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TECH LABORATORIES INC
Form 10KSB
April 14, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-KSB

Annual Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the Fiscal Year Ended December 31, 2003

Transition Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

Commission File Number 000-27592

TECH LABORATORIES, INC.
(Exact name of Small Business issuer in its charter)

New Jersey

22-1436279

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

955 Belmont Avenue, North Haledon, New Jersey

07508

(Address of principal executive offices)

(zip code)

Issuer's telephone number, including area code: (973) 427-5333

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$.01
par value

Check whether the issuer (1) has filed all reports required to be filed by
Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding
12 months (or for such shorter period that the registrant was required to file
such reports) and (2) has been subject to such filing requirements for the past
90 days.

Yes No

Check if there is no disclosure of delinquent filers pursuant to Item 405 of
Regulation S-B contained in this form and no disclosure will not be contained,
to the best of registrant's knowledge, in definitive proxy or information
statements incorporated by reference in Part III of the Form 10-KSB or any
amendment to this Form 10-KSB.

State issuer's revenues for its most recent fiscal year: \$ 236,107

State the aggregate market value of the voting stock held by non-affiliates
computed by reference to the price at which the stock was sold, or the average
bid and ask prices of such stock, as of a specified date within the last 60
days. On April 12, 2004, the aggregate market value of voting stock held by
non-affiliates, based on the closing price as quoted on the OTC Bulletin Board
under the symbol "TCHL", was \$3,527,335.95.

The number of shares of common stock outstanding as of April 12, 2004:
33,682,719

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Transitional Small Business Disclosure Format (check one): Yes No

TECH LABORATORIES, INC. FORM 10-KSB

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TECH LABORATORIES, INC. Form 10-KSB

Forward-looking Statements

Statements made in this Form 10-KSB that are not historical or current facts are "forward-looking statements" made pursuant to the safe harbor provisions of federal securities laws. These statements often can be identified by the use of terms such as "may," "will," "expect," "anticipate," "estimate," or "continue," or the negative thereof. Such forward-looking statements speak only as of the date made. Any forward-looking statements represent management's best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties, and important factors beyond the control of Tech Labs that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected. These factors include, but are not limited to, those discussed under the caption "Factors That May Affect Future Events" in Item 6 of this Form 10-KSB. Tech Labs disclaims any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

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Part I

Item 1. Description of Business.

BUSINESS

General

Tech Laboratories, Inc. ("Tech Labs" or the "Company") manufactures and sells various electrical and electronic components. During 2003, we marketed and continued to develop DynaTraX(TM) high-speed digital switch matrix system, an electronic switching unit for network management and security. This equipment manages video and data transmissions on a network.

Historical Business

We also manufacture and sell standard and customized transformers, and rotary switches, the latter of which products permits an electrical signal to be diverted from point A to point B. Approximately 10% of our products are manufactured for military applications.

We sell our switch and transformer products in the electronics and electrical industries, primarily as a contract manufacturer for other companies or for inclusion in OEM products. We market our products in these industries in the United States. This is a mature market. Competition is on the basis of price and service. Pricing of our products is based upon obtaining a margin above cost of production. The margin we will accept varies with quantity and the channels of distribution.

Industry

DynaTraX(TM) Networking Management and Maintenance Technology

Tech Labs manufactures, markets, and sells a product which it believes will create a new paradigm on automating and securing high-tech networks at the physical layer. Our product, DynaTraX(TM), a patented, high-speed digital matrix cross-connect switch with a dynamic new technology, can significantly reduce network downtime and achieve substantial cost savings in data and telecommunications networking environments. DynaTraX(TM) has the ability to create a critical and meaningful solution to stop hackers from intruding into networks and, thereby, to thwart cyber-terrorists. DynaTraX(TM) electronically disconnects a hacker, detected by Intrusion Detection Software, and reconnects the hacker to a simulated network within 60 - 90 nanoseconds and allows the user to hold and trace the hacker.

On September 19, 2002, the United States Patent and Trademark Office published our patent application for the use of our DynaTraX(TM) technology to provide Positive Network Access Security control to prevent hacker attacks from causing extensive harm to network services and systems.

Employing this physical layer security solution allows the user/system to automatically disconnect circuits under attack from an unauthorized user by quickly rerouting the hacker to a honey pot (track, trace & locate) simulator network system to capture the intruder. The ability to automate creates a self-healing environment for next generation robust high-tech communication network.

The DynaTraX(TM) switch provides network administrators with the unique capability to remotely manage and maintain the "physical level" (the actual

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physical connectivity) of their networks from virtually any computer with a few clicks of a mouse on a user-friendly graphical user interface (GUI). This technology allows administrators to quickly and efficiently perform physical changes electronically to repair networking problems (such as loss of connectivity resulting in the need to move a cable to a different hub), or to perform network reconfigurations (moves, adds or changes) to distribution equipment such as computers and telecommunications devices. No longer does a technician have to be dispatched to a telecommunication closet to resolve most networking problems, or to provide changes to users' existing services on the network.

Examples of where the DynaTraX(TM) has been found to be particularly cost effective include: (1) active large remote corporate locations with minimal or no IT personnel where expensive outside technicians must often be dispatched to resolve problems or other requests; and (2) locations where very frequent movement of personnel occurs, such as in the military or at a convention center where network reconfigurations are frequently required. Reconfigurations are expensive with costs ranging from \$50 to \$200 on-site, and two to ten times that for off-site reconfigurations, versus virtually no cost if a DynaTraX(TM) is utilized. These figures do not include potential losses in productivity and revenues associated with extended downtimes.

DynaTraX(TM) is also equipped with two key complementary products - a Test Card and a Data Base Management System. The Test Card enables administrators to effectively locate and resolve cable fault problems on the distribution portion of the network. Customers state that the Test Card is far superior to alternative methods for diagnosing problems such as traditional cable test equipment, which typically involves using technicians to search throughout the entire network, moving equipment and possibly interfering with the performance of the network. DynaTraX's(TM) Database Management System documents every event that occurs within the network, assuring that all reconfigurations and other adaptations to the network are reflected on the DynaTraX's(TM) GUI. Given the maze of wires, plugs, and jacks that are typically found in a telecommunications closet, administrators are notorious for not properly noting changes made to the network, resulting in cabling connections errors and significant loss of productivity from unforeseen downtime. With most network problems originating on the physical level, the Test Card and Data Base Management System make the DynaTraX(TM) a complete tool for managing and ensuring the integrity of data networks.

Since launching its marketing campaign on a limited basis in early 2001, the DynaTraX(TM) has been reviewed favorably, particularly from the U.S. military which frequently moves personnel and performs routine networking changes for security purposes. DynaTraX(TM) has been tested and purchased by the U.S. Air Force and the U.S. Navy for inclusion in government projects. Prominent commercial users of the DynaTraX(TM) include Global Crossing Inc, Nortel Networks, Allied Irish Bank, Sanko Telecom of Japan, and Blue Cross of Florida.

