WORLD WIDE SUPPLIERS OF ELECTRONIC COMMUNICATIONS EQUIPMENT.

The TECHNICAL MATERIEL CORPORATION

1982

ANNUAL REPORT

directors . . .

R.H. dePASQUALE
Chairman

E.J. HOFMANN

F. BUDETTI

G.W. JENNINGS

D.C. MacDONALD

officers . . .

E.J. HOFMANN
President

FRANK BUDETTI
Vice President

RAY H. dePASQUALE
Treasurer

RUTH S. TAYLOR
Secretary

TELECOM REALTY CORP.
E.J. Hofmann
President

business highlights . . .

	FISCAL YEAR	
	1982	**1981**
Net Sales	$3,448,288	$2,344,376
Net Profit	154,729	92,349
Current Assets	3,912,297	3,456,278
Current Liabilities	2,337,019	2,014,369
Working Capital	1,575,278	1,441,909
Current Ratio	1.7 to 1	1.7 to 1
Property, Plant and Equipment, Net	638,366	669,716
Rental Property	589,553	598,321
Stockholders' Equity	983,825	830,082
Net Profit per Share	.05	.03
Book Value per Share	.35	.29
Stockholders	5,494	5,546
Number of Shares of Stock Outstanding	2,847,704	2,847,704

Technical Materiel Corporation common stock has had a very limited market and the price range for the two preceding years has been 1/8 to 7/8.

message from the president . . .

Our year ended September 30, 1982 was one of significant progress. Cost-cutting programs implemented in prior years have begun to reflect positive results. Sales which improve steadily were 200% of 1979 levels, and represent an increase of 47% over last year. Gross profit margins remain strong. While inventories increased approximately 14% over last year, they represent a gearing up for anticipated U.S. and foreign government sales expected to materialize during this current fiscal year.

Despite the negative impact of recession and Government cutbacks, our order backlog at September 30, 1982 aggregated $978,000, an 84% increase over the backlog at September 30, 1981. Among our prospects for continued profits and additional new business is our present "rehab" program for the U.S. Navy, representing significant potential revenues over the next four or five years.

Your Corporation looks forward to still another year of progress. No effort will be spared to make it so.

Eugene J. Hofmann
President

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

For the Years Ended September 30, 1982 and 1981

	1982	1981
Net Sales (Note 10)	$ 3,448,288	$ 2,344,376
Cost of sales	1,747,317	973,706
Gross profit	1,700,971	1,370,670
Operating Expenses:		
Engineering and development	250,236	193,693
Selling, general and administration	1,036,900	855,270
	1,287,136	1,048,963
Income from operations	413,835	321,707
Other Expenses/(Income):		
Interest	299,584	267,533
Other	(48,204)	(38,175)
	251,380	229,358
Net income before provision for taxes on income	162,455	92,349
PROVISION FOR TAXES ON INCOME		
New York State Franchise Taxes	7,726	——
Net income	154,729	92,349
DEFICIT, beginning of year	(6,446,065)	(6,538,414)
DEFICIT, end of year	$(6,291,336)	$(6,446,065)
Net income per common share (Note 8)	$.05	$.03

The accompanying notes to consolidated financial statements are an integral part of this statement.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended September 30, 1982 and 1981

	1982	**1981**
SOURCES OF WORKING CAPITAL:		
Operations:		
Net income	$ 154,729	$ 92,349
Add: depreciation and amortization of property, plant and equipment as not requiring use of funds	40,863	41,258
Working capital provided by operations	195,592	133,607
Disposal of fixed assets	——	27,423
	195,592	161,030
APPLICATIONS OF WORKING CAPITAL:		
Reduction of mortgage notes payable	60,492	62,839
Purchase of property, plant and equipment	4,212	667
Translation adjustments	(2,481)	3,858
	62,223	67,364
Increase in working capital	$ 133,369	$ 93,666
DETAILS OF CHANGES IN WORKING CAPITAL:		
Increase (decrease) in current assets:		
Cash	$ 26,610	$ (43,647)
Accounts receivable	42,058	1,251
Inventories	412,080	3,726
Prepaid expenses	(24,729)	17,175
	456,019	(21,495)
Increase (decrease) in current liabilities:		
Notes payable to bank	91,000	101,000
Current installments of mortgage notes payable	(36,700)	(13,218)
Demand notes payable to officers	(40,000)	40,000
Accounts payable	193,471	(171,593)
Accrued franchise taxes	(2,295)	(3,026)
Other accrued taxes and expenses	117,174	(68,324)
	322,650	(115,161)
Increase in working capital	$ 133,369	$ 93,666

The accompanying notes to consolidated financial statements are an integral part of this statement.

