



FORM 10-K

LANGER INC - GAIT

Exhibit:

Filed: March 30, 2004 (period: December 31, 2003)

Annual report which provides a comprehensive overview of the company for the past year

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the year ended December 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission File No. 0-12991

LANGER, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

11-2239561
(I.R.S. employer identification number)

450 Commack Road, Deer Park, New York 11729-4510
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (631) 667-1200

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

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$.02 per share
Title of Class

* * * * *

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 (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

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.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act):

YES NO

As of June 30, 2003 (i.e., the last day of Registrant's most recently completed second quarter), the aggregate market value of voting stock held by non-affiliates of the registrant was \$4,812,586, as computed by reference to the closing price of such common stock (\$3.15) multiplied by the number of shares of voting stock outstanding on June 30, 2003 held by non-affiliates (1,527,805 shares). Exclusion of shares from the calculation of aggregate market value does not signify that a holder of any such shares is an "affiliate" of the Company.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of March 24, 2004.

Class of Common Stock	Outstanding at March 24, 2004
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Common Stock, par value \$.02 per share	4,447,451 shares

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this report is incorporated herein by reference to the Company's proxy statement for the 2004 annual meeting of the registrant's stockholders or amendment hereto which will be filed not later than 120 days after the end of the fiscal year covered by this report.

LANGER, INC.
FORM 10-K
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PART I

Factors that May Affect Future Results and Investment in the Company

In addition to other information in this Annual Report on the Form 10-K, the following risk factors should be carefully considered in evaluating our business because such factors may have a significant impact on our business, operating results, liquidity and financial condition. As a result of the risk factors set forth below, actual results could differ materially from those projected in any forward-looking statements. Additional risks and uncertainties not presently known to us, or that we currently consider to be immaterial, may also impact our business, operating results, liquidity and financial condition. If any of the following risks occur, our business, operating results, liquidity and financial condition could be materially adversely affected.

We have a history of net losses and may incur additional losses in the future.

We have a history of net losses. In order for us to achieve and maintain consistent profitability from our operations, we must continue to achieve product revenue at or above current levels. We may increase our operating expenses as we attempt to expand our product line and acquire other businesses and products. As a result, we will need to increase our revenues significantly to achieve sustainable profitability. We cannot assure you that we will be able to obtain sustainable profitability. Any such failure could have a material adverse effect on our business, financial condition, and results of operations.

A significant portion of our revenues is derived from custom orthotic devices, and our future success may depend on the continued acceptance and growth of these products.

For the year ended December 31, 2003, approximately 77% of our sales were derived from custom orthotic devices. Any material adverse developments with respect to the market acceptance, sale or use of our custom orthotic devices could, therefore, significantly affect our revenues and have a material adverse effect on our business, financial condition and results of operations. The level of market acceptance of our custom orthotic devices could be affected by a number of factors, including:

- o the effectiveness of our sales and marketing efforts;
- o unfavorable publicity regarding our products;
- o the price and performance of our products relative to competing products; and
- o changes in government and third-party pay or reimbursement policies and practices with respect to custom orthotic devices.

If we fail to execute our growth strategy, we may not become profitable or achieve sustainable profitability.

A key element of our growth strategy is the acquisition of businesses and assets that will complement our current businesses, increase our size, expand our geographic scope of operations, and otherwise offer growth opportunities. We may not be able to successfully identify attractive acquisition opportunities, obtain financing for acquisitions or satisfactory terms or successfully acquire identified targets. Additionally, competition for acquisition opportunities in our industry may escalate, thereby increasing the costs to us of completing acquisitions or cause us to refrain

from making acquisitions. Our growth strategy also depends on our ability to hire and train new staff and managerial personnel, and adapt our structure to comply with present or future legal requirements affecting our arrangements with our healthcare professional customer base. Our ability to implement our growth strategy is also subject to other risks and costs, including;

- o difficulties in assimilating acquired operations or products;
- o the risk of losing key employees, customers or suppliers of acquired businesses;
- o diversion of management's attention from our core business;
- o adverse effects on existing business relationships with suppliers and customers;
- o our ability to realize operating efficiencies, synergies, or other benefits expected from an acquisition;
- o risk associated with entering markets in which we have limited or no experience; and
- o assumption of contingent liabilities of acquisition targets.

Our failure to successfully implement our growth strategy could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to adequately manage our rapid growth.

We have rapidly expanded, and are seeking to continue to rapidly expand, our business. This growth has placed significant demands on management, administrative, operating and financial resources. The continued growth of our customer base, the types of products offered and geographic markets served can be expected to continue to place a significant strain on our resources. Personnel qualified both in the production of our products and the marketing of such products are difficult to find and hire and enhancement of management systems to support growth are difficult to implement. Our future performance and profitability will depend in large part on our ability to attract and retain additional management and other key personnel, ability to implement successful enhancements to management systems and our ability to adapt those systems, as necessary, to respond to growth in our business. No assurance can be made that we will be able to successfully achieve our objectives. Any such failure could have a material adverse effect on our business, financial condition, and results of operations.

We may face difficulties integrating the operations of acquired businesses.

Part of our growth strategy has been and will continue to be the acquisition of businesses. Our ability to integrate the operations of these businesses is subject to various risks, and we may not be able to realize the operating efficiencies, synergies, or other benefits expected from these acquisitions. Our failure to successfully integrate the operations of these acquired businesses in a timely manner without incurring unexpected costs could have a material adverse effect on our business, financial condition, and results of operations.

We may not be able to raise adequate financing to fund our operations and growth prospects.

Our acquisition and product expansion programs, debt servicing requirements, and existing operations may require substantial capital resources. We cannot assure you that we will be able to generate sufficient operating cash flow or obtain sufficient additional financing to meet these requirements. Failure to achieve our financing objectives could require us to reduce operating costs by altering and delaying our business plan or otherwise radically altering our business practices. Such failure could have a material adverse effect on our business, financial condition, and results of operations.

Our existing purchasing arrangements may be adversely affected if we are unable to maintain good relations with our suppliers.

We currently enjoy favorable terms with most of our suppliers, including the third party manufacturer of PPT(R), a primary fabrication material used in many of our products. Our ability to sustain gross margins has been, and will continue to be, dependent, in part, on our ability to maintain such terms. These terms may be adversely impacted by changes in our suppliers' strategies or changes in relationship with suppliers. Our inability to maintain such

terms or the inability of the third party to manufacture and deliver to us sufficient quantities of PPT(R) , could have a material adverse effect on our business, financial condition and results of operations.

If we fail to cultivate new or maintain established relationships with medical professional customers, our revenue may decline.

Our success is, in large part, dependent upon the referrals and recommendations of licensed healthcare professionals and therapists and our ability to market products to them. Healthcare professionals and therapists who recommend our products are not our employees and are free to recommend competitors' products. If we are unable to successfully cultivate and maintain relationships with, and market our products to, these healthcare professionals and therapists, we may receive fewer orders for products and revenues may decline, which could have a material adverse effect on our business, financial condition, and results of operations.

The nature of our business could subject us to potential product liability and other claims.

The sale of orthotic products and other biomechanical devices entails the potential risk of physical injury to patients and an inherent risk of product liability and other similar claims. We believe that we maintain adequate insurance coverage for our products. However, we cannot assure you that this coverage would be sufficient to cover the payment of any potential claim. In addition, we cannot assure you that this or any other insurance coverage will continue to be available or, if available, will be obtainable at a reasonable cost. A partially or completely uninsured material loss could have a material adverse effect on our business, financial condition and results of operations.

Health care regulations or health care reform initiatives could materially adversely affect our business, financial condition and results of operations.

We are subject to governmental regulation and supervision both in the United States, at the federal and state level, and abroad, including anti-kickback statutes, self-referral laws, and fee-splitting laws. In some cases, we may be required to obtain regulatory approvals and otherwise comply with regulations regarding safety, quality and efficacy standards. Our failure to obtain such approvals or comply with applicable regulatory requirements could result in government authorities taking punitive actions against us, including, among other things imposing fines and penalties or preventing us from manufacturing or selling products. We cannot assure you that these laws and regulations will not change or be interpreted in the future in a manner which restricts or adversely affects our business activities or relationships with providers of orthotic and orthopedic products.

Changes in government and other third party payor or reimbursement levels could adversely affect our revenues and profitability.

We derived a portion of our revenues from sales programs to parties reimbursed by Medicare, workers compensation insurance, or other insurers. Many of these programs set maximum reimbursement levels for orthotic products. We may be unable to sell our products on a profitable basis if third-party payors deny coverage or reduce their current levels of reimbursement. The percentage of our sales dependent on Medicare or other insurance programs may increase as the portion of the U.S. population over age 65 continues to grow, making us more vulnerable to reimbursement level reductions by these organizations. Reduced government reimbursement levels could result in reduced private payor reimbursement levels because of indexing of Medicare fee schedules by certain third-party payors. (Furthermore, the healthcare industry is experiencing a trend towards cost containment.) This trend could adversely affect net sales and could have a material adverse effect on our business, financial condition, and results of operations.

Our business is highly competitive.

Our business is highly competitive in all product lines. Certain of our competitors may have more depth and experience of personnel as well as more recognizable trademarks for products similar to those sold by us. In addition, our competitors may develop or improve their products, in which event our products may be rendered

obsolete or less marketable. We expect that the level of competition may increase in the future. There can be no assurance that we will be able to continue to compete successfully. Any such failure could have a material adverse effect on our business, financial condition, and results of operations.

New therapeutic techniques or products could decrease the demand for our products.

The medical industry is consistently searching for improved techniques and products to improve patient care and treatment. New surgical techniques, therapeutic procedures, and alternative products could cause healthcare professionals to decrease orders for our custom orthotic products. Such a decrease would have a material adverse impact on our business, financial condition and results of operations.

Loss of the services of key management personnel could adversely affect our business.

Our operations are dependent upon certain key management personnel, including our President and Chief Executive Officer. The unexpected loss of the services of such key management personnel could have a material adverse effect on our business, financial condition, and results of operations.

We may be unable to protect our proprietary technology.

We are dependent upon a variety of methods and techniques that we regard as proprietary trade secrets. We are also dependent upon a variety of trademarks, service marks and designs to promote brand name development and recognition. We rely on a combination of trade secrets, copyright, patent, trademark, unfair competition and other intellectual property. Due to the difficulty of monitoring unauthorized use of and access to intellectual property, however, such measures may not provide adequate protection. In addition, there can be no assurance that courts will always uphold our intellectual property rights, or enforce the contractual arrangements that we have entered into to protect our proprietary technology. Any unenforceability or misappropriation of our intellectual property could have a material adverse effect on our business, financial condition and results of operations. In addition, if we bring or become subject to litigation to defend against claimed infringement of our rights or of the rights of others or to determine the scope and validity of our intellectual property rights, such litigation could result in substantial costs and diversion of our resources which could have a material adverse effect on our business, financial condition and results of operations. Unfavorable results in such litigation could also result in the loss or compromise of our proprietary rights, subject us to significant liabilities, require us to seek licenses from third parties, or prevent us from selling our products, which could have a material adverse effect on our business, financial condition and results of operations.

A portion of our revenues and expenditures is subject to exchange rate fluctuations that could adversely affect our reported results of operations.

While a majority of our business is denominated in the United States dollars, we maintain operations in foreign countries, primarily the United Kingdom and Canada, that require payments in the local currency and payments received from customers for goods sold in these countries are typically in the local currency. Consequently, fluctuations in the rate of exchange between the U.S. dollar and certain other local currencies may affect our results of operation and period-to-period comparison of our operating results.

One stockholder has the ability to significantly influence the election of our directors and the outcome of corporate action requiring stockholder approval.

As of March 23, 2004 Warren B. Kandors, in his capacity as sole manager and voting member of Langer Partners, LLC and the sole shareholder of Kandors & Company, Inc., may be deemed to be the beneficial owner of 2,008,523 shares of our common stock or approximately 40.5% of our common stock. In addition, our officers and directors beneficially own an aggregate of 1,810,927 shares of our common stock, or approximately 37%, of our common stock. Consequently, Mr. Kandors together with our officers and directors will have the ability to significantly influence the election of our directors and the outcome of corporate actions requiring stockholder approval, including a change in control.

The price of our common stock may be volatile, which could effect a stockholder's return on investment.

The market price of our common stock has been subject to a significant fluctuations, and we expect it to continue to be subject to such fluctuations for the foreseeable future. We believe the reasons for these fluctuations include the relatively thin level of trading in our stock, and the relatively low public float. Therefore, variations in financial results, announcements of material events by us or our competitors, our quarterly operating results, changes in general conditions in the economy or the health care industry, other developments affecting us or our competitors or general price and volume fluctuation in the market could cause the market price of the common stock to fluctuate substantially.

We have a significant amount of convertible indebtedness outstanding and may issue a substantial amount of our common stock in connection with future acquisitions and growth plans and the sale of those shares could adversely affect our stock price.

On October 31, 2001, we sold \$14,589,000 of convertible subordinated notes in a private placement. The notes are convertible into approximately 2,431,500 shares of our common stock, subject to adjustment in certain circumstances. In connection with acquisitions we completed in 2002 and 2003, we issued, in the aggregate, 169,416 shares of common stock. We anticipate that we would issue additional shares of our common stock and may also issue additional convertible debt to finance possible future acquisitions. The number of outstanding shares of our common stock that will be eligible for sale in the future is, therefore, likely to increase substantially. Persons receiving shares of our common stock in connection with these acquisitions or financings may be more likely to sell large quantities of their common stock, which may impact the price of our common stock. In addition, the potential issuance of additional shares in connection with anticipated acquisitions could lessen demand for our common stock and result in lower price than would otherwise be obtained. Additional shares sold to finance acquisitions and conversions of convertible indebtedness may also dilute our earnings per share.

Issuance by us of authorized preferred stock can have adverse effects, including dilution and discouragement of takeovers.

Our certificate of incorporation contains certain provisions that may delay or prevent a takeover. Our Board of Directors has the authority to issue up to 250,000 shares of preferred stock, and to determine the price, rights, preferences, and restrictions, including voting and conversion rights, of those shares without nay further action or vote by the stockholders. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of the holders of preferred stock that may be issued in the future. Such provisions could adversely affect the holders of common stock in a variety of ways, including by potentially discouraging, delaying or preventing a takeover of the Company and by diluting our earnings per share.

We do not intend to pay dividends.

We currently do not intend to pay any dividends on our common stock. We currently intend to retain any earnings for working capital, repayment of indebtedness, capital expenditures and general corporate purposes.

ITEM 1. BUSINESS

Langer, Inc. (the "Company or "we") is a leading orthotics products company specializing in designing, manufacturing, distributing and marketing high quality foot and gait-related biomechanical products. The Company's diversified range of products is comprised of (i) custom orthotic devices ordered by healthcare professionals and (ii) pre-fabricated orthopedic rehabilitation and recovery devices distributed by the Company to healthcare professionals. Since January 1, 2002, the Company has operated in two segments, custom orthotics and distributed products.

Custom Orthotics

The Company's custom orthotic devices are contoured molds, purchased by a healthcare professional for a patient, which are worn in the shoe to correct biomechanical foot and postural disorders in patients which often result in pain or discomfort, or otherwise impede an individual's ability to maintain a normal gait. The Company also provides custom devices which support or control the ankle region (ankle foot orthosis).

Distributed Products

The Company's distributed products are manufactured by others and consist of; (i) prefabricated products for the lower extremities and (ii) a selection of therapeutic footwear. These products, which supplement our custom orthotic product line, consist of modular shoe inserts, ankle braces, compression hose, socks, and therapeutic shoes and sneakers, and are purchased by healthcare professionals for use by their patients. In addition, we distribute PPT(R) to manufacturers who incorporate PPT(R) into their products. PPT(R) is a soft tissue cushioning material made from medical grade urethane produced in laminated sheet form, molded insoles, and components for orthotic devices.

Industry Background

The Company competes in the portion of the orthopedic rehabilitation and recovery market segment which manufactures, markets, sells, and distributes orthopedic products and retail orthopedic products. The Company estimates that global orthopedic rehabilitation and recovery market revenues exceed \$8 billion annually. The Company believes the estimated revenues of the orthopedic products markets in which we compete exceed \$2 billion annually.

The Company believes the growth of these markets is being driven by strong demographic and other trends, including:

- o an aging population who historically have required a higher than average percentage of orthotic and orthopedic products and services than the general population;
- o a growth rate of persons 65 and older which is nearly triple that of the balance of the population;
- o an increased participation in exercise, sports, and other physical activities by all age groups which has directly led to increased orthopedic related strains and injuries requiring orthotic and related products;
- o a growing awareness of the importance of prevention and rehabilitation of orthopedic injuries; and
- o an industry-wide consolidation leading to greater marketing and sales resources.

Podiatrists in the United States are the largest single source for the purchase of custom foot orthotic products. In the United States, Medicare and most other health care organizations that provide coverage for foot orthotics require a podiatrist or other licensed doctor to write a prescription and indicate the diagnosis and need for the custom orthotic. Due to the nature of this reimbursement environment, little effort is directed at marketing to the end user of the product. Instead, custom orthotics manufacturers market and distribute their foot orthotic laboratory services to healthcare professionals, including podiatrists, chiropractors, orthopedic surgeons, orthotists/prosthetists, physical therapists, and athletic trainers.

While the market for custom orthotics outside the United States is similar in size to the United States market, prefabricated orthotic devices are generally preferred in Europe due to reimbursement policies. The Company currently markets its products in Canada and the United Kingdom, markets where favorable national reimbursement and payment structures prevail. The Company also markets its products in thirty other countries.

Growth Strategy

The Company expects the demand for orthotic products will continue to grow. We plan to execute our growth strategy primarily through internal expansion by offering additional products through our marketing channels and through strategic acquisitions of businesses offering complementary services, markets, and customer bases. In January 2003 the Company completed the acquisition of Bi-Op Laboratories, Inc. ("Bi-Op"). The acquisition provides the Company with a complementary market, a synergistic business model and potential manufacturing efficiencies. The following elements define our growth strategy:

Pursue Strategic Acquisitions. The foot orthotic products industry is highly fragmented and characterized primarily by smaller, geographically restricted manufacturers. As a result, we selectively pursue acquisitions that complement and expand our product offerings and provide access to new geographic markets and new medical practitioner relationships.

Expand Distribution Network and Product Offerings. The Company believes that a broader product line will encourage additional healthcare professionals to order custom orthotics products and will enhance our brand appeal with healthcare professionals. We will seek to continue to expand our range of products through the acquisition of niche product manufacturers and by investing in the development of new and enhanced products which complement our existing offerings and educational programs.

Broaden Product Offerings to Healthcare professional and Customer Base. The Company will seek to increase penetration of our existing healthcare professional and customer base with sales of additional products. We also intend to increase customer satisfaction and strengthen our customer relationships through expanded product offerings.

Research and Development. Lastly, the Company will continue where applicable to conduct research and development to conceive and evaluate new or alternative orthotics products and services. We believe that increased investment in research and development can provide bases for new products and improved practice management programs such as new techniques to measure and cast our custom orthotics products. The Company did not make any expenditures in research and development in 2003 and spent \$164,872 and \$142,192 on research and development in 2002 and 2001, respectively. We expect to incur research and development expenses in 2004.

Acquisitions

General

With continued advances in technology, the Company believes that the larger orthotics manufacturers that employ advanced technologies will lower per unit manufacturing costs, improve quality, accelerate turnaround time and will continue to grow their overall share of the market. Concurrently, many of the smaller orthotics manufacturers will find it increasingly difficult to remain competitive and may not be able to access the capital required to purchase and implement the required technological advances. Moreover, the Company believes that many healthcare professionals in the industry would prefer to deal with a consolidated entity that can provide a broad spectrum of branded orthotics products. We believe that the orthopedic rehabilitation and recovery market will consolidate as the smaller manufacturers are acquired by the larger, and faster growing, manufacturers.

The Company expects to pursue a strategy of growth through acquisitions by focusing on acquisitions of companies which have a core customer base similar to ours and manufacture or sell products which are synergistic with our product offerings. Orthotic manufacturing companies we may acquire are intended to become hubs for further penetration into their industry niche or geographic sales area. Generally, we will seek to streamline operations in acquired companies to improve turnaround time and reduce expenses, resulting in economies of scale, reduced general and administrative expenses and facilities consolidation. We will seek to consolidate operations with our acquired product manufacturing companies. This is intended to allow us to leverage efficiencies and operational best practices.

The Company uses several criteria to evaluate prospective acquisitions, including whether the business to be acquired:

- o broadens the scope of the services or products we offer or the geographic areas we serve;
- o offers attractive margins;
- o provides earnings accretion;
- o offers the opportunity to enhance profitability by improving the efficiency of our operations;
- o offers consistent management with our existing businesses;
- o complements our portfolio of existing businesses by increasing our ability to manage our customers needs; and
- o has a strong management team that is interested in continuing in their roles with us.

Recent Acquisitions

On May 6, 2002, the Company acquired the net assets of Benefoot, Inc., and Benefoot Professional Products, Inc. Benefoot, Inc., designs, manufactures and distributes foot and gait-related biomechanical products, including custom-made prescription orthotic devices, custom-made Birkenstock(R) sandals and off-the-shelf orthotic devices to healthcare professionals. Benefoot Professional Products markets and distributes footwear products to podiatrists. The purchase price was \$6.1 million of which \$3.8 million was paid in cash, \$1.8 million was paid through the issuance of promissory notes and \$.5 million was paid by issuing to the sellers 61,805 shares of the Company's common stock. The Company also assumed certain liabilities including approximately \$.3 million of long term indebtedness. The Company also agreed to pay Benefoot up to an additional \$1.0 million upon satisfaction of certain performance targets from May 6, 2002 to May 6, 2004. Through December 31, 2003, the Company had paid or accrued \$.6 million with respect to such obligation.