Tech Labs' long-term growth strategy includes development of DynaTraX's(TM) technological capabilities, and, concurrently, product integration and establishment of strategic partnerships with world-class software and hardware vendors (especially enterprise management software providers in the short term). With the use of our newly developed API (Application Programmable Interface), vendors can write scripts to DynaTraX(TM) allowing automatic reconfiguration.

Tech Labs has established relationships with key businesses in this field, including Computer Associates Inc. and EMC2 Inc., particularly in relation to the DynaTraX(TM) Enterprise Management Solution "DEMS". DEMS elevates the current DynaTraX(TM) electronic patching system to an interactive

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intelligent enterprise management "Virtual Technician" system. The Virtual Technician dramatically reduces the need for on-site technicians to perform physical layer tasks, which can now be performed electronically from a remote location (i.e., remotely testing network circuits, reconnecting equipment and circuits, rapidly recovering from a critical network failure, capturing and trapping hackers). Our goal is to further enhance the DEMS technology beyond the Virtual Technician application to a system that will perform "self healing" (self-repair) network functions. Current and future products derived from the DynaTraX(TM) will position the Company, we believe, as a provider of state-of-the-art network enterprise management solution systems. We believe we will expand from this base to become a recognized provider of enhanced networks and integrated (voice/data/video) Internet (IP) compatible, private customer-premise all-digital Automatic Call Directors, and PBX systems and networks.

There are at least four companies that have products that compete with the DynaTraX(TM) product. However, we believe none of these competitors offer a product with all of the features or capabilities of DynaTraX(TM).

We continue to believe that competition in the sale of our DynaTraX(TM) products will be on the basis of price, features, service and technical support. Pricing of our products is based upon obtaining a margin above cost of production. The margin we will accept varies with quantity and the channels of distribution.

Competition for network management products comes from several different sources. One source of competition is the designated employees of large organizations which have been hired to manage and maintain their internal networks. However, we believe the growing need to control and reduce costs by using technology such as DynaTraX(TM) to automate tasks otherwise performed by expensive technical labor, will provide Tech Labs with market opportunities.

Another group of competitors which produces products to manage and maintain the network physical layer consists of NHC, RIT and Cyteck. Of these three companies, NHC is the only one that offers a product comparable to DynaTraX(TM), but which is not as fast as DynaTraX(TM). In addition, V-LAN switching, which is a technology utilized by a number of companies, can be regarded as a competing technology. However, V-LAN switching is limited to a specific type of network, i.e., Ethernet, and not able to support many tasks which our DynaTraX(TM) technology is designed to complete. These tasks are:

- o rearranging network physical layer connections, e.g.s moves, adds, and changes of equipment such as computer terminals; fax machines; and printers;
- o testing circuits;
- o managing and maintaining end-to-end network configuration, which is the connection between different points on a network from the telecommunications closet to the user outlet; and
- o maintaining asset inventory records.

We regard V-LAN as complementary to DynaTraX(TM) circuit switching since they can work together to provide a more comprehensive network management/maintenance solution. The four competitors all have greater financial and other resources and currently account for substantially all of the existing market.

Infrared Intrusion Detection System or "IDS"

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As of January 2003, Tech Labs no longer has the exclusive right to manufacture and sell in the U.S., Canada, and South America the IDS products. Tech Labs, however, continues to sell its existing inventory of IDS products to the security and anti-terrorist industry.

Marketing Strategies

Marketing. Subject to available resources, we will employ a marketing program consisting of:

Typical Resale Channel Partners. These are technically qualified networking systems integration, implementation and management type companies, in the business of providing network project-management consulting services and/or on-site implementation, installation and maintenance support services. The companies Tech Labs deals with will be working in the markets (commercial or government) the Company has targeted and already established a customer base.

Building Sales and Sales Leads. In addition to the already existing networks of existing and potential clients known by the Company's managers and resale channel partners, Tech Labs will also embark on a promotion program consisting of advertising in trade journals, trade show participation and mailing campaigns. The Company is establishing itself as a certified approved partner of large Enterprise Management systems providers, as well as large networking equipment companies where there is a fit for integrating the Company's technology with these companies' technologies and products.

Advertising. This will be a program for both commercial and military markets involving a focused DynaTraX(TM) Enterprise Management Solution campaign in trade magazines, including commercial and government oriented trade magazines.

Trade Shows. The Company hopes to participate in industry and government focused trade shows.

Mailing Campaign. Tech Labs will use commercial and government industry mailing lists available through industry trade organizations. These lists will be territorially arranged focusing on the proper person or groups involved in specifying, recommending and/or purchasing DynaTraX(TM) products.

Certified Partners Programs. Working under such arrangements, the Company expects to be able to co-promote its technology through its existing sales channels and marketing programs. In some instances, these organizations will even sell the product through their sales organization catalogs as a value-added product or as an OEM.

Marketing Channels

The sales infrastructure for DynaTraX(TM) will include, as funds become available, a three-tier sales organization structure comprised of a senior

company sales executive managing up to six "market area" sales managers and several resale channels in each area. These market areas will be located in the following general regions: East Coast, Southwest, Mid West, West Coast, and Northwest. Market territories will be selected based on the projected number of commercial and government organizations considered to be primary target customers. These regional areas will be further broken down to several "channel

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sales territories".

The first market area to be developed is the East Coast but due to economic factors and conditions has been delayed. The Company will recommence the build-up of the East Coast region upon sufficient resources becoming available. The goal is to have a minimum of three regional territory sales managers in each market area. For example, on the East Coast, the Company will set up managers in the Northeast, New York City/New Jersey Metro region, Mid-Atlantic - Washington DC region, and Southeast - Orlando/Tampa Florida region.

U.S. Military

The Department of Defense is presently under a mandate from the President and Congress to minimize costs and maximize efficiency. The military, unlike commercial organizations, will encourage, we believe, the use of new technology such as DEMS to improve productivity, operations and reliability. The specific military business opportunities the Company is targeting includes: Improving IT network management and maintenance capabilities; supporting "rapid deployment" for configuring networks and for recovering from network disasters; having current and accurate information about network configurations, connected assets and usage statistics; preventing hackers or other type of unauthorized attempts from gaining access to network resources, and then identifying and capturing them.

Non-military Government Agencies

These government organizations primarily contract out their network support operations. They are under significant pressure to reduce staff and costs while also being asked to do more. In order to achieve these mandates, agencies will have to rely on new technology such as DEMS that can help improve their productivity while at the same time increase network services and reliability. In addition, government agencies are also being challenged by Congress regarding their poor track record on protecting their information and network resources against hackers and other unauthorized users.

Commercial Organizations

Opportunities include large organizations with many regional business offices and/or local call centers (remote office operations) as well as mid-size organizations with medium size headquarters and small remote branch operations. Included in this group are Fortune 1000 service organizations (banks, financial investment companies, medical insurance companies, large retail operations, etc.) that have regional operations and rely on territory branch offices to sell their products or services to their customers, and organizations that have a need to change their network arrangement "churn" to support relocating personal or to service temporary users of their facilities. In addition to relying on their networks to conduct business, these organizations also have a need to protect the network resources and customer information from hackers and other unauthorized users.

