BICO INC/PA
Form 10-K
October 06, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended 12/31/03   Commission File Number   0-10822

BICO, Inc.
(Exact name of registrant as specified in its charter)

Pennsylvania	25-1229323
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2275 Swallow Hill Road, Bldg. 2500, Pittsburgh, Pennsylvania 15220
(Address of principal executive offices)   (Zip Code)

Registrant's telephone number, including area code (412) 279-1059

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.10 par value

Indicate by check mark whether the registrant (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 and (2) has been subject to such filing requirements for the past 90 days.   Yes   No X

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of October 1, 2004:

Common Stock, $.10 par value -- $7,378,508

As of December 31, 2003, 7,387,507,775 shares of common stock, par value $.10 per share, were outstanding.

Exhibit index is located on pages 26 to 31

Item 1. Business

General Development of Business

BICO, Inc. was incorporated in the Commonwealth of Pennsylvania in 1972 as Coratomic, Inc. In February 2003, we stopped all manufacturing, research and development operations and vacated our manufacturing facility in Indiana, Pennsylvania. On March 18, 2003 we filed a voluntary petition for Chapter 11 bankruptcy with the United States Bankruptcy Court for the Western District of Pennsylvania. Our administrative offices are located at 2275 Swallow Hill Road, Pittsburgh, Pennsylvania, 15220.

Before closing down our operations, our primary business was the development of new devices and technologies, which included environmental products, which help to clean up oil spills, procedures relating to the use of regional extracorporeal hyperthermia in the treatment of cancer, and models of a noninvasive glucose sensor. Regional extracorporeal hyperthermia is a system that circulates fluid in a specific area of the body after the fluid has been heated outside the body. The circulated fluid's higher temperature helps treat certain diseases by inducing an artificial fever that kills targeted cells. The only business which we conducted during 2003 was that related to the hyperthermia project and that concluded in October 2003 when we sold our interet in ViaCirq, Inc. Our noninvasive glucose sensor helped diabetics measure their glucose without pricking their fingers or having to draw blood.

We had several subsidiaries that specialized in those different projects. Petrol Rem, Inc. handled our environmental products PRP, BIOSOK and BIOBOOM that help clean up oil spills and other pollutants in water. ViaCirq, Inc. handled the hyperthermia project, a technology called the ThermoChem System. Diasense, Inc. managed the noninvasive glucose sensor project. On March 18, 2003, Petrol Rem, Inc. also filed a voluntary petition for Chapter 11 bankruptcy with the United States Bankruptcy Court for the Western District of Pennsylvania.

Forward-Looking Statements

From time to time, we may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities, the regulatory approval process, specifically in connection with the FDA marketing approval process, and similar matters. You need to know that a variety of factors could cause our actual results to differ materially from the anticipated results or other expectations we expressed in our forward-looking statements. The risks and uncertainties that may affect our operations, performance, research and development and results include the following: our ability to develop a plan of reorganization which is acceptable to our creditors and confirmed by the Bankruptcy Court;additional delays in the research, development and FDA marketing approval of the noninvasive glucose sensor; delays in the manufacture or marketing of our other products and medical devices; our future capital needs and the uncertainty of additional funding; competition and the risk that the noninvasive glucose sensor or our other products may become obsolete; our continued operating losses, negative net worth and uncertainty of future profitability; potential conflicts of interest; the status and risk to our patents, trademarks and licenses; the uncertainty of third-party payor reimbursement for the sensor and other medical devices and the general uncertainty of the health care industry; our limited sales, marketing and manufacturing experience; the amount of time or funds required to complete or continue any of our various products or projects; the attraction and retention of key employees; the risk of product liability; the uncertain outcome and consequences of the lawsuits pending against us; our ability to maintain a trading market for our common stock; and the dilution of our common stock.

Description of Business

BICO is a development stage company, that researched, developed and sold products used in the medical product and environmental remediation businesses. In addition, prior to its bankruptcy filing, BICO regularly invested funds in other businesses. BICO has historically financed its business operations from proceeds generated from private and public sales of its securities, the issuance of debt in the form of convertible debentures, and from funds paid by subsidiaries to BICO for research and development costs.

Chapter 11 Petition: On March 18, 2003, BICO, Inc. and its subsidiary Petrol Rem, Inc. filed voluntary petitions for Chapter 11 bankruptcy with the United States Bankruptcy court for the Western District of Pennsylvania.

Events that Caused the Filing: BICO extensively focused its efforts on research and development of products used in the medical products business (particularly medical products used in the treatment of diabetes) and environmental remediation business. BICO also invested in other business ventures. BICO's operations required a continuous capital infusion to support its operations. In late 2001 and continuing throughout 2002, BICO experienced difficulty in raising monies to support its own operations and controlling costs. In 2002, BICO began selling its assets to provide capital to meet its obligations. BICO's financial situation continued to deteriorate throughout 2002. Without necessary funding, BICO was unable to continue operations or to retain sufficient counsel to defend itself from litigation matters. In 2002, BICO was sued by several alleged creditors who subsequently obtained default judgments against BICO and a subsidiary. The judgment holders thereafter levied on property of BICO, scheduling an execution sale of assets. Faced with the threat of losing substantial assets to a single disputed creditor, BICO filed a petition for relief under Chapter 11 on March 18, 2003.

In the years prior to the Chapter 11 filing, BICO experienced substantial losses and financial difficulties. The consolidated financial statements for BICO for the year ended December 31, 2002 reflect a net loss of $25,116,853 and as of December 31, 2002, BICO's accumulated deficit was $254,663,071

Prior to the Chapter 11 filing, BICO decided to voluntarily vacate its manufacturing facility in Indiana, PA. All manufacturing operations had ceased and no additional work was being performed on any remaining contracts at the Indiana, PA facility. The inventory and equipment at the Indiana, PA facility have been sold during the course of BICO's Chapter 11 bankruptcy case.

With the exception of our hyperthermia project all operations were discontinued in 2003. The hyperthermia project was discontinued in October 2003 when our interest in ViaCirq, Inc. was sold.

In December 2003 the United States Bankruptcy Court for the Western District of Pennsylvania confirmed a plan of liquidation for our subsidiary, Petrol Rem, Inc. All of its assets were sold to an unrelated party for $100,000. The proceeds from the sale were utilized in the Liquidating Plan to pay administrative expenses and claims; priority creditor claims and unsecured claims of Petrol Rem creditors to the extent of available funds.

Item 2. Properties

Due to cash flow problems, Diasense sold its office condominium in 1999, and they leased the same space for administrative offices through December 31, 2003. We, along with our subsidiaries, continued to lease a portion of that office at a monthly rental amount of $5,175 plus utilities through December 31, 2003. After December 31, 2003 we continued to occupy these administrative offices on a month to month basis at a monthly rate of $1,500.

In September 1992, we entered into a ten-year lease agreement with the Indiana County Board of Commissioners for 35,000 square feet of space on Kolter Drive that we reconfigured to our manufacturing specifications. During 1998 and 1999, we moved the balance of our Indiana, Pennsylvania operations to this space. During 2000, we obtained an additional 33,000 square feet of manufacturing space, which was being completed for manufacturing. That space, which was originally obtained in 1995, was vacated in 1998 in return for the lessor's agreement not to pursue legal action against us for nonpayment of rent. In February 2003 we stopped all manufacturing, research and development operations and vacated our manufacturing facility in Indiana, Pennsylvania. We currently have no facilities to support any manufacturing, research and development activities.

Item 3. Legal Proceedings

During April 1998, the Company and its affiliates were served with subpoenas requesting documents in connection with an investigation by the U.S. Attorneys' office for the District Court for the Western District of Pennsylvania. In July 2002, the Company was notified that this investigation was concluded with no charges against BICO or its subsidiaries.

On April 30, 1996, a class action lawsuit was filed against the Company, Diasense, Inc., and individual officers and directors. The suit, captioned Walsingham v. Biocontrol Technology, et al., was certified as a class action in the U.S. District Court for the Western District of Pennsylvania. The suit alleged misleading disclosures in connection with the Noninvasive Glucose Sensor and other related activities, which the company denies. Without agreeing to the alleged charges or acknowledging any liability or wrongdoing, the Company agreed to settle the lawsuit for a total amount of $3,450,000.

During September 2002, the class action lawsuit, captioned Walsingham v. Biocontrol Technology, et al., was settled when the final payment of $50,000 was made. As of December 31, 2001, the Company owed $450,000 for this settlement. In May 2002, the parties agreed to extend the payments on the remaining balance plus a forbearance fee of $25,000. Payments totaling

$450,000 were made in the nine months ended September 30, 2002, and the settlement is now completed.

Lawsuits have been filed against the company and its subsidiaries for collection of approximately $1,645,062 for amounts due to creditors or employees. Management defended these actions and worked to negotiate suitable payment arrangements as funds allowed, but the lack of funds crippled the Company's ability to defend or settle the litigation. The dollar amount of these claims is included in Liabilites Subject to Compromise at December 31, 2003.

Management believes that any liability arising from litigation through the effective date of the Company's reorganization under its Chapter 11 bankruptcy will be either dismissed or settled through the plan of reorganization.

Item 4. Submission of Matters to a Vote of Security Holders

At a shareholders' meeting held on July 5, 2002, our shareholders approved an increase in the number of our authorized shares of common stock from 4 billion to 8 billion.

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Our common stock trades on the electronic bulletin board pink sheets under the symbol "BIKO". On September 15, 2004, the closing bid price for the common stock was $ .0009. The following table sets forth the high and low bid prices for our common stock during the calendar periods indicated, through December 31, 2003. Because our stock trades on the electronic bulletin board, you should know that these stock price quotations reflect inter-dealer prices, without retail mark-up, markdown or commission, and they may not necessarily represent actual transactions.