In January 2003, the Company acquired all the capital stock of Bi-Op Laboratories, Inc. which is engaged in the development, manufacture and sale of footwear products and foot orthotic devices. When converted to U.S. dollars the total purchase price approximated \$2.2 million of which \$1.8 million (including transaction costs) was paid in cash and \$.4 million was paid by issuing 107,611 shares of the Company's common stock. The purchase price was funded by using a portion of the proceeds remaining from the sale of the Company's 4% Convertible Subordinated notes due August 31, 2006.

Products

The Company manufactures, markets, sells, and distributes two principal categories of products: (i) custom orthotic devices ordered by healthcare professionals and (ii) pre-fabricated orthopedic rehabilitation and recovery devices and related devices sold to a patient by healthcare professionals. These products are designed to provide relief from symptoms and complications arising from (i) ankle, knee, pelvis, hip, and spinal pain caused by injuries and biomechanical misalignment, (ii) diabetes, stroke, nerve damage, cerebral palsy, multiple sclerosis and similar ailments, and (iii) post-operative recovery.

Custom Orthotic Devices

Orthotic foot devices, or foot orthoses, are contoured molds made from plastic, graphite, or composite materials, depending upon the requirements of the patient, which are placed in the patient's shoe to correct or mitigate abnormalities in gait and relieve symptoms associated with foot or postural misalignment. Orthotic devices help provide more normal function by maintaining the angular anatomical relationships between the patient's forefoot, rearfoot, leg and horizontal walking surface. Accordingly, muscle is enhanced and the efficiency and smoothness of weight stress transmission through the feet and legs are improved. The result is a reduction of abnormal motion without total restriction of normal motion and an increase in foot and leg stability. Foot problems may be alleviated or eliminated, as well as leg and back fatigue caused by improper muscle use.

Typically, when a healthcare professional orders a custom foot orthotic from the Company, the healthcare professional will take a plaster cast or an imprint of the patient's foot by having the patient stand on a piece of foam slightly larger than the patient's foot. The plaster or foam cast is sent to our laboratory where it is used to make a plaster cast or digitized scan of the patient's foot, from which we manufacture and customize the orthotic insert. We have implemented technology which permits a podiatrist to take measurements of a patient's foot at several specified locations or make a scan of the patients feet and transmit the measurements to us electronically. From these measurements or scans, we make the model of the patient's foot, from which we manufacture and customize the orthotic insert. This technology, along with CAD/CAM technology and laser scanning, will enable us to reduce the time required and costs associated with the production of our custom foot orthotics.

The Company also offers a full line of custom Ankle-Foot Orthoses (AFO's) devices, which are used to support, align, prevent, correct, substitute or enhance function, and decrease pain or discomfort of the foot and ankle. These products are often used for the more difficult and challenging foot and ankle injuries.

The Company's custom orthotic product offerings include:

- o Sporthotics(R), designed for the specific needs of runners and other sport-specific athletes, including football, basketball and tennis players;
- o Healthflex(R), designed for patients that participate in aerobic exercise, high-power walking, or step classes;
- o Design-Line(R), a functional orthotic designed to fit into dress shoes, such as loafers and high fashion shoes, which cannot accommodate a full-size orthotic; and;
- o Slimthotics(R), a device for use in women's high-heeled shoes, narrow flats, ballet slippers, tap shoes, and women's ballroom dancing shoes.

Distributed Products

The Company distributes prefabricated orthotic devices and related orthotic supplies and materials.

One of our lines of prefabricated foot orthotic products provides patients a low cost alternative to a custom orthotic. We provide these products to a podiatrist or other healthcare professional based upon several criteria, including shoe size, and the healthcare professional sells the product to a patient based upon the patient's needs.

In 2000, we launched our prefabricated foot orthoses, called Contours(TM), which require no special casting by the healthcare professional. This off-the-shelf product line, sold to healthcare professionals has been expanded to include dress (low profile), sport and standard models and provides a lower cost option when pricing is an issue.

The Company also provides orthopedic devices that are used in the treatment of ailments of the lower leg. These include products which support or control the ankle region (ankle foot orthoses). In addition, we market products that address the diabetic market, including insoles, and a selection of footwear (shoes, socks, and other related products) which offers protection for patients with diabetes. We believe these ancillary product lines will help us achieve our goal of being able to provide a variety of orthopedic needs for our core lower extremity customer.

In many of our orthotic products, we use PPT(R), a medical grade soft tissue cushioning material with a high density, open-celled urethane foam structure. The essential function of PPT(R), which independent tests show to have improved properties over competitive materials, is to provide protection against forces of pressure, shock and shear. We believe that PPT's(R) characteristics make it a superior product in its field. PPT(R) has a superior "memory" that enables it to return to its original shape faster and more accurately than other materials used for similar purposes. PPT(R) is also odorless and non-sensitizing to the skin and has a porosity that helps the skin to remain dry, cool and comfortable. These factors are especially important in sports medicine applications.

We have developed and sell a variety of products fabricated from PPT(R), including molded insoles, components for orthotic devices and laminated sheets. Some manufacturing operations associated with these products are performed by outside vendors.

Besides podiatric use, we believe PPT(R) is suitable for other orthopedic and medical-related uses such as liners for braces and prosthetics, as shock absorbers and generally in devices used in sports and physical therapy. We expect to expand our products to include shock absorbing PPT(R) slow recovery material which will be produced as sheets to be sold to other manufacturers and distributors, and as flat and contoured shoe inserts to be sold to healthcare professionals.

Customers

The majority of the Company's sales are within the United States to podiatrists, orthopedic surgeons, orthotists, physical therapists, and other health care professionals. However, we also sell our products in the United Kingdom, Canada, and 30 other countries. We intend to expand our product offerings into new territories.

The Company markets its custom orthotic products primarily to podiatrists who order the custom orthotic devices for their patients. However, we will seek to broaden our referral channels by increased penetration of orthopedic surgeons, physical therapists, orthotists, chiropractors, athletic trainers, and other podiatrists currently working in the United States. We also anticipate that we will seek to increase our referral channels outside the United States.

The Company sells its distributed products primarily to wholesale distributors and healthcare professionals for sale to patients. For both our custom orthotics and distributed products, healthcare professionals usually include the cost of the orthotic products in the fee charged to the patient.

Marketing and Distribution

We believe that we have built strong name recognition and an excellent reputation in the orthotics industry. We are seeking to become a more comprehensive source of orthopedic supplies for health care professionals who treat the lower extremities.

The Company utilizes a network of regional sales representatives to target multi-practitioner and individual facilities. In addition, we use trade shows, advertising, direct mail, educational sponsorships, public relations and customer visits to market and distribute our products. We emphasize customer service by maintaining a staff of customer service representatives.

The Company provides education and training for healthcare professionals who treat biomechanical problems of the lower extremity through seminars and in-service programs. We offer healthcare professionals a comprehensive program in biomechanics, gait analysis and the cost-effectiveness of orthotic therapy.

The Company promotes awareness of orthotics through marketing and operational initiatives. We maintain a volume incentive program and offer practice building assistance to help healthcare professionals expand the orthotic components portion of their practices. We believe these medical practitioner assistance programs strengthen our relationships with our existing customer base.

Manufacturing and Raw Materials

The Company manufactures its custom orthotics and warehouses its distributed products internally at its production facilities located in Deer Park, New York; Brea, California; Montreal, Canada; and Stoke-on-Trent, England. We obtain most of our fabrication materials other than PPT(R) from a variety of sources. We believe that we maintain good relationships with these suppliers. However, if necessary, we believe we could readily obtain alternate suppliers at a competitive price. We are aware of multiple suppliers for these materials and would not anticipate a significant impact if we were to lose any suppliers, and we have not experienced any significant shortages other than occasional backorders. To date, we have found that the components, supplies and raw materials that are necessary for the manufacture, production and delivery of our products have been available in the quantities that are required. However, the failure of our suppliers to deliver components, supplies, and raw materials in sufficient quantities and in a timely manner, and the inability to find replacement suppliers, could adversely affect our business and results of operations.

Competition

The market for orthotic products is highly competitive, and we compete with a variety of companies ranging from small businesses to large corporations. The Company believes the foot orthotics market is highly fragmented and regional (and in many instances local) in nature. Although a few licensed medical practitioners produce foot orthotics in-house, the custom orthotic market is serviced primarily by third-party laboratories similar to the Company. Included among these laboratories that sell nationally in the United States are Bergmann Orthotic Laboratory, Foot Levelers, Inc., Footmaxx Holdings Inc., KLM Orthotic Laboratories, Allied OSI Labs, ProLab Orthotics, and PAL Health Systems. We estimate that, including Langer, these firms comprise approximately 35% of the \$250 million custom foot orthotics market in the United States.

The market for soft tissue products such as PPT(R) is highly competitive and includes the following brand name products: Spenco, Sorbothane, and Poron.

In both the custom and distribution products markets, the principal competitive factors are efficiencies of scale, quality of engineering and design, brand recognition, reputation in the industry, production capability and capacity, and price and customer relations. In the custom orthotic market, ability to meet delivery schedules is another principal competitive factor. We believe that we provide superior design and production expertise.

Medical Consultants

The Company has relationships with four medical specialists who provide professional consultative services to the Company in their areas of specialization. The consultants test and evaluate the Company's products, act as speakers for the Company at symposiums and professional meetings, generally participate in the development of the Company's products and services and disseminate information about them. The Company also relies on practitioners in various parts of the country to act as field evaluators of the Company's products.

Employees

As of January 1, 2004, the Company had 247 employees, of which 144 were located in Deer Park, New York, 33 were located in Brea, California, 33 were located in Montreal, Canada and 33 were located in Stoke-on-Trent, England and four outside salesmen. None of our employees are represented by unions or covered by any collective bargaining agreements. The Company has not experienced any work stoppages or employee-related slowdowns and believes that its relationship with employees is satisfactory.

Patents and Trademarks

The Company holds a variety of patents, trademarks, and copyrights in several countries, including the United States. We have exclusive licenses to three types of orthotic devices which are patented in the United States and several foreign countries. We believe that none of our active patents, trademarks, or licenses are essential to the successful operation of our business as a whole. However, one or more of the patents, trademarks, or licenses may be material in relation to individual products or product lines. Loss of patent protection could have an adverse effect on our business by permitting competitors to utilize techniques developed by us.

Government Regulation

The jurisdictions in which we seek to market our products may regulate and supervise our products and operations. In some circumstances, we may be required to obtain regulatory approvals and otherwise comply with regulations regarding safety, quality and efficacy standards. These regulations vary from country to country, and the regulatory review can be lengthy, expensive and uncertain. In the United States, we are subject to federal and state governmental regulation and supervision, including anti-kickback statutes, self-referral laws, and fee-splitting laws.

Seasonality

Revenue derived from the Company's sales of orthotic devices, a substantial portion of the Company's operations, has in North America historically been significantly higher in the warmer months of the year, while sales of orthotic devices by the Company's United Kingdom subsidiary has historically not evidenced any seasonality.

Where You Can Find More Information

Our Internet address is www.langerinc.com. We will make available free of charge on or through our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed as soon as reasonably practicable after such material was electronically filed with, or furnished to, the Securities and Exchange Commission. The Company will also provide to any person without charge, upon request, a copy of its Code of Business Conduct & Ethics. The Company intends to disclose future amendments to the provisions of the Code of Business Conduct & Ethics and waivers from the Code of Business Conduct & Ethics, if any, made with respect to any our directors and executive officers, on its Internet site and/or through the filing of a Current Report on Form 8-K with the Securities and Exchange Commission. Materials the Company files with the Securities and Exchange Commission may be read and copied at the Securities and Exchange Commission's Public Reference Room at 450 Fifth Street, NW, Washington, D.C. 20549. This information may also be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission also maintains an internet website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Securities and Exchange Commission at www.sec.gov. The Company will provide a copy of any of the foregoing documents to stockholders upon request. Any such requests should be made in writing to the Company's Chief Financial Officer, Joseph Ciavarella at 450 Commack Road, Deer Park, NY 11729-4510.

ITEM 2. PROPERTIES

We have manufacturing, warehouse, and office space at the following locations:

Location	2004 Annual Rent (1)	Owned/ Leased	Approximate Size
Deer Park, NY	\$322,633	Leased(2)	44,500 sq. ft.
Deer Park, NY	\$ 14,700	Leased(3)	3,500 sq. ft.
Brea, CA	\$103,500	Leased(4)	9,300 sq. ft.
Stoke-on-Trent, England	\$ 23,343(5)	Leased(5)	15,000 sq. ft.
Montreal, Canada	--	Owned	7,800 sq. ft.

- (1) 2004 annual rent is based upon firm leases in place at March 15, 2004.
- (2) Principal executive office location. Expires at the end of July, 2005. We have the option to extend the lease for an additional four (4) years.
- (3) Expires on July 31, 2004. This lease will be terminated as certain warehouse facilities have been consolidated.
- (4) Expires on December 31, 2004.
- (5) Based upon an exchange rate of \$1.7785 dollars per British pound. The lease is scheduled to expire on June 30, 2004. It is the Company's intention to extend the lease of these facilities. Beginning in January 2004, the Company began leasing additional adjacent space at annual rental rate of \$15,562.

The Company believes our manufacturing, warehouse and office facilities are suitable and adequate and afford sufficient capacity for our current and reasonably foreseeable future needs. The Company believes it has adequate insurance coverage for our properties and their contents.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS
AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock

The Company's common stock, par value \$.02 per share ("Common Stock"), is traded on the over-the-counter market with quotations reported on the National Association of Securities Dealers Automated Quotation System (NASDAQ) under the symbol GAIT. The following table sets forth the high and low closing bid prices for the Common Stock for the year ended December 31, 2003 and December 31, 2002. The NASDAQ quotations represent prices between dealers, do not include retail markups, markdowns or commissions, and may not represent actual transactions.

Year ended December 31, 2003	High	Low
Three months ended March 31, 2003	\$ 3.77	\$ 2.99
Three months ended June 30, 2003	\$ 3.40	\$ 2.55
Three months ended September 30, 2003	\$ 3.50	\$ 3.10
Three months ended December 31, 2003	\$ 3.50	\$ 2.85
Year ended December 31, 2002	High	Low
Three months ended March 31, 2002	\$ 8.30	\$ 7.11
Three months ended June 30, 2002	\$ 8.25	\$ 5.90
Three months ended September 30, 2002	\$ 6.43	\$ 4.50
Three months ended December 31, 2002	\$ 5.25	\$ 3.51

The closing price on March 17, 2004 was \$6.19. On March 17, 2004, there were approximately 247 holders of record of the Common Stock. However, this figure is exclusive of all owners whose stock is held beneficially or in "street" name. Based on information supplied by various securities dealers, the Company believes that there are in excess of 247 shareholders in total, including holders of record and beneficial owners of shares held in "street" name.

Dividend History and Policy

The Company did not pay cash dividends on its Common Stock in 2003, 2002 and 2001 and anticipates that, for the foreseeable future, it will follow a policy of utilizing retained earnings, if any, to finance the expansion and development of its business. In any event, future dividend policy will depend upon the Company's earnings, financial condition, working capital requirements and other factors.

Recent Sales of Unregistered Securities

Described below is information regarding securities the Company issued in the year ended December 31, 2003 which were not registered under the Securities Act of 1933.

In January 2003, the Company completed the acquisition of Bi-Op. In connection with the acquisition, the Company issued 107,611 shares of the Company's common stock.

The Company issued 3,096 shares of the Company's common stock to one of its medical directors as compensation for services on October 13, 2003. The closing price of the stock on such date was \$3.40.

The above sales were private transactions not involving a public offering and were exempt from the registration provisions of the Securities Act pursuant to Section 4(2) thereof. No underwriter was engaged in connection with the foregoing sales of securities. The Company has reason to believe that: (i) all of the foregoing purchasers were familiar with or had access to information concerning the Company's operations and financial condition, and (ii) all of those individuals purchasing securities represented that they acquired the shares for investment and not with a view to the distribution thereof.

ITEM 6. SELECTED FINANCIAL DATA

(in thousands, except per share data)	Year ended Dec. 31, 2003	Year ended Dec. 31, 2002	Ten months ended Dec. 31, 2001	Years ended Feb. 28, 2001	Years ended Feb. 29, 2000
	----- \$	----- \$	----- \$	----- \$	----- \$
Consolidated Statement of Operations					
Net sales	24,721	18,677	10,936	12,072	11,572
Change in control and restructuring expenses	--	--	--	(1,008)	--
Operating profit (loss)	764	(470)	139	(1,504)	(356)
Income (loss) before income taxes	161	(998)	73	(1,502)	(337)
Net (loss) income	(5)	(1,106)	70	(1,506)	(335)
Net income (loss) per common share:					
Basic	--	(.26)	.02	(.58)	(.13)
Diluted	--	(.26)	.02	(.58)	(.13)
Weighted average number of common shares:					
Basic	4,374	4,246	3,860	2,583	2,571
Diluted	4,374	4,246	4,307	2,583	2,571

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001	Feb. 28, 2001	Feb. 29, 2000
	----- \$	----- \$	----- \$	----- \$	----- \$
Consolidated Balance Sheets:					
Working capital	7,434	10,569	16,655	757	1,715
Total assets	24,023	23,810	20,700	4,554	4,738
Long-term liabilities (excluding current maturities)	15,528	15,937	14,719	126	277
Stockholders' equity	3,775	3,112	3,866	1,599	2,536

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto of the Company which are included in Item 8.

Executive Summary:

Our Business

The Company's revenues are generated from the sale of orthopedic products in the United States, Canada and the United Kingdom. The Company specializes in designing, manufacturing, distributing, and marketing high quality orthotic and gait-related products. Such products include both custom orthotic devices and pre-fabricated orthopedic rehabilitation and recovery devices. The Company's largest expenses are cost of goods sold (which included fabricated products and purchased goods), selling expenses and general and administrative expenses. Since January 1, 2002, the Company has operated in two segments, custom orthotics and distributed products.

Custom Orthotics

The Company's custom orthotic devices are contoured molds, purchased by a healthcare professional for a patient, which are worn in the shoe to correct biomechanical foot and postural disorders in patients which often result in pain or discomfort, or otherwise impede an individual's ability to maintain a normal gait. The Company also provides custom devices which support or control the ankle region (ankle foot orthosis).

Distributed Products

The Company's distributed products are manufactured by others and consist of; (i) prefabricated products for the lower extremities and (ii) a selection of therapeutic footwear. These products, which supplement our custom orthotic product line, consist of modular shoe inserts, ankle braces, compression hose, socks, and therapeutic shoes and sneakers, and are purchased by healthcare professionals for use by their patients. In addition, we distribute PPT(R) to manufacturers who incorporate PPT(R) into their products. PPT(R) is a soft tissue cushioning material made from medical grade urethane produced in laminated sheet form, molded insoles, and components for orthotic devices.

Recent Acquisitions:

As described in Note 2 of Notes to Consolidated Financial Statements, in 2002 and 2003, the Company acquired Benefoot, Inc. and Benefoot Professional Products, Inc. (jointly "Benefoot") and Bi-Op Laboratories, Inc. ("Bi-Op").

Company Strategy:

The Company continues to seek and develop products that will increase the Company's margins. Management has introduced technology to improve the manufacturing process, increase quality and improve efficiencies. Further the Company will look for synergistic acquisition candidates that improve the Company's profitability either by adding products, distribution networks or new markets.

The Company is in a highly competitive industry and competes with companies with lower cost structures. The Company has or intends to increase the prices of certain of its orthotic devices which may negatively impact volume. The Company believes that any loss in volume will be offset in the Company's overall gross profit by the price changes and the focus on more profitable products.

Critical Accounting Policies and Estimates

The Company's accounting policies are more fully described in Note 1 of Notes to Consolidated Financial Statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the most significant accounting estimates inherent in the preparation of the Company's consolidated financial statements include estimates associated with its determination of liabilities related to warranty activity and estimates associated with the Company's reserves with respect to collectibility of accounts receivable, allowances for sales returns, inventory valuations, and valuation allowance for deferred tax assets. Various assumptions and other factors underlie the determination of these significant estimates. The process of determining significant estimates is fact specific and takes into account factors such as historical experience, current and expected economic conditions, and product mix. The Company constantly re-evaluates these significant factors and makes adjustments where facts and circumstances dictate. Historically, actual results have not significantly deviated from those determined using the estimates described above.

The warranty reserve at December 31, 2002 was \$70,000. During the year ended December 31, 2003, the Company added \$404,000 to the reserve and charged \$404,000 against the reserve for costs incurred to complete warranty repairs. The warranty reserve at December 31, 2003 was \$70,000. If future costs incurred were to differ from our estimates, we may need to increase or decrease our reserve.

The allowance for doubtful accounts at December 31, 2002 was \$124,935. During the year ended December 31, 2003 the Company added \$117,993 to the allowance based upon increased net sales and its review of the accounts receivable aging. The Company wrote off or recovered \$18,203 in uncollectible accounts. The allowance for doubtful accounts at December 31, 2003 was \$224,725. If future payments by our customers were different from our estimates, we may need to increase or decrease our allowance for doubtful accounts.

The sales returns and allowances at December 31, 2002 were \$28,000. During the year ended December 31, 2003 the Company added \$40,000 in current expense charges to the allowance based upon the increased net sales and its review of sales return and allowance trends during the year. The sales returns and allowances at December 31, 2003 were \$68,000. If actual sales returns and allowances were to differ from our estimates, we may need to increase or decrease our sales return and allowance.

The inventory reserve for excess or obsolete inventory at December 31, 2002 was \$220,405. During the year ended December 31, 2003 the Company added \$129,063 of additional reserves and wrote off \$39,468 in excess or obsolete inventory which was disposed of during the year. The Company reviewed its inventory levels and aging relative to current and expected usage and determined the requirement for additions to the reserve. The inventory reserve for obsolete inventory at December 31, 2003 was \$310,000. If the inventory quality or usage relative to quantities held was to deteriorate or improve in the future, we may need to increase or decrease our reserve for excess or obsolete inventory

The valuation allowance relating to deferred tax assets was \$2,408,241 at December 31, 2002 which represented a full allowance against all net deferred tax assets except approximately \$6,000 related to an alternate minimum tax carryforward. During the year ended December 31, 2003, the valuation allowance increased by \$16,768 to \$2,425,009 at December 31, 2003. The Company believes this valuation allowance is required because it is more likely than not that these deferred tax assets will not be recognized.