Source of Supply

Current inventory component purchases for all our products are made from OEMs, brokers, and other vendors. We typically have multiple sources of supply for each part, component, or service, and during the years ended December 31, 2003, 2002 and 2001, cannot characterize any particular company as being our "largest" supplier. We have no long-term agreements with any of our suppliers.

Order Backlog

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The backlog of written firm orders for our products and services as of December 31, 2002, and December 31, 2003, was as follows:

As of December 31, 2002:	\$30,015
As of December 31, 2003:	\$37,296

Patents

In connection with our acquisition of the DynaTraX(TM) assets, we acquired certain patents and pending patent applications. Four patents have been granted in Great Britain, which are listed below:

- o Patent title: User Interface for Local Area Network. This patent covers technology which allows communication between the user and the equipment controlling the network. This patent expires in 2013.
- o Patent title: Token Ring. This patent covers technology which transmits information between devices on a network. This patent expires in 2013.
- o Patent title: Half Duplex Circuit for Local Area Network. This patent covers technology which allows one-way communication either to or from the Local Area Network. This patent expires in 2013.
- o Patent title: Matrix Switch Arrangement. This patent covers technology which is a switch that can either connect or disconnect one or more devices on a network. This patent expires 2015.

We also have been granted a patent from the U.S. Patent and Trademark office in connection with our Multi-protocol Cross Connect Switch.

On September 19, 2002, the U.S. Patent Office published our patent application for the use of our DynaTraX(TM) technologies to provide Positive Network Access Security control to prevent an unauthorized hacker attack to network services and systems. Tech Labs Positive Access Security System works with the DynaTraX(TM) digital cross-connect physical layer switch. This security physical layer enhancement solution allows the ability to automatically disconnect circuits detected to be under attack from an unauthorized user (hacker) and capture the hacker by quickly rerouting the circuit the hacker is on to a honey pot (track, trace and locate) simulator network system. As an integral part of an existing or new Enterprise Management System's security, the DynaTraX(TM) Enterprise Management System software will quickly respond to an SNMP alarm instruction by having the DynaTraX(TM) switch disconnect the circuit being used by a hacker within 90 nanoseconds.

Employees

We have three full-time employees, one of whom is an engineer and two are officers, one of whom is also an engineer. We also employ eight part-time workers, one of whom performs clerical services and the others as production workers.

Item 2. Description of Property.

Our corporate headquarters and manufacturing facility is located in North Haledon, New Jersey. Our primary manufacturing and office facility is a

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one-story building that is adequate for our current needs. We lease this facility of 8,000 square feet, from a non-affiliated person, under a lease that ends in April, 2007. The annual base rent is \$56,400 until April 2004, \$57,600 from May 2004 until April 2006, and \$58,800 from May 2006 until April 2007, and includes property taxes and other adjustments. We believe our premises are adequate for our current needs and that if and when additional space is required, it would be available on acceptable terms.

We are an integrated manufacturer and, accordingly, except for plastic moldings and extrusions, produce nearly all major subassemblies and components of our devices from raw materials. We purchase certain components from outside sources and maintain an in-house, light machine shop allowing fabrication of a variety of metal parts and castings, complete tool room for making and repairing dies, a stamping shop and an assembly shop with light assembly presses. Our test lab checks and tests our products at various stages of assembly and each finished product undergoes a complete test prior to shipment.

We anticipate that we will either manufacture any new products ourselves or subcontract their manufacture, in whole or in part, to others. We believe that personnel, equipment, and/or subcontractors will be readily available as and when needed.

We offer warranties on all our current products, including parts and labor for one year.

Item 3. Legal Proceedings.

Litigation

We are involved in a lawsuit arising from a letter of intent relating to a small potential transaction we did not complete because we believed there were misrepresentations made to us. The suit was filed against us by a former employee of Tech Labs in 1995. We believe that the outcome is likely to be favorable, but that our maximum liability if we do not prevail would be \$30,000. The suit was transferred to arbitration, but the arbitrator never issued a ruling because the plaintiff never paid the arbitration fee.

On July 31, 2002, Tawfik Khalil and Amneh Khalil filed a lawsuit in the Superior Court of Passaic County, New Jersey, against Glen Venza, a Company part-time employee, Tech Labs, and certain other parties for property damages and personal injuries. The case arose from a car accident involving Mr. Venza and the plaintiffs, which occurred while Mr. Venza was performing certain duties for Tech Labs in a vehicle Mr. Venza borrowed from a third party. Tech Labs has only been named as a party to the personal injuries, and not for property damages, and believes it is covered for the accident by its insurance policy.

A lawsuit was filed against a subsidiary of the Company, Tech Labs Community Networks, Inc. ("TLCN"), in the Superior Court of New Jersey, Passaic

County, on February 20, 2003, claiming that the plaintiff delivered certain goods and services to TLCN and is owed \$23,856, plus interest and attorney fees. We disagree that any goods or services were contracted to be provided by the plaintiff, and believe we will prevail in this litigation.

On or about November 1, 2003, we were served with a lawsuit filed by W. T. Sports Limited, Salvatore Griscifi, a former Director, and Edward Branca, a former employee. We have filed a response and counter-claim. The first claim involving Salvatore Griscifi has been settled. The second claim is in the process of being settled. The last claim with W. T. Sports Limited is going to arbitration, which is mandatory pursuant to a written agreement entered into

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between the parties in 1987. We believe W. T. Sports Limited will owe us in excess of the plaintiff's claim.

Part II

Item 4. Submission of Matters to a Vote of Securityholders.

None.

Item 5. Market for Common Equity and Related Stockholder Matters.

Our common stock has been trading publicly on the OTC Bulletin Board under the symbol "TCHL" since 1994. The table below sets forth the range of quarterly high and low closing sales prices for our common stock on the OTC Bulletin Board during the calendar quarters indicated. The quotations reflect inter-dealer prices, without retail mark-ups, mark-downs, or conversion, and may not represent actual transactions.

TCHL COMMON STOCK

	CLOSING PRICE	
	HIGH	LOW
	-----	---
2001		

First Quarter	\$ 1.62	\$.72
Second Quarter.....	.75	.43
Third Quarter.....	.60	.27
Fourth Quarter.....	.51	.28
2002		

First Quarter50	.16
Second Quarter.....	.28	.16
Third Quarter.....	.16	.025
Fourth Quarter.....	.12	.02
2003		

First Quarter.....	.05	.01
Second Quarter.....	.03	.01
Third Quarter.....	.05	.01
Fourth Quarter.....	.14	.02
2004		

First Quarter.....	.35	.06

As of April 7, 2004, there were 406 holders of record of our common stock.

We have never paid any cash dividends on our common stock and anticipate that, for the foreseeable future, we will continue to retain any earnings for use in the operation of our business. Payment of cash dividends in the future

will depend upon our earnings, financial condition, any contractual restrictions, restrictions imposed by applicable law, capital requirements, and other factors deemed relevant by our Board of Directors.

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The transfer agent for our common stock is Olde Monmouth Stock Transfer Co., Inc. 77 Memorial Parkway, Suite 101, Atlantic Highlands, NJ 07716.

Item 6. Management's Discussion and Analysis or Plan of Operation.