Calendar Year and Quarter		High	Low
2001	First Quarter	$.1355	$.05
	Second Quarter	$.072	$.037
	Third Quarter	$.057	$.01
	Fourth Quarter	$.049	$.02
2002	First Quarter	$.0350	$.0150
	Second Quarter	$.0194	$.0027
	Third Quarter	$.0049	$.0004
	Fourth Quarter	$.0060	$.0001
2003	First Quarter	$.0110	$.0004
	Second Quarter	$.0030	$.0001
	Third Quarter	$.0029	$.0003
	Fourth Quarter	$.0014	$.0001

We have approximately 135,000 holders, including those who hold in street name, of our common stock.

DESCRIPTION OF SECURITIES

Our authorized capital currently consists of 8 billion shares of common stock, par value $.10 per share and 500,000 shares of cumulative preferred stock, par value $10.00 per share.

Preferred Stock

Our Articles of Incorporation authorize the issuance of a maximum of 500,000 shares of cumulative convertible preferred stock, and authorize our board of directors to define the terms of each series of preferred stock. In 2001 and 2002, our board of directors authorized the creation of five new series of convertible preferred stock - series G, H, I, J and K. As of December 31, 2002 we had a total of 10,836 shares of our preferred stock outstanding. Prior to the bankruptcy date, 248,574,648 shares of our common stock were issued in connection with preferred stock conversions. Under our Plan of Reorganization, confirmed by the Bankruptcy Court, all outstanding preferred shares as of the bankruptcy date, March 18, 2003, were cancelled.

None of our convertible preferred stock is secured by any of our assets. Each share of our preferred stock has a designated value of $500 per share. There is no minimum conversion price, so the lower the bid price of our stock, the more shares we will need to issue when our preferred stock is converted - there is no limit on the number of shares of our common stock that our preferred stock can be converted into. This means that, if our stock price is low, the preferred stockholders could own a large percentage of our outstanding common stock - except that they have each agreed not to own more than 5% of our common stock at any one time. We only sold our preferred stock to accredited investors. We can redeem our preferred stock.

Each series of preferred stock has its own minimum holding period and each series defines its conversion price.

We issued 4,000 shares of our series I preferred stock to Mr. and Mrs. Farrell Jones as part of a renegotiation and settlement of amounts due in connection with our purchase of ICTI back in 1998. Even though we wrote off that entire investment, we still owed the Joneses a total of $5,450,348. In December 2001, we finalized an agreement with the Joneses to decrease the amount owed to a total of $2,887,500. Of that total, $2 million was applied when we issued them the 4,000 shares of series I preferred stock. The series I preferred is convertible at any time into our common stock based on the 5-day average of our closing bid price immediately prior to conversion. 2,186 of the series I has been converted to date.

In February 2002, we accepted a funding commitment from J.P. Carey Asset Management, LLC, a Georgia corporation. The first part of the funding is through J.P. Carey Asset Management's purchase of $7.5 million of our Series K preferred stock.

The conversion price for the Series K preferred is based on a 10% discount to the average of the lowest 3 consecutive closing bid prices during the 22 days prior to conversion.

Common Stock

Holders of our common stock are entitled to one vote per share for each share held of record on all matters submitted to a vote of stockholders. Holders of our common stock do not have cumulative voting rights, and therefore the holders of a majority of the shares of common stock voting for the election of directors may elect all of the directors, and the holders of the remaining common stock would not be able to elect any of the directors. Subject to preferences that may be applicable to the holders of our preferred stock, if any, the holders of our common stock are entitled to receive dividends that may be declared by our board of directors.

In the event of a liquidation, dissolution or winding up of our operations, whether voluntary or involuntary, and subject to the rights of any preferred stockholders, the holders of our common stock would be entitled to receive, on a pro rata basis, all of our remaining assets available for distribution to our stockholders. The holders of our common stock have no preemptive, redemption, conversion or subscription rights. As of December 31, 2003, we had 7,387,507,775 shares of our common stock outstanding.

Dividends

We have not paid cash dividends on our common stock, with the exception of 1983, since our inception. We do not anticipate paying any dividends at any time in the foreseeable future. We expect to use any excess funds generated from our operations for working capital and to continue to fund our various projects.

Our Articles of Incorporation restrict our ability to pay cash dividends under certain circumstances. For example, our board can only declare dividends subject to any prior right of our preferred stockholders to receive any accrued but unpaid dividends. In addition, our board can only declare a dividend to our common stockholders from net assets that exceed any liquidation preference on any outstanding preferred stock.

Warrants

As of December 31, 2001, we had outstanding warrants - most of which were not currently exercisable - to purchase 96,136,560 shares of our common stock. These warrants had exercise prices ranging from $.015 to $3.20 per share and expiration dates through December 4, 2006, and were held by members of our scientific advisory board, certain employees, officers, directors, loan guarantors, and consultants. As of December 31, 2002, all remaining warrants were deemed to have been cancelled due to our bankruptcy.

Holders of warrants are not entitled to vote, to receive dividends or to exercise any of the rights of the holders of shares of our common stock for any purpose until the warrant holder properly exercises the warrant and pays the exercise price.

Transfer Agent

Mellon Investor Services in New York, New York acts as our Registrar and Transfer Agent for our common stock. We act as our own registrar and transfer agent for our preferred stock and warrants.

Item 6. Selected Financial Data

YEARS ENDED DECEMBER 31st

	2003	2002	2001	2000	1999
Total Assets	$ 448,180	$ 178,116	$24,637,421	$21,930,070	$15,685,836
Long-Term Obligations	$ 0	$ 0	$ 2,280,935	$ 2,211,537	$ 1,338,387
Working Capital (Deficit)	$ 448,180	($ 9,816,536)	($10,429,990)	$ 754,368	$ 4,592,935
Preferred Stock	$ 0	$ 108,357	$ 169,300	$ 0	$ 0
Net Sales	$ 625,231	$ 2,828,923	$ 4,342,203	$ 340,327	$ 112,354
TOTAL REVENUES	$ 625,231	$ 2,828,923	$ 4,349,918	$ 345,874	$ 165,251
Other Income	$ 0	$ 413,703	$ 561,817	$ 589,529	$ 1,031,560
Warrant Extensions	$ 0	$ 0	$ 0	$ 5,233,529	$ 0
Benefit (Provision) for Income Taxes	$ 0	$ 0	($ 120,882)	$ 0	$ 0
Net Income (Loss)	$ 1,927,283	($25,116,853)	($30,942,310)	($42,546,303)	($38,072,578)
Net Income (Loss)per Common Share:					
Basic	$.00	($.01)	($.02)	($.04)	($.05)
Diluted	$.00	($.01)	($.02)	($.04)	($.05)
Cash Dividends per share:					
Preferred	$ 0	$ 0	$ 0	$ 0	$ 0
Common	$ 0	$ 0	$ 0	$ 0	$ 0

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a summary of the more detailed information in our financial statements. You should carefully review those financial statements before you decide whether to invest in our stock.

Forward-Looking Statements

This section contains forward-looking statements. We discussed these kinds of statements on page 2, and you should review that section.

Liquidity and Capital Resources

On March 18, 2003, we along with our subsidiary Petrol Rem, Inc. filed voluntary petitions for chapter 11 bankruptcy with the United States Bankruptcy Court for the Western District of

Pennsylvania.

We had extensively focused our efforts on research and development of products used in the medical products business (particularly medical products used in the treatment of diabetes) and environmental remediation business. We also invested in other business ventures. Our operations required a continuous capital infusion to support its operations. In late 2001 and continuing throughout 2002, we experienced difficulty in raising monies to support our own operations and controlling costs. We began selling our assets to provide capital to meet our obligations. Our financial situation continued to deteriorate throughout 2002. Without necessary funding, we were unable to continue operations or to retain sufficient counsel to defend ourselves from litigation matters. In 2002, we were sued by several alleged creditors who obtained default judgments against us and one of our subsidiaries. The judgment holders thereafter levied on our property scheduling an execution sale of assets. Faced with the threat of losing substantial assets to a single disputed creditor, we filed a petition for relief under Chapter 11 on March 18, 2003.

In the years prior to the Chapter 11 filing, we experienced substantial losses and financial difficulties. Our consolidated financial statements for the year ended December 31, 2002 included disclosures that we had a net loss for the year of $25,116,853 and our accumulated deficit was $279,779,924.

Prior to the Chapter 11 filing, we decided to voluntary vacate our manufactuing facility in Indiana, PA. All manufacturing operations have ceased and no additional work is being performed on any remaining contracts at the Indiana, PA facility. The inventory and equipment at the Indiana, PA facility has been sold during the course of the Chapter 11 bankruptcy case.