Results of Operations:

The following table presents the results for the year ended December 31, 2003, the comparable results for the year ended December 31, 2002 and the unaudited pro forma results for the year ended December 31, 2001. For comparative purposes the unaudited pro forma results of operations for the twelve months ended December 31, 2001 have been derived from the previously reported results for the ten months ended December 31, 2001 plus the results for the two months ended February 28, 2001, and are unaudited.

	Years ended		
	December 31, 2003	December 31, 2002	December 31, 2001
			(unaudited)
(pro forma)			
Net sales	\$ 24,720,515	\$ 18,676,503	\$ 12,782,366
Cost of sales	16,049,790	11,962,104	8,503,020
Gross profit	8,670,725	6,714,399	4,279,346
General and administrative expenses	4,775,142	3,867,882	2,768,134
Selling expenses	3,131,197	3,151,205	1,623,259
Research and development expenses	--	164,872	182,497
Change in control expenses	--	--	795,667
Income (loss) from operations	764,386	(469,560)	(1,090,211)
Other income (expense):			
Interest income	157,522	214,481	86,614
Interest expense	(836,273)	(829,498)	(143,394)
Other	75,798	86,214	(11,669)
Other income (expense), net	(602,953)	(528,803)	(68,449)
Income (loss) before income taxes	161,433	(998,363)	(1,158,660)
Provision for income taxes	166,904	107,294	3,118
Net loss	\$ (5,471)	\$ (1,105,657)	\$ (1,161,778)

2003 compared to 2002

Net loss for the year ended December 31, 2003 ("2003") was \$5,471 as compared to a loss of \$1,105,657 for the year ended December 31, 2002 ("2002"). The principal reason for the decrease in the loss was the increase in net sales and gross profit partially offset by an increase in general and administrative expenses both of which are described below.

Net sales for 2003 were \$24,720,515 as compared to \$18,676,503 in 2002, an increase of \$6,044,012 or 32.4%.

Net sales of custom orthotics increased \$4,447,061 or 30.3% to \$19,115,633 in 2003 from \$14,668,572 in 2002. This increase was primarily due to an increase in domestic custom orthotics of \$2,123,878 which reflected a full year of operations from the Benefoot acquisition which occurred in May 2002, net sales associated with Bi-Op of

\$1,624,172 which was acquired in January 2003 and increased sales of custom orthotics in the United Kingdom of approximately \$300,000.

Net sales of distributed products increased by \$1,596,951 or 39.8% to \$5,604,882 in 2003 from \$4,007,931 in 2002. This increase was primarily attributable to a full year of operations from the Benefoot acquisition which occurred in May 2002.

Consolidated gross profit decreased from 35.0% in 2002 to 35.1% in 2003 due to decreases in gross profit percentages in both operating segments. Custom orthotics gross profit percentage decreased slightly in 2002 as compared to 2003 primarily due to an increase in direct labor costs in the U.K. Distributed products gross profit decreased slightly as well in 2002 as compared to 2003 primarily due to a change in product mix.

General and administrative expenses were \$4,775,142 or 19.3% of net sales in 2003 as compared to \$3,867,882 or 20.7% of net sales in 2002. The increase in general and administrative expenses was attributable the amounts associated with Bi-Op which was acquired in January 2003 (approximately \$275,000) as well as an increase in legal and professional fees required with respect to the Company's regulatory compliance, an increase provision for the Company's incentive plan, an increase in insurance costs, principally workers compensation and an increase in pension expense. The decrease in general and administrative expenses as a percentage of sales was primarily related to efficiencies created through the leverage of Langer's infrastructure and the integration of Benefoot.

In 2003, the Company did not incur any research and development expenses; in 2002 such amounts were \$164,872.

Selling expenses were \$3,131,197 or 12.6% of net sales for the year ended December 31, 2003 as compared to \$3,151,205 or 16.9% of net sales for the year ended December 31, 2002. The principal reason for the decrease as a percentage of net sales basis, was the synergies created by the Benefoot acquisition which provided a larger sales base with more products.

Other income (expenses) was (\$602,953) in 2003 as compared to (\$528,803) in 2002. Interest expense, which is substantially related to fixed rate debt, was consistent in 2003 as compared to 2002 based upon the amount of indebtedness outstanding. Interest income decreased by \$56,959, from \$214,481 to \$157,522, or 27% in 2003 as compared to 2002 due to a decrease in the amount available for investment in short term interest bearing accounts.

The provision for income taxes increased to \$166,904 in 2003 from \$107,294 in 2002. Prior to the adoption of SFAS No. 142, the Company would not have needed a valuation allowance for the portion of the net operating losses equal to the amount of tax-deductible goodwill and trade names amortization expected to occur during the carryforward period of the net operating losses based on the timing of the reversal of these taxable temporary differences. As a result of the adoption of SFAS 142, the reversal will not occur during the carryforward period of the net operating losses. Therefore, the Company recorded a deferred income tax expense of approximately \$158,000 and \$82,000 during the years ended December 31, 2003 and 2002 which would not have been required prior to the adoption of SFAS 142. The deferred income tax recorded in 2003 was partially offset by the recognition of a deferred tax benefit of approximately \$6,000 related to an alternative minimum tax carryforward. Additionally, the Company's foreign tax provision decreased to \$119 in 2003 from \$25,294 in 2002 because the Company had pre-tax losses from foreign operations in 2003.

2002 Compared to 2001 (unaudited pro forma)

The net loss for 2002 was \$1,105,657 as compared to \$1,161,778 for the unaudited pro forma twelve month period ended December 31, 2001 ("2001 Period"). Below is a discussion of the comparative results for these periods.

Net sales for 2002 were \$18,676,504 as compared to \$12,782,366 for the 2001 Period, an increase of \$5,894,137 or approximately 46%. This increase was primarily due to net sales attributable to the Benefoot acquisition which closed on May 6, 2002 were approximately \$4,899,000 in 2002.

Net sales of custom orthotic products were \$14,668,572 in 2002 as compared to \$11,422,835 in the 2001 Period which is an increase of \$3,145,737 or approximately 28%. \$2,702,000 of this increase was attributable to the Benefoot acquisition.

Net sales of distributed products increased by \$2,648,400 in 2002 to \$4,007,931 as compared to \$1,359,531 for the 2001 Period. \$2,197,000 of the increase was attributable to net sales related to the Benefoot acquisition and approximately \$451,000 was the result of organic growth in the sales of PPT(R) and other distributed products.

Gross profit in 2002 was 35.9% as compared to 33.5% for the 2001 Period. Gross profit improved primarily as the result of improvement in efficiencies in the manufacturing process, reduction in overhead costs and increased sales.

Selling expense increased in 2002 to \$3,151,205 or 16.8% of net sales in 2002 as compared to \$1,623,259 or 12.7% of net sales for the 2001 Period due to the effect of the Benefoot acquisition, increases in related payroll and investments made in improving the sales and marketing infrastructure.

General and administrative expenses were \$3,867,882 or 20.7% of net sales in 2002 as compared to \$2,768,134 or 21.7% of net sales for the 2001 Period. The increase was due to a management commitment to strengthen the Company's infrastructure as well as amortization associated with certain identifiable intangible asset acquired in 2002.

Research and development was \$164,872 in 2002 as compared to \$182,497 in the 2001 Period which was consistent with the Company's level of activity.

Other income (expense) was \$(528,803) in 2002 as compared to \$(68,422) for the 2001 Period. The principal reason for the increase was interest (including amortization of debt issuance costs) relating to the 4% convertible notes which were issued in October 2001 and were outstanding for all of 2002, partially offset by interest income earned on unutilized proceeds.

The provision for income taxes increased to \$107,294 in 2002 from \$3,118 in the 2001 Period. Prior to the adoption of SFAS No. 142, the Company would not have needed a valuation allowance for the portion of the net operating losses equal to the amount of tax-deductible goodwill and trade names amortization expected to occur during the carryforward period of the net operating losses based on the timing of the reversal of these taxable temporary differences. As a result of the adoption of SFAS 142, the reversal will not occur during the carryforward period of the net operating losses. Therefore, the Company recorded a deferred income tax expense of approximately \$82,000 during the year ended December 31, 2002 which would not have been required prior to the adoption of SFAS 142. This issue did not effect the Company's provision for income taxes in the 2001 period. Additionally, the Company's foreign tax provision increased to \$25,204 in 2002 from \$10,683 in the 2001 Period due to increased pre-tax earnings from foreign operations.

Liquidity and Capital Resources

Working capital as of December 31, 2003 was \$7,433,951 as compared to \$10,568,549 at December 31, 2002. Cash balances at December 31, 2003 were \$5,533,946, a decrease of \$3,877,764 from December 31, 2002. The primary reason for the decrease in cash and working capital in 2003 were: (1) the Company's \$1,897,328 investments in business, net of cash acquired, (2) the Company's \$1,402,336 purchase of property and equipment including \$1.1 million relating to the installation and implementation of a new information technology system.

Long-term Debt

On October 31, 2001, the Company sold 14,589,000 of its 4% convertible subordinated notes, due August 31, 2006, in a private placement (the "Notes"). The Notes are convertible into the Company's common stock at a conversion price of \$6.00 per share and are subordinated to all existing or future senior indebtedness of the Company. The Company received net proceeds of \$13,668,067 from this offering. The costs of raising these proceeds, including placement and legal fees, was \$920,933, which is being amortized over the life of the Notes. The amortization of these costs for the years ended December 31, 2003 and 2002 was \$193,772 and \$193,105, respectively. Cash paid for interest is payable semi-annually on the last date in June and December. Cash payments for interest expense for each of the years ended December 31, 2003 and 2002 on these Notes was \$583,560.

The Company issued \$1,800,000 in 4% promissory notes ("Benefoot Notes") in connection with the acquisition of Benefoot. \$1,000,000 of the Benefoot Notes were paid on May 6, 2003 and the balance is due on May 6, 2004. Interest expense with respect to the Benefoot Notes was \$45,932 and \$47,200 in 2003 and 2002, respectively.

Contractual Obligations

Certain of the Company's facilities and equipment are leased under noncancellable operating leases. Additionally, as discussed above, the Company has certain long-term and short-term indebtedness. The following is a schedule, by fiscal year, of future minimum rental payments required under current operating leases and debt repayment requirements as of December 31, 2003:

	2004	2005	2006	2007
	-----	-----	-----	-----
Operating lease obligations amount	\$ 501,000	\$ 216,000	\$ 14,000	\$ 9,000
Current and long term portion of notes payable	800,000	--	14,589,000	--
Total Contractual Obligations (1) (2)	\$ 1,301,000	\$ 216,000	\$14,603,000	\$ 9,000
	=====	=====	=====	=====

(1) The Company has no purchase commitments at December 31, 2003 other than those incurred in the normal course of business.

(2) Other long term liabilities include unearned revenue (see Note 1(d) to the Notes to the Consolidated Financial Statements), accrued pension costs (see Note 11 to the Notes of the Consolidated Financial Statements), and deferred tax liabilities included in other liabilities on the Consolidated Balance Sheets (see Note 12 to the Notes of the Consolidated Financial Statements)

The Company may finance acquisitions of other companies or product lines in the future from existing cash balances, from borrowings from institutional lenders, and/or the public or private offerings of debt or equity securities.

The Company is obligated to make the final payment under the Benefoot Notes which total \$800,000 plus interest in May 2004 and must pay additional contingent purchase price payments, \$302,000 of which has accrued at December 31, 2003. Additionally, the Company has paid or expects to pay approximately \$400,000 in 2004 to complete its information technology system conversion. The Company believes it has sufficient working capital to meet its spending needs for the next twelve months.

In 2003, the Company did not have earnings after taxes. To the extent that the Company is unable to increase its profitability in the next two years it will not have sufficient funds to repay its obligation under the convertible notes which mature in 2006. The Company would have to refinance or restructure such convertible notes at that time.

In 2003 the Company's United Kingdom subsidiary ("UK Subsidiary") maintained a line of credit with a local bank in the amount of 50,000 British pounds, which is guaranteed by the Company pursuant to a standby Letter of Credit. The Letter of Credit expired in February 2004 and the Company thereafter provided sufficient funds to the UK Subsidiary to meet its working capital requirements.

Inflation

The Company has in the past been able to increase the prices of its products or reduce overhead costs sufficiently to offset the effects of inflation on wages, materials and other expenses, and anticipates that it will be able to continue to do so in the future.

Recently Issued Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This standard requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time the liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The standard is effective for fiscal years beginning after June 15, 2002. The adoption of SFAS No. 143 did not have a material impact on the Company's consolidated financial statements.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145, among other things, rescinds SFAS No. 4, which required all gains and losses from the extinguishment of debt to be classified as an extraordinary item and amends SFAS No. 13 to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. The rescission of SFAS No. 4 is effective for fiscal years beginning after May 15, 2002. The remainder of the statement is generally effective for transactions occurring after May 15, 2002 with earlier application encouraged. The adoption of SFAS No. 145 did not have a material impact on the Company's consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities." This statement addresses the recognition, measurement and reporting of costs that are associated with exit and disposal activities. This statement includes the restructuring activities that are currently accounted for pursuant to the guidance set forth in EITF 94-3, "Liability Recognition for Certain Employee Termination Benefits and other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)," costs related to terminating a contract that is not a capital lease and one-time benefit arrangements received by employees who are involuntarily terminated- nullifying the guidance under EITF 94-3. Under SFAS No. 146 the cost associated with an exit or disposal activity is recognized in the periods in which it is incurred rather than at the date the company committed to the exit plan. This statement is effective for exit or disposal activities initiated after December 31, 2002 with earlier application encouraged. The adoption of SFAS No. 146 did not have a material effect on the Company's consolidated financial statements.

In November 2002, the FASB issued Financial Interpretation ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 requires that the guarantor recognize, at the inception of certain guarantees, a liability for the fair value of the obligation undertaken in issuing such guarantee. FIN 45 also requires additional disclosure requirements about the guarantor's obligations and under certain guarantees that it has issued. The initial recognition and measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements of this interpretation are effective for financial statement periods ending after December 15, 2002. The Company has included the required disclosures under FIN 45 in the notes to the consolidated financial statements. The adoption of the recognition and measurement provisions of FIN 45 did not have a material effect on the Company's consolidated financial statements.

In January 2003 and revised in December 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51 and an amendment to FIN 46 entitled FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities ("FIN 46R"). FIN 46R requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46R will be applied by the Company to those entities that are considered variable interest entities as of March 31, 2004. The Company does not expect that the adoption of FIN 46R will have a material effect on its consolidated financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 is generally effective for derivative instruments, including derivative instruments embedded in certain contracts, entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not have a material effect on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how to classify and measure certain financial instruments with characteristics of both liabilities and equity. The statement is effective for financial instruments entered into or modified after May 31, 2003. The adoption of SFAS No. 150 did not have a material impact on the Company's consolidated financial statements.

In December 2003, the FASB issued SFAS No. 132, as revised, Employers' Disclosures about Pensions and Other Postretirement Benefits, ("Revised SFAS 132"), which requires additional disclosures about assets, obligation, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The Company adopted the required revised disclosure provisions of Revised SFAS 132 as of December 31, 2003, except for the disclosure of estimated future benefit payments, which the Company is required to and will disclose as of December 31, 2004.

Certain Factors That May Affect Future Results

Information contained or incorporated by reference in the annual report on Form 10-K, in other SEC filings by the Company, in press releases, and in presentations by the Company or its management, contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 which can be identified by the use of forward-looking terminology such as "believes," "expects," "plans," "intends," "estimates," "projects," "could," "may," "will," "should," or "anticipates" or the negatives thereof, other variations thereon or comparable terminology, or by discussions of strategy. No assurance can be given that future results covered by the forward-looking statements will be achieved, and other factors could also cause actual results to vary materially from the future results covered in such forward-looking statements. Such forward-looking statements include, but are not limited to, those relating to the Company's financial and operating prospects, future opportunities, the Company's acquisition strategy and ability to integrate acquired companies and assets, outlook of customers, and reception of new products, technologies, and pricing. In addition, such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results expressed or implied by such forward-looking statements. Also, the Company's business could be materially adversely affected and the trading price of the Company's common stock could decline if any such risks and uncertainties develop into actual events. The Company undertakes no obligation to publicly update or revise forward-looking statements to reflect events or circumstances after the date of this Form 10-K or to reflect the occurrence of unanticipated events.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In general, business enterprises can be exposed to market risks, including fluctuation in commodity and raw materials prices, foreign currency exchange rates, and interest rates that can adversely affect the cost and results of operating, investing, and financing. In seeking to minimize the risks and/or costs associated with such activities, the Company manages exposure to changes in commodities and raw material prices, interest rates and foreign currency exchange rates through its regular operating and financing activities. The Company does not utilize financial instruments for trading or other speculative purposes, nor does the Company utilize leveraged financial instruments or other derivatives. The following discussion about our market rate risk involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements.

The Company's exposure to market rate risk for changes in interest rates relates primarily to the Company's short-term monetary investments. There is a market rate risk for changes in interest rates earned on short-term money market instruments. There is inherent rollover risk in the short-term money market instruments as they mature and are renewed at current market rates. The extent of this risk is not quantifiable or predictable because of the variability of future interest rates and business financing requirements. However, there is no risk of loss of principal in the short-term money market instruments, only a risk related to a potential reduction in future interest income. Derivative instruments are not presently used to adjust the Company's interest rate risk profile.

The majority of the Company's business is denominated in United States dollars. There are costs associated with the Company's operations in foreign countries, primarily the United Kingdom and Canada, which require payments in the local currency and payments received from customers for goods sold in these countries are typically in the local currency. The Company partially manages its foreign currency risk related to those payments by maintaining operating accounts in these foreign countries and by having customers pay the Company in those same currencies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

LANGER, INC. AND SUBSIDIARIES
Index to Consolidated Financial Statements and Schedule II

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Consolidated Financial Statements:	
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All other schedules have been omitted because they are not applicable, not required or the information is disclosed in the consolidated financial statements, including the notes thereto.	

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of
Langer, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Langer, Inc. and subsidiaries (the "Company") as of December 31, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended December 31, 2003 and 2002, and for the ten months ended December 31, 2001. Our audits also included the financial statement schedules listed in the foregoing index for the years ended December 31, 2003 and 2002, and for the ten months ended December 31, 2001. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedules based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years ended December 31, 2003 and 2002, and for the ten months ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP
Jericho, New York
March 29, 2004

LANGER, INC.
AND SUBSIDIARIES
Consolidated Balance Sheets

	December 31, 2003	December 31, 2002
	-----	-----
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,533,946	\$ 9,411,710
Accounts receivable, net of allowances for doubtful accounts and returns and allowances aggregating \$292,725 and \$152,935, respectively	3,628,052	2,937,340
Inventories, net	2,496,583	2,353,153
Prepaid expenses and other	495,386	627,154
	-----	-----
Total current assets	12,153,967	15,329,357
Property and equipment, net	2,496,071	943,893
Identifiable intangible assets, net	3,960,105	3,313,413
Goodwill	4,536,198	3,186,386
Other assets	876,856	1,037,105
	-----	-----
Total assets	\$ 24,023,197	\$ 23,810,154
	=====	=====
Liabilities and stockholders' equity		
Current liabilities:		
Current maturities of long-term debt	\$ 800,000	\$ 1,000,000
Accounts payable	1,133,149	1,235,598
Other current liabilities	2,114,270	1,864,344
Unearned revenue	672,597	660,866
	-----	-----
Total current liabilities	4,720,016	4,760,808
Long-term debt	14,589,000	15,389,000
Unearned revenue	166,757	162,455
Accrued pension expense	171,893	209,539
Other liabilities	600,338	176,138
	-----	-----
Total liabilities	20,248,004	20,697,940
	-----	-----
Stockholders' equity		
Preferred stock, no par value; authorized 250,000 shares; no shares issued	--	--
Common stock, \$.02 par value; authorized 50,000,000 shares; issued 4,447,451 and 4,336,744, respectively	88,949	86,735
Additional paid-in capital	13,202,129	12,825,237
Accumulated deficit	(9,159,140)	(9,153,669)
Accumulated other comprehensive loss	(241,288)	(530,632)
	-----	-----
	3,890,650	3,227,671
Treasury stock at cost, 67,100 shares	(115,457)	(115,457)
	-----	-----
Total stockholders' equity	3,775,193	3,112,214
	-----	-----
Total liabilities and stockholders' equity	\$ 24,023,197	\$ 23,810,154
	=====	=====

See accompanying notes to consolidated financial statements.

