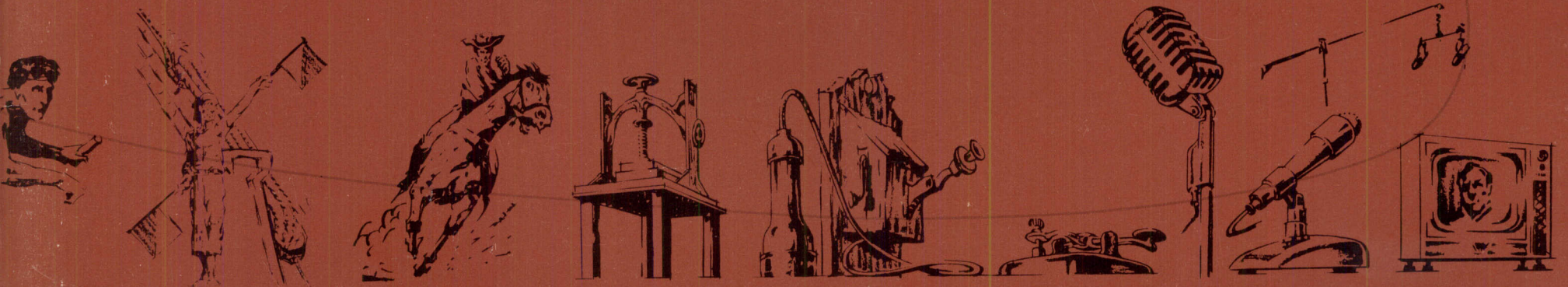


File copy

1963

annual report

THE TECHNICAL MATERIEL CORPORATION



	Year ended September 30,			
	1963	1962	1961	1960
Net sales	\$28,373,671	\$22,123,951	\$11,598,068	\$6,600,137
Cost of sales	19,614,865	15,539,739	7,755,397	4,068,990
Engineering expenses	1,032,438	889,883	751,433	513,614
General and administrative expenses	3,103,487	2,120,440	1,249,334	1,078,094
Interest expense	84,432	30,492	21,221	17,118
	<u>23,835,222</u>	<u>18,580,554</u>	<u>9,777,385</u>	<u>5,677,816</u>
Income before income taxes	4,538,449	3,543,397	1,820,683	922,321
Provision for income taxes	2,322,000	1,806,538	917,343	458,814
Net income	<u>\$ 2,216,449</u>	<u>\$ 1,736,859</u>	<u>\$ 903,340</u>	<u>\$ 463,507</u>
Earnings per share*	\$.92	\$.72	\$.38	\$.22

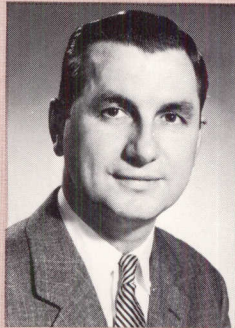
*Based on the average number of shares outstanding during each period after giving retroactive effect to a 2 for 1 stock split effective April 25, 1961 and a 2 for 1 stock split effective February 14, 1962.

Note: Reflects reclassifications and a minor 1960 renegotiation adjustment.