We have proposed a Joint Plan of Reorganization (the Plan) and have received the required acceptance by our creditors. The Plan was confirmed by the Bankruptcy Court on September 23, 2004 subject to our becoming current on our SEC reporting. Under the Plan we will not continue business operations as an independent entity. Instead, the Joint Plan Proponent PHD Capital anticipates combining a new entity, cXc Services, Inc. ("cXc"), into BICO. BICO will obtain 100% of the assets of cXc, including the exclusive licensing rights to a product known as a "web phone" and management expertise. In return, the shareholders of cXc will receive full voting, convertible, preferred stock in BICO. The preferred stock shall be convertible at any time into an amount of common stock equal to 49.6% of the total stock issuable by BICO, but will not provide cXc with any priority over the common shareholders upon liquidation, nor any dividend or disbursement priority. The former shareholders of cXc will hold two of the three positions on the Board of Directors of BICO. BICO shall continue business operations as a publicly traded company with continuing infusions of capital and resources from selling additional shares or any other available source. Neither cXc nor its principals shall receive any funds currently held by BICO.

cXc is a private company based in Laguna Hills, California. cXc was located by the joint plan proponent, PHD Capital (PHD and cXc had no prior dealings). cXc was incorporated in Delaware in 2003. Neither cXc, nor any of its principals, have had any prior dealings with BICO or are insiders of BICO or its subsidiaries. cXc is a developing company dedicated to providing internet connectivity to the large number of customers and consumers who do not currently have internet service, as well as making internet service more convenient for those who do have service. cXc is marketing and will shortly begin selling, a "web phone" product which will enable telephone users to access the internet (without a computer or television) by pushing one button on a telephone. cXc has the exlusive distribution rights in North America for the web phone product manufactured by Amstrad, PLC, a public British company. Amstrad has sold and installed 300,000 units of the web phone product in its markets in the last year and a half. To date, cXc and its predecessors have raised over $1 million to support its operations. A summary of cXc's product description and target markets may be viewed at the firm's website, cXcservices.com.

cXc Services is substantially owned (over 80%) by Ken Raznick, Richard Greenwood and the management team. The co-founder, President and CEO of cXc is Richard Greenwood. Greenwood has over 25 years of experience in executive level positions with financial institutions involving funding and capital management. For example, he held various treasury positions for Citibank, was CFO of California Federal Bank and Valley National, and was the CEO of Bank Plus/Fidelity Federal Bank. Most recently before starting cXc, Greenwood was CEO of Hagenuk CPS/USA, a manufacturer and distributor of web phones and smart card systems and technologies. Greenwood is experienced at raising funds for a developing business and managing its daily challenges.

Co-founder Ken Raznick, the Chairman of cXc, has worked in the commercial real estate field for 30 years, participating in the development of over 25 million square feet of commercial and industrial space. In 1974, Raznick started The Ken Raznick company deeloping neighborhood shopping centers. In addition to developing and managing shopping centers, Raznick has been actively involved in commercial financing issues. Raznick has invested substantial monies in cXc and its operations.

The Joint Plan Proponent, PHD Capital, is an investment banking company based in New York, NY. PHD Capital was used by us prior to the filing of the Chapter 11 as an investment banker to raise funds. None of our principals or insiders are principals or insiders of PHD Capital, nor have any members of PHD Capital ever held any positions with us. PHD Capital is one of our creditors and has worked with us to identify a merger partner and submit this Plan. In return for its services, PHD Capital will obtain stock in BICO representing 2.0% of our issuable shares. One-half of these shares shall be restricted from sale for a period of 60 days after issuance, and the remainder shall be unrestricted. No post-bankruptcy filing contractual relationship exists between BICO and PHD Capital.

The shareholders of cXc shall receive preferred stock in BICO with full voting rights (the preferred stock will be convertible into common stock representing 49.6% of BICO's issuable shares). cXc will control two of three

Board of Director positions. Upon consummation of the merger, cXc and/or PHD will endeavor to secure the funds necessary on an as needed basis to:(i) merge operations with the Reorganized Debtor; and (ii) continue BICO's operations and preserve its status as a publicly traded company (including, but not limited to, the costs and expenses of preparing public company filings, registration statements, and mailings to shareholders.) In the 90 day period following the merger, cXc expects to continue uninterrupted its business plan and as such expects at least another $1 million dollars to be raised for the new BICO operation.

BICO's reorganized Board of Directors shall have the following special powers, none of which shall require the consent of any shareholders: 1)combine cXc into BICO and implement the terms of the Joint Plan of Reorganization; 2) designate officers and directors of the Reorganized Debtor for a period of 12 months or until a merger is consummated, whichever is sooner; 3)increase the total authorized shares in the Reorganized Debtor to up to 250,000,000,000 shares; 4)split or reverse split the stock in the Reorganized Debtor as many times as desired for a period of 5 years from the effective date of the Plan; 5)redeem the interest of BICO's preferred shareholders in exchange for common stock in the Reorganized Debtor; 6)impose commercially reasonable restrictions on the transfer of any issued stock; 7)amend BICO's bylaws and/or issue new bylaws for BICO for a period of 2 years from the effective date of the Plan; 8)assume, ratify, assign and/or amend that certain Securities Purchase Agreement between BICO and J.P. Carey Asset Management relating to Series K Convertible Preferred Stock, including extending the maturity date to September 1, 2001. this agreement permits BICO to raise funds by selling stock in a less costly manner than by issuing a secondary offering; and 9)issue restricted or unrestricted shares of BICO stock in such amounts and at such times to persons or entities who shall perform services for BICO, as the Board of Directors shall determine.

Existing unsecured nonpriority creditors of BICO shall receive 6,500,000,000 shares of restricted common stock in the Reorganized Debtor, distributed on a pro-rata basis. Holders of this common stock shall be restricted from trading the stock in the following manner: 25% may be sold beginning 6 months from the date of issuance; another 25% may be sold beginning 9 months from the date of issuance; and the remainder may be sold beginning 1 year from the date of issuance. Existing unsecured creditors shall also receive the net proceeds distributed on a pro-rata basis of any fraudulent transfer litigation to be commenced by BICO or its assign. This includes a possible cause of action against Edward Lofton and/or Intco., arising out of a loan transaction between BICO and Intco, Inc. The Debtor believes that this cause of action has merit and should be pursued. Upon locating an attorney to pursue the action on a contingency, BICO may fund a cost account to pursue the litigation prior to any merger. The Reorganized Debtor shall have no obligation to pursue or fund this litigation.

The Reorganized Debtor shall redeem the existing preferred stock in exchange for common stock in the Reorganized Debtor of another 6,500,000,000 shares. The existing common stockholders in BICO shall retain their existing shares in the amount of approx. 6,500,000,000. collectively, existing creditors, preferred shareholders, and shareholders of the Debtor shall receive approx. 8% of the issuable shares in the Reorganized Debtor.

J.P. Carey Asset Management shall receive 1,000,000,000 shares of common stock in the Reorganized Debtor, which shares shall be restricted from trading for a period of 6 months from the date of issuance. These shares shall be paid to J.P. Carey Asset Management for assisting BICO in raising revenue pursuant to the Securities Purchase Agreement for Series K Preferred Stock dated February 15, 2002.

The Reorganized Debtor shall also reserve 4,500,000,000 shares of common stock, restricted or unrestricted as the Board of the Debtor shall determine, to be used to pay for services to be rendered to the Reorganized Debtor (including, but not limited to, public relations firm(s), marketing agents, accountants, attorneys, employees, and professionals).

Holders of warrants and/or options to purchase BICO stock or debt which had not been exercised as of March 18, 2003 shall not receive any property under this Plan, and such interests are cancelled.

Administrative claimants will be paid either in full on the Effective Date of the Plan or as agreed between the Debtor and the claimant(s). Priority wage claim creditors will be paid the full amount of their allowed prioriy claims (up to $4,650 per claimant) on the Effective Date of the Plan. Unsecured priority tax creditors shall be paid the full amount of their priority claims over a period of 72 months or less, plus interest at the prevailing interest rate for such claims in effect on the date the Plan is confirmed, as provided by 11 U.S.C. 507(a)(8).

Upon approval of the Plan and implementation of the Plan, BICO anticipates issuing unrestricted stock in BICO representing 16% of the issuable shares in the company, and immediately begin selling such stock to raise needed investment capital. BICO shall reserve another 22% of its issuable shares for future capital raising.

Our cash increased to $448,180 as of December 31, 2003 from $81,682 as of December 31, 2002 primarily due to collection of notes receivable of $46,338 and $230,000 from the sale of assets. These sources of cash were offset by losses from operations and other items to bring our net increase in cash to $366,498.

Accounts receivable, decreased to zero as of December 31, 2003 due to payment of $50,096 in the first quarter of 2003.

Current notes receivable of $46,338 as of December 31, 2002 represents proceeds due from the sale of MicroIslet stock in the fourth quarter of 2002 which was paid in January 2003.

All of our property, plant and equipment, goodwill, intangible assets, investments in unconsolidated, and other assets were either written off through impairment charges or were reclassified to assets held for sale which are offset by associated liabilities.

Petition Date liabilities (including accounts payable, notes payable, capital lease obligations, accrued liabilities and other liabilities) that are expected to be settled as part of a plan of reorganization are separately classified in the consolidated balance sheet as Liabilities Subject to Compromise. Reductions in liabilities as a result of the bankruptcy proceedings are recognized as "Forgiveness of Debt" in the Consolidated Statements of Operations.

Results of Operations

The following paragraphs discuss the results of operations of our entire company based on our consolidated financial statements.

Prior to the Chapter 11 filing in the first quarter of 2003, we decided to voluntarily vacate our manufacturing facility in Indiana, PA. All manufacturing operations were ceased and no additional work was performed on any remaining contracts at the Indiana, PA facility. With the exception of ViaCirq substantially all operations of the Company were discontinued throughout 2003.

We have proposed a Joint Plan of Reorganization (the Plan) and have received the required acceptance by our creditors. Under the Plan we will not continue business operations as an independent entity. Instead, the Joint Plan Proponent PHD Capital anticipates combining a new entity, cXc Services, Inc. ("cXc"), into BICO. BICO will obtain 100% of the assets of cXc, including the exclusive licensing rights to a product known as a "web phone" and management expertise. In return, the shareholders of cXc will receive full voting, convertible, and preferred stock in BICO. The preferred stock shall be convertible at any time into an amount of common stock equal to 49.6% of the total stock issuable by BICO, but will not provide cXc with any priority over the common shareholders upon liquidation, nor any dividend or disbursement priority. The former shareholders of cXc will hold two of the three positions on the Board of Directors of BICO. BICO shall continue business operations as a publicly traded company with continuing infusions of capital and resources from selling additional shares or any other available source. Neither cXc nor its principals shall receive any funds currently held by BICO.

Our net sales and corresponding costs of products sold decreased in 2003 to $625,231 and $258,919 respectively. Our net sales and corresponding costs of products sold during 2002 decreased to $2,828,923 and $1,645,258 respectively from $4,324,203 and $3,287,176 in 2001. The decrease in 2002 was primarily due to sales of $3,212,418 by Petrol Rem's subsidiary, INTCO, which was acquired in the fourth quarter of 2000 and diposed of in early 2002 and, therefore, not included in the most of 2002 operations. The decreases from 2002 to 2003 resulted primarily from the cessation of all operations except for ViaCirq.

