



*File copy*

**THE TECHNICAL MATERIEL CORPORATION**  
**1988 ANNUAL REPORT**

## directors . . .

Ray H. de PASQUALE  
Chairman

Frank BUDETTI

Neil H. de PASQUALE

George W. JENNINGS

Sandra E. MacDONALD

## officers . . .

Neil H. de PASQUALE  
President

Ray H. de PASQUALE  
Treasurer

Frank BUDETTI  
Vice President

Ruth S. TAYLOR  
Secretary

## business highlights . . .

	1988	1987	1986
Net Sales	\$ 833,521	\$ 1,165,067	\$ 1,170,414
Net Profit (Loss)	(170,415)	67,877	(826,751)
Current Assets	2,787,667	2,761,070	2,752,067
Current Liabilities	1,283,220	1,055,549	1,052,524
Working Capital	1,504,447	1,705,521	1,699,543
Current Ratio	2.2-to-1	2.6-to-1	2.6-to-1
Property, Plant and Equipment (Net)	162,106	156,447	169,548
Stockholders' Equity	1,041,553	1,211,968	1,144,091
Net Profit (Loss) per Share	(0.06)	0.02	(0.29)
Book Value per Share	0.37	0.43	0.40
Stockholders of Record	5,010	5,015	5,057
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 and the price range for the three preceding years has been 1/8 to 3/4.

# operations . . .

## STATEMENT OF OPERATIONS AND DEFICIT

For the Years Ended September 30, 1988, 1987 and 1986

	1988	1987	1986
Net Sales	\$ 833,521	\$ 1,165,067	\$ 1,170,414
Cost of Sales	<u>502,761</u>	<u>623,665</u>	<u>781,331</u>
Gross Profit	<u>330,760</u>	<u>541,402</u>	<u>389,083</u>
Operating Expenses:			
Engineering and Development	25,102	29,697	44,576
Selling, General and Administrative	<u>311,803</u>	<u>297,415</u>	<u>510,836</u>
	<u>336,905</u>	<u>327,112</u>	<u>555,412</u>
Income (Loss) from Operations	<u>(6,145)</u>	<u>214,290</u>	<u>(166,329)</u>
Other Income (Expense):			
Interest	(157,072)	(147,451)	(143,876)
Other, Net	<u>683</u>	<u>5,848</u>	<u>4,544</u>
	<u>(156,389)</u>	<u>(141,603)</u>	<u>(139,332)</u>
Net Income (Loss) Before Provision for Taxes on Income and Extraordinary Item	<u>(162,534)</u>	72,687	(305,661)
Provision for Taxes	<u>7,881</u>	<u>18,423</u>	<u>2,865</u>
Net Income (Loss) Before Extraordinary Item	<u>(170,415)</u>	54,264	(308,526)
Extraordinary Item:			
Utilization of Net Operating Loss Carryforward	--	13,613	--
Write-down of Inventory to Market Value	<u>--</u>	<u>--</u>	<u>518,225</u>
Net Income (Loss)	<u>(170,415)</u>	<u>67,877</u>	<u>(826,751)</u>
Deficit, Beginning of Year	<u>(6,068,037)</u>	<u>(6,135,914)</u>	<u>(5,309,163)</u>
Deficit, End of Year	<u>\$ (6,238,452)</u>	<u>\$ (6,068,037)</u>	<u>\$ (6,135,914)</u>
Net Income (Loss) per Common Share Before Extraordinary Item	\$ (.0598)	\$ .0190	\$ (.1083)
Extraordinary Item	<u>--</u>	<u>.0048</u>	<u>(.1820)</u>
Net Income (Loss) per Common Share	<u>\$ (.0598)</u>	<u>\$ .0238</u>	<u>\$ (.2903)</u>

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

## STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 1988, 1987 and 1986

	1988	1987	1986
<b>OPERATING ACTIVITIES</b>			
Net Income	\$ (170,415)	\$ 67,877	\$ (826,751)
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	22,206	23,040	25,064
Extraordinary item	--	--	518,225
Changes in operating assets and liabilities			
Increase in accounts receivable	(17,573)	69,698	38,098
Increase in inventories and prepaid expenses	(8,283)	(83,120)	55,715
Increase in accounts payable and accrued expenses	17,671	(11,975)	(32,931)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(156,394)</u>	<u>65,520</u>	<u>(222,580)</u>
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	<u>(27,865)</u>	<u>(9,939)</u>	<u>(721)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(27,865)</u>	<u>(9,939)</u>	<u>(721)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans	185,000	215,000	440,000
Principal payments of bank loans	--	(200,000)	(150,000)
Principal payment of other loans	<u>--</u>	<u>(75,000)</u>	<u>(75,000)</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>185,000</u>	<u>(60,000)</u>	<u>215,000</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>741</b>	<b>(4,419)</b>	<b>(8,301)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>24,907</u>	<u>29,326</u>	<u>37,627</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 25,648</u>	<u>\$ 24,907</u>	<u>\$ 29,326</u>