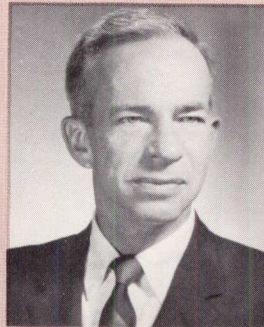
earnings



R. H. De Pasquale



A. J. Moccia



G. W. Jennings



M. M. de Pasquale



J. E. Galione



W. J. Galione

directors

R. H. de Pasquale
W. J. Galione
M. M. de Pasquale
J. E. Galione

A. J. Moccia, Vice President and
Treasurer, American Airlines, Inc.
G. W. Jennings
Kidder, Peabody & Company

R. H. de Pasquale, President

W. J. Galione, Executive Vice
President and Treasurer

J. E. Galione, Secretary and Vice
President, Operations

E. A. Matson, Jr., Vice President and
General Sales Manager

W. L. Deans, Vice President

P. C. Munroe, Vice President

E. W. Faucher, Assistant Vice
President

F. O. Strailman, III, Assistant Vice
President

D. W. Carter, Assistant Vice President
and Director, Engineering Services

D. A. Hillmann, Assistant Vice
President and Director,
International Marketing

R. G. DeBease, Controller

H. J. Morse, General Counsel and
Director, Industrial Relations

B. D. Pritchard, Director, Engineering

J. J. Toman, Director, Purchasing

D. V. Carroll, President, TMC
(Canada) Ltd.

H. C. Ashdown, Vice President, TMC
(Canada) Ltd.

C. F. Gebhardt, President, TMC
Industrial Corp.

A. Lennox, Jr., President, TMC