CONSOLIDATED BALANCE SHEET

September 30, 1982 and 1981

	1982	1981
CURRENT ASSETS:		
Cash	$ 79,095	$ 52,485
Accounts receivable — $377,117 in 1982 and $293,955 in 1981 from the U.S. and foreign governments (Note 7)	447,935	405,877
Inventories, at the lower of cost or market, net of $580,000 reserve for obsolescence (Note 4)	3,337,985	2,925,905
Prepaid expenses	47,282	72,011
Total current assets	3,912,297	3,456,278
PROPERTY, PLANT AND EQUIPMENT, at cost (Note 5):		
Land	195,967	196,130
Building and building equipment	1,088,872	1,097,012
Machinery and equipment	1,199,552	1,230,106
	2,484,391	2,523,248
Less accumulated depreciation and amortization	1,846,025	1,853,532
	638,366	669,716
OTHER ASSETS:		
Rental property (net of accumulated depreciation of $356,766 in 1982 and $347,998 in 1981)	589,553	598,321
	$5,140,216	$4,724,315

The accompanying notes to consolidated financial statements are an integral part of this statement.

CONSOLIDATED BALANCE SHEET

September 30, 1982 and 1981

	1982	1981
CURRENT LIABILITIES:		
Notes payable to banks (Note 6)	$1,211,000	$1,120,000
Current portion of mortgage notes payable	105,764	142,464
Demand notes payable to officer (Note 1)	310,000	350,000
Accounts payable	452,778	259,307
Accrued franchise taxes	——	2,295
Other accrued taxes and expenses	257,477	140,303
Total current liabilities	2,337,019	2,014,369
LONG-TERM DEBT:		
Mortgage notes payable — 6.5% and 6.75% due 1982-1992, net of current portion above (Note 6)	619,372	679,864
Notes payable to officer (Note 1)	1,200,000	1,200,000
	1,819,372	1,879,864
COMMITMENTS AND CONTINGENCIES (Note 7)	——	——
STOCKHOLDERS' EQUITY:		
Common stock, par value 12½¢ per share: Authorized — 4,000,000; issued — 2,847,704 shares	355,963	355,963
Capital surplus	6,924,042	6,924,042
Deficit	(6,291,336)	(6,446,065)
Translation adjustment (Note 2)	(4,844)	(3,858)
	983,825	830,082
	$5,140,216	$4,724,315

The accompanying notes to consolidated financial statements are an integral part of this statement.

NOTES TO CONSOLIDATED 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.

   The Company and its subsidiaries sustained material losses in prior years, principally due to reduced United States government business and other market conditions which had adverse effects on the Company's operations and on its abilities to sustain such losses.

   The financial statements have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that cash will be available to finance future operations and that the realization of assets and settlements of liabilities will occur in the ordinary course of business, rather than through a process of liquidation. In the latter case the net realizable value of assets such as inventory and fixed assets could be significantly higher or lower than as shown in these financial statements.

   The Company's continued operations are dependent upon its majority stockholder's willingness and ability to continue financing corporate operations. At September 30, 1982, such financing aggregated $2,810,000 representing direct loans of $1,510,000 (at one per cent interest) and a $1,300,000 bank line of credit guaranteed to the extent of $970,000 by the stockholder personally. The $1,510,000 is composed of demand notes aggregating $310,000 and $1,200,000. The latter are reflected as long-term debt inasmuch as the obligations are not repayable in the current fiscal year, and are expected to be refinanced.

2. The consolidated financial statements include the accounts of the Company and both its subsidiaries, TMC (Canada) Limited and Telecom Realty Corp. Intercompany balances and transactions have been eliminated in consolidation.

   The financial statements of TMC (Canada) Limited are translated according to the Financial Accounting Standards Board Statement 52, whereby all assets and liabilities are converted at the September 30, 1982 exchange rate, and the income statement at the average rate of exchange in effect during the year. The resulting translation difference is reflected in the equity section as "Translation adjustment."

3. During the year ended September 30, 1981 reductions in investments (totaling $1,063,940) in subsidiaries were recorded to reflect the dissolution of TMC Arizona, Inc. and TMC Systems & Power Corporation, and during the year ended September 30, 1982, a reduction of $11,500 was recorded to reflect the dissolution of TMC (AG) in Switzerland.

4. At September 30, 1982 and September 30, 1981, over $2,000,000 of the Company's inventories represented items which were purchased or manufactured in prior fiscal years as replacement parts for government contracts and are currently being used for increased government business. 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, and with respect to slow-moving inventories, adequate provisions have been made.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	1982	1981
Finished goods....	$1,067,996	$ 886,224
Work in process....	745,698	515,824
Raw materials.....	2,104,291	2,103,857
	3,917,985	3,505,905
Less reserve for obsolescence...	580,000	580,000
	$3,337,985	$2,925,905

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 2½% for buildings and building equipment, 10% — 33⅓% for machinery and equipment.