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

**BALANCE SHEET**  
September 30, 1988, 1987 and 1986

	ASSETS		
	1988	1987	1986
<b>CURRENT ASSETS</b>			
Cash	\$ 25,648	\$ 24,907	\$ 29,326
Accounts Receivable	177,234	159,661	229,359
Inventories, at the Lower of Cost or Market	2,565,786	2,555,215	2,474,557
Prepaid Expenses	<u>18,999</u>	<u>21,287</u>	<u>18,825</u>
<b>TOTAL CURRENT ASSETS</b>	<u>2,787,667</u>	<u>2,761,070</u>	<u>2,752,067</u>
<b>PROPERTY, PLANT AND EQUIPMENT, At Cost</b>			
Land	71,817	71,817	71,817
Building and Building Equipment	408,400	408,400	408,400
Machinery and Equipment	<u>1,247,712</u>	<u>1,219,847</u>	<u>1,209,908</u>
	1,727,929	1,700,064	1,690,125
Less: Accumulated Depreciation	<u>1,565,823</u>	<u>1,543,617</u>	<u>1,520,577</u>
	<u>162,106</u>	<u>156,447</u>	<u>169,548</u>
	<u>\$ 2,949,773</u>	<u>\$ 2,917,517</u>	<u>\$ 2,921,615</u>

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

## BALANCE SHEET

September 30, 1988, 1987 and 1986

### LIABILITIES AND STOCKHOLDERS' EQUITY

	1988	1987	1986
<b>CURRENT LIABILITIES</b>			
Notes Payable to Bank	\$ --	\$ --	\$ 200,000
Current Portion of Mortgage Note Payable	100,000	75,000	50,000
Demand Notes Payable to Officer	1,140,000	955,000	765,000
Accounts Payable, Trade	46,919	19,745	15,572
Accrued Taxes and Expenses	<u>(3,699)</u>	<u>5,804</u>	<u>21,952</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>1,283,220</u></b>	<b><u>1,055,549</u></b>	<b><u>1,052,524</u></b>
<b>LONG TERM DEBT</b>			
Mortgage Payable to Officer	<u>625,000</u>	<u>650,000</u>	<u>725,000</u>
<b>STOCKHOLDERS' EQUITY</b>			
Common Stock, Par Value \$0.125 per share:			
Authorized: 4,000,000; Issued: 2,847,704 shares	355,963	355,963	355,963
Capital Surplus	6,924,042	6,924,042	6,924,042
Deficit	<u>(6,238,452)</u>	<u>(6,068,037)</u>	<u>(6,135,914)</u>
	<u>1,041,553</u>	<u>1,211,968</u>	<u>1,144,091</u>
	<b>\$ <u>2,949,773</u></b>	<b>\$ <u>2,917,517</u></b>	<b>\$ <u>2,921,615</u></b>

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

# notes to financial statements . . .

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

2. No allowance for doubtful accounts has been established because historically, accounts which become uncollectible are relatively immaterial and are charged directly to expense.

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

	<u>1988</u>	<u>1987</u>	<u>1986</u>
Finished Goods	\$ 827,411	\$ 1,104,337	\$ 1,169,026
Work In Process	85,465	22,200	31,153
Raw Materials	<u>1,652,910</u>	<u>1,428,678</u>	<u>1,274,378</u>
	<u>\$ 2,565,786</u>	<u>\$ 2,555,215</u>	<u>\$ 2,474,557</u>

In the opinion of the management, inventory quantities are not excessive in relation to the Company's requirements for anticipated future production and spare parts shipments.

4. During the year ended September 30, 1986, inventories were written down to current market values. The inventory reserve for obsolescence set up in prior years was eliminated, resulting in an extraordinary item of \$518,225 composed of inventory write-downs of \$1,098,225 net of \$580,000 from writing off the reserve for obsolescence.

5. 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.

6. Notes payable to bank and officer are payable on demand and bear interest at one-half per cent over prime.

7. Notes payable to officer at September 1983 of \$850,000 was 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 payment of \$375,000 is due. Principal payments for the year ended September 1988 were not made, with the approval of the mortgage holder.

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

The corporation's federal income tax returns for the years ended September 30, 1985 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.

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

Income tax expense at September 30, 1987 contain a charge in lieu of Federal and New York State franchise taxes that would have been required to be paid had the company not been able to utilize its net operating loss carryforward. The tax benefits of such utilization are shown as an extraordinary item.

Net operating loss carryforwards aggregating \$2,106,495 are available to offset future years' income, and expire \$364,749 in 1993; \$164,580 in 1994; \$1,406,751 in 2001; and \$170,415 in 2003. Unused investment credits aggregating \$8,769 are also available, the bulk of which expire from 1993 to 2001.