During the 3rd quarter of 2001, our manufacturing division in Indiana, PA received contracts, which began generating revenue during late 2001. Our Biocontrol Technology division received a

$1.5 million manufacturing contract from the U.S. Army, and $238,000 manufacturing contract from a private company. We began work on the U.S. Army contract beginning in the 4th quarter of 2001. Revenues from this contract helped to offset the reduced 2002 revenues in Petrol Rem discussed above.

Interest income decreased to zero for 2003 compared to $413,700 and $561,817 for 2002 and 2001 respectively because we had no funds to invest during 2003.

Research and development activities were significantly curtailed during 2002 and completely discontinued in 2003 due to a lack of funding. As a result, the associated expenses in 2002 were reduced to $896,186 and to zero in 2003.

General and administrative expenses for 2003 decreased to $747,444 from $19,016,705 and $21,879,130 in 2002 and 2001 respectively. The decrease in 2003 is due to curtailed operations in 2003. The decrease in 2002 is attributable to additional salaries in 2001, which include a $912,727 payment to David L. Purdy in connection with his resignation from the Company and its affiliates and new hiring at ViaCirq and Petrol Rem (including INTCO and Tireless, LLC). In addition, in 2001 higher travel expenses, primarily for ViaCirq's and Petrol Rem's increased marketing efforts increased expenses. The above decreases in 2002 were partially offset by a decrease in expense recognized in connection with the granting of warrants for services. The 2002 decreases were also the result of curtailed operations in 2002.

Amortization decreased from $804,458 in 2001 to $175,000 in 2002 due to the write off of the intangible assets. We had no losses on unconsolidated susidiaries in 2003 because we ceased all funding to these entities and abandoned our interests. Our loss on unconsolidated subsidiaries increased to $524,151 for the year ended December 31, 2002 compared to $279,978 for 2001. This loss results because we absorb part of the losses incurred by our unconsolidated our subsidiaries. Our share of the loss is determined by applying our ownership percentage to the total loss incurred.

There were no debt issue costs in 2003 or 2002. Debt issue costs were $2,218,066 in 2001 due to additional debentures and notes payable during 2001.

In prior years, we wrote off bioremediation inventory because we did not know if we would eventually be able to establish a market to sell this inventory. During the nine months ended September 30, 2002, Petrol Rem sold inventory that was previously written off. Therefore, we recorded an unusual item for the recovery of inventory valuation allowance of $170,077.

Interest expense decreased from $639,591 and $826,346 in 2002 and 2001 respectively to $42,694 in 2003 due to lower debt balances at the beginning of 2003 and our bankruptcy filing on March 18, 2003.

We recognized income in 2003 of $1,292,335 due to forgiveness of debt due to our bankruptcy filing and recognized a gain of $1,061,254 on the sale of our ownership interest in ViaCirq, Inc. in 2003. In 2001, we recognized $2,562,848 in debt forgiveness in connection with a renegotiated settlement of debt incurred when we purchased subsidiary, ICTI. there were no such transactions in 2002.

Beneficial conversion terms included in our convertible debentures are recognized as expense and credited to additional paid in capital at the time the associated debentures are issued. There were no such costs in 2003 or 2002. We recognized $2,063,915 of expense in connection with the issuance of our subordinated convertible debentures in 2001.

The $6,014,576 impairment loss recognized in 2002 resulted primarily from the write down of the Company's investments and goodwill.

Segment Discussion

Because of the cessation of our operations with the exception on ViaCirq, Inc., we only operated in the biomedical segment in 2003. For purposes of accounting disclosure, we provide the following discussion regarding two business segments for 2002 and 2001: Bioremediation and environmental clean-up, which includes the operations of Petrol Rem, Inc., and Biomedical devices, which includes the operations of our Biocontrol Technology division, Diasense, Inc., and ViaCirq, Inc. More complete financial information on these segments is set forth in Note H to our accompanying financial statements.

Bioremediation Segment. During the year ended December 31, 2001, sales to external customers were $3,383,637. In 2002 these sales were reduced to $138,751 due to the elimination of Petrol Rem, Inc. ownership interest in INTCO, Inc. As a result, costs of products sold decreased to $204,325 in 2002 from $2,507,717 in 2001.

Biomedical Device Segment. During the year ended December 31, 2002, sales to external customers increased to $2,608,736 from $817,353 in 2001. The overall increase was primarily due to increased revenues from manufacturing activity for the US Army at our Indiana facility in 2002.

Income Taxes

Due to our net operating loss carried forward from previous years and our current year losses, no federal or state income taxes were required to be paid for the years 1987 through 2003 on BICO's consolidated tax return. However, INTCO, Inc., a former subsidiary of Petrol Rem, Inc., files separate income tax returns and the 2001 tax return included tax expense of $120,882. As of December 31, 2003, we and our subsidiaries, except for Diasense, Petrol Rem, Rapid HIV and ICTI had available net operating loss carry forwards for federal income tax purposes of approximately $16 million, which expire over the course of the years 2004 through 2024.

Item 8. Financial Statements and Supplementary Data

The Company's financial statements appear on pages F-1 through F-37 of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 10. Directors and Executive Officers of the Registrant

Name	Age	Director Since	Position
Anthony Paterra	54	2003	Chief Executive Officer, Director
Jerome M. Buyny	53	2002	Director

ANTHONY PATERRA, 54, joined BICO in 1999 as our Director of Public Affairs. He then began to consult on our corporate insurance issues. In 2001 he started to handle our delinquent accounts payable. On April 16, 2003, he was appointed to the BICO board of directors. On May 15, 2003 he was appointed CEO. Prior to joining us he worked as an Insurance Agent from 1989 to 1998.

JEROME M. BUYNY, 53, joined our board of directors on October 23, 2002. Mr. Buyny is President of S.W.A.T Security Services in Pittsburgh, PA. Mr. Buyny was formerly a Special Agent for the Federal Bureau of Investigation from 1972 through 1990. He attended Alliance College in Cambridge Springs, PA and has a B.A. degree in History and Political science. He also attended the American Institute of Banking, George Washinton University, the FBI Academy and Federal Law Enforcement Academy.

Item 405 of Regulation S-K requires us to make disclosures regarding timely filings required by Section 16(a) of the Securities and Exchange Act. Based solely on our review of copies of forms received and written representations from certain reporting persons, we believe that all of our officers, directors and greater than ten percent beneficial owners complied with applicable filing requirements.

Item 11. Executive Compensation

Due to our discontinuation of operations and bankruptcy filing, we only have one executive officer, Mr. Anthony Paterra. For the year ended December 31, 2003, Mr. Paterra was paid $35,500.

Item 12. Security Ownership of Certain Beneficial Owners and Management

None of our current management or executive officers have any security ownership in the Company.

Item 13. Certain Relationships and Related Transactions

We previously shared common officers and directors with our subsidiaries. In addition, BICO and Diasense had entered into several intercompany agreements including a purchase agreement, a research and development agreement and a manufacturing agreement, which we describe later in this section. Our management believes that it was in our best interest to enter into those agreements and that the transactions were based upon terms as fair as those which may have been available in comparable transactions with third parties. However, we did not hire any unaffiliated third party to determine independently the fairness of those transactions. Our policy concerning related party transactions requires the approval of a majority of the disinterested directors of both the corporations involved, if applicable.

Loans

In 1999, we consolidated all of Fred E. Cooper's outstanding loans from us, including accrued interest, into one loan in the amount of $777,399.80 at 8% interest. Mr. Cooper began repaying the loans in May of 1999. In 2002, under the terms of a resignation agreement, Mr. Cooper's outstanding loans were reduced to $204,583 by offsetting previously accrued salaries.

In 1999, we consolidated all of Anthony J. Feola's outstanding loans from us, including accrued interest, into one loan in the amount of $259,476.82 at 8% interest. Mr. Feola began repaying the loans in May of 1999. In 2002, under the terms of a resignation agreement, Mr. Feola's outstanding loans were completely offset against previously accrued salaries.

In 1999, we consolidated all of Glenn Keeling's outstanding loans from us, including accrued interest, into one loan in the amount of $296,358.07 at 8% interest. Mr. Keeling began repaying the loans in May of 1999. In 2002, under the terms of a resignation agreement, Mr. Keelings outstanding loans were completely offset against previously accrued salaries.

In 2001, we granted a loan in the amount of $110,000 to Anthony DelVicario, a former Diasense director and the president of American Intermetallics. We loaned him the money because he used it to try to close a transaction in Europe that could generate revenues. The transaction involved the creation of a distribution system in Europe to sell American Inter-Metallic's products and generate revenue. In November 2001, we increased the amount due to $114,000 to cover accrued interest and secured the loan with all of the assets of American Intermetallics. Mr. DelVicario began making monthly payments on the loan in March 2002 but is currently in default with a remaining balance of $112,554.

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1. Financial Statements

The financial statements, together with the report thereon of the Company's independent accountants, are included in this report on the pages listed below.

2. Exhibits:

(b) Reports on Form 8-K

The Company filed a Form 8-K report on September 27, 2004, for the event dated July 23, 2004. The items listed were Item 5, Other Events.

c) Exhibits Required by Item 601 of Regulation S-K

The following exhibits required by Item 601 of Regulation S-K are filed as part of this report. Except as otherwise noted, all exhibits are incorporated by reference from exhibits to Form S-1 (Registration #33-55200) filed December 1, 1992 or from exhibits to Form 10-K filings prior to or subsequent to that date.