LANGER, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

	Year ended December 31, 2003	Year ended December 31, 2002	Ten months ended December 31, 2001
	-----	-----	-----
Net sales	\$ 24,720,515	\$ 18,676,503	\$ 10,936,112
Cost of sales	16,049,790	11,962,104	6,934,402
	-----	-----	-----
Gross profit	8,670,725	6,714,399	4,001,710
General and administrative expenses	4,775,142	3,867,882	2,425,177
Selling expenses	3,131,197	3,151,205	1,294,991
Research and development expenses	--	164,872	142,192
	-----	-----	-----
Operating income (loss)	764,386	(469,560)	139,350
	-----	-----	-----
Other income (expense):			
Interest income	157,522	214,481	86,635
Interest expense	(836,273)	(829,498)	(138,846)
Other	75,798	86,214	(13,742)
	-----	-----	-----
Other expense, net	(602,953)	(528,803)	(65,953)
	-----	-----	-----
Income (loss) before income taxes	161,433	(998,363)	73,397
Provision for income taxes (Note 12)	166,904	107,294	3,118
	-----	-----	-----
Net (loss) income	\$ (5,471)	\$ (1,105,657)	\$ 70,279
	=====	=====	=====
Weighted average number of common shares used in computation of net (loss) income per share:			
Basic	4,374,396	4,245,711	3,860,167
	=====	=====	=====
Diluted	4,374,396	4,245,711	4,306,536
	=====	=====	=====
Net (loss) income per common share:			
Basic	\$ (.00)	\$ (.26)	\$.02
	=====	=====	=====
Diluted	\$ (.00)	\$ (.26)	\$.02
	=====	=====	=====

See accompanying notes to consolidated financial statements

LANGER, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

	Common Stock		Treasury stock	Additional paid-in capital	Accumulated deficit
	Shares	Amount			
Balance at March 1, 2001:	2,849,022	\$ 56,981	\$ (115,457)	\$ 10,086,555	\$(8,118,291)
Net income for ten months ended December 31, 2001					70,279
Foreign currency adjustment					
Minimum pension liability adjustment					
Total comprehensive income					
Issuance of stock	1,400,000	28,000		2,107,000	
Exercise of stock options	19,000	380		30,183	
Issuance of stock options for consulting services				8,243	
Compensation expense to accelerate stock options				26,743	
Balance at December 31, 2001:	4,268,022	85,361	(115,457)	12,258,724	(8,048,012)
Net loss					(1,105,657)
Foreign currency adjustment					
Minimum pension liability adjustment					
Total comprehensive (loss)					
Issuance of stock to purchase business	64,895	1,298		528,214	
Issuance of stock and exercise of stock options	3,827	76		11,729	
Issuance of stock options for consulting services				6,513	
Compensation expense to accelerate stock options				20,057	
Balance at December 31, 2002	4,336,744	86,735	(115,457)	12,825,237	(9,153,669)
Net loss					(5,471)
Foreign currency adjustment					
Minimum pension liability adjustment					
Total comprehensive (loss)					
Issuance of stock to purchase business	107,611	2,152		366,954	
Issuance of shares from treasury					
Issuance of stock for consulting services	3,096	62		9,938	
Balance at December 31, 2003	4,447,451	\$ 88,949	\$ (115,457)	\$ 13,202,129	\$ (9,159,140)

	Accumulated Other Comprehensive Income (Loss)		Comprehensive income	Total stockholders' equity
	Foreign currency translation	Minimum pension liability		
Balance at March 1, 2001:	\$ (52,734)	\$ (257,723)		\$ 1,599,331
Net income for ten months				

ended December 31, 2001			\$	70,279	
Foreign currency adjustment	(53)			(53)	
Minimum pension liability adjustment		(3,897)		(3,897)	
Total comprehensive income			\$	66,329	66,329
Issuance of stock					2,135,000
Exercise of stock options					30,563
Issuance of stock options for consulting services					8,243
Compensation expense to accelerate stock options					26,743
Balance at December 31, 2001:	(52,787)	(261,620)			3,866,209
Net loss			\$	(1,105,657)	
Foreign currency adjustment	26,570			26,570	
Minimum pension liability adjustment		(242,795)		(242,795)	
Total comprehensive (loss)			\$	(1,321,882)	(1,321,882)
Issuance of stock to purchase business					529,512
Issuance of stock and exercise of stock options					11,805
Issuance of stock options for consulting services					6,513
Compensation expense to accelerate stock options					20,057
Balance at December 31, 2002	(26,217)	(504,415)			3,112,214
Net loss			\$	(5,471)	
Foreign currency adjustment	238,038			238,038	
Minimum pension liability adjustment		51,306		51,306	
Total comprehensive (loss)			\$	283,873	283,873
Issuance of stock to purchase business					369,106
Issuance of shares from treasury					
Issuance of stock for consulting services					10,000
Balance at December 31, 2003	\$ 211,821	\$ (453,109)			\$ 3,775,193

See accompanying notes to consolidated financial statements.

LANGER, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Year ended December 31, 2003 -----	Year ended December 31, 2002 -----	Ten months ended December 31, 2001 -----
Cash Flows From Operating Activities:			
Net (loss) income	\$ (5,471)	\$ (1,105,657)	\$ 70,279
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Depreciation and amortization	844,981	648,216	285,619
Compensation expense for options acceleration	--	20,057	26,743
Provision for doubtful accounts receivable	117,993	88,348	15,015
Deferred income taxes	135,500	79,606	7,227
Issuance of stock and stock options for consulting services	10,000	11,755	8,243
Changes in operating assets and liabilities:			
Accounts receivable	(512,078)	(533,849)	(116,976)
Inventories	33,901	(519,701)	(166,021)
Prepaid expenses and other assets	403,361	(389,303)	(963,332)
Accounts payable and other current liabilities	(377,345)	359,524	(168,354)
Unearned revenue and other liabilities	(200,723)	(10,175)	28,416
	-----	-----	-----
Net cash provided by (used in) operating activities	450,119	(1,351,179)	(973,141)
	-----	-----	-----
Cash Flows From Investing Activities:			
Purchase of businesses, net of cash acquired	(1,897,328)	(4,703,606)	--
Purchase of property and equipment	(1,402,336)	(333,697)	(271,693)
	-----	-----	-----
Net cash (used in) investing activities	(3,299,664)	(5,037,303)	(271,693)
	-----	-----	-----
Cash Flows From Financing Activities:			
Proceeds from the exercise of stock options		6,563	30,563
Proceeds from issuance of debt		--	14,589,000
Payments on debt	(1,000,000)	--	(581,458)
Issuance of shares from option exercise		--	2,135,000
	-----	-----	-----
Net cash (used in) provided by financing activities	(1,000,000)	6,563	16,173,105
	-----	-----	-----
Effect of exchange rate changes on cash	(28,219)	(3,293)	(195)
	-----	-----	-----
Net (decrease) increase in cash and cash equivalents	(3,877,764)	(6,385,212)	14,928,076
Cash and cash equivalents at beginning of period	9,411,710	15,796,922	868,846
	-----	-----	-----
Cash and cash equivalents at end of period	\$ 5,533,946	\$ 9,411,710	\$ 15,796,922
	=====	=====	=====
Supplemental Disclosures of Cash Flow Information			
Cash paid during the period for:			
Interest	\$ 642,501	\$ 636,393	\$ 110,548
	=====	=====	=====
Income taxes	\$ 33,288	\$ --	\$ --
	=====	=====	=====
Cash received during the period for:			
Interest	\$ 157,522	\$ 214,481	\$ 86,635
	=====	=====	=====

See accompanying notes to consolidated financial statements.

LANGER, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

(a) Change in Name and Fiscal Year End and State of Incorporation

At the Company's July 17, 2001 annual meeting, the shareholders approved changing the name of the Company from The Langer Biomechanics Group, Inc. to Langer, Inc. Additionally, the stockholders approved changing the fiscal year end from February 28 to December 31 of each year. At the Company's June 27, 2002 annual meeting, the shareholders approved changing the state of incorporation from New York to Delaware.

(b) Description of the Business

The Company is a leading orthotics products company specializing in the designing, manufacturing, distributing and marketing of high quality foot and gait-related biomechanical products. The Company's diversified range of products is comprised of (i) custom orthotic devices ordered by healthcare professionals and (ii) pre-fabricated orthopedic rehabilitation and recovery devices and related devices distributed by the Company to healthcare professionals for use by their patients.

(c) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Langer, Inc. and its subsidiaries (the "Company" or "Langer"). All significant intercompany transactions and balances have been eliminated in consolidation.

(d) Revenue Recognition

Revenue from the sale of the Company's products is recognized at shipment. Revenues derived from extended warranty contracts relating to sales of orthotics are recorded as deferred revenue and recognized over the lives of the contracts (24 months) on a straight-line basis.

(e) Advertising and Promotion Expenses

Advertising and promotional costs are expensed as incurred. Advertising and promotion expenses were approximately \$326,000, \$326,000 and \$56,000 for the years ended December 31, 2003 and 2002 and for the ten months ended December 31, 2001, respectively.

(f) Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents (money market funds and short-term commercial paper).

(g) Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

(h) Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method. The lives on which depreciation and amortization are computed are as follows:

Office furniture and equipment	3-10 years
Computer equipment and software	3-10 years
Machinery and equipment	5 - 10 years
Leasehold improvements	lesser of 5 years or life of lease
Automobiles	3 - 5 years

The Company reviews long-lived assets and certain identifiable intangibles whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of expected future cash flows (undiscounted and without interest charges) is less than the carrying value of the asset, an impairment loss is recognized. Otherwise, an impairment loss is not recognized. If an impairment loss is required, the amount of such loss is equal to the excess of the carrying value of the impaired asset over its fair value.

(i) Goodwill and Identifiable Intangible Assets with Indefinite Lives

In accordance with the provisions of SFAS No. 142, the Company no longer amortizes goodwill and identifiable intangible assets with indefinite lives. Instead these assets are reviewed for impairment on an annual basis (October 1) by an independent appraiser.

(j) Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109 - "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(k) Net (Loss) Income Per Share

Basic (loss) income per share is based on the weighted average number of shares of common stock outstanding during the period. Diluted (loss) income per share is based on the weighted average number of shares of common stock and common stock equivalents (options, warrants and convertible subordinated notes) outstanding during the period, except where the effect would be antidilutive, computed in accordance with the treasury stock method.

(l) Foreign Currency Translation

Assets and liabilities of the foreign subsidiary have been translated at year-end exchange rates, while revenues and expenses have been translated at average exchange rates in effect during the year. Resulting cumulative translation adjustments have been recorded as a separate component of accumulated other comprehensive loss in stockholders' equity.

(m) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

(n) Fair Value of Financial Instruments

At December 31, 2003 and 2002, the carrying amount of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximated fair value because of their short-term maturity. The carrying value of long-term debt at December 31, 2003 and 2002 also approximated fair value based on borrowing rates currently available to the Company for debt with similar terms.

(o) Internal Use Software

In accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use", the Company capitalizes internal-use software costs upon the completion of the preliminary project stage and ceases capitalization when the software project is substantially complete and ready for its intended use. Capitalized costs are amortized on a straight-line basis over the estimated useful life of the software.

(p) Derivative Financial Instruments

In accordance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities", as amended, the Company recognizes all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in stockholders' equity as a component of accumulated other comprehensive income (loss) depending on whether the derivative financial instrument qualifies for hedge accounting or, if so, whether it qualifies as a fair value or cash flow hedge. Generally, the changes in the fair value of derivatives accounted for as fair value hedges are recorded in income along with the portions of the changes in the fair value of the hedged item that relate to the hedged risks. Changes in the fair value of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in accumulated other comprehensive income (loss), net of deferred taxes. Changes in fair values of derivatives not qualifying as hedges are reported in income. To date, the Company has not entered into any derivative financial instruments.

(q) Stock Options

At December 31, 2003, the Company has two stock-based employee compensation plans, which are described more fully in Note 9. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock-based employee compensation cost is reflected in net income (loss), as all options granted under those plans had an exercise price equal to market value of the underlying common stock on the date of grant. The following table illustrates the effect on net (loss) income and (loss) earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

	Periods ended		
	December 31, 2003	December 31, 2002	December 31, 2001
Net (loss) income - as reported	\$ (5,471)	\$ (1,105,657)	\$ 70,279
Deduct: Total stock-based employee compensation expense determined under fair value basis method for all awards, net of tax	(146,594)	(78,695)	(67,263)
Add: Compensation expense recognized from acceleration of options, net of tax	--	20,057	26,743
Pro forma net (loss) income	\$ (152,065)	\$ (1,164,295)	\$ 29,759
(Loss) earnings Per Share:			
Basic - as reported	\$.00	\$ (.26)	\$.02
Basic - pro forma	\$ (.03)	\$ (.27)	\$.01
Diluted- as reported	\$.00	\$ (.26)	\$.02
Diluted- pro forma	\$ (.03)	\$ (.27)	\$.01

(r) Concentration of Credit Risk

Financial instruments which potentially expose the Company to concentration of credit risk consist primarily of cash investments and accounts receivable. The Company places its cash investments with high-credit quality financial institutions and currently invests primarily in money market accounts. Accounts receivable are generally diversified due to the number of healthcare professionals comprising the Company's customer base. As of December 31, 2003 and 2002, the Company's allowance for doubtful accounts was approximately \$225,000 and \$125,000, respectively. The Company believes no significant concentration of credit risk exists with respect to these cash investments and accounts receivable. The carrying amount of these financial instruments are reasonable estimates of their fair value.

(s) Reclassifications

Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

(t) Recently Issued Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This standard requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time the liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The standard is effective for fiscal years beginning after June 15, 2002. The adoption of SFAS No. 143 did not have a material impact on the Company's consolidated financial statements.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145, among other things, rescinds SFAS No. 4, which required all gains and losses from the extinguishment of debt to be classified as an extraordinary item and amends SFAS No. 13 to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. The rescission of SFAS No. 4 is effective for fiscal years beginning after May 15, 2002. The remainder of the statement is generally effective for transactions occurring after May 15, 2002 with earlier application encouraged. The adoption of SFAS No. 145 did not have a material impact on the Company's consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities." This statement addresses the recognition, measurement and reporting of costs that are associated with exit and disposal activities. This statement includes the restructuring activities that are currently accounted for pursuant to the guidance set forth in EITF 94-3, "Liability Recognition for Certain Employee Termination Benefits and other Costs to exit an Activity (including Certain Costs Incurred in a Restructuring)," costs related to terminating a contract that is not a capital lease and one-time benefit arrangements received by employees who are involuntarily terminated- nullifying the guidance under EITF 94-3. Under SFAS No. 146 the cost associated with an exit or disposal activity is recognized in the periods in which it is incurred rather than at the date the company committed to the exit plan. This statement is effective for exit or disposal activities initiated after December 31, 2002 with earlier application encouraged. The adoption of SFAS No. 146 did not have a material effect on the Company's consolidated financial statements.

In November 2002, the FASB issued Financial Interpretation ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 requires that the guarantor recognize, at the inception of certain guarantees, a liability for the fair value of the obligation undertaken in issuing such guarantee. FIN 45 also requires additional disclosure requirements about the guarantor's obligations and under certain guarantees that it has issued. The initial recognition and measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements of this interpretation are effective for financial statement periods ending after December 15, 2002. The Company has included the required disclosures under FIN 45 in the notes to the consolidated financial statements. The adoption of the recognition and measurement provisions of FIN 45 did not have a material effect on the Company's consolidated financial statements.

In January 2003 and revised in December 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51" and an amendment to FIN 46 entitled "FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities" ("FIN 46R"). FIN 46R requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46R will be applied by the Company to those entities that are considered variable interest entities as of March 31, 2004. The Company does not expect that the adoption of FIN 46R will have a material effect on its consolidated financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 is generally effective for derivative instruments, including derivative instruments embedded in certain contracts, entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not have a material effect on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how to classify and measure certain financial instruments with characteristics of both liabilities and equity. The statement is effective for financial instruments entered into or modified after May 31, 2003. The adoption of SFAS No. 150 did not have a material impact on the Company's consolidated financial statements.

In December 2003, the FASB issued SFAS No. 132, as revised, Employers' Disclosures about Pensions and Other Postretirement Benefits, ("Revised SFAS 132"), which requires additional disclosures about assets, obligation, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The Company adopted the required revised disclosure provisions of Revised SFAS 132 as of December 31, 2003, except for the disclosure of estimated future benefit payments, which the Company is required to and will disclose as of December 31, 2004.

(2) Acquisitions

(a) Bi-Op Laboratories, Inc.

Effective January 1, 2003, the Company, through a wholly-owned subsidiary, acquired all of the issued and outstanding stock of Bi-Op Laboratories, Inc. ("Bi-Op") pursuant to the terms of a Stock Purchase Agreement dated as of January 13, 2003 (the "Stock Purchase Agreement").

In connection with the acquisition, the Company paid consideration in Canadian dollars, determined through arms-length negotiation of the parties. When converted to U.S. dollars the total purchase price approximated \$2.2 million of which \$1.8 million (including \$.5 million for transaction costs) was paid in cash and \$.4 million was paid by issuing 107,611 shares of the Company's common stock (the "Shares"). The purchase price was funded by using a portion of the proceeds remaining from the sale of the Company's 4% convertible subordinated notes due August 31, 2006. The shares were valued based upon the market price of the Company's common stock two days before, two days after and the date the acquisition was announced.

In connection with the Stock Purchase Agreement, the Company entered into an employment agreement with Raynald Henry, a former principal owner, having a term of three years and providing for an annual base salary of \$75,000 CDN and benefits, including certain severance payments. The allocation of the purchase price among the assets and liabilities is based upon the Company's valuation of the fair value of assets and liabilities of Bi-Op.

The following table sets forth the components of the purchase price:

Cash consideration	\$ 1,368,756
Common stock issued	369,106
Transaction costs	495,383

Total purchase price	\$ 2,233,245
	=====

The following table provides the allocation of the purchase price:

Assets:	Cash and cash equivalents	\$ 194,531
	Accounts receivables	212,593
	Inventories	109,572
	Prepaid expenses and other	232,394
	Property and equipment	437,148
	Goodwill	820,056
	Identified intangible assets (non-competition agreement of \$400,000 and repeat customer base of \$500,000)	900,000
	Other assets	41,802

		2,948,096

Liabilities:	Accounts payable	117,809
	Accrued liabilities	140,217
	Deferred income tax	270,000
	Long term debt and other liabilities	186,825

		714,851

	Total purchase price	\$2,233,245
		=====

The goodwill created by the purchase of Bi-Op is not deductible for tax purposes.

(b) Benefoot, Inc. and Benefoot Professional Products, Inc.

On May 6, 2002 the Company, through a wholly-owned subsidiary, acquired substantially all of the assets and liabilities of each of Benefoot, Inc. and Benefoot Professional Products, Inc. (jointly, "Benefoot"), pursuant to the terms of an asset purchase agreement (the "Asset Purchase Agreement"). The assets acquired include machinery and equipment, other fixed assets, inventory, receivables, contract rights, and intangible assets.

In connection with the acquisition, the Company paid consideration of \$6.1 million, of which \$3.8 million was paid in cash, \$1.8 million was paid through the issuance of 4% promissory notes (the "Promissory Notes") and \$.5 million was paid by issuing 61,805 shares of common stock (the "Shares"), together with certain registration rights. The Shares were valued based upon the market price of the Company's common stock two days before, two days after and on the day the acquisition was announced. \$1.0 million of the Promissory Notes was paid on May 6, 2003 and the balance of \$.8 million, plus interest is due on May 6, 2004. The Company also assumed certain liabilities of Benefoot, including approximately \$.3 million of long-term indebtedness. The Company also agreed to pay Benefoot up to an additional \$1,000,000 upon achievement of certain performance targets on or prior to May 6, 2004 measured at various intervals. As of December 31, 2003 the Company had paid or accrued \$603,238 based upon the satisfaction of performance targets during 2002 and 2003. The Company funded the entire cash portion of the purchase price with proceeds from the prior sale of the Company's 4% convertible subordinated notes due August 31, 2006.

In connection with the Asset Purchase Agreement, the Company entered into an employment agreement with each of two shareholders of Benefoot, each having a term of two years and providing for an annual base salary of \$150,000 and benefits, including certain severance arrangements. One of these shareholders subsequently terminated his employment agreement with the Company. The Company also entered into an agreement (which was amended in 2003), with Sheldon Langer as a medical consultant providing for an annual fee of \$45,000 (\$54,000 for the year ended 2003) and a one-time grant of 3,090 shares of common stock, together with certain registration rights. The allocation of the purchase price among the assets acquired and liabilities assumed is based on the Company's valuation of the fair value of the assets and liabilities of Benefoot.

The following table sets forth the components of the purchase price:

Cash consideration	\$3,800,351
Benefoot long-term debt paid at closing	307,211

Total cash paid at closing	\$4,107,562
Promissory note issued	1,800,000
Common stock issued	529,512
Transaction costs	680,228
Contingency consideration paid or accrued	603,238

Total purchase price	\$7,720,540
	=====

The following table provides the allocation of the purchase price:

Assets:	Cash and cash equivalents	\$ 225,953
	Accounts receivables	806,370
	Inventories	660,559
	Prepaid expenses and other	76,973
	Property and equipment	155,110
	Goodwill	3,716,142
	Identified intangible assets (trade names of \$1,600,000, non-competition agreements of \$230,000, and license agreements and related technology of \$1,600,000)	3,430,000
	Other assets	6,163

		9,077,270

Liabilities:	Accounts payable	647,873
	Accrued liabilities	389,400
	Unearned revenue	210,355
	Long term debt & other liabilities	109,102

		1,356,730

	Total purchase price	\$7,720,540
		=====

The goodwill created by the purchase of Benefoot is deductible for tax purposes.

Identifiable intangible assets at December 31, 2003 consisted of:

Assets	Amortization Period	Original Cost	Accumulated Amortization	Net Carrying Value
Trade Names	indefinite	\$1,600,000	--	\$1,600,000
Non-competition agreements	7/8 years	630,000	104,339	525,661
License agreements and related technology	11 Years	1,600,000	240,556	1,359,444
Repeat customer base	20 Years	500,000	25,000	475,000
		-----	-----	-----
		\$4,330,000	\$ 369,895	\$3,960,105
		=====	=====	=====

Identifiable intangible assets at December 31, 2002 consisted of:

Assets	Amortization Period	Original Cost	Accumulated Amortization	Net Carrying Value
Trade Names	indefinite	\$1,600,000	--	\$1,600,000
Non-competition agreements	7 years	230,000	21,483	208,517
License agreements and related technology	11 Years	1,600,000	95,104	1,504,896
		-----	-----	-----
		\$3,430,000	\$ 116,587	\$3,313,413
		=====	=====	=====

Aggregate amortization expense relating to the above identifiable intangible assets for the years ended December 31, 2003 and 2002 was \$253,308 and \$116,587, respectively.

At December 31, 2003, estimated future amortization expense is approximately \$253,000 per annum for 2004 to 2008.

