITIES			
Net Loss	\$ (946,963)	\$ (903,591)	\$ (905,368)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation	28,099	28,093	35,748
Writedown of inventory to market value	450,000	425,000	600,000
Changes in operating assets and liabilities			
Decrease (increase) in accounts receivable	(16,946)	73,906	(9,037)
Decrease (increase) in inventories and prepaid expenses	135	(18,545)	(3,391)
Increase in accounts payable and accrued expenses	206,624	90,589	87,422
NET CASH USED IN OPERATING ACTIVITIES	<u>(279,051)</u>	<u>(304,548)</u>	<u>(194,626)</u>
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(14,683)	(18,554)	(25,376)
NET CASH USED IN INVESTING ACTIVITIES	(14,683)	(18,554)	(25,376)
FINANCING ACTIVITIES			
Proceeds from loans	<u>285,000</u>	<u>320,000</u>	<u>220,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>285,000</u>	<u>320,000</u>	<u>220,000</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(8,734)	(3,102)	(2)
CASH AND CASH EQUIVALENTS, beginning of year	<u>9,544</u>	<u>12,646</u>	<u>12,648</u>
CASH AND CASH EQUIVALENTS, end of year	810	9,544	12,646
Supplemental disclosures of cash flow information:			
Cash paid for interest	\$ 27,188	\$ 65,250	\$ 65,250
Cash paid for taxes	-	-	1,488

The accompanying *Notes to Financial Statements* are an integral part of this statement.

assets . . .

BALANCE SHEET

September 30, 1994, 1993 and 1992

Assets

	1994	1993	1992
CURRENT ASSETS			
Cash	\$ 810	\$ 9,544	\$ 12,646
Accounts Receivable	45,602	28,656	102,562
Inventories, at the Lower of Cost or Market	69,110	519,110	923,532
Prepaid Expenses	<u>20,102</u>	<u>20,237</u>	<u>22,270</u>
TOTAL CURRENT ASSETS	<u>135,623</u>	<u>577,547</u>	<u>1,061,010</u>
PROPERTY, PLANT AND EQUIPMENT, At Cost			
Land	71,817	71,817	71,817
Building and Building Equipment	408,400	408,400	408,400
Machinery and Equipment	<u>1,378,364</u>	<u>1,363,681</u>	<u>1,345,127</u>
	1,858,581	1,843,898	1,825,344
Less: Accumulated Depreciation	<u>1,735,709</u>	<u>1,707,610</u>	<u>1,679,517</u>
	<u>122,872</u>	<u>136,288</u>	<u>145,827</u>
	<u>\$ 258,495</u>	<u>\$ 713,835</u>	<u>\$ 1,206,837</u>

The accompanying *Notes to Financial Statements* are an integral part of this statement.

liabilities . . .

BALANCE SHEET

September 30, 1994, 1993 and 1992

Liabilities and Stockholders' Equity

	1994	1993	1992
CURRENT LIABILITIES			
Current Portion of Mortgage Note Payable	\$ 425,000	\$ 375,000	\$ 325,000
Demand Notes Payable to Officer	2,105,000	1,820,000	1,500,000
Accounts Payable, Trade	697,286	490,662	400,767
Accrued Taxes and Expenses	-	-	(694)
TOTAL CURRENT LIABILITIES	<u>3,227,286</u>	<u>2,685,662</u>	<u>2,225,073</u>
 LONG TERM DEBT			
Mortgage Payable to Officer, net of current portion	<u>300,000</u>	<u>350,000</u>	<u>400,000</u>
 STOCKHOLDERS' EQUITY			
Common Stock, Par Value, \$0.125 per share:			
Authorized: 4,000,000; Issued: 2,847,704	355,963	355,963	355,963
Paid in Capital	6,924,042	6,924,042	6,924,042
Deficit	(10,548,795)	(9,601,832)	(8,698,241)
	(3,268,791)	(2,321,827)	(1,418,236)
	<u>\$ 258,495</u>	<u>\$ 713,835</u>	<u>\$ 1,206,837</u>

The accompanying *Notes to Financial Statements* are an integral part of this statement.

notes to financial statements . . .

1. ENTITY DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company is predominantly engaged in the engineering and manufacture of single sideband radio communications equipment, including installation, servicing and maintenance. Products are distributed worldwide through the Company's own sales personnel and authorized outside representatives.

The Company does not maintain an allowance for doubtful accounts in connection with accounts receivable since, historically, accounts which become uncollectible are relatively immaterial and are charged directly to expense.

Cost of inventories, as summarized below, is determined principally on the basis of lower of the average cost method or market:

	1994	1993	1992
Finished Goods	16,350	122,812	207,000
Work In Process	4,110	46,942	123,532
Raw Materials	<u>48,650</u>	<u>349,356</u>	<u>593,000</u>
	69,110	519,110	923,532

Fixed assets are stated at cost. Depreciation has been provided on the basis of the estimated useful lives of the depreciable assets using generally the straight-line method and rates of 2.5% for buildings and building equipment, and 10% to 33.33% for machinery and equipment.