3.1(4) Articles of Incorporation as filed March 20, 1972

3.2(4) Amendment to Articles filed May 8,1972

3.3(4) Restated Articles filed June 19,1975

3.4(4) Amendment to Articles filed February 4,1980

3.5(4) Amendment to Articles filed March 17,1981

3.6(4) Amendment to Articles filed January 27,1982

3.7(4) Amendment to Articles filed November 22,1982

3.8(4) Amendment to Articles filed October 30,1985

3.9(4) Amendment to Articles filed October 30,1986

3.10(4) By-Laws

3.11(5) Amendment to Articles filed December 28,1992

3.12(8) Amendment to Articles filed February 7, 2000

3.13(12) Amendment to Articles filed June 14, 2000

3.14(14) Amendment to Articles filed November 30, 2001

3.15(14) Certificate of Designation of Series G Preferred Stock

3.16(14) Certificate of Designation of Series H Preferred Stock

3.17(14) Certificate of Designation of Series I Preferred Stock

3.18(14) Certificate of Designation of Series J Preferred Stock

3.19(14) Certificate of Designation of Series K Preferred Stock

10.1(1) Manufacturing Agreement

10.2(1) Research and Development Agreement

10.3(1) Termination Agreement

10.4(1) Purchase Agreement

10.5(2) Sublicensing Agreement and Amendments

10.6(3) Lease Agreement with 300 Indian Springs Partnership

10.7(4) Lease Agreement with Indiana County

10.8(5) First Amendment to Purchase Agreement dated December 8, 1992

10.9(6) Fred E. Cooper Employment Agreement dated November 1, 1994

10.10(6) David L. Purdy Employment Agreement dated November 1, 1994

10.11(6) Anthony J. Feola Employment Agreement dated November 1, 1994

10.12(6) Glenn Keeling Employment Agreement dated November 1, 1994

10.13(9) David L. Purdy resignation as a director letter dated June 1, 2000

10.14(11) Michael P. Thompson Employment Agreement dated August 16, 2000

10.15(13) Marketing Agreement by and between BICO, Rapid HIV Detection Corp., GAIFAR and Dr. Heinrich Repke

10.16(13) Contract between Biocontrol Technology, Inc. and U.S. Army Assistance

16.1(7) Disclosure and Letter Regarding Change in Certifying Accountants dated January 25, 1995

16.2 (10) Disclosure and Letter Regarding Change in Certifying Accountants dated August 24, 2000

(15) Order of Court dated August 5, 2003, regarding sale of inventory and equipment from Indiana, PA manufacturing facility.

(15) Order of Court dated October 14, 2003, regarding sale of BICO's equity interest in ViaCirq.

(15) Order of Court dated December 16, 2003, regarding sale of Petrol Rem, Inc. assets.

(15) Order of Court dated May 25, 2004, regarding sale of BICO's eqity interest in Diasense, Inc.

(15) Liquidating Plan of Reorganization of Petrol Rem, Inc. dated March 12, 2004.

(15) Order of Court dated July 8, 2004, confirming the Petrol Rem, Inc. Plan of Reorganization.

(15) BICO, Inc. Second Amended Joint Plan of Reorganization.

(15) Second Amended Disclosure Statement to Accompany Amended Joint Plan of Reorganization dated August 3, 2004.

(15) Order of Court Approving Joint Second Amended Disclosure Statement, Fixing Time for acceptances or resections of plan, fixing time for hearing on plan confirmation, and setting last day for filing complaint objecting to discharge combined with notice therof.

(1) Incorporated by reference from Exhibit with this title filed with BICO's Form 10-K for the year ended December 31, 1991

(2) Incorporated by reference from Exhibit with this title to Form 8-K dated May 3, 1991

(3) Incorporated by reference from Exhibit with this title to Form 10-K for the year ended December 31, 1990

(4) Incorporated by reference from Exhibit with this title to Registration Statement on Form S-1 filed on December 1, 1992

(5) Incorporated by reference from Exhibit with this title to Amendment No. 1 to Registration Statement on Form S-1 filed on February 8, 1993

(6) Incorporated by reference from Exhibit with this title to Form 10-K for the year ended December 31, 1994

(7) Incorporated by reference from Exhibit with this title to Form 8-K dated January 25, 1995

(8) Incorporated by reference from Exhibit with this title to Form 10-K for the year ended December 31, 1999

(9) Incorporated by reference from Exhibit with this title to Form 8-K dated June 2, 2000

(10) Incorporated by reference from Exhibit with this title to Form 8-K filed August 24, 2000

(11) Incorporated by reference from Exhibit with this title to Form 10-K for the year ended December 31, 2000

(12) Incorporated by reference from Exhibit with this title to Form S-1 filed July 9, 2001

(13) Incorporated by reference from Exhibit with this title to Form 8-K/A filed October 15, 2001

(14) Incorporated by reference from Exhibit with this title to Form 10-K for the year ended December 31, 2001

(15) Incorporated by reference from Exhibit with this title to Form 10-K for the year ended December 31, 2002

Item 15: Controls and Procedures

Our Chief Executive Officer (the ("Certifying Officer") is responsible for establishing and maintaining diclosure controls and procedures for the Company. The Certifying Officer has designed such disclosure controls and procedures to ensure that material information is made known to him particularly during the period in which this report was prepared. The Certifying Officer has evaluated the effectiveness of the Company's disclosure controls and procedures within 90 days of the date of this report and believe that the Company's disclosure controls and procedures are effective based on the required evaluation. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of his evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Conformed Copy

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 5th day of October 2004.

BICO, INC.

/s/ Anthony Paterra
By: Anthony Paterra
CEO, principal executive
officer and director

Pursuant to the requirements of the Securities Exchange Act of 1934, the following persons on behalf of the Registrant and in the capacities and on the dates indicated have signed this report below.

Signature	Title	Date
/s/ Anthony Paterra Anthony Paterra	Chief Executive Officer, Principal financial officer, Principal accounting officer, Director	October 5, 2004
/s/ Jerome M. Buyny Jerome M. Buyny	Director	October 5, 2004

Report of Independent Accountants

The Board of Directors and Stockholders
BICO, Inc.

We have audited the accompanying consolidated balance sheets of BICO, Inc. and its subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity (deficiency) and cash flows for each of the three years in the period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BICO, Inc. and its subsidiaries as of December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note V, on March 18, 2003, the Company filed a voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Code and was authorized to continue managing and operating the business as a debtor in possession subject to the control and supervision of the Bankruptcy Court. Those conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Goff Backa Alfera & Company, LLC

Pittsburgh, Pennsylvania

October 4, 2004

BICO, Inc. and Subsidiaries
(Debtor in Possession)
Consolidated Balance Sheets

	Dec. 31, 2003	Dec. 31, 2002

CURRENT ASSETS		
Cash and equivalents	$ 448,180	$ 81,682
Accounts receivable	-	50,096
Notes receivable	-	46,338
TOTAL CURRENT ASSETS	448,180	178,116
OTHER ASSETS		
Related Party Receivables		
Notes receivable	317,137	317,137
Interest receivable	16,047	16,047
	333,184	333,184
Other notes receivable	546,533	546,533
Other interest receivable	1,384	1,384
	881,101	881,101
Allowance for notes receivable	(881,101)	(881,101)
	-	-
TOTAL ASSETS	$ 448,180	$ 178,116

The accompanying notes are an integral part of these statements.

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BICO, Inc. and Subsidiaries
(Debtor in Possession)
Consolidated Balance Sheets
(Continued)

	Dec.31, 2003	Dec. 31, 2002
CURRENT LIABILITIES		
Accounts payable	$ -	$ 4,105,303
Notes payable	-	1,473,347
Current portion of long-term debt	-	286,457
Capital lease obligations	-	1,265,299
Accrued liabilities	-	2,270,635
Escrow payable	-	2,700
TOTAL CURRENT LIABILITIES	-	9,994,652
LONG-TERM LIABILITIES		
Liabilities subject to compromise	8,154,100	-
Liabilities in excess of assets held for sale	184,773	590,911
	8,338,873	590,911

COMMITMENTS AND CONTIGENCIES

UNRELATED INVESTORS'INTEREST IN SUBSIDIARIES	-	1,440
STOCKHOLDERS' EQUITY (DEFICIENCY)		
Common stock, par value $.10 per share, authorized 8,000,000,000 shares at Dec. 31, 2003 and 2002, outstanding 7,387,507,775 shares at Dec. 31, 2003, 7,138,933,127 shares at Dec. 31, 2002	738,750,778	713,893,312
Convertible preferred stock, par value $10 per share, authorized 500,000 shares issuable in series, shares issued and outstanding 108,356 at December 31, 2002	-	108,357
Additional paid-in capital	(468,788,830)	(444,039,721)
Accumulated deficit	(277,852,641)	(279,779,924)
TOTAL STOCKHOLDERS' EQUITY (DEFICIENCY)	(7,890,693)	(9,817,976)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)	$ 448,180	$ 178,116

The accompanying notes are an integral part of these statements.