Changes to Goodwill at December 31, 2002 and 2003, are as follows:

	Custom Orthotics	Distributed Products	Total
Balance January 1, 2002	\$ --	\$ --	\$ --
Acquisition - Benefoot	1,191,986	1,994,400	3,186,386
Balance December 31, 2002	1,191,986	1,994,400	3,186,386
Purchase price adjustments related to achievement of milestones and acquisition costs	198,175	331,581	529,756
Acquisition - Bi-Op	820,056	--	820,056
Balance December 31, 2003	<u>\$2,210,217</u>	<u>\$2,325,981</u>	<u>\$4,536,198</u>

There was no goodwill prior to January 1, 2002.

The unaudited pro forma results of operations for the year ended December 31, 2002, and for the ten months ended December 31, 2001, as if the Company acquired Bi-Op and Benefoot at the beginning of each year, which are set forth below include estimates and assumptions which management believes are reasonable. However, pro forma results do not include the realization of cost savings, if any, from operating efficiencies, synergies or other positive or adverse effects resulting from the acquisition, and are not necessarily indicative of the actual consolidated results of operations that would have been achieved if the acquisitions had occurred on the date assumed, nor are they necessarily indicative of future consolidated results of operations.

Unaudited pro forma results were:

	Year ended December 31, 2002	Ten months ended December 31, 2001
Net sales	\$ 22,954,754	\$ 18,517,432
Net (loss) income	\$ (881,903)	\$ 133,070
Basic (loss) income per share	\$ (.20)	\$.03
Diluted (loss) income per share	\$ (.20)	\$.03

(3) Inventories, net

Inventories, net, consisted of the following:

	December 31,	
	2003	2002
Raw materials	\$1,397,916	\$1,224,136
Work-in-process	174,164	180,135
Finished goods	1,234,503	1,169,287
	<u>2,806,583</u>	<u>2,573,558</u>
Less: allowance for excess and obsolescence	310,000	220,405
	<u>\$2,496,583</u>	<u>\$2,353,153</u>

(4) Property and Equipment, net

Property and equipment, net, is comprised of the following:

	December 31,	
	2003	2002
Office furniture and equipment	\$ 909,632	\$ 537,238
Computer equipment and software	2,219,048	1,012,259
Machinery and equipment	669,552	533,124
Leasehold improvements	1,090,851	504,394
Automobiles	2,973	173
	4,892,056	2,587,188
Less: accumulated depreciation	2,395,985	1,643,295
	\$2,496,071	\$ 943,893

Depreciation and amortization expense relating to property and equipment was \$397,901 for the year ended December 31, 2003, \$338,524 for the year ended December 31, 2002 and \$254,921 for the ten months ended December 31, 2001.

(5) Other Current Liabilities

Other current liabilities consisted of the following:

	December 31,	
	2003	2002
Accrued payroll and related payroll taxes	\$ 643,161	\$ 705,376
Sales credits payable	--	185,118
Accrued professional fees	211,400	148,250
Accrued health and welfare benefits	71,786	170,000
Deferred compensation - Benefoot	303,036	--
Other	885,887	655,600
	\$2,114,270	\$1,864,344

(6) Long -Term Debt

On October 31, 2001, the Company completed the sale of \$14,589,000 principal amount of its 4% convertible subordinated notes due August 31, 2006 (the "Notes"), in a private placement. The Notes are convertible into shares of the Company's common stock at a conversion price of \$6.00 per share (equal to the market value of the Company's stock on October 31, 2001), subject to anti-dilution protections and are subordinated to existing or future senior indebtedness of the Company. Among other provisions, the Company may, at its option, call, prepay, redeem, repurchase, convert or otherwise acquire (collectively, "Call") the Notes, in whole or in part, (1) after August 31, 2003 or (2) at any time if the closing price of the Company's common stock equals or exceeds \$9.00 per share for at least ten consecutive trading days. If the Company elects to Call any of the Notes, the holders of the Notes may elect to convert the Notes for the Company's common stock. Interest is payable semi-annually on the last day of June and December. Cash payments for interest expense for each of the years ended December 31, 2003, and 2002 was \$583,560 and for the ten months ended December 31, 2001 was \$97,260.

The Company received net proceeds of \$13,668,067 from the offering of the Notes. The cost of raising these proceeds including placement and legal fees was \$920,933, and is being amortized over the life of the Notes.

The amortization of these costs for the years ended December 31, 2003 and 2002 and the ten months ended December 31, 2001 were \$193,772, \$193,105 and \$30,698, respectively were included in interest expense in the related consolidated statements of operations.

The Company issued \$1,800,000 in 4% promissory notes on May 6, 2002 in connection with the acquisition of Benefoot. \$1,000,000 of these notes were paid on May 6, 2003 and the balance plus interest is due on May 6, 2004. Interest expense was \$45,932 and \$47,200 for 2003 and 2002, respectively.

(7) Commitments and Contingencies

(a) Leases

Certain of the Company's facilities and equipment are leased under noncancellable operating leases. Rental expense amounted to \$519,094 for the year ended December 31, 2003, \$500,558 for the year ended December 31, 2002, and \$405,117 for the ten months ended December 31, 2001.

Future minimum rental payments required under current operating leases are:

2004	\$500,903
2005	\$216,218
2006 and thereafter	\$ 22,800

	\$739,921
	=====

(b) Royalties

The Company has entered into several agreements with licensors, consultants and suppliers, which require the Company to pay royalty fees relating to the sale of certain products. Royalties in the aggregate under these agreements totaled \$57,680 for the year ended December 31, 2003, \$43,865 for the year ended December 31, 2002, and \$51,532 for the ten months ended December 31, 2001.

(8) Change in Control and Restructuring Expenses

Effective February 13, 2001, Andrew H. Meyers, Greg Nelson and Langer Partners LLC, and its designees ("Offerors"), acquired a controlling interest in the Company when they purchased 1,362,509 validly tendered shares of the Company at \$1.525 per share, or approximately 51% of the then outstanding common stock of the Company, under the terms of a December 27, 2000 Tender Offer Agreement (the "Tender") under which the Offerors offered to purchase up to 75% of the Company's common stock. In order to provide the Company with adequate equity to maintain the Company's compliance with the listing requirements of the NASDAQ Small Cap Market and to enable the Company to finance its ongoing operations as well as potentially take advantage of opportunities in the marketplace and in order to induce the Offerors to enter into the Tender Offer Agreement, pursuant to its terms, the Offerors were granted 180 day options to purchase up to 1,400,000 shares of the Company's common stock, with an initial exercise price of \$1.525 per share, rising up to \$1.60 per share (the "Options"). These Options have been recorded as a non-cash dividend of \$3,206,000, the fair market value of the Options on the date of grant. Upon the closing of the Tender, the Board of Directors of the Company resigned in favor of Andrew H. Meyers (President and Chief Executive Officer), Burt Ehrlich (Chairman of the Board), Jonathan R. Foster, Greg Nelson and Arthur Goldstein. The Company issued 30,000 non-qualified options at \$1.525 to each of the four new outside members of the Board of Directors in connection with their services as members of the Board.

In connection with the Tender and the resultant change in control, the Company recorded expenses of approximately \$1,008,000 for the year ended February 28, 2001, which included legal fees of \$263,000, valuation and consultant fees of \$95,000, severance and related expenses for terminated employees and executives of approximately \$236,000, and other costs directly attributable to the change in control of approximately \$169,000. As part of the change in control, a consulting firm which is owned by the sole manager and voting member of Langer Partners LLC, a principal shareholder of the Company, was granted 100,000 fully vested stock options with an exercise price of \$1.525 per share. Accordingly, the Company

immediately recognized the fair value of the options of \$245,000 as consulting fees, associated with these options. Additionally, the Company entered into a consulting agreement with this consulting firm, whereby the consulting firm would receive an annual fee of \$100,000 for three years for services provided.

Upon closing of the Tender and the resultant change in control, the Company's existing revolving credit facility with a bank was terminated. In order to provide for the Company's short-term cash needs, in February 2001, the Company's Chief Executive Officer loaned the Company \$500,000. As part of the change in control, new management determined that the Company required additional cash to potentially take advantage of opportunities in the marketplace. On February 13, 2001, three Directors of the Company purchased 147,541 restricted shares at \$1.525 for total proceeds of \$225,000.

On May 11, 2001, the Offerors fully exercised the Options at \$1.525 per share for \$2,135,000, which was invested in the Company. The Company's Chief Executive Officer, Andrew H. Meyers, converted the \$500,000 loan plus accrued interest as partial proceeds toward the exercise of these Options.

(9) Stock Options

The Company maintained a stock option plan for employees, officers, directors, consultants and advisors of the Company covering 550,000 shares of common stock (the "1992 Plan"). Options granted under the 1992 Plan are exercisable for a period of either five or ten years at an exercise price at least equal to 100 percent of the fair market value of the Company's common stock at the date of grant. Options become exercisable under various cumulative increments over a ten year period from date of grant. The Board of Directors has the discretion as to the persons to be granted options as well as the number of shares and terms of the option agreements. The expiration date of the plan is July 26, 2002. At the Company's July 17, 2001 annual meeting, the shareholders approved and adopted a new stock incentive plan for a maximum of 1,500,000 shares of common stock (the "2001 Plan"). In December 2000, 175,000 incentive stock options were granted to Andrew H. Meyers under the 1992 Plan and 80,000 incentive options were granted to Steven Goldstein under the 1992 Plan.

The Company has also granted non-qualified stock options. These options are generally exercisable for a period of five or ten years and are issued at a price equal to or lower than the fair market value of the Company's common stock at the date of grant. On February 13, 2001, the Company granted 30,000 non-qualified stock options, at an exercise price of \$1.525 per share, to each of the Company's four outside directors under the 2001 Plan and 100,000 options to a consulting firm, which is owned by the sole manager and voting member of Langer Partners LLC, a principal shareholder of the Company (see Note 8).

Options granted under both the 1992 Plan and the 2001 Plan do not include the 1,400,000 Options granted pursuant to the Tender Offer Agreement in connection with the change in control (see Note 8).

During the ten-month period ended December 31, 2001, the Company granted 10,000 stock options pursuant to a consulting agreement with an outside consultant. These options are exercisable for a period of ten years from the date of grant, at an exercise price of \$5.34. 2,000 of these options vested immediately and the remaining 8,000 options vest 2,000 shares annually on October 1, 2002 through October 1, 2005. In connection with these options, the Company recognized consulting expense of \$0, \$6,513 and \$8,243 in the years ended December 31, 2003 and 2002 and the ten-month period ended December 31, 2001, respectively.

In 2002, in connection with a separation agreement with a former employee, the Company agreed to accelerate the vesting of 12,000 options at the date of separation in exchange for transitional consulting assistance. As a result, the Company recognized an expense of \$20,057 and \$26,743 for these options for the year ended December 31, 2002 and the ten months ended December 31, 2001, respectively.

The following is a summary of activity related to the Company's qualified and non-qualified stock options:

	Number of Shares	Exercise price range per share	Weighted average exercise Price Per Share
	-----	-----	-----
Outstanding at March 1, 2001	517,000	\$1.50-2.19	\$ 1.54
Granted	85,000	5.34-6.50	6.36
Exercised	(19,000)	1.50-2.19	1.61
	-----	-----	-----
Outstanding at December 31, 2001	583,000	1.53-6.50	2.24
Granted	154,000	8.07-8.15	8.07
Exercised	(3,000)	2.19	2.19
Cancelled	(125,000)	1.56-8.07	6.11
	-----	-----	-----
Outstanding at December 31, 2002	609,000	1.53-8.15	2.92
Granted	32,330	3.20-6.50	4.87
Exercised	--	--	--
Cancelled	(18,000)	3.20-8.15	5.52
	-----	-----	-----
Outstanding at December 31, 2003	623,330	\$1.53-8.07	\$ 2.95
	=====	=====	=====

The following table summarizes information about options outstanding as of December 31, 2003:

Range of Exercise prices	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted Avg. Remaining Contractual Life (Yrs)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 1.53	475,000	7.06	\$1.53	475,000	\$1.53
\$ 5.34	10,000	7.75	\$5.34	6,000	\$5.34
\$ 8.07	115,500	8.30	\$8.07	28,497	\$8.07
\$ 3.20	6,500	9.21	\$3.20	--	\$3.20
\$ 6.50	16,330	9.33	\$6.50	16,330	\$6.60
	-----	-----	-----	-----	-----
	623,330	7.38		525,827	
	=====	=====		=====	

At December 31, 2003, all 255,000 options were exercisable and no options were available for issuance under the 1992 Plan. At December 31, 2003, 270,827 options were exercisable, 97,503 options were unexercisable and 1,127,787 options were available for future grants under the 2001 Plan. The options outstanding at December 31, 2003 under both the 1992 Plan and the 2001 Plan had remaining lives ranging from less than one year to more than nine years, with a weighted-average life of 7.38 years.

At December 31, 2003, there were 1,496,117 and 255,000 shares of common stock reserved for issuance under the 2001 Plan and 1992 Plan, respectively.

Additional Stock Plan Information

The Company continues to account for its stock-based awards using the intrinsic value method in accordance with APB 25, "Accounting for Stock Issued to Employees", and its related interpretations. Accordingly, no compensation expense has been recognized in the financial statements for employee stock arrangements.

SFAS No. 123, "Accounting for Stock-Based Compensation", requires the disclosure of pro forma net income and net income per share had the Company adopted the fair value method as of the beginning of fiscal 1997 (see Note 1(q)). Under SFAS No. 123, the fair value of stock-based awards to employees is calculated through the use of option pricing models, even though such models were developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's stock option awards. These models also require subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values. The Company's calculations were made using the Black-Scholes option pricing model with the following weighted average assumptions: expected life, 60 months following vesting; stock volatility of 62%, 52% and 67.9%, and risk free interest rates of 2.57%, 4.64% and 5.00% for the years ended December 31, 2003 and 2002, and for the ten-month period ended December 31, 2001, respectively, and no dividends during the expected term. The Company's calculations are on a multiple option valuation approach and forfeitures are recognized as they occur.

(10) Segment Information

In the years ended December 31, 2003 and 2002, the Company operated in two segments (custom orthotics and distributed products) principally in the design, development, manufacture and sale of foot and gait-related products. Intersegment net sales are recorded at cost. Segment information for the years ended December 31, 2003 and 2002 is summarized as follows:

Year ended December 31, 2003	Custom Orthotics	Distributed Products	Total
Net sales	\$ 19,115,633	\$ 5,604,882	\$ 24,720,515
Operating profit (loss)	(264,730)	1,209,116	764,386
Depreciation and amortization	825,662	19,319	844,981
Total assets	19,691,434	4,331,763	24,023,197
Capital expenditures	1,385,821	16,515	1,402,336
Year ended December 31, 2002	Custom Orthotics	Distributed Products	Total
Net sales	\$ 14,668,572	\$ 4,007,931	\$ 18,676,503
Operating profit (loss)	(1,109,775)	640,215	(469,560)
Depreciation and amortization	639,072	9,144	648,216
Total assets	20,234,057	3,576,097	23,810,154
Capital expenditures	327,120	6,577	333,697

The Company operated in one segment (custom orthotics) in the ten months ended December 31, 2001 since the distributed products segment, established in the year ended December 31, 2002, had not been considered significant. Net sales for custom orthotics were \$9,857,296 and net sales for distributed products were \$1,078,816 for the ten months ended December 31, 2001. Information regarding operating profit, depreciation and amortization, total assets or capital expenditures for the ten months ended December 31, 2001 is not available.

Geographical segment information is summarized as follows:

	North America	United Kingdom	Consolidated Total
Year ended December 31, 2003			
Net sales from external customers	\$ 22,139,349	\$ 2,581,166	\$ 24,720,515
Intersegment net sales	267,425	--	267,425
Gross profit	7,667,859	1,002,866	8,670,725
Operating (loss) profit	326,011	438,375	764,386
Depreciation and amortization	789,264	55,717	844,981
Total assets	22,911,458	1,111,739	24,023,197
Capital expenditures	1,364,961	37,375	1,402,336
Year ended December 31, 2002			
Net sales from external customers	\$ 16,560,280	\$ 2,116,223	\$ 18,676,503
Intersegment net sales	305,798	--	305,798
Gross profit	5,735,147	979,252	6,714,399
Operating (loss) profit	(856,193)	386,633	(469,560)
Depreciation and amortization	598,002	50,214	648,216
Total assets	22,850,246	959,908	23,810,154
Capital expenditures	266,755	66,942	333,697
Ten months ended December 31, 2001			
Net sales from external customers	\$ 9,359,893	\$ 1,576,219	\$ 10,936,112
Intersegment net sales	203,933	--	203,933
Gross profit	3,309,404	692,306	4,001,710
Operating (loss) profit	(150,262)	289,612	139,350
Depreciation and amortization	259,559	26,060	285,619
Total assets	19,965,627	734,619	20,700,246
Capital expenditures	180,506	91,187	271,693

Export sales from the Company's total United States operations accounted for approximately 17 percent, 21 percent and 22 percent of net sales for the year ended December 31, 2003, for the year ended December 31, 2002, and for the ten month period ended December 31, 2001.

(11) Pension Plan and 401(k) Plan

The Company maintained a non-contributory defined benefit pension plan covering substantially all employees. In 1986, the Company adopted an amendment to the plan under which future benefit accruals to the plan ceased (freezing the maximum benefits available to employees as of July 30, 1986), other than those required by law. Previously accrued benefits remain in effect and continue to vest under the original terms of the plan.

The following table sets forth the Company's defined benefit plan status at December 31, 2003 and December 31, 2002, determined by the plan's actuary in accordance with SFAS No. 87, "Employers' Accounting for Pensions", as amended by SFAS No. 132:

	December 31,	
	----- 2003	2002 -----
CHANGE IN BENEFIT OBLIGATION:		
Benefit obligation at beginning of year	\$ (672,483)	\$ (482,554)
Interest cost	(36,366)	(42,030)
Benefits paid	59,332	2,577
Actuarial loss	(32,957)	(150,476)
Settlements	(2,036)	--
	-----	-----
Benefit obligation at end of year	\$ (684,510)	\$ (672,483)
	=====	=====
CHANGE IN PLAN ASSETS:		
Fair value of plan assets, beginning of year	\$ 462,944	\$ 510,278
Actual return on plan assets	61,005	(66,207)
Employer contribution	48,000	21,000
Benefits paid	(3,046)	(2,577)
Settlement	(56,286)	--
	-----	-----
Fair value of plan assets, end of year	\$ 512,617	\$ 462,944
	=====	=====
Funded status	(171,893)	(209,539)
Unrecognized transition (asset)/obligation	112,320	120,111
Unrecognized net (gain) loss	453,109	504,415
	-----	-----
Net Amount Recognized	\$ 393,536	\$ 414,987
	=====	=====
Amounts recognized in the consolidated balance sheets consist of:		
Accrued benefit cost	\$ (171,893)	\$ (209,539)
Intangible asset	112,320	120,111
Accumulated other comprehensive income	453,109	504,415
	-----	-----
Net Amount Recognized	\$ 393,536	\$ 414,987
	=====	=====

Information for pension plans with an accumulated benefit obligation in excess of plan assets.

	December 31,	
	----- 2003	2002 -----
Projected benefit obligation	\$684,570	\$672,483
Accumulated benefit obligation	684,510	672,483
Fair value of plan assets	512,617	462,944

Net periodic pension expense is comprised of the following components:

	Year ended Dec. 31, 2003 -----	Year ended Dec. 31, 2002 -----	Ten months ended Dec. 31, 2001 -----
Interest cost	\$ 36,366	\$ 42,030	\$ 28,458
Expected return on plan assets	(35,090)	(38,995)	(35,077)
Amortization of unrecognized transition obligation	7,791	7,791	7,791
Amortization of net loss	23,126	12,883	14,161
Settlement	37,258	--	--
	-----	-----	-----
Net periodic pension expense	\$ 69,451 =====	\$ 23,709 =====	\$ 15,333 =====

The change in minimum liability with respect to pension benefits included in comprehensive income (loss) is as follows:

	Year ended December 31, -----	
	2003	2002
	-----	-----
Increase (decrease) in minimum liability included in comprehensive income (loss)	\$ (51,306)	\$ 242,795

Assumptions

Weighted average assumptions used to determine benefit obligations at December 31, 2003:

	2003 -----	2002 -----
Discount rate	5%	5.4%

Weighted average assumptions used to determine periodic benefit cost for years ended December 31:

	2003 -----	2002 -----
Discount rate	5.4%	5.4%
Expected long-term rate of return on plan assets	7.5%	7.5%

The discount rate is based upon applicable interest rate prescribed in the Plan for lump sum payments settled between March 2003 and February 2004.

The expected long term rate of return is selected based upon the expected duration of the projected benefit obligation for the plan and the asset mix of the plan. There is no assumed increase in compensation levels since future benefit accruals have ceased as discussed above. The unrecognized transition liability and unrecognized net loss are being amortized over 30.4 and 18.2 years, respectively.

The Company's pension plan weighted average asset allocations at December 31, 2003 and 2002 by asset category are as follows:

Asset Category	2003	2002
Cash and money markets	9.26%	8.82%
Equity securities	48.93	30.60
Debt security	41.81	45.20
Other	--	15.38
Total	100%	100%

The Company's investment policy is to maximize the total rate of return (income and appreciation) with a view to the long term funding objectives of the pension plan. Therefore the plan assets are diversified to the extent necessary to minimize risk and to achieve optimal balance between risk and return and between income and growth of assets through capital appreciation.

In 2003 and 2002, 0% of Company stock was included in the equity securities component.

Cash flows

The Company expects to contribute approximately \$72,000 to the pension plan in 2004.

As required by Statement of Financial Accounting Standards No. 87, the Company recorded a pension liability of \$171,893 at December 31, 2003 (included in Accrued Pension Expense) to reflect the excess of accumulated benefits over the fair value of pension plan assets. Since the required additional pension liability is in excess of the unrecognized prior service cost (unrecognized transition obligation), an amount equal to the unrecognized prior service cost has been recognized as an intangible asset in the amounts of \$112,320 and \$120,111 (included in "Other assets") as of December 31, 2003 and 2002, respectively. The remaining liability required to be recognized is reported as a separate component of stockholders' equity.