   At September 30, 1981, the Company and its subsidiaries' real estate holdings (net book value of $830,000) had a replacement value assigned by an outside appraiser of approximately $4,700,000.

6. Mortgage note payments due during the five years subsequent to the 1982 fiscal year aggregate $66,937 for 1983, $71,496 for 1984, $76,365 for 1985, $81,567 for 1986 and $87,881 for 1987.

   The notes payable to banks are collateralized to the extent of $970,000 by securities pledged by the Corporation's chairman, a majority stockholder.

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

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

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

9. The Company files a consolidated federal return with its U.S. subsidiary, Telecom Realty Corp. Consolidated net operating loss carryforwards aggregating $1,559,242 are available to offset future years' income, and expire $112,762 in 1991, $741,674 in 1992, $540,226 in 1993, and $164,580 in 1994. In addition, unused investment credits aggregating $5,937 are available, the bulk of which expire 1993 to 1996.

10. Sales to United States Government agencies aggregated $1,794,362 for the year ended September 30, 1982 and $1,120,819 for 1981.

accountant's report . . .

Board of Directors
The Technical Materiel Corporation
Mamaroneck, New York

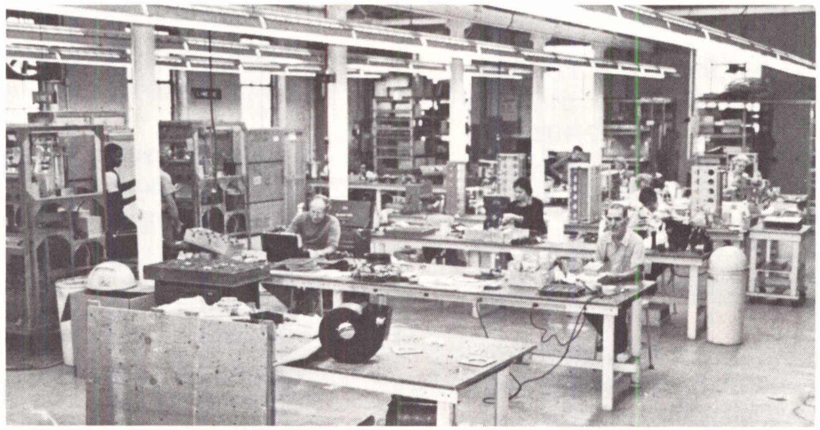
The accompanying comparative consolidated balance sheets of THE TECHNICAL MATERIEL CORPORATION and its wholly-owned subsidiaries as at September 30, 1982 and 1981, and the related comparative consolidated statements of income and deficit and changes in financial position for the years then ended were not audited by us and, accordingly, we do not express an opinion on them.

MARSHALL GRANGER & COMPANY
Mamaroneck, New York
December 10, 1982

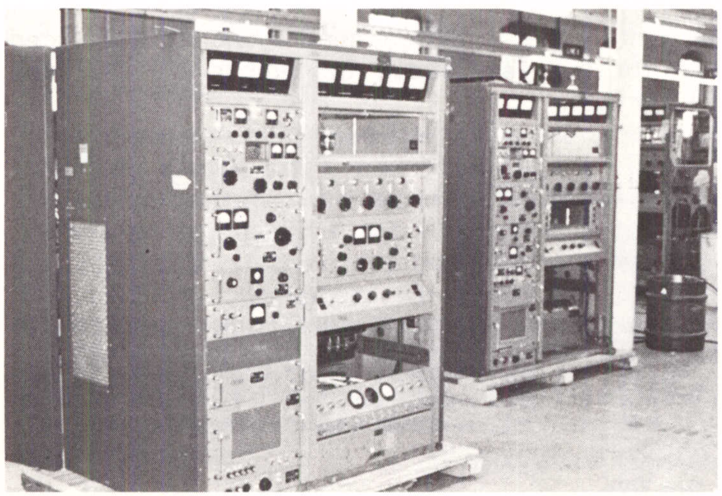
TMC services — world-wide . . .

TMC has sold thousands of transmitters throughout the World over the last twenty years, most of which are currently operating. These transmitters vary in power from 1,000 to 200,000 watts.

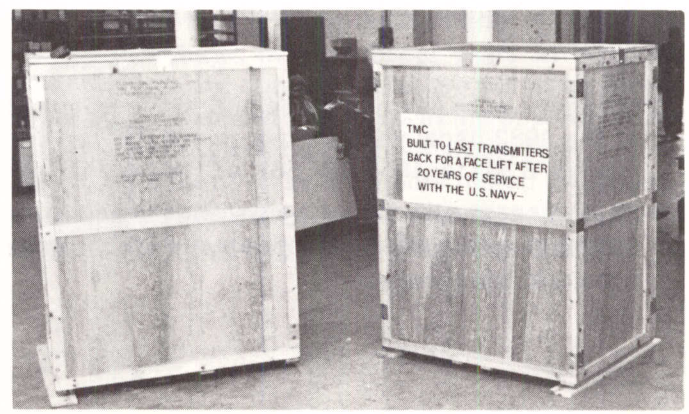
We continue to service these products with spare parts and technical consultation. Additionally, we have assembled a "special team" to completely refurbish these units at a cost much less than replacement with new apparatus.