Systems AG

H. O. Scofield, President, TMC
Systems, Inc.

W. C. Shalag, Executive Vice
President, TMC Systems, Inc.

B. A. Katz, Administrative Vice
President, Assistant Secretary,
TMC Systems, Inc.

R. M. Barrington, Vice President,
General Manager, TMC Systems
(Texas) Inc.

F. F. Duncan, Vice President,
General Manager, TMC Power
Distribution, Inc.

J. K. Palmer, Vice President, General
Manager, TMC Research, Inc.

H. M. Winters, Vice President, General
Manager, TMC Systems
(California) Inc.

R. D. Phillips, Vice President,
General Manager, TMC Systems
(Florida) Inc.

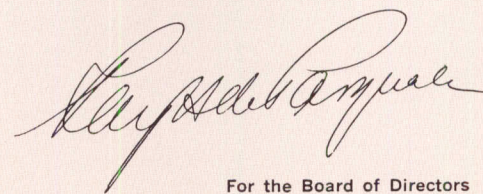
management



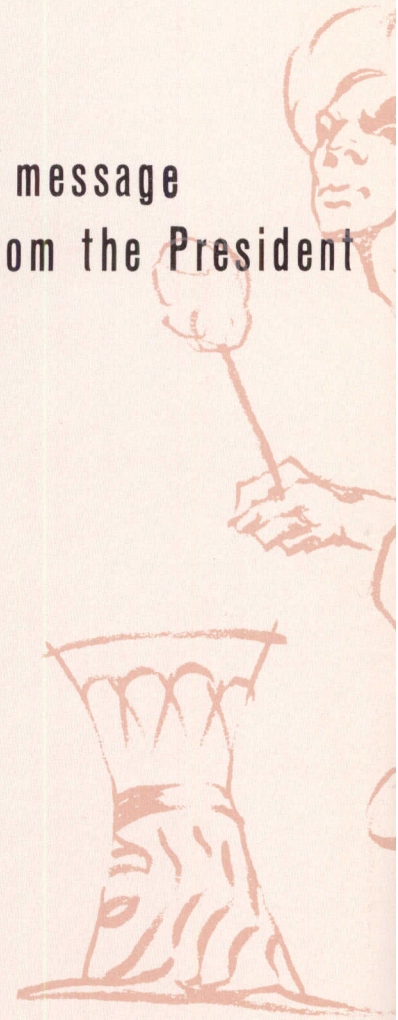
a message
from the President

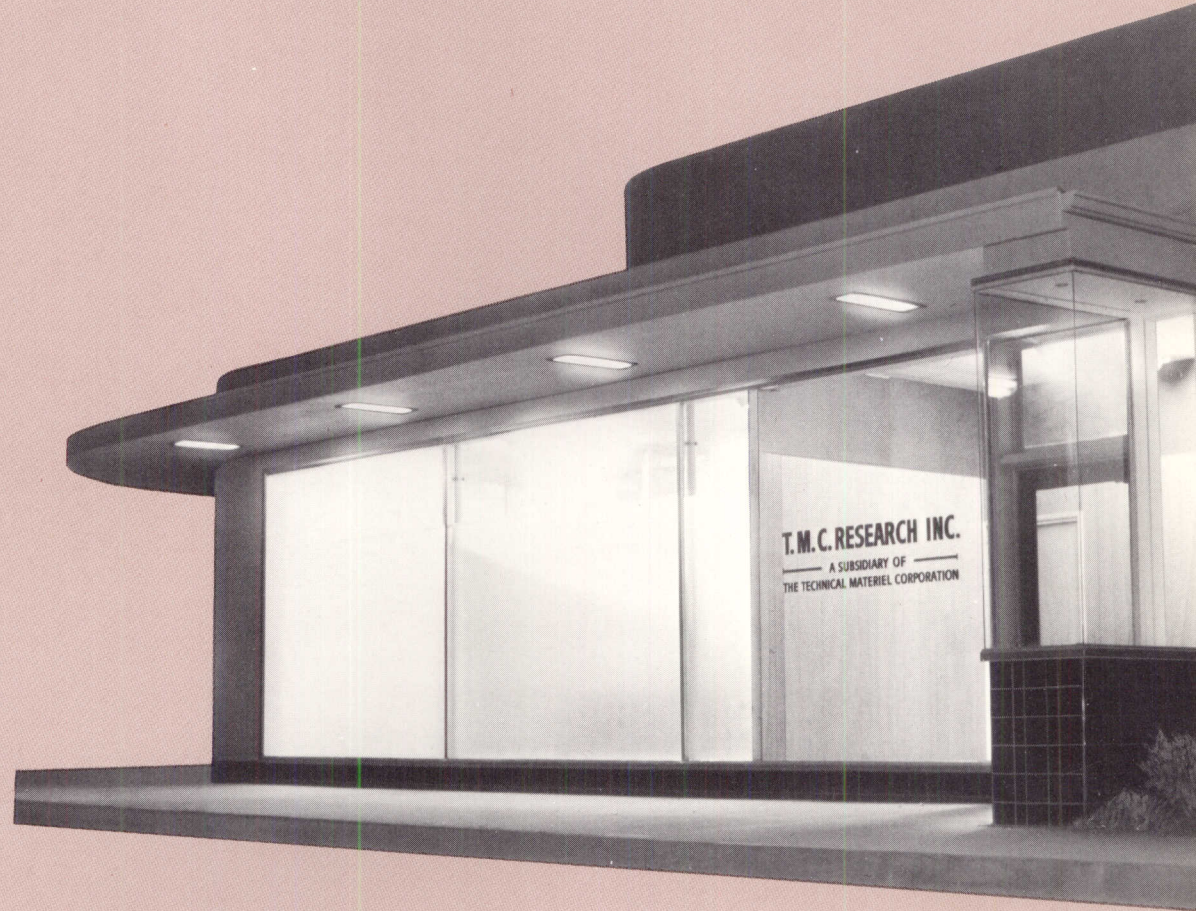
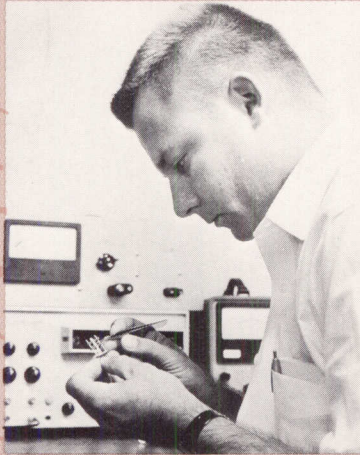
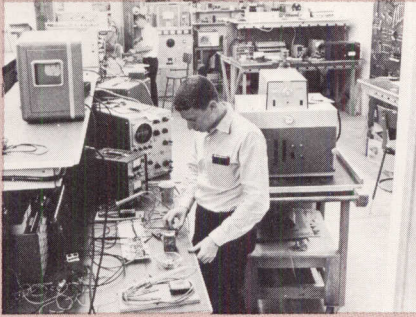
The figures contained in this Annual Report for Fiscal 1963 show that your corporation for the tenth successive year has made significant progress. Sales increased 28%, earnings 28%, working capital 60%, net worth 38% and perhaps even more important the corporation has had significant growth in knowhow, new products and overall stability.