General

We were incorporated in 1947 as a New Jersey corporation. Our focus has historically been the design, manufacture, and sale of rotary switches. Switches have been a significant part of our revenue for five decades. In 1995, to augment revenues, we sought business in transformers and contract manufacturing. In 1998, we made a shift to new product development. In 1998, we also made our first sales of the IDS product, and in April of 1999, we completed the acquisition of the DynaTraX(TM) switch and technology. We will continue to focus on DynaTraX(TM) sales and development of additional products using these technologies.

The following table sets forth the components of our revenues for each of our major business activities in 2001, 2002, and 2003, and their approximate percentage contribution to revenues for the period indicated:

PRODUCT TYPE	2001	% of Revenue	2002	% of Revenue	2003	% of Revenue
Switches	\$ 306,678	53.9%	\$ 112,786	27.6%	68,036	28.8%
IDS Sensors	156,409	27.6%	256,711	62.9%	109,719	46.5%
Transformers/Coils	46,111	8.1%	35,357	8.6%	40,527	17.2%
Contract Manufacturing	58,885	10.4%	3,404	0.9%	17,825	7.5%
Totals	\$ 568,083	100.0%	\$ 408,258	100.0%	\$ 236,107	100.0%

The following table sets forth the percentages of gross profit for each of our major business activities in 2001, 2002, and 2003:

PRODUCT TYPE	Year Ended December 31,					
	2001	2002	Net Change	2002	2003	Net
Switches	72.2%	75.4%	3.20%	75.4%	68.5%	(6)
IDS Sensors	57.6%	57.4%	(.02%)	57.4%	57.0%	(0)
Transformers/Coils	41.6%	54.4%	12.8%	54.4%	47.8%	(6)
Contract Manufacturing	50.1%	*	(50.1%)	*	49.6%	49
Unallocated company expenses, including physical inventory adjustments factory overhead and Inventory Write-Down	(26.6%)	(165.2%)	(136.8%)	(165.2%)	(142.1%)	23
Total company gross profit %	36.8%	*	(36.8%)	*	(83.9%)	(47)

* - Negative Percentage

We have continued to shift out of the subcontracting and transformer business which provides low gross profit margins, for higher gross profit margin products. While rotary switches produce high gross profits, demand for rotary switches is low.

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We have gradually shifted our product offering from less profitable to more profitable proprietary products.

Results of Operations

2003 compared to 2002

Sales were \$236,107 for 2003 as compared to \$408,258 for the year ended 2002. The decline in sales of (42.2%) was a direct result of the economic downturn.

Cost of sales of \$434,264 for the year ended 2003 compared to \$828,194 for the year ended 2002 due to the volume decrease. The Company's gross profit percentage was negative in 2003 and 2002 due to inventory write-offs of slow moving and obsolete inventory totaling \$250,000 in 2003 and \$500,000 in 2002.

Selling, general, and administrative expenses decreased by \$2,130 in 2003 as compared to the prior period. This decrease was due to the Company's continuing efforts to reduce these expenses during this economic downturn.

Other Income increased \$185,868 due to the sale of the company's state tax loss carry-forward. Losses from operations of \$832,483 in 2003 were a direct result of volume declines as well as the inventory write-off and consulting fees.

Liquidity and Capital Resources.

During 2000 we completed two significant transactions that improved our liquidity. On May 3, 2000 we completed an offering of our common stock to the public pursuant to a registration statement on Form SB-2. We sold to the public an aggregate of 293,379 shares for gross proceeds of \$2,273,723. Subsequently, on October 13, 2000 we completed a private placement, pursuant to Rule 506 of Regulation D, of convertible promissory notes for gross proceeds of \$1,500,000.

During 2001 through 2003 as a result of the economic downturn, we suffered severe operating losses and negative cash flows which impaired our liquidity position and caused a default on an underlying conversion and redemption agreement related to the convertible notes issued in October 2000. In 2003, Tech Labs' negative cash flow was primarily caused by operating losses plus the buildup of inventory in anticipation of increased sales of our high margin proprietary products which did not occur.

During 2003, our inventories increased in order to meet demand for our IDS sensor and DynaTraX(TM) products. In order that we are able to meet any anticipated purchase orders from the military, non-military governmental agencies and private industry, we must carry sufficient inventory.

As a result of operating losses and negative cash flows experienced during 2002 and 2003, Tech Labs has a tenuous liquidity position. If sales do not improve or alternate financing is not obtained, substantial doubt exists about Tech Labs' ability to continue as a going concern, even though the company had a positive cash flow in 2003 of \$110,502.

During 2004, the company is seeking to negotiate contacts with major computer technology companies. We believe that long-term agreements with these companies will provide future growth in our product DYNATRAX.

Factors that May Affect Future Events.

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The following factors, among others, could cause actual events and financial results to differ materially from those anticipated by forward-looking statements made in this Annual Report on Form 10-KSB and presented elsewhere by management from time to time.

On August 2, 2002, the Company announced that an Event of Default occurred under the terms of the Company's outstanding 6.5% convertible notes (the "Convertible Notes"). The Company was unable to have its registration statement filed April 5, 2002, declared effective by June 29, 2002, as required by the terms of the amended redemption and conversion agreement the Company entered into with the noteholders on April 19, 2002 (the "Amended Redemption Agreement"), and was unable to reach a new agreement with the noteholders prior to the expiration of the waiver the Company had been granted by the noteholders, which had been granted in order to permit the parties time to negotiate a new agreement. Under the terms of the Convertible Notes, the Company is required to maintain an effective registration statement covering the shares of the Company's common stock underlying the Convertible Notes. Under the terms of the Amended Redemption Agreement, the Company had until June 29, 2002, in order to have its registration statement declared effective. The Company is presently in negotiations with the holders to cure the Event of Default, but no assurance can be given as to whether an agreement can be reached with the holders for mutually acceptable terms. If the holders accelerate payment of the principal and interest due under the Notes, the Company will be unable to make payment and may be forced into bankruptcy. In October 2003, the Company negotiated a cure for this default.

In August 2003, we retained a financial advisory firm, Knightsbridge Holdings, LLC as a business consultant to assist in a variety of areas relating our financial, strategic and related development growth. The term of the engagement is six months and shall automatically renew on a month-to-month basis, subject to termination by either party with a twenty-four month follow on period, whereby transactions consummated within the subsequent twenty-four months following the termination of this agreement the transaction may have fees due and payable to the financial advisory firm. Pursuant to this agreement, Knightsbridge has provided general financial services to us and, more specifically, assisted us in the settlement of the default on our outstanding convertible notes.

Historically, we had no patent or copyright protection on our current products, other than aspects of the DynaTraX(TM) product and technology which was patented on July 2, 2002. Our ability to compete effectively with other companies will depend, in part, on our ability to maintain the proprietary nature of our technologies. Other than with regard to the DynaTraX(TM) patents, we intend to rely substantially on unpatented, proprietary information and know-how. We are also presently prosecuting the patent applications filed in the United States and the European Common Market.