Production area where transmitters are completely disassembled and rebuilt.

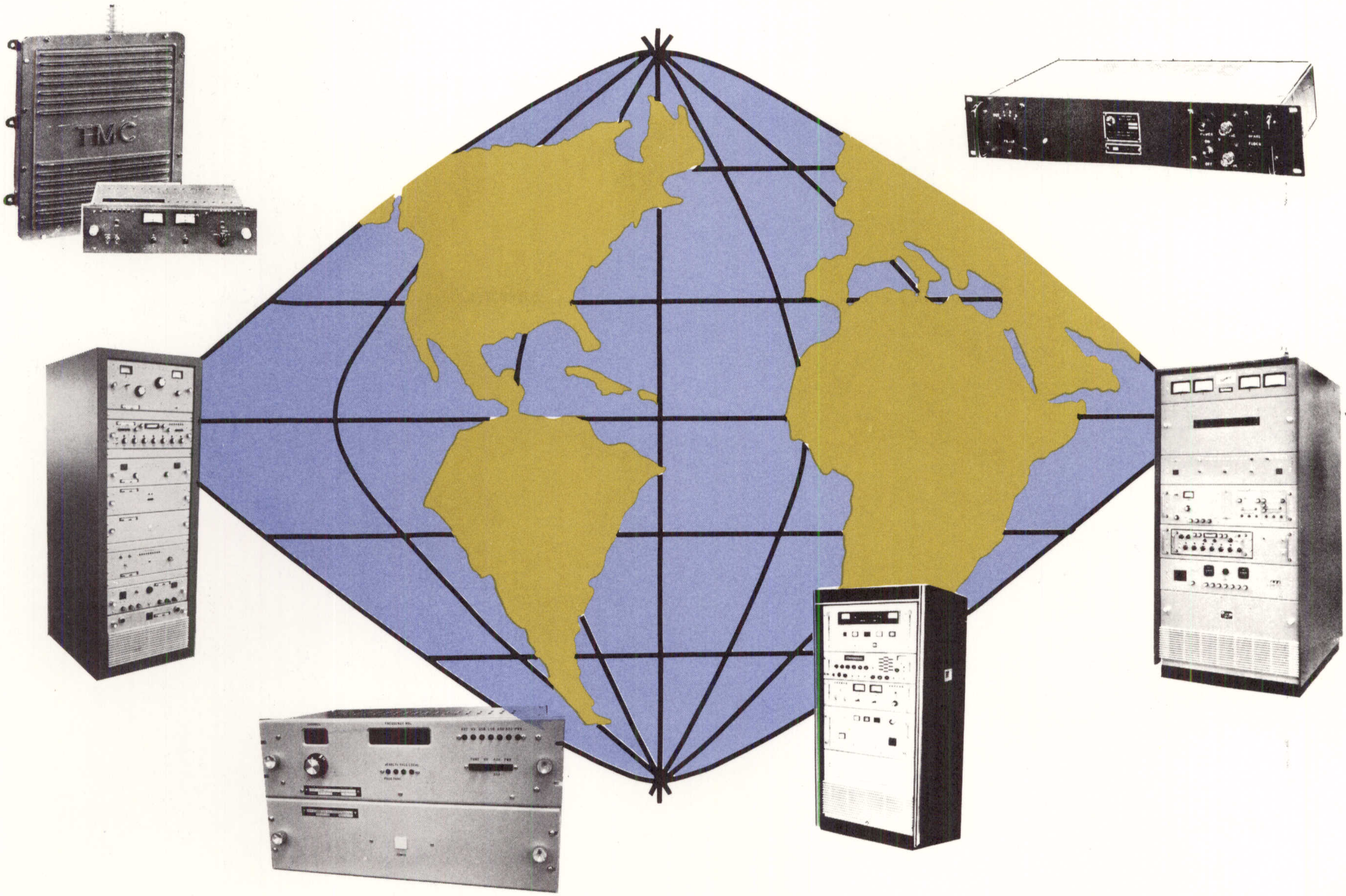


10KW transmitters back for refurbishing from U.S. Navy Station, Hawaii.



Completed transmitter ready for shipment using reusable containers.

**WE MAKE OVER 150 PRODUCTS
IN THE COMMUNICATIONS FIELD
WHICH ARE DISTRIBUTED TO OVER 100 COUNTRIES**



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