This has been a turbulent year of brush fire wars and crisis, Cuba and Viet Nam for example. Governments have fallen, takeover by the military has become common practice in many areas, and certainly even our own Government would seem to have been less than welcome in many places throughout the World. However, the demand for communications — the urge for people to talk to one another — continues unabated. We're glad we're in the communications business. Your corporation looks forward to still another year of progress. No effort will be spared to make it so.



For the Board of Directors





The answer to the question "what good is research" will probably be the same for some time to come. The answer is of course "what good is a baby?"

Our Research Division at San Luis Obispo is busily engaged in making tomorrow's communications better. We hope we may help to bear the "baby" that will be tomorrow's giant.



communications...

.....a short history

From the dawn of mankind, communications has paralleled the growth of civilization. Man distinguished himself from the beast by his ability to convey his thoughts to others.

Pictures on the walls of ancient caves, drawn with crude pigments, attest to an early attempt to convey ideas by visual means. The development of language, first aurally by means of the spoken word and then visually by the written and printed word traced the earlier progress.

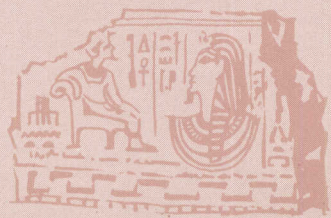
The sign language of the American Indian, perhaps the first attempt at a universal language, overcame the difficulty of tribes using varied dialects and idiom. The drum telegraph and smoke signals were early attempts to communicate over large distances and the former survives to this day in Africa.

With our written language came mail and newspapers, and improved roads made widespread distribution possible. Books made for a more literate and expanding intelligence.

Mankind could not wait for improvement, for as fast as civilization grew, so grew the demand for faster and faster means of communication. The steamboat and train doomed the pony express rider and courier. At the turn of the 19th Century many things were to come at an ever accelerating pace.

When Samuel F. B. Morse sent his famous message "What hath God wrought" in May 1844 it was apparent that high speed communication (for that era) was at hand. Now came