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BICO, INC. AND SUBSIDIARIES
(Debtor in Possessions)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2003	2002	2001
Revenues			
Net sales	$ 625,231	$ 2,828,923	$ 4,342,203
Costs and expenses			
Cost of products sold	258,319	1,645,258	3,287,176
Research and development	-	896,186	7,113,258
General and administrative	750,524	19,016,705	21,879,130
Amortization	-	175,000	804,458
Impairment loss	-	6,014,576	-
	1,008,843	27,747,725	33,084,022
Loss from operations	(383,612)	(24,918,802)	(28,741,819)
Other (income) and expense			
Forgiveness of debt	(1,292,335)	-	-
Gain on sale of ViaCirq	(1,061,254)	-	-
Loss on sale of equipment		-	-
Gain on sale of MicroIslet stock	-	(1,283,852)	-
Interest income	-	(413,703)	(561,817)
Debt issue costs	-	-	2,218,066
Beneficial convertible debt feature	-	-	2,063,915
Interest expense	42,694	639,591	826,346
Loss on unconsolidated subsidiaries	-	524,151	279,978

Loss on disposal of assets	-	922,451	29,759
Other taxes	-	-	120,882
Unusual item	-	(170,075)	(2,562,848)
Other Income	-	(20,512)	(7,715)
	(2,310,895)	198,051	2,406,566
Income (Loss) before unrelated investors' interest	1,927,283	(25,116,853)	(31,148,385)
Unrelated investors' interest in net loss of subsidiaries	-	-	206,075
Net income (loss)	$ 1,927,283	$(25,116,853)	$(30,942,310)
Loss per common share - Basic:			
Net Loss	$ (0.00)	$ (0.01)	$ (0.02)
Less: Preferred stock dividends	(0.00)	(0.00)	(0.00)
Net loss attributable to common stockholders:	$ (0.00)	$ (0.01)	$ (0.02)
Loss per common share - Diluted:			
Net Loss	$ (0.00)	$ (0.01)	$ (0.02)
Less: Preferred stock dividends	(0.00)	(0.00)	(0.00)
Net loss attributable to common stockholders:	$ (0.00)	$ (0.01)	$ (0.02)

The accompanying notes are an integral part of these statements.

BICO, Inc. and Subsidiaries
(Debtor in Possession)
Consolidated Statements of Stockholders' Equity (Deficiency)

	Preferred Stock		Discount assigned to benef. conv.	Common Stock			Note rec issued for Common Stk	Add Pa
	Shares	Amount	feature	Shares	Amount	Warrants	Rel Party	Ca
Balance at Dec. 31, 2000	-	$ -	$ -	1,383,704,167	$138,370,417	$6,204,235		$87,035,096
Proceeds from stk offering	-	-	-	769,410,092	76,941,009	-		(67,717,009)
Preferred stk.	16,930	169,300	(1,962,632)	-	-	-		10,078,332
Constructive dividend on preferred stock	-	-	1,821,632	-	-	-		(1,821,632)
Conversion of debentures	-	-	-	297,516,852	29,751,685	-		(19,096,026)

Warrants granted and extended -subsidiaries	-	-	-	-	-	-	(1,331)
Issuance of convertible debt	-	-	-	-	-	-	2,058,970
Common stk. issued-subs.	-	-	-	-	-	-	162,500
Warrants granted	-	-	-	-	-	17,420	188,252
Net loss	-	-	-	-	-	-	-
Balance at Dec. 31, 2001	16,930	$ 169,300	$(141,000)	2,450,631,111	$245,063,111	$6,221,655	$ 10,887,152
Proceeds from stk offering	-	-	-	372,444,628	37,244,463	-	(31,655,920)
Conversion of preferred stock	(6,094)	(60,943)	-	4,315,857,388	431,585,738	-	(429,464,295)
Constructive dividend on preferred stock	-	-	141,000	-	-	-	-
Warrants granted and extended -subsidiaries	-	-	-	-	-	-	(60,000)
Common stk. issued-subs.	-	-	-	-	-	-	31,687
Warrants expired/ cancelled	-	-	-	-	-	(6,221,655)	6,221,655
Net loss	-	-	-	-	-	-	-
Balance at Dec. 31, 2002	10,836	$108,357	$ -	7,138,933,167	$713,893,312	$ -	$(444,039,721)
Conversion of preferred stock	(10,836)	(108,357)	-	248,574,648	24,857,466	-	(24,749,109)
Net income	-	-	-	-	-	-	-
Balance at Dec. 31, 2003	-	$ -	$ -	7,387,507,775	$713,893,312	$ -	$(468,788,830)

The accompanying notes are an integral part of these statements.

BICO, Inc. and Subsidiaries
(Debtor in Possession)
Consolidated Statements of Cash Flows

	Year ended Dece	
	2003	2002

Cash flows used by operating activities:		
Net income (loss)	$ 1,927,283	$(25,116,85
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	-	988,87
Amortization	-	175,00
Loss on disposal of assets	-	922,45
Loss on unconsolidated subsidiaries	-	524,15
Unrelated investors' interest in susidiaries	(1,440)	
Stock issued in exchange for services	-	3,334,94
Provision for (recovery of)potential loss on notes receivable	-	(169,59
Warrants granted	-	768,54
Warrants granted and extended by subsidiaries	-	(28,31
(Decrease)increase in allowance for losses on accounts receivable	-	(43,66
(Decrease)increase in accounts receivable	50,096	1,129,12
Decrease in inventories	-	1,645,60
(Decrease) in inventory valuation allowance	-	(734,37
(Increase) decrease in prepaid expenses	-	1,041,09
(Increase) decrease in other assets	-	125,91
Increase (decrease) in accounts payable	-	189,03
Increase in other liabilities	42,694	1,288,56
Debt forgiveness	(1,292,335)	
Impairment loss	-	6,014,57
Gain on sale of MicroIslet stock	-	(1,283,85
Stock issued in payment of interest	-	121,71
Increase in liabilities in excess of assets held for sale	125,116	
Gain on sale of assets held for sale		(1,061,2
Net cash flow used by operating activities	(209,840)	(9,107,05
Cash flows from investing activities:		
Liabilities in excess of assets sold	530,000	
Purchase of property, plant and equipment	-	(363,33
Proceeds from sale of MicroIslet stock	-	1,521,03
Disposal of property, plant and equipment	-	2,171,26
(Increase)decrease in notes receivable	-	2,599,45
Payments received on notes receivable	-	115,96
(Increase)in interest receivable	46,338	141,38
Purchase of marketing rights	-	
Acquisition of unconsolidated subsidiaries	-	
Net cash provided (used) by investing activites	576,338	6,185,76
Cash flows from financing activities:		
Proceeds from stock offering		
Proceeds from warrants exercised	-	770,00
Proceeds from sale of preferred stock	-	2,794,84
Redemption of stock subscriptions	-	
Proceeds from debentures payable	-	
Payments on notes payable and long-term debt	-	(1,826,10
Increase in notes payable and long-term debt	-	1,934,51
Decrease in capital lease obligations	-	(938,37
Net cash provided by financing activities	-	2,734,87
Net increase (decrease) in cash	366,498	(186,41
Cash and cash equivalents, beginning of year	81,682	268,09

Cash and cash equivalents, end of year	$ 448,180	$ 81,68

The accompanying notes are an integral part of these statements.

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BICO, Inc. and Subsidiaries
(Debtor in Possession)
Consolidated Statements of Cash Flows
(Continued)

	Year ended Decemb	
	2003	2002
Supplemental Information:		
Interest paid	$ -	$ 700,47
Supplemental schedule of non-cash investing and financing activities:		
Conversion of preferred stock for common stock	$ 24,857,466	$ -
Constructive dividend on convertible preferred stock	$ -	$ 141,0
Conversion of debentures for common stock	$ -	$ -
Conversion of stock subscriptions for common stock	$ -	$ -
Preferred stock issued in payment of long term debt	$ -	$ -
Acquisition of marketing rights for note payable	$ -	$ -
Cancellation of marketing rights offset by reduction in note payable	$ -	$ 5,600,0
Reduction in notes receivable from related parties by offsetting previously accrued salaries	$ -	$ 808,7

The accompanying notes are an integral part of these statements.

BICO, Inc. and Subsidiaries
(Debtor in Possession)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

NOTE A - PROCEEDINGS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

On March 18, 2003 (Petition Date), BICO, Inc., filed a voluntary petition for reorganization under Chapter 11 of the Federal bankruptcy laws (Bankruptcy Code) in the United States Bankruptcy Court for the Western District of Pennsylvania (Bankruptcy Court). The Company and its subsidiaries incurred substantial losses in 2002 and in prior years and funded their operations and product development through the sale of common and preferred stock and issuance of debt instruments. In late 2001 and continuing throughout 2002, BICO experienced difficulty raising monies to support its own operations and controlling costs. During 2002, BICO began selling its assets to provide capital to meet its obligations. BICO s financial situation continued to deteriorate throughout 2002. Without necessary funding, BICO was unable to continue operations and to retain sufficient counsel to defend itself from litigation matters. In 2002, BICO was sued by several alleged creditors who obtained default judgments against BICO and a subsidiary. The judgment holders thereafter levied on property of BICO, scheduling an execution sale of assets. The threat of losing substantial assets to a single disputed creditor precipitated the need to seek protection under Chapter 11 and to reorganize the Company.

As a Debtor-in-Possession, BICO is authorized to continue to operate as an ongoing business but may not engage in transactions outside the ordinary course of business without the approval of the Court, after notice and an opportunity for a hearing. Under the Bankruptcy Code, actions to collect pre-petition indebtedness, as well as most other pending litigation, are stayed and other contractual obligations against the Company may not be enforced. In addition, under the Bankruptcy Code, the Company may assume or reject executor contracts, including lease obligations. Parties affected by these rejections may file claims with the Court, in accordance with the reorganization process. Absent an order of the Court, substantially all pre-petition liabilities are subject to settlement under a plan of reorganization to be voted upon by creditors and equity holders and approved by the Court.

Upon emergence from bankruptcy, the amounts reported in subsequent financial statements may materially change due to the restructuring of the Company s assets and liabilities as a result of the Plan of Reorganization and the application of the provisions of Statement of Position 90-7, Financial Reporting by Entities in Reorganization under the Bankruptcy Code, (SOP 90-7), with respect to reporting upon emergence from Chapter 11 (Fresh-Start accounting). Changes in accounting principles required under generally accepted accounting principles within 12 months of emerging from bankruptcy are required to be adopted at the date of emergence. Additionally, the Company may choose to make changes in accounting practices and policies at that time. For all of these reasons, financial statements for periods subsequent to emergence from Chapter 11 may not be comparable with those of prior periods.