There is a risk that our current products may malfunction and cause loss of, or error in, data, loss of man hours, damage to, or destruction of, equipment or delays. Consequently, we as the manufacturer of components, assemblies and devices may be subject to claims if such malfunctions or breakdowns occur. We are not aware of any past or present claims against us. We cannot predict at this time our potential liability if customers make claims against us asserting that DynatraX(TM), or other products fail to function. Since we have no insurance we could incur substantial expenses defending ourselves against a product liability claim.

In connection with the acquisition of the DynaTraX(TM) technology, we acquired digital switches, finished products and parts from NORDX/CDT. We do not have insurance on that inventory. Damage or destruction of some or all of the

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inventory by fire, theft or by acts of nature would result in substantial losses and would harm our business.

As a result of operating losses and negative cash flows experienced during 2001 and 2002, Tech Labs has a tenuous liquidity position. If sales do not improve or alternate financing is not obtained, substantial doubt exists about Tech Labs' ability to continue as a going concern.

Item 7. Financial Statements.

Report of independent certified public accountants.....F-1

Consolidated balance sheet for the years ended December 31, 2003, 2002, and 2001.....F-2, F-3

Consolidated statements of operations for the years ended December 31, 2003, 2002, and 2001.....F-4

Consolidated statements of stockholders' equity for the years ended December 31, 2003, 2002, and 2001.....F-5

Consolidated statements of cash flows for the years ended December 31, 2003, 2002, and 2001.....F-6

Notes to consolidated financial statements.....F-7 - F-9

REPORT OF INDEPENDENT AUDITORS

Charles J. Birnberg, CPA
72 Rolling Views, Drive
West Paterson, New Jersey 07424

April 14, 2004

To The Board of Directors of Tech Laboratories, Inc.

I have audited the Balance Sheets of Tech Laboratories, Inc. as of December 31, 2001, 2002, and 2003, and the related Statements of Income and Retained Earnings, and Cash Flows for the years then ended. These financial statements are the responsibility of the company's management.

The audits were conducted in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audits provide a reasonable basis for my opinion.

Therefore, the financial statements in my opinion, present fairly the

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financial position of Tech Laboratories, Inc. as of December 31, 2001, 2002, and 2003, and the results of operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Sincerely,

/s/ Charles J. Birnberg

Charles J. Birnberg
Certified Public Accountant

West Paterson, New Jersey

TECH LABORATORIES, INC.
BALANCE SHEETS
DECEMBER 31, 2001, 2002, AND 2003

ASSETS

	2001	2002	2003
	-----	-----	-----
Current Assets:			
Cash	\$ 892,003	\$ 28,343	\$ 138,845
Marketable Securities, (Note 1)	40,000	40,000	40,000
Accounts Receivable, Net of Allowance of \$25,000 in 2001 and 2002	112,200	6,144	11,107
Inventories (Notes 1 & 2)	2,075,479	1,735,633	1,249,777
Prepaid Expense	6,303	6,303	6,303
	-----	-----	-----
Total Current Assets	\$3,125,985	\$1,816,423	\$1,446,032
	-----	-----	-----
Property, Plant and Equipment at Cost (Note 1)			
Leasehold Improvements	2,247	2,247	2,247
Machinery, Equipment and Instruments	524,730	600,000	607,987
Furniture and Fixtures	95,662	109,281	110,893
	-----	-----	-----
	\$ 622,639	\$ 711,598	\$ 721,127
	-----	-----	-----
Less: Accumulated Depreciation & Amortization	373,900	403,101	427,909
	-----	-----	-----
Net, Property, Plant and Equipment	\$ 248,739	\$ 308,497	\$ 293,218
	-----	-----	-----
Other Assets	\$ 12,059	\$ 12,059	\$ 12,059
	-----	-----	-----
Total Assets	\$3,386,783	\$2,136,979	\$1,751,309
	=====	=====	=====

The accompanying notes are an integral part of these financial statements

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TECH LABORATORIES, INC. BALANCE SHEETS DECEMBER 31, 2001, 2002, AND 2003

LIABILITIES AND STOCKHOLDERS' INVESTMENT

	2001	2002	2003
Current Liabilities:			
Defaulted Convertible Notes	\$ 1,219,202	\$ 1,151,756	\$ 1,480,785
Current Portion of Long Term Debt (Note 5) ..	33,347	31,713	30,392
Short-Term Loans Payable (Note 6)	63,789	56,815	55,449
Accounts Payable and Accrued Expenses	82,224	141,915	175,000
Other Liabilities	7,562	76,922	87,000
	\$ 1,406,124	\$ 1,459,121	\$ 1,745,534
Stockholders' Investment:			
Common Stock, \$.01 Par Value; 25,000,000 Shares Authorized in 2002, 25,000,000 Shares Authorized in 2003: 5,522,416 Shares Outstanding in 2002 and 18,045,376 Shares Outstanding in 2003	\$ 47,836	\$ 49,848	\$ 175,143
Less: 15,191 Shares Recquired and and Held in Treasury	(113)	(113)	(113)
	\$ 47,723	\$ 49,735	\$ 175,030
Capital Contributed in Excess of Par Value ..	4,508,428	4,445,275	4,480,381
Retained Earnings	0	0	0
Accumulated Deficit	(2,575,492)	(3,817,152)	(4,649,636)
	\$ 1,980,659	\$ 677,858	\$ 5,775
Total Liabilities and Stockholders' Investment	\$ 3,386,783	\$ 2,136,979	\$ 1,751,309

The accompanying notes are an integral part of these financial statements.

TECH LABORATORIES, INC. STATEMENTS OF OPERATIONS DECEMBER 31, 2001, 2002, AND 2003

	2001*	2002	2003
Sales	\$ 568,083	\$ 408,258	\$ 236,107
Costs and Expenses:			
Cost of Sales	358,754	828,194	434,264
Selling, General and Administrative Expenses	1,219,426	756,568	754,438
	1,578,180	1,584,762	1,188,702

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Income/(Loss) From Operations	\$ (1,010,097)	\$ (1,176,504)	\$ (952,595)
Other Income (Expenses):			
Interest Income	\$ 69,442	\$ 12,398	\$ 192
Interest Expense	(85,777)	(77,554)	73,850
Sale of New Jersey Tax Loss Carry Forward	0	0	193,770
	\$ (16,335)	(65,756)	120,112
Income/(Loss) Before Income Taxes	\$ (1,026,432)	\$ (1,241,660)	\$ (832,483)
Provision for Income Taxes (Notes 1 & 4)	--	--	--
Net Income/(Loss)	\$ (1,026,432)	\$ (1,241,660)	\$ (832,483)
Accum. Earnings/(Deficit,) Beg. of Year	\$ (1,549,060)	(2,575,492)	(3,817,153)
Accum. Earnings/(Deficit,) End of Year	\$ (2,575,493)	(3,817,153)	(4,649,636)
EPS	\$ (0.22)	\$ (0.24)	\$ (0.10)

* Re- Stated for prior period adjustment of \$168,950 For Stock option expense- See Note-12

The accompanying notes are an integral part of these financial statements.