10. Sales to the United States Government agencies aggregated \$527,425 for the year ended September 30, 1988; \$668,209 for 1987; and \$459,124 for 1986.

11. In November 1987, the Financial Accounting Standards Board issued Statement No. 95, "Statement of Cash Flows". The Company adopted the provisions of the Statement in its 1988 financial statements and restated previously reported Statements of Changes in Financial Position for 1987 and 1986.

Board of Directors  
The Technical Materiel Corporation  
Mamaroneck, New York

Gentlemen:

The accompanying balance sheets of **THE TECHNICAL MATERIEL CORPORATION** at September 30, 1988, 1987 and 1986, and the related statements of operations and deficit and cash flows for the years then ended were not audited by us and, accordingly, we do not express an opinion on them.

## **MARSHALL GRANGER & COMPANY**

Mamaroneck, New York  
October 25, 1988

## **PRINCIPAL FINANCIAL CONTACT:**

Mr. Ray H. de Pasquale  
Chairman of the Board  
The Technical Materiel Corporation  
700 Fenimore Road  
Mamaroneck, New York 10543  
914-698-4800

## **CORPORATE CENTER**

700 Fenimore Road  
Mamaroneck, New York 10543  
Telephone : 914-698-4800  
Telex: 137-358  
Facsimile: 914-698-4805

## **COMMON STOCK**

Traded Over-The-Counter  
Kidder, Peabody and Company  
20 Exchange Place  
New York, New York 10005

### **Price Range:**

TMC Common Stock has had a very limited market and the price range for the three preceding years has been 1/8 to 3/4.

## **TRANSFER AGENTS and REGISTRAR**

American Stock Transfer Company  
99 Wall Street  
New York, New York 10005

## **FOR FURTHER INFORMATION ABOUT TMC:**

Mr. Neil H. de Pasquale, President  
The Technical Materiel Corporation  
700 Fenimore Road  
Mamaroneck, New York 10543  
914-698-4800



# background . . .

The Technical Materiel Corporation is in the business of communications engineering. Simply stated, we make it possible for people and machines to communicate with one another by planning, creating and combining equipment to provide complete facilities for modern communications. We accomplish this through people, working at various TMC locations worldwide.

Our line of over 400 products range from the basic assemblies used in RF transmission to complex systems used in computer command and control. These products are designed to carry data, facsimile, video and voice throughout the world.

*Communication Systems  
Tranceivers  
Transmitters and Receivers  
RF Antenna Couplers  
Security/Remote Control Equipment*

*Computer Hardware and Software  
RF and Digital Connectors  
Switching Patch Panels  
Audio and FSK Products  
Electronic Tools and Test Equipment*

Since 1947 when TMC was first organized as a supplier of electronic equipment to the U.S. Armed Forces, the focus of the company has been on providing customers throughout the world with the type of equipment they need to communicate. Our customers include commercial users, both U.S. and foreign governments, and civil defense agencies. TMC equipment is found in 140 countries on five continents.

Only the finest workmanship goes into the design and manufacture of TMC products. It is so reliable that we still support operating equipment built in TMC plants over 30 years ago. We purposely build in to the assembly process many tests that detect flaws in the product. Our success in achieving near zero-defect quality is measured by the long list of customers who have repeatedly come back to TMC over the decades as new requirements develop. The respect and loyalty TMC has developed assures our future customers that only the best in modern equipment design is supplied for their communication needs.

Our sale does not end with delivery of equipment to a customer. We maintain a competent staff of electronic and mechanical engineers, all with many years of experience, who travel to outlying sites to maintain and install our equipment. They train technicians "on the job" in correct procedures so that equipment is assured a long, trouble-free life. Our overseas representatives are selected on the basis of their technical expertise and provide that local support so vital to a successful marketing and support effort.

In addition, TMC offers a full spectrum of engineering support for the complex and varied products operating in the field. These support services include:

*System Engineering  
Software Development  
Service and Installation  
Program Management*

*Training and Publications  
Site Preparation and Design  
Spare Parts Support  
Network Design and Integration*

Customer support, however, goes beyond these services. There are the people at TMC who are the backbone of the corporation. There is the **TMCCommunicator** newsletter which keeps users advised of the latest developments in modern equipment design. These services give customers more than they bargained for and provide the finishing touches that makes TMC, as a quality business, truly stand out.

The Technical Materiel Corporation  
700 Fenimore Road  
Mamaroneck, New York 10543 U.S.A.

*File copy*

6120 04556 00000

FIRST CLASS

RAY H DEPASQUALE  
C/O THE TECH MATERIAL CORP  
700 FENIMORE RD  
MAMARONECK NY 10543