The accompanying Consolidated Financial Statements have been prepared on a going concern basis, which assumes continuity of operations and realization of assets and satisfaction of liabilities in the ordinary course of business, and in accordance with SOP-7. Accordingly,all pre-petition liabilities subject to compromise have been segregated in the Consolidated Balance Sheets and classified as Liabilities Subject to Compromise, at the estimated amount of allowable claims. Liabilities not subject to compromise are separately classified as current and non-current.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less at acquisition to be cash equivalents.

Income (Loss) Per Common Share

Net income (loss) per common share is based upon the weighted average number of common shares outstanding. The income (loss) per share does not include common stock equivalents since the effect would be antidilutive. The weighted average shares used to calculate the loss per share amounted to 7,357,012,122 in 2003, 3,643,337,572 in 2002, and 1,952,313,675 in 2001. The net income (loss) attributable to common shareholders for the years ended December 31, 2003, 2002 and 2001 were $2,817,141, ($25,257,853), and ($32,763,942), respectively, which include constructive dividends to preferred stockholders of zero $141,000, and $1,821,632, respectively.

Research and Development Costs

Research and development costs are charged to operations as incurred. Machinery, equipment and other capital expenditures, which have alternative future use beyond specific research and development activities, are capitalized and depreciated over their estimated useful lives.

Income Taxes

The Company previously adopted Statement of Financial Accounting Standards No. 109 (FAS 109), Accounting for Income Taxes, which requires the asset and liability method of accounting for income taxes. Enacted statutory tax rates are applied to temporary differences arising from the differences in financial statement carrying amounts and the tax bases of existing assets and liabilities. Due to the uncertainty of the realization of income tax benefits (Note M), the adoption of FAS 109 had no effect on the financial statements of the Company.

Interest

No interest was capitalized as a component of the cost of property, plant and equipment constructed for its own use during the years ended December 31, 2003, 2002 or 2001.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company has stated liabilities subject to compromise based upon estimated settlement amounts, has established allowances based upon management's evaluation of inventories, accounts receivable, and receivables from related parties and amortizes intangible assets such as goodwill and patents over estimated useful lives.

Common Stock Warrants

The Company recognizes cost on warrants granted or extended based upon the minimum value method. Under this method, the warrants are valued by reducing the current market price of the underlying shares by the present value of the exercise price discounted, at an estimated risk-free interest rate of 5% and assuming no dividends. The value of warrants is recalculated when warrants are extended and any increase in value over the value recorded at the time the warrant was granted is recognized at the time the warrant is extended.

Debt Issue Costs

The Company follows the policy of expensing debt issue costs on debentures when debentures are issued. Total debt issue costs incurred for the period ended December 31, 2000 were $2,218,066. There were no such costs incurred in 2003 or 2002.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash investments at commercial banks, receivables from officers and directors of the Company, and investments in unconsolidated subsidiaries Cash and cash equivalents are temporarily invested in interest bearing accounts in financial institutions, and such investments may be in excess of the FDIC insurance limit. Receivables from directors and officers of the Company are unsecured and represent a concentration of credit risk due to the common employment and financial dependency of these individuals on the Company.

Comprehensive Income

The Company's consolidated net income (loss) is the same as comprehensive income required to be disclosed under Statement of Financial Accounting Standards No. 130.

Beneficial Convertible Debt Feature

Beneficial conversion terms included in the Company's convertible debentures are recognized as expense and credited to additional paid in capital at the time the associated debentures are issued.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expenses for 2003, 2002 and 2001 were zero, $7,302, and $367,867, respectively.

NOTE B - BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of BICO, Inc. (the Company) and its 52% owned subsidiary, Diasense, Inc., and its 75% owned subsidiary, Petrol Rem, Inc., and its 99% owned subsidiary (through October 13, 2003), ViaCirQ, Inc., and its 99% owned subsidiary (through October 13, 2003), ViaTherm, Inc., and its 75% owned subsidiary, Rapid HIV Detection Corp., and its 98% owned subsidiary Ceramic Coatings Technologies, Inc., and its 100% owned subsidiary, B-A-Champ, Inc. All significant intercompany accounts and transactions have been eliminated.

The Company and its subsidiary Petrol Rem, Inc. filed voluntary petitions for Chapter 11 bankruptcy with the United States Bankruptcy Court for the Western District of Pennsylvania.

As discussed in Note A, for financial reporting purposes, the consolidated financial statements have been prepared on a going concern basis. In addition, the debtor has applied the provisions of the American Institute of Certified Public Accountants Statement of Position 90-7, Financial Reporting by Entities in Reorganization under the Bankruptcy Code (SOP 90-7). Accordingly, all pre-petition liabilities subject to compromise have been segregated in the Balance Sheet and classified as Liabilities Subject to Compromise, at the estimate amount of allowable claims. Liabilities not subject to settlement are classified current and non-current.

NOTE C - LIABILITIES SUBJECT TO COMPROMISE

Pursuant to Section 362 of the Bankruptcy Code, the commencement of the Chapter 11 Case imposed an automatic stay, applicable generally to creditors and other parties of interest, of: (1) the commencement or continuation of a judicial, administrative or other action or proceeding against the Debtor that was or could have been commenced prior to commencement of the Chapter 11 Case or to recover for a claim that arose prior to commencement of the Chapter 11 Case; (2) the enforcement against the Debtor or its property of any judgments obtained prior to commencement of the Chapter 11 Case; (3) the taking of any action to obtain possession of property of the Debtor or to exercise control over property of the Debtor; (4) the creation, perfection or enforcement of any lien against the property of the Debtor s bankruptcy estate; (5) any act to create, perfect or enforce against property of the Debtor any lien that secures a claim that arose prior to the commencement of the Chapter 11 Case; (6) the taking of any action to collection, assess or recover claims against the Debtor that arose before commencement of the Chapter 11 Case; (7) the setoff of any debt owing the Debtor that arose prior to commencement of the Chapter 11 Case against any claim against the Debtor; (8) the commencement or continuation of a proceeding before the United States Tax Court concerning the Debtor. Any entity may apply to the Bankruptcy Court, upon an appropriate showing of cause, for relief from the automatic stay to exercise the foregoing remedies, however, enforcement of judgments entered on these claims, if any, is expressly prohibited without further Bankruptcy Court approval.

Petition Date liabilities that are expected to be settled as part of a plan of reorganization are separately classified in the consolidated balance sheet as Liabilities Subject to Compromise. Reductions in liabilities as a result of the bankruptcy proceedings are recognized as Forgiveness of Debt in the Consolidated Statements of Operations.

NOTE D - LIABILITIES IN EXCESS OF ASSETS HELD FOR SALE

In March 2003, the Company and its subsidiary Petrol Rem, Inc. filed a voluntary petition for bankruptcy under Chapter 11 of the Bankruptcy Code. Following the filing, the Company s equity interests in Diasense, ViaCirq, and Viatherm were sold; Petrol Rem was liquidated in connection with its own bankruptcy plan; and the former operating assets at the Company s manufacturing facility were sold. Although these transactions all took place after the Chapter 11 filing, efforts were underway at that time to sell these assets.

In August 2003 the Company sold all inventory and equipment formerly held at its Indiana County manufacturing facility to an unrelated party for $130,000. There was no gain or loss realized on this sale.

In October 2003 the Company sold its equity and debt interest in subsidiaries ViaCirq, Inc, and Viatherm, Inc. to an unrelated party for $300,000. A gain of $1,061,254 was recognized in the fourth quarter of 2003 as a result of this sale.

In July 2004 the Company sold its equity and debt interest in subsidiary Diasense, Inc. to an unrelated party for $80,000 and recognized a net gain of $264,773 at that time.

In December 2003 the United States Bankruptcy Court for the Western District of Pennsylvania confirmed a plan of liquidation for the Company's subsidiary, Petrol Rem, Inc. All of its assets were sold to an unrelated party for $100,000. The proceeds from the sale were utilized in the Liquidating Plan to pay dministrative expenses and claims; priority creditor claims and unsecured claims of Petrol Rem creditors to the extent of available funds.

The balance recognized as Liabilities in Excess of Assets Held for Sale represents the excess of the liabilities related to the carrying value of the assets held for sale. Following is a summary of these net assets and (net liabilities):

	Dec. 31, 2003	Dec. 31, 2002
Diasense, Inc.	$ (184,773)	$ (145,148)
ViaCirq, Inc.	0	(676,111)
Petrol Rem, Inc.	0	100,348
Other Assets	0	130,000
	$ (184,773)	$ (590,911)

NOTE E - NOTES RECEIVABLE

Notes receivable due from various related and unrelated parties consisted of:

	Dec. 31, 2003	Dec. 31, 2002
Related Parties		
Note Receivable from Anthony J. DelVicario, a former director of Diasense, Inc. and president of American Inter-Metallics, Inc., dated November 9, 2001 in the amount of $114,000 payable on demand with interest at prime rate plus 2%. The note is collateralized by the assets of American Inter-Metallics, Inc.	$ 112,554	$ 112,554
Note receivable from Fred E. Cooper, Chief Executive Officer, dated April 28, 1999, in the amount of $777,400, payable in monthly installments of $9,427 with a final balloon payment on May 31, 2002. Interest is accrued at a rate of 8% per annum. Under an agreement between the Company and Mr. Cooper amounts accrued as unpaid salary were applied to the note balance during 2002.	204,583	204,583
Unrelated Parties		
Note receivable from sale of MicroIslet stock without interest (See note G)	-	46,338
Note receivable from an individual, due on November 15,		

2002 with interest at prime plus 2% (6.75% at December 31, 2001).	44,283	44,283
Note receivable from CCTI Partners in connection with an Asset Purchase Agreement for the sale of assets by Ceramic Coating Technologies, Inc. $227,053 of the note was due on October 31, 2002 without interest. The balance of the note was due over a five year period with interest of 6%.	502,250	502,250
	863,670	910,008
Less current notes receivable	-	46,338
Noncurrent	863,670	863,670
Accrued Interest	17,431	17,431
	$ 881,101	$ 881,101

Accrued interest receivable on the related party notes as of December 31, 2003 and 2002 was $16,047.