TECH LABS, INC.
STATEMENT OF SHAREHOLDERS' EQUITY
YEARS 2001, 2002, AND 2003

	Common Stock Shares	Amount	Capital in Excess of Par Value	Accumulated Deficit	Total
	-----	-----	-----	-----	-----
Balance					
December 31, 2001 ...	5,106,607	47,723	4,508,428	(2,575,493)	1,980,658
Stock Issued	415,809	2,012	(63,153)	--	(61,141)
Net Income/(Loss) ...	--	--	--	(1,241,660)	(1,241,660)
Balance					
December 31, 2002 ...	5,522,416	49,735	4,445,275	(3,817,152)	677,858
Stock Issued	12,522,960	125,295	35,106	--	160,401
Net Income/(Loss) ...	--	--	--	(832,483)	(832,483)
Balance					
December 31, 2003 ...	18,045,376	175,030	4,480,381	(4,649,636)	5,775

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The accompanying notes are an integral part of these financial statements.

TECH LABORATORIES, INC. STATEMENTS OF CASH FLOWS DECEMBER 31, 2001, 2002, AND 2003

	2001*	2002	2003
	-----	-----	-----
Cash Flows From (For) Operating Activities:			
Net Income/(Loss) From Operations	\$ (1,026,432)	(1,241,660)	(832,483)
Add/(Deduct) Items Not Affecting Cash:			
Depreciation/Amortization (Note 1)	31,349	29,201	24,808
Stock Compensation			
Inventory write-down-	168,950	500,000	250,000
Changes in Operating Assets and Liabilities:			
Marketable Securities	24,333	-0-	-0-
Accounts Receivable	(18,248)	106,056	(4,963)
Inventories	(788,641)	(160,154)	235,856
Accounts Payable and Accrued Expenses	49,263	59,691	33,288
Other Assets and Liabilities	(3,061)	69,360	(68,217)
	-----	-----	-----
Net Cash Flows For Operating Activities	\$ (1,562,488)	(637,506)	(361,711)
	-----	-----	-----
Cash Flows From (For) Investing Activities:			
Increase in Fixed Assets	\$ (71,689)	\$ (88,959)	(9,529)
Net Cash Flows From (For) Investing Activities	\$ (71,689)	\$ (88,959)	(9,529)
	-----	-----	-----
Cash Flows From (For) Financing Activities:			
Acquisition/(Repayment) of Short Term Debt	\$ (284,800)	\$ (304,503)	321,341
Issuance of Common Stock	287,534	167,308	160,401
	-----	-----	-----
Net Cash Flows From (For) Financing Activities	\$ 2,734	\$ (137,195)	\$ 481,742
	-----	-----	-----
Net Increase/(Decrease) in Cash	\$ (1,631,443)	\$ (863,660)	\$ 110,502
Cash Balance, Beginning of Year	2,523,446	892,003	28,343
	-----	-----	-----
Cash Balance, End of Year	\$ 892,003	\$ 28,343	\$ 138,845
	-----	-----	-----

* Restated for prior period adjustments - See note-13

As of December 31, 2003, an aggregate of \$ 373,730 of Convertible Long term Debt was converted into Common Stock.

In 2002 and 2003, the Company wrote-off \$500,000 and \$250,000 of obsolete and slow moving inventory.

The accompanying notes are an integral part of these financial statements.

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TECH LABORATORIES, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2001, 2002, AND 2003

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CASH - Includes Tech Labs' checking account at Hudson United Bank plus a Demand Money Market Account at Prudential Securities and Bear Stearns.

REVENUE RECOGNITION-Tech Labs recognizes all revenues when orders are shipped.

ACCOUNTS RECEIVABLE - Tech Labs recognizes sales when orders are shipped to customers. The allowance for bad debts is accrued based on a review of customer accounts receivables aging.

INVENTORIES - Inventories are valued at cost or market, whichever is lower. The FIFO cost method is generally used to determine the cost of the inventories. At December 31, 2001, 2002, and 2003, physical inventories were taken and tested. At December 31, 2002 and December 31, 2003, Inventories were written-down \$500,000 and \$250,000. These write-downs were for obsolete and slow moving inventory as determined by company management.

PROPERTY AND DEPRECIATION - Additions to property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Assets -----	Estimated Useful Lives -----
Machinery	5 to 7 years
Furniture & Fixtures	5 to 7 years

Maintenance and repairs are charged to expense as incurred. The cost of betterments is capitalized and depreciated at appropriate rates. Upon retirement or other disposition of property items, cost, and accumulated depreciations are removed from the accounts and any gain or loss is reflected in the statement of income.

INCOME TAXES - Income tax expense is based on reported income and deferred tax credit is provided for temporary differences between book and taxable income. In 2003, the Company sold its state of New Jersey tax loss carry forward for \$193,770.

MARKETABLE SECURITIES - The marketable securities are a time deposit at Hudson United Bank. The amount of this deposit was \$40,000 as of December 31, 2001, December 31, 2002, and December 31, 2003.

(2) INVENTORIES:

Inventories at December 31, 2001, 2002 and 2003 were as follows:

	2001 -----	2002 -----	2003 -----
Raw Materials & Finished Components	\$ 993,666	\$ 676,996	\$ 463,824
Work in Process & Finished Goods	\$1,081,813	\$1,058,637	\$ 785,953
	-----	-----	-----
	\$2,075,479	\$1,735,633	\$1,249,777
	-----	-----	-----

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TECH LABORATORIES, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2001, 2002, AND 2003

Pursuant to the provisions of SFAS No. 128, "Earnings Per Share," the Net Income/(Loss) per share was calculated on the weighted average number of shares outstanding during the year ended December 31, 2001, for the year ended December 31, 2002, and for the year ended December 31, 2003.

Fully Diluted Earnings per share would be based on the assumed conversion of all convertible notes. However, these notes are anti-dilutive and have been excluded. The assumed conversion of all outstanding options and warrants were also excluded due to anti-dilution.

	2001*	2002	2003
	----	----	----
Net Income for the Computation of Basic EPS	(1,026,432)	(1,241,660)	(832,483)
	=====	=====	=====
Shares for Computation of Basic EPS	4,562,823	5,156,679	8,368,992
	=====	=====	=====

* Restated for Stock option Expense of \$ 168,950.

(4) INCOME TAXES:

At December 31, 2001, 2002, and 2003 the balance of operating loss carryforward was \$3,150,073, \$ 4,391,733, and \$5,224,216 respectively, which can be utilized to offset future taxable income. These operating loss carry-forwards begin to expire in 2014.

(5) CURRENT PORTION OF LONG-TERM DEBT:

Loans payable to banks were as follows for the years indicated:

YEAR ENDED	PAYEE	INTEREST RATE	CURRENT AMOUNT
2001	Hudson United Bank	Prime +1.5%	\$33,347
2002	Hudson United Bank	Prime +1.5%	\$31,713
2003	Hudson United Bank	Prime +1.5%	\$30,392

This loan was negotiated in 1995 at an original amount of \$35,000 and fluctuated to a maximum of \$35,000.

Marketable Securities are pledged as collateral on the above loans.