2. Notes payable to estate of officer are payable on demand and bear interest at the prime rate.

3. Notes payable to officer at September 1983 of \$850,000 were converted into a mortgage note bearing interest at 9 percent. Semi-annual payments of \$25,000 are required to amortize principal for ten years, after which a balloon payment of \$375,000 is due. Principal payments for the years ended September 1988 through 1994 were not made, with the approval of the mortgage holder.

4. The Company has no minimum lease commitments under non-cancellable leases.

The corporation's federal income tax returns for the years ended September 30, 1991 and subsequent are subject to review by the United States Treasury Department.

There were no other known contingent liabilities of material amount at the balance sheet date.

5. Computation of per share amounts are based on the weighted average number of shares of common stock outstanding during each period.

Net operating loss carryforwards aggregating \$5,708,180 are available to offset future years' income, and expire \$1,406,751 in 2001, \$170,415 in 2003, \$240,561 in 2004, \$531,970 in 2005, \$776,496 in 2006, \$815,025 in 2007, \$819,999 in 2008 and \$859,359 in 2009. In addition, unused investment credits aggregating \$4,313 are available, the bulk of which expire 1995 to 2001.

6. Sales to the United State government agencies aggregated \$105,847 for the year ended September 30, 1994; \$126,979 for 1993; and \$349,564 for 1992.

president's message . . . corporate information . . .

To TMC Shareholders:

TMC continues to operate at a reduced level given the slack demand for high-frequency radio communications equipment. We are also considering a number of alternatives for repayment of the Company's debts and the further reduction of expenses to a level appropriate to our current level or revenues. This includes a review of our ongoing ability to continue in operation. The alternatives being considered include selling or leasing the Company's plant and headquarters building, restructuring its debt and operating assets, and seeking possible strategic alliances. There can be no assurance that the Company will succeed in carrying out any of the alternatives under consideration.

We are continuing our direct-mail program in order to keep our name in front of those organizations most likely to use our products. Coupled with this effort is ongoing development of overseas representatives who are in a much better position to exploit business opportunities than could TMC operating from its base in the United States.

Our efforts have been directed at carving out a niche in a small segment of the telecommunications market that is too small for larger companies to enter profitably. We will stay our course and concentrate on those areas where we have both technical strength and name recognition.

Neil de Pasquale

President

Principal Financial Contact

Neil H. de Pasquale

President

The Technical Materiel Corporation

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Transfer Agent and Registrar

TMC is authorized by the SEC to act as its own Transfer Agent and Registrar. Direct all inquiries to the Corporate Center.

The Technical Materiel Corporation
 Balance Sheet
 September 30, 1994

ASSETS

Current Assets		
Regular Checking Account	\$	533.79
Payroll Checking Account		5.63
Petty Cash		270.00
Accounts Receivable		45,601.88
Inventory - Stock Items		65,000.00
Inventory - Work-In-Process		4,110.00
Prepaid Taxes		18,438.05
Employee Exp Advances		171.77
Deposits		1,350.00
		<hr/>
Total Current Assets		135,481.12
Property and Equipment		
Furniture & Fixtures		157,701.68
Computers & Equipment		830,002.51
Trucks & Autos		32,742.28
Building		408,400.00
Shop Equipment		357,916.82
Land		71,817.00
Accum Depr - Furn & Fixtures		<157,701.68>
Accum Depr - Comp & Equipment		<778,947.80>
Accum Depr - Trucks & Autos		<32,742.28>
Accum Depr - Building		<408,400.00>
Accum Depr - Shop Equip		<357,916.82>
		<hr/>
Total Property and Equipment		122,871.71
Other Assets		
Accum Amort - Organiz Costs		142.15
		<hr/>
Total Other Assets		142.15
Total Assets	\$	<u>258,494.98</u>

LIABILITIES AND CAPITAL

Current Liabilities		
Accounts Payable	\$	15,376.43
Credit Card Payable		32,845.00
Accrued Interest - Mortgage		38,062.50
Accrued Interest - Notes		611,002.05
Notes Payable - Current		2,105,000.00
		<hr/>
Total Current Liabilities		2,802,285.98
Long-Term Liabilities		
Mortgages Payable		725,000.00
		<hr/>
Total Long-Term Liabilities		725,000.00
Total Liabilities		<u>3,527,285.98</u>
Capital		
Capital Surplus		6,924,042.00
Common Stock		355,963.00
Retained Earnings		<10,548,796.00>
Net Income		0.00
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Total Capital		<3,268,791.00>
Total Liabilities & Capital	\$	<u>258,494.98</u>