The Company has a defined contribution retirement and savings plan (the "401(k) Plan") designed to qualify under Section 401(k) of the Internal Revenue Code (the "Code"). Eligible employees include those who are at least twenty-one years old and who have worked at least 1,000 hours during any one year. The Company may make matching contributions in amounts that the Company determines at its discretion at the beginning of each year. In addition, the Company may make further discretionary contributions. Participating employees are immediately vested in amounts attributable to their own salary or wage reduction elections, and are vested in Company matching and discretionary contributions under a vesting schedule that provides for ratable vesting over the second through sixth years of service. The assets of the 401 (k) Plan are invested in stock, bond and money market mutual funds. For the years ended December 31, 2003 and 2002, and the ten months ended December 31, 2001, the Company made contributions totaling \$47,225, \$42,288 and \$26,530, respectively, to the 401(k) Plan.

(12) Income Taxes

The provision for (benefit from) income taxes is comprised of the following:

	Year ended December 31, 2003	Year ended December 31, 2002	Ten months ended December 31, 2001
Current:			
Federal	\$ 5,910	\$ --	\$ --
State	2,875	--	(7,565)
Foreign	22,619	27,688	3,456
	-----	-----	-----
	31,404	27,688	(4,109)
Deferred:			
Federal	137,000	72,000	--
State	21,000	10,000	--
Foreign	(22,500)	(2,394)	7,227
	-----	-----	-----
	135,500	79,606	7,227
	-----	-----	-----
	\$ 166,904	\$ 107,294	\$ 3,118
	=====	=====	=====

As of December 31, 2003, the Company has net Federal tax operating loss carryforwards of approximately \$4,226,000 which may be applied against future taxable income and expire from 2004 through 2022. Future utilization of these net operating loss carryforwards will be limited under existing tax law due to the change in control of the Company (see Note 8). The Company also has available tax credit carryforwards of approximately \$141,000.

The net deferred tax liability is included in other liabilities on the accompanying consolidated balance sheets.

The following is a summary of deferred tax assets and liabilities:

	December 31,	
	2003	2002
Current assets:		
Accounts receivable	\$ 77,438	\$ 42,412
Stock options	119,557	110,818
Inventory reserves	219,154	182,700
Accrued expenses	274,523	171,289
	-----	-----
	690,672	507,219
Non-current assets:		
Property and equipment	28,457	82,618
Identifiable intangible assets	41,559	13,573
Net operating loss carryforwards	1,517,551	1,662,105
Tax credit carryforwards	146,770	141,726
	-----	-----
	1,734,337	1,901,022
Non-current liabilities:		
Goodwill and trade names	(243,489)	(82,000)
Property and equipment	(10,084)	(13,573)
Identifiable intangible assets	(247,500)	--
	-----	-----
	(501,073)	(95,573)
Net deferred tax asset (liability)	-----	-----
	1,923,936	2,312,668
Valuation allowances	(2,425,009)	(2,408,241)
Deferred tax asset (liability)	-----	-----
	\$ (501,073)	\$ (95,573)
	=====	=====

The increase in the net deferred tax liability includes \$270,000 relating to identifiable intangible assets acquired in the Bi-Op acquisition in January 2003.

Prior to the adoption of SFAS No. 142, the Company would not have needed a valuation allowance for the portion of the net operating losses equal to the amount of tax-deductible goodwill and trade names amortization expected to occur during the carryforward period of the net operating losses based on the timing of the reversal of these taxable temporary differences. As a result of the adoption of SFAS 142, the reversal will not occur during the carryforward period of the net operating losses. Therefore, the Company recorded a deferred income tax expense of approximately \$158,000 and \$82,000 during the years ended December 31, 2003 and 2002 which would not have been required prior to the adoption of SFAS 142. The deferred income tax recorded in 2003 was partially offset by the recognition of a deferred tax benefit of approximately \$6,000 related to an alternative minimum tax carryforward.

The following is a summary of the domestic and foreign components of income (loss) before taxes:

	Year ended December 31, 2003	Year ended December 31, 2002	Ten months ended December 31, 2001
Domestic	\$ 317,081	\$ (1,113,923)	\$ 48,615
Foreign	(155,648)	115,560	24,782
	-----	-----	-----
	\$ 161,433	\$ (998,363)	\$ 73,397
	=====	=====	=====

The Company's effective provision for income taxes differs from the Federal statutory rate. The reasons for such differences are as follows:

	Year ended December 31, 2003		Year ended December 31, 2002		Ten months ended December 31, 2001	
	Amount	%	Amount	%	Amount	%
Provision at Federal statutory rate	\$ 54,887	34.0	\$ (339,443)	(34.0)	\$ 24,789	33.8
Other (Permanent items)	5,100	3.2	(23,576)	(2.4)		
Increase (decrease) in taxes resulting from:						
State income tax expense (benefit), net of federal benefit	15,760	9.7	6,600	0.7	(4,993)	(6.8)
Foreign tax losses with no tax benefit provided	52,920	32.8				
Foreign taxes	--	--	25,294	2.5	2,891	3.9
(Use) creation of net operating loss and credit carryforwards			(140,761)	(14.1)	(19,569)	(26.7)
Change in tax rate	--	--	(258,300)	(25.9)	--	--
Change in valuation allowance	16,768	10.4	(837,480)	83.9	--	--
Other	21,469	13.3	--	--	--	--
Effective tax rate	\$ 166,904	103.4	\$ 107,294	10.7	\$ 3,118	4.2

(13) Reconciliation of Basic and Diluted Earnings Per Share

Basic earnings per common share ("EPS") are computed based on the weighted average number of common shares outstanding during each period. Diluted earnings per common share are computed based on the weighted average number of common shares, after giving effect to dilutive common stock equivalents outstanding during each period. The diluted income (loss) per share computations for the years ended December 31, 2003 and 2002 exclude approximately 623,300 and 609,000, respectively, related to employee stock options. These shares are excluded due to their anti dilutive effect as a result of the Company's loss during each of the periods. The impact of the convertible notes on the calculation of the fully-diluted earnings per share was anti-dilutive and is therefore not included in the computation for the years ended December 31, 2003 and 2002 and the ten months ended December 31, 2001. Had the impact of the convertible notes been included in the calculation of diluted earnings per share, net loss would have decreased by approximately \$777,000 in each of the years ended December 31, 2003 and 2002 and net income would have increased by approximately \$128,000 for the ten months ended December 31, 2001. Additionally, the diluted weighted average shares would have increased by 2,431,500 for each of the years ended December 31, 2003 and 2002 and by 486,300 for the ten month period ended December 31, 2001, to reflect the conversion of the convertible notes. The following table provides a reconciliation between basic and diluted earnings per share:

	Year ended December 31, 2003			Year ended December 31, 2002			Ten months ended December 31, 2001		
	Income	Shares	Per Share	Income	Shares	Per Share	Income	Shares	Per Share
Basic EPS									
Income (loss) available to common stockholders	\$ (5,471)	4,374,396	\$ (.00)	\$(1,105,657)	4,245,711	\$ (.26)	\$ 70,279	3,860,167	\$.02
Effect of Dilutive Securities									
Stock options	--	--	--	--	--	--	--	446,369	--
Diluted EPS									
Income (loss) available to common stockholders plus exercise of stock options	\$ (5,471)	4,374,396	\$ (.00)	\$(1,105,657)	4,245,711	\$ (.26)	\$ 70,279	4,306,536	\$.02

(14) Related Party Transactions

Langer has engaged a company which is owned by the brother-in-law of a senior executive of Langer, to provide certain technology related products and services. Cost incurred for products and services provided by this company were approximately \$142,000, \$127,700 and \$59,500 in the years ended December 31, 2003 and 2002 and the ten months ended December 31, 2001, respectively. Langer also engaged a company owned by the father-in-law of a senior executive of Langer to provide certain promotional and marketing goods and services. Costs incurred with respect to such goods and services for the years ended December 2003 and 2002 and the ten months ended December 31, 2001 were \$56,035, \$46,525 and \$35,500, respectively. In April 2002, a senior executive of the Company borrowed \$21,000 from the Company ("Executive Note"). The Executive Note earns interest at a rate of 4% per annum and matures April 3, 2004.

LANGER, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
SCHEDULE II

	Sales Returns and Allowances -----	Allowance for Doubtful Accounts Receivable -----	Warranty Reserve -----	Inventory Reserve -----	Valuation Allowance for Deferred Tax Assets -----
At March 1, 2001	\$ 28,799	\$ 57,820	\$ 46,818	\$ 193,323	\$1,638,980
Additions	245	15,015	--	80,408	--
Deletions	8,100	29,566	6,476	59,825	68,219
	-----	-----	-----	-----	-----
At December 31, 2001	20,944	43,269	40,342	213,906	1,570,761
Acquired	--	--	80,000	--	--
Additions	7,056	88,348	--	14,018	837,480
Deletions	--	6,682	50,342	7,519	--
	-----	-----	-----	-----	-----
At December 31, 2002	28,000	124,935	70,000	220,405	2,408,241
Additions	40,000	117,993	404,538	129,063	16,768
Deletions	--	(18,203)	(404,538)	(39,468)	--
	-----	-----	-----	-----	-----
At December 31, 2003	\$ 68,000	\$ 224,725	\$ 70,000	\$ 310,000	\$2,425,009
	=====	=====	=====	=====	=====

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

The Company's management carried out an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, its principal executive officer and principal financial officer, respectively of the effectiveness of the design and operation of the Company's disclosure and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act") as of December 31, 2003, pursuant to Exchange Act Rule 13a-15. Based upon the evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of December 31, 2003 are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic filings under the Exchange Act. No changes in the Company's internal control over financial reporting have come to management's attention during the fourth quarter ended December 31, 2003 evaluation that have materially affected, or are reasonable likely to materially affect the Company's internal control over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The information required by Item 10, appearing under the caption "Directors and Executive Officers of the Company" of the Company's Proxy Statement for the 2003 Annual Meeting of Stockholders, is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 appearing under the caption "Executive Compensation" of the Company's proxy statement for the 2004 Annual Meeting of Stockholders is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by Item 12 appearing under the caption "Security Ownership of Certain Beneficial Owners and Management" of the Company's proxy statement for the 2004 Annual Meeting of Stockholders is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 13 appearing under the caption "Certain Relationships and Related Transactions" of the Company's proxy statement for the 2004 Annual Meeting of the Stockholders is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 appearing under the caption "Principal Accountant Fees and Services" of the Company's proxy statement for the 2004 annual meeting of the stockholders is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE, AND REPORTS ON FORM 8-K

1. Financial Statements

See the Index to Financial Statements in Item 8 hereto.

2. Financial Statement Schedules

The following Financial Statement Schedule is filed as part of this Form 10-K:

Schedule II - Valuation and Qualifying Accounts

All other schedules have been omitted because they are not applicable, not required or the information is disclosed in the consolidated financial statements, including the notes thereto.

3. Exhibits

Number	Document
-----	-----

- | | |
|-----|--|
| 2.1 | Tender Offer Agreement, dated as of December 28, 2000, between OrthoStrategies, OrthoStrategies Acquisition Corp., and Langer, Inc. (filed as Exhibit (d)(1)(A) to Schedule TO, Tender Offer Statement, filed with the Securities and Exchange Commission on January 10, 2001 ("Schedule TO") and incorporated herein by reference). |
| 3.1 | Agreement and Plan of Merger dated as of May 15, 2002, between Langer, Inc., a New York corporation, and Langer, Inc., a Delaware corporation (the surviving corporation), incorporated herein by reference to Appendix A of the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders held on June 27, 2002, filed with the Securities and Exchange Commission on May 31, 2002. |
| 3.2 | Certificate of Incorporation of the Company, incorporated herein by reference to Appendix B of the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders held on June 27, 2002, filed with the Securities and Exchange Commission on May 31, 2002. |
| 3.3 | By-laws of the Company, incorporated herein by reference to Appendix C of the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders held on June 27, 2002, filed with the Securities and Exchange Commission on May 31, 2002. |
| 4.1 | Specimen of Common Stock Certificate incorporated by reference to the Company's Registration Statement of Form S-1 (No. 2-87183), which became effective with the Securities and Exchange Commission on January 17, 1984. |
| 4.2 | Form of Convertible Note Purchase Agreement, dated as of October 31, 2001, incorporated herein by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed with the Commission on November 13, 2001. |
| 4.3 | Form of Convertible Note, dated as of October 31, 2001, incorporated herein by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K filed with the Commission on November 13, 2001. |

- 10.1* Option Agreement with Andrew H. Meyers, dated February 13, 2001 incorporated by reference to the Company's Annual Report on Form 10-K filed on May 29, 2001.
- 10.2 Option Agreement with Langer Partners, LLC, dated February 13, 2001 incorporated by reference to the Company's Annual Report on Form 10-K filed on May 29, 2001.
- 10.3* Option Agreement with Jonathan Foster, dated February 13, 2001 incorporated by reference to the Company's Annual Report on Form 10-K filed on May 29, 2001.
- 10.4* Option Agreement with Greg Nelson, dated February 13, 2001 incorporated by reference to the Company's Annual Report on Form 10-K filed on May 29, 2001.
- 10.5 Form of Registration Rights Agreement between the Company and Andrew H. Meyers, Langer Partners, LLC, Jonathan Foster, and Greg Nelson, dated February 13, 2001 incorporated by reference to the Company's Annual Report on Form 10-K filed on May 29, 2001.
- 10.6* Employment Agreement between the Company and Andrew H. Meyers, dated as of February 13, 2001 incorporated by reference to the Company's Annual Report on Form 10-K filed on May 29, 2001.
- 10.7* Employment Agreement between the Company and Steven Goldstein, dated as of February 13, 2001 incorporated by reference to the Company's Annual Report on Form 10-K filed on May 29, 2001.
- 10.8* Option Agreement between the Company and Andrew H. Meyers, dated as of December 28, 2000 incorporated by reference to the Company's Annual Report on Form 10-K filed on May 29, 2001.
- 10.9* Option Agreement between the Company and Steven Goldstein, dated as of December 28, 2000 incorporated by reference to the Company's Annual Report on Form 10-K filed on May 29, 2001.
- 10.10* Consulting Agreement between the Company and Kandlers & Company, Inc., dated February 13, 2001 (the form of which was filed as Exhibit (d) (1) (H) to the Schedule TO and is incorporated herein by reference).
- 10.11* Option Agreement between the Company and Kandlers & Company, Inc., dated February 13, 2001 (the form of which was filed as Exhibit (d) (1) (G) to the Schedule TO and is incorporated herein by reference).
- 10.12 Registration Rights Agreement between the Company and Kandlers & Company, Inc., dated February 13, 2001 (the form of which was filed as Exhibit (d) (1) (I) to the Schedule TO and is incorporated herein by reference).
- 10.13 Indemnification Agreement between the Company and Kandlers & Company, Inc., dated February 13, 2001 (the form of which was filed as Exhibit (d) (1) (J) to the Schedule TO and is incorporated herein by reference).
- 10.14 Letter Agreement among the Company, OrthoStrategies, OrthoStrategies Acquisition Corp, Steven V. Ardia, Thomas I. Altholz, Justin Wernick, and Kenneth Granat, dated December 28, 2000 (filed as Exhibit (d) (1) (K) to the Schedule TO and incorporated herein by reference).
- 10.15* Letter Agreement between the Company and Daniel Gorney, dated as of December 28, 2000 (filed as Exhibit (d) (1) (O) to the Schedule TO and incorporated herein by reference).

- 10.16* Letter Agreement between the Company and Thomas Archbold, dated as of December 28, 2000 (filed as Exhibit (d) (1) (P) to the Schedule TO and incorporated herein by reference).
- 10.17* Letter Agreement between the Company and Ronald J. Spinilli, dated as of December 28, 2000 (filed as Exhibit (d) (1) (Q) to the Schedule TO and incorporated herein by reference).
- 10.18* The Company's 2001 Stock Incentive Plan incorporated herein by reference to the Company's Annual Report on Form-K for the fiscal year ended December 31, 2001, Exhibit 10.18.
- 10.19 Langer Biomechanics Group Retirement Plan, restated as of July 20, 1979 and incorporated by reference to the S-1.
- 10.20 Agreement, dated March 26, 1992, and effective as of March 1, 1992, relating to the Company's 401(k) Tax Deferred Savings Plan and incorporated by reference to the Company's Form 10-K for the fiscal year ended February 29, 1992.
- 10.21* Consulting Agreement between the Company and Stephen V. Ardia, dated November 29, 2000 incorporated by reference to the Company's Annual Report on Form 10-K filed on May 29, 2001.
- 10.22* Promissory Note of the Company in favor of Andrew H. Meyers, dated February 13, 2001 (filed as Exhibit 99.1 to the Company's Form 8-K Current Report, dated February 13, 2001, and incorporated herein by reference).
- 10.23 Form of Indemnification Agreement for non-management directors of the Company incorporated by reference to the Company's Annual Report on Form 10-K filed on May 29, 2001.
- 10.24 Copy of Lease related to the Company's Deer Park facilities incorporated by reference to the Company's Annual Report on Form 10-K filed on May 29, 2000.
- 10.25 Asset Purchase Agreement, dated May 6, 2002, by and among the Company, GoodFoot Acquisition Co., Benefoot, Inc., Benefoot Professional Products, Inc., Jason Kraus, and Paul Langer, incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on May 13, 2002.
- 10.26 Registration Rights Agreement, dated May 6, 2002, among Langer, Inc., Benefoot, Inc., Benefoot Professional Products, Inc., and Dr. Sheldon Langer, incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 13, 2002.
- 10.27 Promissory Note, dated May 6, 2002, made by the Company in favor of Benefoot, Inc., incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on May 13, 2002.
- 10.28 Promissory Note, dated May 6, 2002, made by Langer, Inc. in favor of Benefoot Professional Products, Inc., incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on May 13, 2002.
- 10.29 Stock Purchase Agreement, dated January 13, 2003, by and among the Company, Langer Canada Inc., Raynald Henry, Micheline Gadoury, 9117-3419 Quebec Inc., Bi-Op Laboratories Inc., incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on January 13, 2003.

- 10.30* Employment Agreement between the Company and Ronald E. Buron, dated as of December 3, 2001, incorporated herein by reference to Amendment No. 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2001, filed April 30, 2002, Exhibit 10.26.
- 10.31* Employment Agreement between the Company and Anthony J. Puglisi, dated as of April 15, 2002, incorporated herein by reference to Amendment No. 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2001, filed April 30, 2002, Exhibit 10.27.
- 10.32* Option Agreement between the Company and Anthony J. Puglisi, dated as of April 15, 2002, incorporated herein by reference to Amendment No. 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2001, filed April 30, 2002, Exhibit 10.28.
- 10.33*+ Employment Agreement between the Company and Joseph P. Ciavarella dated as of February 16, 2004.
- 10.34*+ Option Agreement between the Company and Joseph P. Ciavarella dated as of March 24, 2004.
- 21.1 List of subsidiaries.
- 23.1+ Independent Auditor's Consent
- 31.1+ Rule 13a-14(a)/15d-14(a) Certification by Chief Executive Officer.
- 31.2+ Rule 13a-14(a)/15d-14(a) Certification by Chief Financial Officer.
- 32.1+ Section 1350 Certification by Chief Executive Officer
- 32.2+ Section 1350 Certification by Chief Financial Officer
- * This exhibit represents a management contract or a compensatory plan
- *+ Filed herewith
- (b) Reports on Form 8-K:

No reports on Form 8-K were filed in the fourth quarter of the year covered by this Annual Report on Form 10-K.

SIGNATURES

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

LANGER, INC.

Date: March 29, 2004

By: /s/ Andrew H. Meyers

Andrew H. Meyers
President and
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Joseph P. Ciavarella

Joseph P. Ciavarella
Vice President and
Chief Financial Officer
(Principal Accounting Officer)

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

Date: March 29, 2004

By: /s/ Burt Ehrlich

Burt Ehrlich
Director

Date: March 29, 2004

By: /s/ Jonathan Foster

Jonathan Foster
Director

Date: March 29, 2004

By: /s/ Arthur Goldstein

Arthur Goldstein
Director

Date: March 29, 2004

By: /s/ Greg Nelson

Greg Nelson
Director

Date: March 29, 2004

By: /s/ Thomas Strauss

Thomas Strauss
Director

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LANGER, INC. WITH JOSEPH P. CIAVARELLA
EXECUTIVE EMPLOYMENT AGREEMENT

Executive Employment Agreement (this "Agreement"), dated as of the 16th day of February, 2004 by and between Langer, Inc., a Delaware corporation, ("Langer," which term, as used herein, includes all subsidiaries of Langer, whether now existing or hereafter organized or acquired), and Joseph P. Ciavarella (the "Executive").

Whereas, Langer desires to employ the Executive as Chief Financial Officer of Langer, and the Executive desires to serve Langer in such capacity and in such other offices as the Board of Directors may determine hereafter from time to time, all upon the terms and subject to the conditions hereinafter provided;

Now, Therefore, in consideration of the mutual covenants and agreements herein contained, the parties hereto, intending to be legally bound, agree as follows:

1. Employment.

Langer agrees to employ the Executive, and the Executive agrees to be employed by Langer, upon the terms and subject to the conditions of this Agreement.

2. Term.

The term of the Executive's employment under this Agreement shall be at will and shall be terminable by either party on 30 days' prior written notice (the "Term"), unless earlier terminated as hereinafter provided.

3. Duties; Efforts.

(a) During the Term of this Agreement, the Executive shall serve as the Chief Financial Officer and Vice President of Langer (including, if requested, any one or more of its subsidiaries), and shall perform all duties customary to and commensurate with his position and such other duties as may be assigned to him by the president and chief executive officer or the Board of Directors of Langer. The Executive shall report directly to the chief executive officer.

(b) The Executive shall devote all of his business time, attention and energies to the business and affairs of Langer and its affiliated corporations and shall use his best efforts to advance the best interests of Langer; provided, however, that, it shall not be a violation of this Agreement for the Executive to (i) subject to approval by the Board in its sole discretion, serve on professional, industry, civic or charitable boards, committees or organizations, and (ii) manage passive personal investments, so long as any such activities do not interfere with the performance of the Executive's responsibilities as an employee of Langer in accordance with this Agreement.