(6) SHORT-TERM LOANS PAYABLE:

Demand loans Payable include loans from third parties. The outstanding loan balances due as of December 31, 2001, December 31, 2002 and December 31, 2003 was \$63,789 for 2001, \$ 56,815 for 2002, and \$50,449 for 2003 which includes accrued interest for all years. The annual interest rate for these loans ranges between six (6%) percent and ten (10%) percent. In October of 1999, three short-term loans for a total of \$200,000 at ten percent (10%) annual interest were completed. Certain contractual revenues were pledged to secure these loans. As of December 31, 2000, \$150,000 of such loans were repaid. The remaining \$50,000 is outstanding and was due by December 31, 2002 and is in default.

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TECH LABORATORIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001, 2002, AND 2003

In 1999, Tech Labs filed a registration statement on Form SB-2 with the Securities and Exchange Commission. The registration statement was declared effective on February 3, 2000. The offering was completed on May 3, 2000 for total proceeds of \$2,273,723.

(8) COMMITMENTS AND CONTINGENCIES:

In 1997 Tech Labs entered into an exclusive agreement with Elektronik Apparatebau (EAG), FUA Safety Equipment and WT Sports LTD, whereby it received exclusive rights to manufacture and market IDS products until September 30, 2007 in the US, Canada, and South America. Gross profits will be calculated according to GAAP and distributed quarterly 70% to Tech Labs and 30% to FUA until March 2001. Thereafter, until 2007 quarterly distribution will be based on pretax profits in excess of 16% being shared 70% to Tech Labs and 30% to FUA. In addition, FUA will receive a 5% royalty based on the cost of any IDS products Tech Labs manufactures and sells. Since 1997, sales and distributions to FUA have been \$1.5 million and \$240,000, respectively. This agreement was terminated and the unpaid royalties of \$13,000 are subject to arbitration.

(9) LONG-TERM CONVERTIBLE DEBT:

On October 13, 2000 Tech Labs completed a \$1.5 million dollar financing of 6.5% convertible promissory notes due October 15, 2002. Interest is payable quarterly in cash or in shares of common stock at the option of the noteholders. Tech Labs disclosed all terms of this financing on Form 8-K filed on October 18, 2000. As of December 31, 2002, \$373,730 of principal on the convertible notes has been converted into shares of Tech Labs' common stock.

(10) On January 11, 2002, Tech Labs entered into a conversion and redemption agreement concerning the Long-Term Debt referenced in Note (9). An Event of Default, as defined in the 6.5% convertible notes Tech Labs issued in October 2000, occurred on January 25, 2002, when Tech Labs was unable to make the first payment of \$750,000 to the holders of the notes.

On April 19, 2002, Tech Labs successfully negotiated a cure of the default referenced above. This cure required that Tech Labs' registration statement, filed with the Securities and Exchange Commission on April 5, 2002, covering the shares underlying the 6.5% convertible notes, to have been declared effective on or before June 29, 2002. If the registration statement was declared effective by such date and Tech Labs made certain payments described in Tech Labs' report on Form 8-K filed April 25, 2002, the maturity date of the 6.5% convertible notes would have been extended from October 13, 2002 to December 30, 2002.

On August 2, 2002, the Company announced that an Event of Default occurred on the Convertible Notes. The Company was unable to have its registration statement declared effective by June 29, 2002, and was unable to reach a new agreement with the holders of the Convertible Notes prior to the expiration of the waiver the Company had been granted by the noteholders, which had been granted in order to permit the parties time to negotiate a new agreement. The Company continued to seek a cure for the default with the holders of the Convertible Notes, and in October, 2003 a cure was successfully negotiated and is described in the Company's 8-K filed in October, 2003.

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(11) GOING CONCERN:

As a result of operating losses and negative cash flows experienced during 2001 and 2002, Tech Labs has a tenuous liquidity position. If sales do not improve or alternate financing is not obtained, substantial doubt exists about Tech Labs' ability to continue as a going concern.

(12) Prior Period Adjustment.

Over the course of 2001, Tech Labs issued and distributed 170,000 shares of common stock to Mr. Barry Bendett pursuant to the terms of a consulting agreement the Company entered into with Mr. Bendett on November 13, 2000. Valuing these shares at their market value on their respective dates of issuance and distribution, Tech Labs should have expensed \$168,950. This compensation was never expensed. This error is corrected as follows:

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

ITEM 8A. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Our principal executive officer and principal financial officer evaluated our disclosure controls and procedures (as defined in rule 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended) as of a date within 90 days before the filing of this annual report (the Evaluation Date). Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of the Evaluation Date, the disclosure controls and procedures in place were adequate to ensure that information required to be disclosed by us, including our consolidated subsidiaries, in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported on a timely basis in accordance with applicable rules and regulations. Although our principal executive officer and principal financial officer believes our existing disclosure controls and procedures are adequate to enable us to comply with our disclosure obligations, we intend to formalize and document the procedures already in place and establish a disclosure committee.

Changes in internal controls

We have not made any significant changes to our internal controls subsequent to the Evaluation Date. We have not identified any significant deficiencies or material weaknesses or other factors that could significantly affect these controls, and therefore, no corrective action was taken.

Part III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

NAME	AGE	TITLE
----	---	-----
Bernard M. Ciongoli	56	President, Chief Executive Officer, Chief Financial Officer and Director

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Earl M. Bjorndal	51	Vice President and Director
Carmine O. Pellosie, Jr.	60	Secretary and Director

Each director is elected for a period of one year and until his successor is duly elected by shareholders and qualified.

Bernard M. Ciongoli became our president and a director in late 1992, and became Treasurer in 1998. From 1990 through 1991 he served as president of HyTech Labs, a company engaged in sales and servicing of electronic test equipment. During the years of 1987 to 1990, he acted as the principal owner and President of Bernco Developers, a real estate developer. Mr. Ciongoli holds a degree in electronic engineering from Paterson Institute of Technology.

Earl M. Bjorndal has been with us in various capacities since 1981. He has been a director since 1985, and became a vice president in 1992. He is a graduate of the New Jersey Institute of Technology with both bachelor's and master's degrees in industrial engineering.

Carmine O. Pellosie, Jr. has been a director since the formation of Tech Logistics, Inc. in 1997 and has been our secretary since April 1999. Since January 1, 1999, he has been the Controller of the Passaic County Department of Health and Human Services. Prior to January 1999, he was, for more than five years, president of International Logistics, Inc.

Tech Labs' success depends, to a large extent, upon the continued efforts of Bernard M. Ciongoli, our president and chief executive officer. Mr. Ciongoli has an intricate understanding of Tech Labs, its business operations, and the technology underlying its products. It would be very difficult for Tech Labs to replace Mr. Ciongoli, and, accordingly, the loss of his services would be detrimental to our operations. We do not have key-man life insurance on Mr. Ciongoli. We do, though, have an employment agreement with Mr. Ciongoli.

Expansion of our business, upon resources becoming available, will require additional managers and employees with industry experience. In general, only highly qualified managers have the necessary skills to develop and market our products and provide our services. Competition for skilled management personnel in the industry is intense, which may make it more difficult and expensive to attract and retain qualified managers and employees. Expansion of our business, upon available resources, will likely also require additional non-employee board members with business and industry experience. We do not, however, have directors' and officers' liability insurance, which may limit our ability to attract qualified non-employee board members.