NOTE F - BUSINESS SEGMENTS

Because the Company discontinued all other operations, there was only one operating segment, "Biomedical Devices," in 2003.

The Company operated in two reportable business segments in 2002 and 2001: Biomedical devices, which included the operations of BICO, Inc., Diasense, Inc. and ViaCirQ, Inc. and Bioremediation, which included the operations of Petrol Rem, Inc. Following is summarized financial information for the Company's reportable segments:

2002	Biomedical Devices	Bioremediation	All Other	Consolidated
Sales to external customers	$ 2,608,736	$ 138,751	$ 81,436	$ 2,828,923
Cost of products sold	1,423,242	204,325	17,691	1,645,258
Gross profit (loss)	1,185,494	(65,574)	63,745	1,183,665
Identifiable assets	1,126,107	103,036	0	1,229,143
Interest Income	74,169	339,534	0	413,703
Interest Expense	617,155	22,436	0	639,591

2001	Biomedical Devices	Bioremediation	All Other	Consolidated
Sales to external customers	$ 817,353	$3,383,637	$ 141,213	$ 4,342,203
Cost of products sold	558,408	2,507,717	221,051	3,287,176
Gross profit (loss)	258,945	875,920	(79,838)	1,055,027
Identifiable assets	17,414,784	6,515,188	642,095	24,572,067
Capital expenditures	930,012	512,887	99,139	1,542,038
Depreciation and amortization	1,302,037	350,688	56,355	1,709,080
Interest Income	259,928	301,889	0	561,817
Interest Expense	737,972	11,329	77,045	826,346

NOTE G - ACCRUED LIABILITIES

Accrued liabilities at December 31, 2002 consisted of accrued interest of $42,118 and accrued payroll of $2,228,517. These accrued liabilities were included in liabilities subject to compromise at the time of the bankruptcy filing in 2003.

NOTE H - DEBT OBLIGATIONS

Notes payable as of December 31, 2002 consisted of the following as of:

	Dec. 31, 2002
Note Payable in connection with a Settlement Agreement and Mutual Release related to the outstanding amounts owed for the Company's stock purchase agreement for 58.4% interest in International Chemical Technologies, Inc. (ICTI). The note bears interest at a rate of 10% per annum and is payable in ten monthly installments from January to October 2002.	$ 443,520
Note Payable to Cache Capital payable on or before March 28, 2003 with interest at 22%	518,000
Note Payable to Individuals on demand with interest at a rate of 13%	242,698
Promissory Note payable to the minority owner of Intco, Inc., a 51% owned subsidiary of the Company's subsidiary, Petrol Rem, Inc. The loan is collateralized by Petrol Rem's 51% ownership in Intco. Principal and interest at 7% per annum are payable upon demand	219,961
Commercial Premium Finance Agreement payable in various monthly installments including interest at various rates.	49,168
Note payable	$1,473,347

Current portion of long-term debt as of December 31, 2002 consisted of a Demand Note of $286,457 in favor of INTCO, Inc.(a former subsidiary of Petrol Rem)at an interest rate of 13% per annum. Demand for payment was made in July 2002. There were no payments on the debt obligation during 2003.

All debt obligations at the time of the bankruptcy filing were included in liabilities subject to compromise.

NOTE I - LEASES

Under the terms of a capital lease, the Company was obligated to make total payments of $1,602,221 through December 2010, at which time title to the property would transfer to the

Company. Management recognized this property and the corresponding capital lease obligation at the present value of the lease payments, which was $1,434,066 at the inception of the lease, using an imputed rate of 9% per annum. The Company received an eviction notice under this lease in August 2002, as a result, the Company vacated its manufacturing facility. The remaining asset and accumulated depreciation were written off through an impairment charge as of December 31, 2002.

NOTE J- STOCKHOLDERS' EQUITY

Preferred Stock

The Board of Directors of the Company may issue up to 500,000 shares of preferred stock in series, which would have rights as determined by the Board.

During 2001, 500,000 shares of preferred stock were authorized as "4% Cumulative Convertible Preferred Stock" in series G, H,I,J and K. 16,930 preferred shares were issued in 2001 and 4,211 were issued in 2002. There were 10,305 preferred shares converted during 2002 leaving a balance of 10,836 shares outstanding at December 31, 2002. Under the Plan of Reorganization, confirmed by the Bankruptcy Court, all outstanding preferred shares as of the bankruptcy date, March 18, 2003, were cancelled. Prior to the banjruptcy datte, 248,574,648 shares of our common shares were issued in connection with preferred stock conversions.

Common Stock Warrants

During 2001, warrants ranging from $.015 to $.102 per share to purchase 65,641,400 shares of common stock were granted at exercise prices that were equal to or above the current quoted market price of the stock on the date issued. In 2000, warrants to purchase 5,941,998 shares were granted at exercise prices ranging from $.07 to $.25 per share. In connection with the granting of warrants, the Company recognized $17,420 and $324,897 of general and administrative expense in 2001 and 2000 respectively. Warrants to purchase 96,136,560 shares of common stock were exercisable at December 31, 2001.

As of December 31, 2002 all remaining warrants were deemed to have been cancelled due to the Company's bankruptcy and the balance previously reported as a component of Stockholders Equity was added to Additional Paid In Capital.

NOTE K - UNUSUAL ITEMS

It is the Company's policy to record an inventory valuation allowance against finished goods and raw materials for products for which a market has not yet been established. During 2002, Petrol Rem sold inventory for which an inventory allowance had previously been established. Therefore, the Company reduced its inventory valuation allowance and recorded an unusual gain for the recovery of inventory valuation allowance of $170,077.

NOTE L - INCOME TAXES

As of December 31, 2003, the Company had available approximately $160,000,000 of net operating loss carryforwards for federal income tax purposes. These carryforwards are available, subject to limitations, to offset future taxable income, and expire in tax years 2004 through 2023. The Company also has research and development credit carryforwards available to offset federal income taxes of approximately $1,569,000, subject to limitations, expiring in tax years 2005 through 2021.

The Company has not reflected any future income tax benefits for these temporary differences or for net operating loss and credit carryforwards because of the uncertainty as to realization. Accordingly, the adoption of FAS 109 had no effect on the financial statements of the Company.

The following is a summary of the composition of the Company's deferred tax asset and associated valuation allowance at December 31, 2003, and December 31, 2002:

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Net Operating Loss	$50,000,000	$ 56,440,000	$ 53,516,000
Warrant Expense	8,593,191	8,593,191	8,593,191
Tax Credit Carryforward	1,569,000	1,569,000	1,569,000
	60,602,191	66,602,191	63,678,191
Valuation Allowance	(60,602,191)	(66,602,191)	(63,678,191)
Net Deferred Tax Asset	$ -	$ -	$ -

NOTE M - COMMITMENTS AND CONTINGENCIES

Litigation

During April 1998, the Company and its affiliates were served with subpoenas requesting documents in connection with an investigation by the U.S. Attorney's office for the District Court for the Western District of Pennsylvania. In July 2002, the Company was notified that this investigation was concluded with no charges against BICO or its subsidiaries.

On April 30, 1996, a class action lawsuit was filed against the Company, Diasense, Inc., and individual officers and directors. The suit, captioned Walsingham v. Biocontrol Technology, et al.,was certified as a class action in the U.S. District Court for the Western District of Pennsylvania. The suit alleged misleading disclosures in connection with the Noninvasive Glucose Sensor and other related activities, which the company denies. Without agreeing to the alleged charges or acknowledging any liability or wrongdoing, the company agreed to settle the lawsuit for a total amount of $3,450,000.

During September 2002, the class action lawsuit, captioned Walsingham v. Biocontrol Technology, et al., was settled when the final payment of $50,000 was made. As of December 31, 2001, the Company owed $425,000 for this settlement. In May 2002, the parties agreed to extend the payments on the remaining balance plus a forbearance fee of $25,000. Payments totaling

$450,000 were made in the nine months ended September 30, 2002, and the settlement is now completed.

Lawsuits have been filed against the Company and its subsidiaries for collection of approximately $1,645,062 for amounts due to creditors or employees. Management is defending these actions and working to negotiate suitable payment arrangements as funds allow, but the lack of funds are likely to cripple the Company's ability to defend or settle the litigation, and possibly the Company. The dollar amount of these claims is included in either accounts payable or accrued expenses. During 2002, default judgements were entered against the Company for $582,091 of these claims and these amounts are included in liabilities subject to compromise at December 31, 2003.

Management of the Company believes that any liability arising from litigation through the effective date of the Company's reorganization will be either dismissed or settled through the plan of reorganization.

NOTE N- EMPLOYEE BENEFIT PLAN

The Company has a defined contribution plan with 401(k) provisions, which covers all employees meeting certain age and period of service requirements. Employer contributions are discretionary as determined by the Board of Directors. There were no employer contributions to the plan from inception through December 31, 2003.

NOTE 0 - SUBSEQUENT EVENTS (UNAUDITED)

Chapter 11 Bankruptcy

On August 3, 2004 the Company, along with a joint plan proponent, PHD Capital,submitted a Plan of Reorganization. PHD Capital is an investment banking company and was used by the Company prior to the filing of the Chapter 11 as an investment banker to raise funds. None of the principals or insiders of the Company are principals or insiders of PHD Capital, nor have any members of PHD Capital ever held any posiions with the Company. As of September 30, 2004 sufficient votes had been received from creditors to approve the Plan of Reorganization and at a hearing on September 23, 2004 the Court confirmed the plan subject to the Company becoming current in its SEC reporting.

Asset Sales

In July 2004 the Company sold its equity and debt interest in subsidiary Diasense, Inc. to an unrelated party for $80,000 which resulted in a net gain of $264,773.