4. Compensation and Benefits.

(a) Base Salary. Commencing on the date hereof, Langer shall pay to the Executive a base salary (the "Base Salary") of \$155,000 per year during the Term as compensation for the performance of services under this Agreement and the Executive's observance and performance of all of the provisions hereof.

(b) Annual Bonus. At the Board's discretion, the Executive shall be eligible to receive, with respect to each calendar year, a cash bonus (the "Bonus"), in addition to and separate from the Executive's Base Salary.

(c) Stock Options. In addition to the Executive's Base Salary and Annual Bonus (if any), upon approval of this Agreement by Langer's Compensation Committee and Board of Directors, Langer shall grant to the Executive options to purchase 50,000 shares of its common stock (the "Options") under Langer's 2001 Stock Incentive Plan (the "Incentive Plan"), at an exercise price equal to 100% of the fair market value per share of the Langer common stock as of the date of grant, such fair market value and the terms of such options to be determined in accordance with the provisions of the Incentive Plan. The options are intended to be "incentive stock options" under the Internal Revenue Code of 1986, as amended ("Code") and shall vest and become exercisable in 3 equal annual tranches commencing on the first anniversary of the date of grant of the Options. The Options shall be subject in all respects to the terms and conditions of the Plan and Langer's standard stock option agreement pursuant to which such options will be granted. During the term of the Executive's employment with Langer, the Executive shall not sell, assign, or otherwise transfer any of the shares of common stock of Langer, whether received upon exercise of the Option or otherwise acquired, without the prior written consent of the Board. Prior to any such proposed sale, assignment, or other transfer, the Executive shall notify the Board in writing of the terms thereof. Upon the consent of the Board, the Executive may sell, assign, or transfer such shares in accordance with such terms within the thirty (30) days following the grant of such consent.

(d) Out-of-Pocket Expenses. Langer shall promptly reimburse the Executive the reasonable expenses incurred by him in the performance of his duties hereunder, including, without limitation, those incurred in connection with business related travel or entertainment, or in accordance with Langer's expense policy.

(e) Participation in Benefit Plans. The Executive, subject to the terms, conditions and eligibility requirements thereof, shall be entitled to participate in or receive benefits under any pension plan, health and accident plan or any other employee benefit plan or arrangement made available now or in the future by Langer to its employees, including, without limitation, 401(k) plans, medical, dental, life and disability plans of Langer. Nothing herein shall be deemed to require Langer to establish or retain any such plans.

(f) Vacation. The Executive shall be entitled to vacation in accordance with Langer's vacation policy for senior management, which shall in no event be less than three weeks, and to all paid holidays given by Langer to its employees. No more than two consecutive weeks of vacation shall be taken at any one time without the approval of the chief executive

officer, and the Executive shall schedule vacations in a manner consistent with Langer's seasonal or other significant business requirements.

5. Termination and Termination Payments.

The Executive's employment hereunder shall terminate, or may be terminated, as follows:

(a) For Cause. Langer shall have the right to terminate the Executive's employment for Cause (as hereinafter defined), and, subject to Langer's obligations under Section 6(c), without Cause. A termination for "Cause" is a termination by the chief executive officer or by the Board, if the chief executive officer or the Board makes a finding that the Executive has:

(i) breached, failed or refused to comply with any of the material terms of this Agreement (which shall include Section 4(d)), for reasons other than Disability (as defined in Section 5(b)) or Good Reason (as defined in Section 5(c)); or

(ii) refused, neglected or failed to perform his material duties under this Agreement, for reasons other than Good Reason or Disability; or

(iii) willfully or intentionally failed to carry out, in any material respect, instructions of the President and Chief Executive Officer or the Board which are not inconsistent with his position; or

(iv) been convicted of or admitted to (including by a plea of nolo contendere) any act of fraud, larceny, misappropriation of funds or embezzlement or to or of a crime other than traffic offenses; or

(v) has committed an act constituting sexual harassment or employment discrimination; or

(vi) repeatedly engaged in substance abuse; provided, however, that

(A) in the case of clauses (i), (ii) and (iii) above, the Executive shall have received written notice at least 30 days prior to such termination specifying the actions constituting Cause, during which period he shall have failed or refused to cure such conduct; provided, nevertheless, that the Executive may be terminated if such notice has been given more than 2 times; and

(B) in the case of paragraphs (iv), (v), and (vi) above, the chief executive officer or the Board may terminate the Executive immediately upon delivery of a notice of termination.

(b) Other than For Cause. Langer shall have the right to terminate Executive's employment with Langer at any time without Cause upon thirty (30) days' prior written notice to the Executive.

(c) Upon Death or For Disability. The Executive's employment with Langer shall immediately terminate upon his death without any further action. Langer shall have the right to terminate the Executive's employment immediately upon delivery of notice to the Executive as a result of the Executive's Disability. For purposes of this Agreement, a "Disability" shall be deemed to have occurred if:

(i) the Executive has been unable, due to any physical or mental illness or injury, substantially to perform his duties hereunder for at least 45 consecutive days, and; or

(ii) Langer delivers a written notice to the Executive ("Disability Notice") following such period stating that the Board intends to terminate the Executive by reason of Disability but no earlier than the 60th day following the onset of such Disability.

(d) By the Executive for Good Reason. The Executive shall have the right to terminate his employment with Langer for Good Reason within 60 days after the occurrence of an event constituting Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) Removal from his position as Chief Financial Officer (other than for Cause or by reason of the Executive's death or Disability);

(ii) Material diminution in the Executive's title, position, duties or responsibilities, or the assignment to the Executive of duties that are inconsistent, in a material respect, with the scope of duties and responsibilities associated with the position of Chief Financial Officer, excluding for this purpose an isolated and insubstantial action not taken in bad faith;

(iii) Reduction in the Executive's Base Salary without his consent or failure to award the 50,000 stock options contemplated by this Agreement; provided, however, that Good Reason shall not exist pursuant to subsection (i), (ii) and (iii) of this Section 5(d) unless (A) the Executive shall have delivered to the Board written notice at least thirty (30) days prior to such termination, specifying the actions constituting Good Reason, and Langer shall have failed or refused to cure such conduct within 30 days after Langer's receipt of such notice; or

(iv) The breach, failure or refusal of Langer to comply with any of its material obligations under this Agreement, in any case other than an isolated, insubstantial and inadvertent failure not cured by Langer within thirty (30) days after receiving written notice from the Executive setting forth the nature of such breach; or

(e) By the Executive other than for Good Reason. The Executive shall have the right to terminate his employment with Langer at any time without Good Reason upon thirty (30) days' prior written notice to Langer.

6. Payments Upon Termination.

(a) Death or Disability. In the event of the termination of the Executive's employment as a result of his death or Disability, Langer shall:

(i) pay to the Executive or his estate, as the case may be, the Base Salary through the date of his death or date of termination of employment on account of Disability, as the case may be (pro rated for any partial month);

(ii) treat the Options as set forth in the Stock Option Agreement;

(iii) reimburse the Executive, or his estate, as the case may be, for any expenses reimbursable pursuant to Section 4(d) (the amounts payable pursuant to clause (i) and this clause (iii) being hereafter referred to as the "Accrued Obligations"); and

(iv) provide to the Executive and/or his family, as the case may be, at the expense of the Executive or his heirs, successors and assigns, only such continued coverage under welfare, medical, accident, life or other disability plans and programs in which the Executive and his family participated immediately prior to his death or Disability as may be required by COBRA or other applicable law, if any.

(b) By Langer for Cause or by the Executive other than for Good Reason. If the Executive's employment is terminated by Langer for Cause or by the Executive other than for Good Reason, Langer shall (i) pay to the Executive the Accrued Obligations, and (ii) subject to the provisions of the following sentence, treat the Options as set forth in the Stock Option Agreement, and the Executive shall have no further entitlement to any other compensation or benefits from Langer. Without limiting the generality of the foregoing, all vested and unvested options held by the Executive shall be cancelled and of no effect. In addition, the Executive shall be deemed to have offered any shares of Common Stock purchased by him pursuant to the Stock Option Agreement to Langer at a price per share equal to the lower of the Exercise Price or the fair market value (as determined pursuant to the 2001 Stock Incentive Plan) of the Common Stock at the time of such termination. Langer shall have 30 days from the date of termination to deliver written notice to the Executive electing to purchase such shares.

(c) By the Executive for Good Reason or by Langer other than for Cause or the Executive's Death or Disability. In the event that the Executive's employment is terminated by the Executive for Good Reason or by Langer other than for Cause or the Executive's death or Disability, then Langer shall:

(i) pay to the Executive the Accrued Obligations, within thirty (30) days of termination of his employment;

(ii) if the termination is by Langer without Cause effective after the first anniversary of this Agreement, continue to pay Executive his Base Salary in effect on the date of termination, at the regular intervals when payroll would have been payable to the Executive, for a period of six (6) months;

(iii) if the termination is by Langer without Cause effective after the first anniversary of this Agreement, pay or reimburse the Executive for continued coverage under all welfare benefit including medical, accident, life or other disability plans and programs in which the Executive participated immediately prior to his termination, (provided that the Executive will share the cost of such benefit coverage in the same proportion as was in effect for the Executive immediately prior to his termination), for six (6) months.

(d) The Executive acknowledges that upon the termination of his employment pursuant to Sections 6(a), 6(b) or 6(c), he shall not be entitled to any payments or benefits that are not explicitly provided herein.

7. Covenant Regarding Inventions.

The Executive shall disclose promptly to Langer any and all inventions, discoveries, improvements and patentable or copyrightable works developed, initiated, conceived or made by him, either alone or in conjunction with others, during the Term hereof and for a period of six months after the Executive's termination of employment, all of which shall be considered "work for hire," and he assigns and shall assign, without additional consideration, all of his right, title and interest therein to Langer or its nominee. Whenever requested to do so by Langer, the Executive shall execute any and all applications, assignments or other instruments that Langer shall deem necessary to apply for and obtain letters patent, trademarks or copyrights of the United States or any foreign country, or otherwise protect Langer's interest therein. These obligations shall continue beyond the conclusion of the Term with respect to inventions, discoveries, improvements or copyrightable works made by the Executive during the Term and shall be binding upon the Executive's assigns, executors, administrators and other legal representatives.

8. Protection of Confidential Information.

As an inducement to Langer to enter into and perform its obligations under this Agreement, the Executive acknowledges that he has been and will be provided with information about, and his employment by Langer will, throughout the Term, bring him into close contact with, many confidential affairs of Langer, including proprietary information about the business including, without limitation, costs, profits, finances, internal financial statements, projections, markets, sales, customers, advertisers, vendors, products, key personnel, pricing policies, operational methods, technical processes and methods, plans for future developments, software, data bases, computer programs, specifications, documentation, designs, trade secrets, technology, know-how, research and development, inventions, patents and copyrights (and any renewals, reissues, extensions, divisions, continuations and continuations in part thereof and registrations, applications, patents of addition and inventors certificates) and other information not available to

the public (collectively "Confidential Information"), all of which are confidential and proprietary and which were developed or otherwise acquired by Langer at its own effort and expense. The Executive further acknowledges that the services to be performed by him under this Agreement are of a special unique, unusual, extraordinary and intellectual character and that the nature of the relationship of the Executive with Langer is such that the Executive is capable of competing with Langer. In recognition of the foregoing, the Executive covenants and agrees during the Term and thereafter he will:

(a) keep secret all Confidential Information and not disclose any Confidential Information to anyone outside of Langer, either during or after the Term, except (i) with Langer's prior written consent; (ii) if required to be disclosed by law or by any government, regulatory or self-regulatory agency or body, except with respect to Confidential Information which the Executive is advised in writing by counsel to Langer is not required to be disclosed, provided that Executive shall have given Langer prompt notice of any such order or subpoena so that Langer may contest any such production; or (iii) for such Confidential Information which is or becomes generally available to the public other than as a result of the Executive's breach of this Section 8;

(b) not make use of any of any Confidential Information for his own purposes or the benefit of anyone other than Langer; and

(c) deliver promptly to Langer on termination of this Agreement, or at any time Langer may so request, all Confidential Information, including but not limited to memoranda, notes, records, computer software discs, reports and other confidential documents (and all copies thereof) relating to the business, that he may then possess or have under his control, except that he may retain personal notes, notebooks, journals and diaries provided that such materials do not contain confidential information.

9. Restriction of Competition; Interference; Non-Solicitation.

(a) As an inducement to Langer to enter into and perform its obligations under this Agreement, the Executive covenants and agrees that, during the period of his employment and, for a period of one (1) year after the termination of his employment under any circumstances, neither the Executive nor his affiliates will, directly or indirectly, for their account or on behalf of any other Person (as defined in Section 9(b) below) or as an employer, employee, consultant, manager, agent, broker, contractor, stockholder, director or officer of a corporation, investor, owner, lender, partner, joint venturer, licensor, licensee, sales representative, distributor, or otherwise:

(i) Solicit or engage in any business that engages in the business of Langer (each, a "Competitive Business");

(ii) Directly or indirectly for his own account or the benefit of others solicit, hire or retain any employee of Langer or its affiliates or persuade or entice any employee of Langer or its affiliates to leave the employ of Langer or its affiliates;

(iii) Molest or interfere with the goodwill and relationship with any of the customers or suppliers of Langer or its affiliates;

(iv) Persuade, accept, induce or solicit any of the customers, subscribers or accounts of Langer or its affiliates, now existing or hereafter obtained, to engage anyone, other than Langer or its affiliates, to design, manufacture or market foot and gait-related biomechanical products for such customers, subscribers or accounts; or

(v) Invest in, lend money or give financial support to any Competitive Business.

(b) Nothing contained in this Section 9 shall be deemed to prohibit the Executive from directly acquiring or holding, solely for investment, securities of any entity some of the activities of which constitute a Competitive Business so long as such securities do not, in the aggregate, constitute more than five percent (5%) of any class or series of outstanding securities of such entity. For the purpose of this Agreement, "Person" shall mean any individual, entity or group within meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(c) Notwithstanding the foregoing, if Langer shall fail to make any payment due to the Executive under Section 6(c) which failure shall continue for ten (10) days after delivery to Langer of written notice of non-payment, the restrictions set forth in subsection (a) above shall terminate.

10. Specific Remedies.

It is understood by the Executive and Langer that the covenants contained in this Section 10 and Sections 7, 8 and 9 are essential elements of this Agreement and that, but for the agreement of the Executive to comply with such covenants, Langer would not have agreed to enter into this Agreement. If the Executive commits a material breach of any of the provisions of Sections 7, 8 or 9 hereof, which is not cured or rectified within the time periods set forth in Section 5(a) above, such breach shall be grounds for termination for Cause. In addition, the Executive acknowledges that Langer may have no adequate remedy at law if he violates any of the terms thereof. The Executive therefore understands and agrees that Langer shall have, without prejudice as to any other remedies, the right upon application to any court of proper jurisdiction and without posting of any bond or other security whatsoever, to a temporary restraining order, preliminary injunction, injunction, specific performance or other equitable relief, it being acknowledged and agreed that any such breach will cause irreparable injury to Langer and that money damages will not provide an adequate remedy to Langer.

11. Acknowledgments of the Executive and Langer.

(a) The Executive represents that (i) he has the right to enter into this Agreement, and this Agreement constitutes a valid and binding obligation enforceable in accordance with its terms, (ii) his execution and delivery of this Agreement, and the performance of his obligations hereunder are not in violation of, and do not conflict with or constitute a

default under, any agreement by which he is bound or any order, decree or judgment to which he is subject; and (iii) the provisions of Section 7, 8 and 9 will not impose a hardship, financial or otherwise, on the Executive nor prevent him from being gainfully employed.

(b) Langer represents that (i) it has all requisite corporate power and authority to enter into and perform its obligations under this Agreement, (ii) the execution and delivery of this Agreement by Langer and the performance by Langer of the transactions contemplated herein have been duly and validly authorized by all necessary corporate action, (iii) this Agreement is a legal, valid and binding obligation of Langer and (iv) the execution and delivery of this Agreement by Langer and the performance of its obligations hereunder are not in violation of, and do not conflict with or constitute a default under any agreement by which Langer is bound or any order, decree or judgment to which Langer is subject.

12. Notices.

Any notice or other communications required or permitted hereunder shall be in writing and shall be deemed effective (a) upon personal delivery, if delivered by hand, (b) upon receipt of electronic confirmation, if sent by facsimile transmission, (c) three (3) days after the date of deposit in the mails, if mailed by certified or registered mail (return receipt requested), or (c) on the next business day, if mailed by an overnight mail service to the parties:

if to Langer:

Langer, Inc.
450 Commack Road
Deer Park, New York 11729
Att'n: Mr. Andrew Meyers, Chief Executive
Officer
Facsimile: (631) 667-1203

if to the Executive:

Mr. Joseph P. Ciavarella
93 Crest Road West
Merrick, New York 11566
Facsimile: _____

Copies of all notices to Langer or the Executive under this Agreement shall be sent to:

Kane Kessler, P.C.
1350 Avenue of the Americas
New York, New York 10019-4896
Attn: Robert L. Lawrence, Esq.
Facsimile: (212) 245-3009

or at such other address or facsimile number as either party may from time to time specify to the other.

13. Miscellaneous.

(a) Successors; Binding Effect; Third Party Beneficiaries. This Agreement is personal to the Executive and, without the prior written consent of Langer, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution with

respect to the Executive's rights, if any, to be paid or receive benefits hereunder. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives. Except for the foregoing, this Agreement shall not create any rights in favor of any party other than the parties hereto or their respective successors and assigns.

(b) Governing Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without giving effect to the principles of conflicts of law). Langer and the Executive each agrees that the federal or state courts located in the County of New York shall have exclusive jurisdiction in connection with any dispute arising out of this Agreement. Any litigation proceeding under this Agreement shall be confidential in nature to the fullest extent permitted by applicable law.

(c) Severability. If any provision of this Agreement, or any part of any of them, is hereafter construed or adjudicated to be invalid or unenforceable, the same shall not affect the remainder of the covenants or rights or remedies which shall be given full effect without regard to the invalid portions. If any of the covenants set forth herein is held to be invalid or unenforceable because of the duration of such provision or the area covered thereby, the parties agree that the court making such determination shall have the power to reduce the duration and/or area of such provision and in its reduced form said provision shall then be enforceable.

(d) Headings. The headings of this Agreement are for convenience of reference only and shall not affect in any manner any of the terms and conditions hereof.

(e) Acts and Documents. The parties agree to do, sign and execute all acts, deeds, documents and corporate proceedings reasonably necessary or desirable to give full force and effect to this Agreement.

(f) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same agreement.

(g) Modifications and Waivers. No term, provision or condition of this Agreement may be modified or discharged unless such modification or discharge is authorized by the Board and is agreed to in writing and signed by the Executive. No waiver by either party hereto of any breach by the other party hereto of any term, provision or condition of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

(h) Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter herein and supersedes all prior agreements, negotiations and discussions between the parties hereto. This Agreement may be amended only in writing executed by the parties hereto affected by such amendment.

[remainder of page intentionally left blank]

In Witness Whereof, the parties hereto have executed this Executive Employment Agreement on the day and year first set forth above.

Langer, Inc., a New York corporation

By: /s/ Andrew H. Meyers

Name: Andrew H. Meyers
Title: Chief-Executive Officer

/s/ Joseph P. Ciavarella

Joseph P. Ciavarella

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LANGER, INC.
2001 STOCK INCENTIVE PLAN
STOCK OPTION AGREEMENT

STOCK OPTION AGREEMENT (the "Agreement") made as of this 24th day of March, 2004, by and between Langer, Inc., a Delaware corporation, having its principal office at 450 Commack Road, Deer Park, New York 11729 (the "Company"), and Joseph P. Ciavarella, an individual residing at 93 Crest Road, West Merrick, New York 11566 (the "Optionee"). Capitalized terms not defined herein shall have the meanings ascribed to them in the Company's 2001 Stock Incentive Plan.

WHEREAS, the Company has heretofore adopted the Langer, Inc. 2001 Stock Incentive Plan (the "Plan") for the benefit of certain employees, officers, directors, consultants, independent contractors and advisors of the Company or any Parent, Affiliate or Subsidiary of the Company, which Plan has been approved by the Company's stockholders; and

WHEREAS, the Optionee is a valued and trusted employee of the Company or one of its Subsidiaries and the Company believes it to be in the best interests of the Company to secure the future services of the Optionee by providing the Optionee with an inducement to remain an employee or consultant of the Company or one of its Subsidiaries through the grant of an option to acquire an ownership interest in the Company.

NOW, THEREFORE, the parties agree as follows:

1. OPTION GRANT. Subject to the provisions hereinafter set forth and the terms and conditions of the Plan, the Company hereby grants to the Optionee, as of March 24, 2004 (the "Grant Date"), the right, privilege and option (the "Option") to purchase all or any part of an aggregate of fifty thousand (50,000) shares (the "Shares") of common stock of the Company, par value \$.02 per share (the "Common Stock"), such number being subject to adjustment as provided in the Plan. This Option is intended to qualify as an "incentive stock option" ("ISO") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), to the extent permitted under Section 422 of the Code.

2. EXERCISE PRICE. Subject to adjustment as provided in the Plan, the purchase price per Share of Common Stock as to which this Option is exercised (the "Exercise Price") shall be five dollars and ninety-four cents (\$5.94), the Fair Market Value of such Shares on the Grant Date.

3. EXERCISE OF OPTION. The term of the Option shall be for a period of ten (10) years from the Grant Date and shall expire without further action being taken at 5:00 p.m., February 16, 2014, subject to earlier termination as provided in Section 5 hereof (the "Expiration Date"). The Option may be exercised at any time, or from time to time, prior to the Expiration Date (or such additional period as may be permitted under the Plan) as to any part or all of the Shares covered by the Option, pursuant to the vesting schedule contained in Section 4.1 hereof; provided, however, that the Option may not be exercised as to less than one hundred (100) shares, unless it is exercised as to all Shares as to which this Option is then exercisable.