Compliance with Section 16(a) of the Exchange Act.

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and officers and persons who own more than ten percent (10%) of its equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission (the "SEC"). Directors, officers, and greater than ten percent (10%) shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) reports filed.

To the best of the Company's knowledge, all filing requirements applicable to its officers, directors, and greater than ten percent (10%) shareholders were complied with in a timely manner with the exception of Form 4 and an amended Schedule 13D filed late on behalf of the Company's president, Bernard Ciongoli, which were required to be filed to reflect the vesting of certain stock options which had been previously granted to Mr. Ciongoli.

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Item 10. Executive Compensation.

Item 10. Executive Compensation.

The following table summarizes the compensation paid to or earned by our president. No other officer has received compensation in excess of \$100,000 in any recent fiscal year.

SUMMARY COMPENSATION TABLE

NAME AND 2003 PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE OF OPTIONS
		SALARY (\$)	BONUS (\$)	
Bernard M. Ciongoli	2003	*	0	0
President, CEO, CFO	2002	\$132,000*	0	0
	2001	\$135,000	0	600,000

 * Pursuant to the terms of Mr. Ciongoli's employment agreement with the Company, Mr. Ciongoli was entitled to a salary of \$150,000 in 2002 and 2003. Because of the Company's financial difficulties, Mr. Ciongoli elected not to receive all of his salary in 2002. Since January 1, 2003 Mr. Ciongoli, moreover, has elected not to receive any salary because of the Company's current financial difficulties. Mr. Ciongoli's unpaid salary is being accrued and shall be paid upon the Company's obtaining adequate resources.

OPTION GRANTS IN FISCAL YEAR 2003

No options were granted to any named executive officer of Tech Labs in 2002.

Tech Labs has entered into an employment agreement for a term of five (5) years with Mr. Ciongoli, dated as of August 1, 2001, which agreement supersedes the employment agreement that was in effect with Mr. Ciongoli dated October 1, 1998, as amended June 18, 1999, and February 21, 2001. Mr. Ciongoli is compensated under the terms of the employment agreement at the base salary rate of \$150,000 per annum. Mr. Ciongoli is also entitled to receive two percent (2%) of our sales in excess of \$1,000,000 during any year he is employed by us. In addition, Mr. Ciongoli was granted an option, exercisable for five (5) years from the date of grant, to purchase up to 500,000 shares of stock at \$.43 per share, which option vests in increments of 100,000 shares every six (6) months since February 1, 2002. The agreement is automatically renewable for three (3) years unless either party terminates the agreement in writing at least 180 days prior to the expiration of the initial term period.

In addition, in 2001, we granted to Mr. Ciongoli an option to purchase up to 100,000 shares under our 1996 stock option plan exercisable for five (5) years at \$0.9625 per share which vest over a period of two (2) years. In 2000, we granted to Mr. Ciongoli (i) a non-plan option in consideration and in recognition of his services to Tech Labs to purchase up to 139,000 shares exercisable over five (5) years at \$2.4375, which vests over the course of three (3) years from the date of grant; and (ii) an option to purchase up to 111,000 shares of common stock under our 1996 stock option plan exercisable for five (5) years at \$2.68125 per share, which vests over a period of three (3) years.

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We do not have employment agreements with any other named executive officers. Our directors are not presently compensated.

Item 11. Security Ownership of Certain Beneficial Owners and Management.

The following table describes, as the date of this amended annual report, the beneficial ownership of our common stock by:

- o persons known to us to own more than 5% of such stock, and
- o the ownership of common stock by our directors, and by all officers and directors as a group.

NAME	NUMBER OF SHARES OWNED BENEFICIALLY	% OF COMMON STOCK
-----	-----	-----
Bernard M. Ciongoli	9,625,500	28.58%
Earl Bjorndal	3,370,684	10.01%
Carmin O. Pellosie, Jr.	40,000	*
Phoenix Capital Partners, LLC	1,750,000	5.20%
All officers and directors as a group (3 persons)	13,036,184	38.70%

* Less than one (1%) percent

Pursuant to the rules and regulations of the Securities and Exchange Commission, shares of common stock that an individual or entity has a right to acquire within 60 days pursuant to the exercise of options or warrants are deemed to be outstanding for the purposes of computing the percentage ownership of such individual or entity, but are not deemed to be outstanding for the purposes of computing the percentage ownership of any other person or entity shown in the table.

Item 12. Certain Relationships and Related Transactions.

None.

Item 13. Exhibits and Reports on Form 8-K.

(a) Exhibits.

EXHIBIT INDEX

- 31.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350

(b) Reports on Form 8-K.

On June 11, 2003, the Company filed a Current Report (Item V) on Form 8-K reporting that the Company Tech Laboratories, Inc. received a notice of non-payment and default on May 27, 2003 from two holders of its 6.5% convertible

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notes issued on October 13, 2000. The Notice of Non-payment and Default states that the maturity date of the Notes was October 13, 2002; that the Company is in default under the terms of the Notes and the subscription agreement entered into by and between the Company and the Noteholders; that \$380,000 of principal was presently outstanding and owed to each of the two Noteholders; that in accordance with the terms of the Subscription Agreement, \$129,700 of liquidated damages will be owed to each of the two Noteholders as of May 31, 2003; and that \$32,499 of interest is due and owed to each of the two Noteholders.

On October 27, 2003, the Company filed a current report (Item V) on Form 8-K reporting that Tech Laboratories, Inc. (the "Company") issued a press release on October 24, 2003, announcing that it had entered into a Security Agreement and Collateral Agent Agreement dated September 25, 2003 (the "Security Agreement"), pursuant to which it obtained a waiver and thereby cured the existing Event of Default under its outstanding 6.5% convertible promissory notes with the Lenders set forth in such notes ("Lenders"). In consideration for the waiver and cure of the Event of Default existing under the notes, the Company agreed to grant the Lenders a security interest in the Company's inventory ("Collateral") as well as additional consideration.

Item 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

For the Company's fiscal year ended December 31, 2003 we were billed \$10,000 for professional services rendered for the audit of our financial statements. We also were billed approximately \$ 9,300 for the review of financial statements included in our periodic and other reports filed with the Securities and Exchange Commission for our year ended December 31, 2003.

Tax Fees

For the Company's fiscal year ended December 31, 2003, we were billed approximately \$ 2,100 for professional services rendered for tax compliance, tax advice, and tax planning.

All Other Fees

The Company did not incur any other fees related to services rendered by our principal accountant for the fiscal year ended December 31, 2003.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TECH LABORATORIES, INC.
SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this Form 10-KSB to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 13, 2004

TECH LABORATORIES, INC.

By: /s/ Bernard M. Ciongoli

Bernard M. Ciongoli
President

As required by the Securities Exchange Act of 1934, this report has been

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signed by the following persons in the capacities and on the dates indicated.

Signature -----	Title -----	Date ----
/s/Bernard M. Ciongoli ----- Bernard M. Ciongoli	President, CEO, CFO and Director	April 13, 2004
/s/ Earl M. Bjorndal ----- Earl M. Bjorndal	Vice President and Director	April 13, 2004