4. VESTING SCHEDULE.

4.1 The Shares into which this Option is exercisable shall vest in accordance with the following schedule:

Vesting Date -----	Number of Shares Exercisable -----
February 16, 2005	16,667 Shares
February 16, 2006	16,667 Shares
February 16, 2007	16,666 Shares

4.2 Notwithstanding the vesting schedule set forth in Section 4.1 hereof, such vesting schedule may be accelerated by the Board of Directors or the Committee in their sole decision.

4.3 Shares that are vested pursuant to the schedule set forth in Section 4.1 hereof are "Vested Shares." Shares that are not vested pursuant to the schedule set forth in Section 4.1 hereof are "Unvested Shares."

5. TERMINATION.

5.1 Termination for Any Reason Except Death, Disability or Cause. If Optionee is Terminated for any reason (including if the Optionee voluntarily terminates employment by the Company) other than Optionee's death, Disability or Cause, then this Option, to the extent (and only to the extent) that it is vested in accordance with the schedule set forth in Section 4.1 hereof on the Termination Date, may be exercised by Optionee no later than three (3) months after the Termination Date, (or such longer time period not exceeding five (5) years as may be determined by the Committee, with any exercise beyond three (3) months after the Termination Date deemed to be a NQSO), but in any event no later than the Expiration Date.

5.2 Termination Because of Death or Disability. If Optionee is Terminated because of death or Disability of Optionee, then this Option, to the extent that it is vested in accordance with the schedule set forth in Section 4.1 hereof on the Termination Date, may be exercised by Optionee (or Optionee's legal representative or authorized assignee) no later than twelve (12) months after the Termination Date (or such longer time period not exceeding five (5) years as may be determined by the Committee, with any such exercise beyond twelve (12) months after the Termination Date when the Termination is for Participant's death or Disability, deemed to be a NQSO), but in any event no later than the Expiration Date. Any exercise after three months after the Termination Date when the Termination is for any reason other than Optionee's disability, within the meaning of Section 22(e)(3) of the Code, shall be deemed to be the exercise of a nonqualified stock option.

5.3 Termination for Cause. If an Optionee is terminated for Cause, neither the Optionee, the Optionee's estate nor such other person who may then hold the Option shall be entitled to exercise any Option with respect to any Shares whatsoever, after termination of service, whether or not after termination of service the Optionee may receive payment from the Company or Subsidiary for vacation pay, for services rendered prior to termination, for services rendered for the day on which termination occurs, for salary in lieu of notice, or for any other benefits. In making such determination, the Committee shall give the Optionee an opportunity to present to the Committee evidence on his behalf. For the purpose of this paragraph, termination of service shall be deemed to occur on the date when the Company dispatches notice or advice to the Optionee that Optionee's service is terminated.

For purposes of this Agreement, Termination for Cause means that the Company has cause to terminate an Optionee's employment or service under any existing employment, consulting or any other agreement between the Optionee and the Company or the Company's Subsidiary or Affiliate or, if such an agreement does not exist, upon finding that (i) the Optionee has ceased to perform his duties (other than as a result of his incapacity due to physical or mental illness or injury), which constitutes an intentional or extended neglect of his/her duties, (ii) the Optionee has engaged or is about to engage in conduct materially injurious to the Company or one of the Company's Subsidiaries or Affiliates or (iii) the Optionee has been convicted of a misdemeanor carrying a jail sentence of six months or more or a felony.

5.4 No Obligation to Employ. NOTHING IN THE PLAN OR THIS AGREEMENT SHALL CONFER ON OPTIONEE ANY RIGHT TO CONTINUE IN THE EMPLOY OF, OR OTHER RELATIONSHIP WITH, THE COMPANY OR ANY SUBSIDIARY OF THE COMPANY, OR LIMIT IN ANY WAY THE RIGHT OF THE COMPANY OR ANY AFFILIATE OR SUBSIDIARY OF THE COMPANY TO TERMINATE OPTIONEE'S EMPLOYMENT OR OTHER RELATIONSHIP AT ANY TIME, WITH OR WITHOUT CAUSE. THIS AGREEMENT DOES NOT CONSTITUTE AN EMPLOYMENT CONTRACT. THIS AGREEMENT DOES NOT GUARANTEE EMPLOYMENT FOR THE LENGTH OF TIME OF THE VESTING SCHEDULE OR FOR ANY PORTION THEREOF.

6. MANNER OF EXERCISE.

6.1 Stock Option Exercise Agreement. To exercise this Option, Optionee (or in the case of exercise after Optionee's death, Optionee's executor, administrator, heir or legatee, as the case may be) must deliver to the Company an executed stock option exercise agreement in the form attached hereto as Exhibit A, or, at the Committee's sole discretion, in such other form as may be approved by the Company from time to time (the "Exercise Agreement"), which shall set forth, inter alia, Optionee's election to exercise this Option, the number of shares being purchased, any restrictions imposed on the Shares and any representations, warranties and agreements regarding Optionee's investment intent and access to information as may be required by the Company to comply with applicable securities laws. If someone other than Optionee exercises this Option, then such person must submit documentation reasonably acceptable to the Company that such person has the right to exercise this Option.

6.2 Limitations on Exercise. This Option may not be exercised unless such exercise is in compliance with all applicable federal and state securities laws, as they are in effect on the date of exercise.

6.3 Payment. The Exercise Agreement shall be accompanied by full payment of the aggregate Exercise Price for the Shares being purchased (a) in cash (by check), or (b) provided that a public market for the Company's stock exists and subject to compliance by the Company with applicable law: (1) through a "same day sale" commitment from Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD Dealer") whereby Optionee irrevocably elects to exercise this Option and to sell a portion of the Shares so purchased to pay for the aggregate Exercise Price and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the aggregate Exercise Price directly to the Company; or (2) through a "margin" commitment from Optionee and an NASD Dealer whereby Optionee irrevocably elects to exercise this Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the aggregate Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the aggregate Exercise Price directly to the Company. Notwithstanding the foregoing, the Board of Directors or the Committee, in their sole discretion, may allow for the full payment of the aggregate Exercise Price for the Shares being purchased to be made by any other method which is in accordance with the provisions of the Plan.

6.4 Tax Withholding. Prior to the issuance of the Shares upon exercise of this Option, Optionee must pay or provide for any applicable federal or state withholding obligations of the Company. If the Committee permits, Optionee may provide for payment of withholding taxes upon exercise of this Option by requesting that the Company retain Shares with a Fair Market Value equal to the minimum amount of taxes required to be withheld. In such case, the Company shall issue the net number of Shares to the Optionee by deducting the Shares retained from the Shares issuable upon exercise.

6.5 Issuance of Shares. Provided that the Exercise Agreement and payment are in form and substance satisfactory to the Company, and upon the Company's request counsel for the Company, the Company shall issue the Shares registered in the name of Optionee, Optionee's authorized assignee, or Optionee's legal representative, and shall deliver certificates representing the Shares with the appropriate legends affixed thereto.

7. NOTICE OF DISQUALIFYING DISPOSITION OF ISO SHARES. To the extent this Option is an ISO, if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (a) the date two (2) years after the Date of Grant, and (b) the date one (1) year after transfer of such Shares to Optionee upon exercise of this Option, then Optionee shall immediately notify the Company in writing of such disposition.

8. COMPLIANCE WITH LAWS AND REGULATIONS. The exercise of this Option and the issuance and transfer of Shares to the Optionee shall be subject to compliance by the Company and Optionee with (i) all applicable requirements of federal and state securities laws, (ii) all applicable requirements of any stock exchange on which the Company's Common Stock may be listed and (iii) any applicable policy of the Company regarding the trading of securities of the Company, each at the time of such issuance and transfer. Optionee understands that the Company is under no obligation to register or qualify the Shares with the SEC, any state securities commission or any stock exchange to effect such compliance.

9. NONTRANSFERABILITY OF OPTION. This Option may not be transferred in any manner other than by will or by the laws of descent and distribution. During the lifetime of Optionee, the Option shall be exercisable only by Optionee personally or by the Optionee's legal representative. The terms of this Option shall be binding upon the executors, administrators, successors and assigns of Optionee.

10. PRIVILEGES OF STOCK OWNERSHIP. Optionee shall not have any of the rights of a stockholder with respect to any Shares until the Shares are issued to Optionee.

11. INTERPRETATION. Any dispute regarding the interpretation of this Agreement shall be submitted by Optionee or the Company to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on the Company and Optionee.

12. ENTIRE AGREEMENT. The Plan is incorporated herein by reference. This Agreement and the Plan and the Exercise Agreement constitute the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersede all prior understandings and agreements with respect to such subject matter.

13. NOTICES. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the address indicated above or to such other address as such party may designate in writing from time to time to the Company. All notices shall be deemed to have been given or delivered upon: personal delivery; three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested); one (1) business day after deposit with any return receipt express courier (prepaid); or one (1) business day after transmission by facsimile.

14. SUCCESSORS AND ASSIGNS. The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement shall be binding upon Optionee and Optionee's heirs, executors, administrators, legal representatives, successors and assigns.

15. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, applicable to agreements made and to be performed entirely within such state, other than conflict of laws principles thereof directing the application of any law other than that of New York.

16. ACCEPTANCE. Optionee hereby acknowledges receipt of a copy of the Plan and this Agreement. Optionee has read and understands the terms and provisions of the Plan, and accepts this Option subject to all the terms and conditions of the Plan and this Agreement. This Option is subject to, and the Company and the Optionee agree to be bound by, all of the terms and conditions of the Plan under which this Option was granted, as the same shall have been amended, restated or otherwise modified from time to time in accordance with the terms thereof.

Pursuant to said Plan, the Board of Directors of the Company, or the Committee, is vested with final authority to interpret and construe the Plan and this Option, and its present form is available for inspection during the business hours by the Optionee or other persons entitled to exercise this Option at the Company's principal office. Optionee acknowledges that there may be adverse tax consequences upon exercise of this Option or disposition of the Shares and that the Company has advised Optionee to consult a tax advisor prior to such exercise or disposition.

17. COVENANTS OF THE OPTIONEE

The Optionee agrees (and for any heir, executor, administrator, legal representative, successor, or assignee hereby agrees), as a condition upon exercise of the Option granted hereunder:

(a) Upon the request of the Company, to execute and deliver a certificate, in form satisfactory to the Company, certifying that the Shares being acquired upon exercise of the Option are for such person's own account for investment only and not with any view to or present intention to resell or distribute the same. The Optionee hereby agrees that the Company shall have no obligation to deliver the Shares issuable upon exercise of the Option unless and until such certificate shall be executed and delivered to the Company by the Optionee or any successor.

(b) Upon the request of the Company, to execute and deliver a certificate, in form satisfactory to the Company, certifying that any subsequent resale or distribution of the Shares by the Optionee shall be made only pursuant to either (i) a Registration Statement on an appropriate form under the Securities Act of 1933, as amended (the "Securities Act"), which Registration Statement has become effective and is current with regard to the Shares being sold, or (ii) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption the Optionee shall, prior to any offer of sale or sale of such Shares, obtain a prior favorable written opinion of counsel, in form and substance satisfactory to counsel for the Company, as to the application of such exemption thereto. The foregoing restriction contained in this subparagraph (b) shall not apply to (x) issuances by the Company so long as the Shares being issued are registered under the Securities Act and a prospectus in respect thereof is current, or (y) re-offerings of Shares by Affiliates of the Company (as defined in Rule 405 or any successor rule or regulation promulgated under the Securities Act) if the Shares being re-offered are registered under the Securities Act and a prospectus in respect thereof is current.

(c) Upon the request of the Company, to execute and deliver an agreement, in the form attached hereto, not to sell or otherwise transfer the Shares except in accordance with the provisions of such agreement. The Optionee hereby agrees that the Company shall have no obligation to deliver the Shares issuable upon exercise of the Option unless and until such agreement shall be executed and delivered to the Company by the Optionee.

(d) Upon the request of the Company, to execute and deliver a non-compete, non-disclosure, non-solicitation, work for hire, and assignment agreement in the form attached hereto. The Optionee hereby agrees that the Company shall have no obligation to deliver the

Shares issuable upon exercise of the Option unless and until such agreement shall be executed and delivered to the Company by the Optionee.

(e) That certificates evidencing Shares purchased upon exercise of the Option shall bear a legend, in form satisfactory to counsel for the Company, manifesting the investment intent and resale restrictions of the Optionee described in this Section.

(f) That upon exercise of the Option granted hereby, or upon sale of the Shares purchased upon exercise of the Option, as the case may be, the Company shall have the right to require the Optionee to remit to the Company, or in lieu thereof, the Company may deduct, an amount of shares or cash sufficient to satisfy federal, state or local withholding tax requirements, if any, prior to the delivery of any certificate for such Shares or thereafter, as appropriate.

18. OBLIGATIONS OF THE COMPANY

18.1 Upon the exercise of this Option in whole or in part, the Company shall cause the purchased Shares to be issued only when it shall have received the payment of the aggregate Exercise Price in accordance with the terms of this Agreement.

18.2 The Company shall cause certificates for the Shares as to which the Option shall have been exercised to be registered in the name of the person or persons exercising the Option, which certificates shall be delivered by the Company to the Optionee only against payment of the aggregate Exercise Price in accordance with the terms of this Agreement for the portion of the Option exercised.

18.3 In the event that the Optionee shall exercise this Option with respect to less than all of the Shares of Common Stock that may be purchased under the terms hereof, the Company shall issue to the Optionee a new Option, duly executed by the Company and the Optionee, in form and substance identical to this Option, for the balance of Shares of Common Stock then issuable pursuant to the terms of this Option.

18.4 Notwithstanding anything to the contrary contained herein, neither the Company nor its transfer agent shall be required to issue any fraction of a Share of Common Stock in connection with the exercise of this Option, and the Company shall, upon exercise of this Option in whole or in part, issue the largest number of whole Shares of Common Stock to which this Option is entitled upon such full or partial exercise and shall return to the Optionee the amount of the aggregate Exercise Price paid by the Optionee in respect of any fractional Share.

18.5 The Company may endorse such legend or legends upon the certificates for Shares issued to the Optionee pursuant to the Plan and may issue such "stop transfer" instructions to its transfer agent in respect of such Shares as, in its discretion, it determines to be necessary or appropriate to: (i) prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act; (ii) implement the provisions of the Plan and any agreement between the Company and the Optionee with respect to such Shares; or (iii) permit

the Company to determine the occurrence of a disqualifying disposition, as described in Section 421(b) of the Code, of Shares transferred upon exercise of an incentive stock option granted pursuant to this Agreement and under the Plan.

18.6 The Company shall pay all issue or transfer taxes with respect to the issuance or transfer of Shares to the Optionee, as well as all fees and expenses necessarily incurred by the Company in connection with such issuance or transfer, except fees and expenses which may be necessitated by the filing or amending of a Registration Statement under the Securities Act, which fees and expenses shall be borne by the Optionee, unless such Registration Statement under the Securities Act has been filed by the Company for its own corporate purposes (and the Company so states) in which event the Optionee shall bear only such fees and expenses as are attributable solely to the inclusion of the Shares he or she receives in the Registration Statement.

18.7 All Shares issued following exercise of the Option and the payment of the aggregate Exercise Price in accordance with the terms of this Agreement therefor shall be fully paid and non-assessable to the extent permitted by law.

19. MISCELLANEOUS

19.1 If the Optionee loses this Agreement representing the Option granted hereunder, or if this Agreement is stolen or destroyed, the Company shall, subject to such reasonable terms as to indemnity as the Committee in its sole discretion shall require, enter into a new option agreement pursuant to which the Company shall issue a new Option, in form and substance identical to this Option, and in substitution for, the Option so lost, stolen or destroyed, and in the event this Agreement representing the Option shall be mutilated, the Company shall, upon the surrender hereof, enter into a new option agreement pursuant to which the Company shall issue a new Option, in form and substance identical to this Option, and in substitution for, the Option so mutilated.

19.2 This Agreement cannot be amended, supplemented or changed, and no provision hereof can be waived, except by a written instrument making specific reference to this Agreement and signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought. A waiver of any right derived hereunder by the Optionee shall not be deemed a waiver of any other right derived hereunder.

19.3 This Agreement may be executed in any number of counterparts, but all counterparts will together constitute but one agreement.

19.4 In the event of a conflict between the terms and conditions of this Agreement and the Plan, the terms and conditions of the Plan shall govern.

19.5 Any dispute regarding the interpretation of this Agreement shall be submitted by Optionee or the Company to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on the Company and Optionee.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in duplicate by its duly authorized representative and Optionee has executed this Agreement in duplicate as of the Date of Grant.

LANGER, INC.

By: /s/ Andrew H. Meyers

Name: Andrew H. Meyers
Title: Chief Executive Officer

OPTIONEE

/s/ Joseph P. Ciavarella

Name: Joseph P. Ciavarella

EXHIBIT A

LANGER, INC.
2001 STOCK INCENTIVE PLAN (THE "PLAN")
STOCK OPTION EXERCISE AGREEMENT

I hereby elect to purchase the number of shares of Common Stock of Langer, Inc. (the "Company") as set forth below:

Optionee _____
Social Security Number: _____
Address: _____

Type of Option:
[] Incentive Stock Option [] Nonqualified Stock Option
Number of Shares Purchased: _____
Exercise Price per Share: _____
Aggregate Exercise Price: _____
Date of Option: _____
Exact Name of Title to Shares: _____

1. DELIVERY OF EXERCISE PRICE. Optionee hereby delivers to the Company the Aggregate Exercise Price, to the extent permitted in the Option Agreement (the "Option Agreement"), as follows (check as applicable and complete):

- [] in cash (by check) in the amount of \$ _____ ;
- [] by cancellation of indebtedness of the Company to Optionee in the amount of \$ _____ ;
- [] by delivery of _____ fully-paid, nonassessable and vested shares of the Common Stock of the Company owned by Optionee for at least six (6) months prior to the date hereof (and which have been paid for within the meaning of SEC Rule 144), or obtained by Optionee in the open public market, and owned free and clear of all liens, claims, encumbrances or security interests, valued at the current Fair Market Value of \$ _____ per share;
- [] by tender of a promissory note in the principal amount of \$ _____, secured by a Pledge Agreement of even date herewith (the par value of the Shares is tendered in cash (or by check));
- [] by the waiver hereby of compensation due or accrued to Optionee for services rendered in the amount of \$ _____ ;

[] through a "same-day-sale" commitment, delivered herewith, from Optionee and the NASD Dealer named therein, in the amount of \$ _____; or

[] through a "margin" commitment, delivered herewith from Optionee and the NASD Dealer named therein, in the amount of \$ _____.

2. MARKET STANDOFF AGREEMENT. Optionee, if requested by the Company and an underwriter of Common Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by Optionee during the period requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act, provided that all officers and directors of the Company are also requested to enter into similar agreements. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company is hereby entitled to impose stop-transfer instructions with respect to the shares (or other securities) subject to the foregoing restriction until the end of such period.

3. TAX CONSEQUENCES. OPTIONEE UNDERSTANDS THAT OPTIONEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF OPTIONEE'S PURCHASE OR DISPOSITION OF THE SHARES. OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH ANY TAX CONSULTANT(S) OPTIONEE DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE SHARES AND THAT OPTIONEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.

4. ENTIRE AGREEMENT. The Plan and Option Agreement are incorporated herein by reference. This Exercise Agreement, the Plan and the Option Agreement constitute the entire agreement and understanding of the parties and supersede in their entirety all prior understandings and agreements of the Company and Optionee with respect to the subject matter hereof, and are governed by New York law applicable to contracts executed and to be fully performed therein, other than conflict of laws principles thereof directing the application of any law other than that of New York.

Date: _____
SIGNATURE OF OPTIONEE

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EXHIBIT 21.1 LIST OF SUBSIDIARIES

Langer, Inc., a Delaware corporation, owns 100% of the outstanding capital stock of each of the following corporations:

1. Langer (UK) Limited, a United Kingdom limited company (formerly known as The Langer Biomechanics Group (UK) Limited).
2. Langer Distribution Services, Inc., a Delaware corporation (formerly known as GoodFoot Acquisition Co.).
3. Langer Canada Inc., a New Brunswick (Canada) corporation.

Langer Canada Inc., owns 100 % of the outstanding capital stock of Bi-Op Laboratories Inc., a Quebec (Canada) corporation.

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EXHIBIT 23.1 INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-92014 of Langer, Inc. on Form S-3, Registration Statements 333-94769 and 333-110962 on Form S-8 and Registration Statement No. 333-94769 on Form S-8/A of our report dated March 29, 2004, appearing in this Annual Report on Form 10-K of Langer, Inc. for the year ended December 31, 2003.

/s/ Deloitte & Touche LLP

Jericho, New York
March 29, 2004

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CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Andrew H. Meyers, certify that:

1. I have reviewed this annual report on Form 10-K of Langer, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present, in all material respects, the financial condition, results of operations and cash flows of the registrant as of and for the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2004

By: /s/ Andrew H. Meyers

Name: Andrew H. Meyers
Title: President and
Chief Executive Officer

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CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Joseph P. Ciavarella, certify that:

1. I have reviewed this annual report on Form 10-K of Langer, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report fairly present, in all material respects, the financial condition, results of operations and cash flows of the registrant as of and for the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2004

By: /s/ Joseph P. Ciavarella

Name: Joseph P. Ciavarella
Title: Vice President and
Chief Financial Officer

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CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew H. Meyers, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Langer, Inc. on Form 10-K for the year ended December 31, 2003, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Langer, Inc.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: March 29, 2004

By: /s/ Andrew H. Meyers

Name: Andrew H. Meyers
Title: President and
Chief Executive Officer

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CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph P. Ciavarella, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Langer, Inc. on Form 10-K for the year ended December 31, 2003, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Langer, Inc.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: March 29, 2004

By: /s/ Joseph P. Ciavarella

Name: Joseph P. Ciavarella
Title: Vice President and
Chief Financial Officer

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