continued



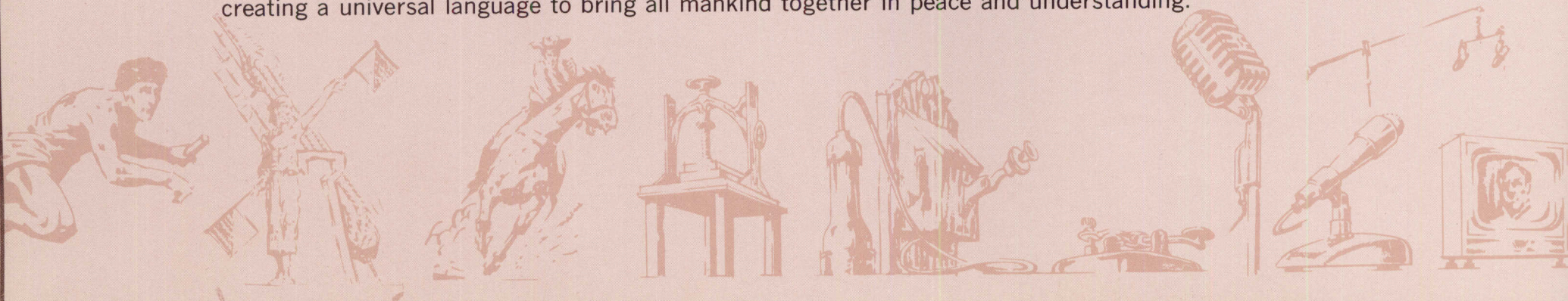
communications.... a short history

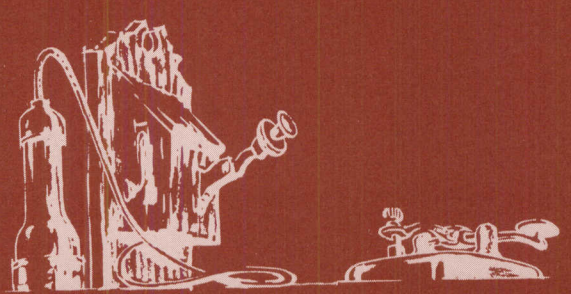
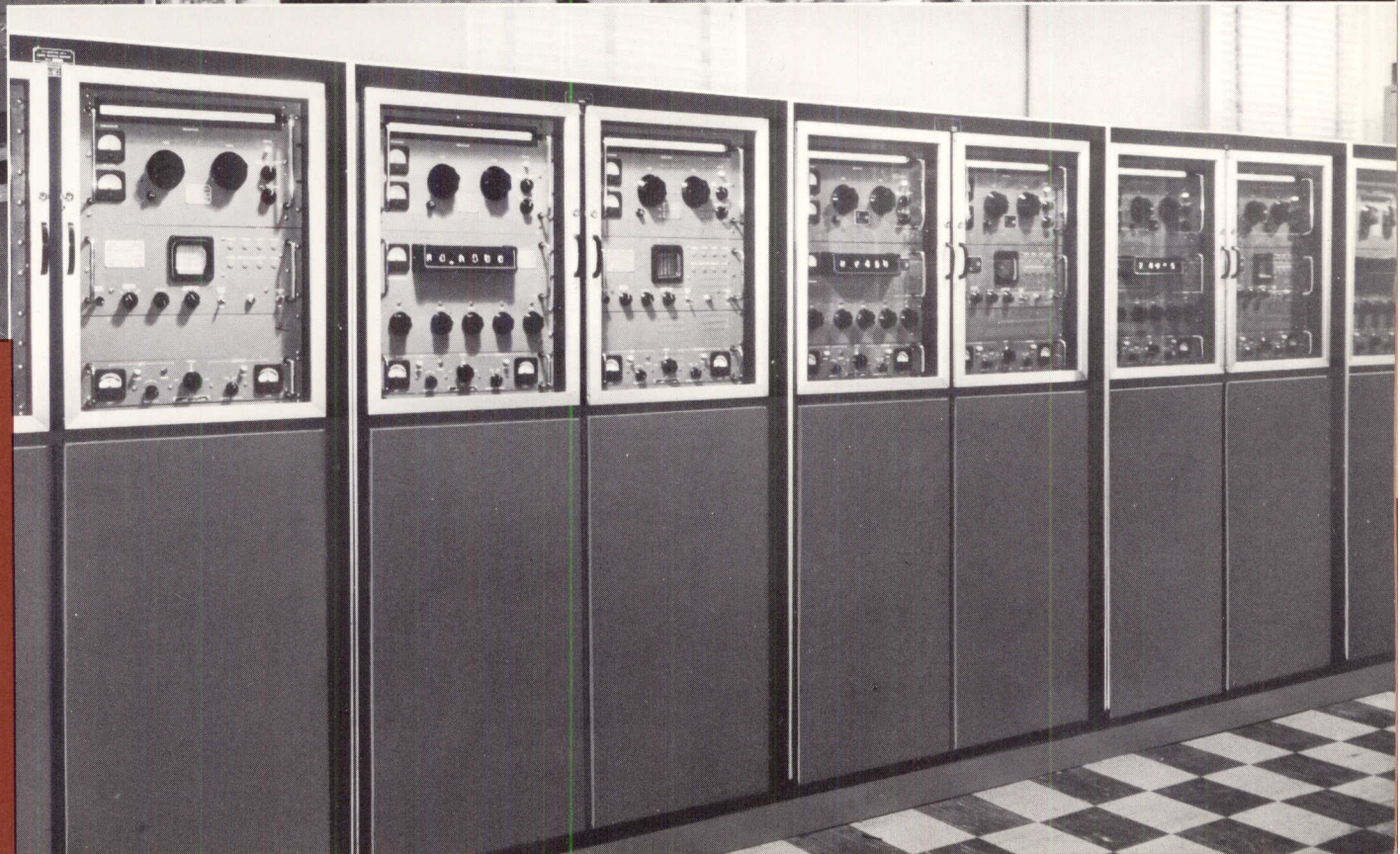
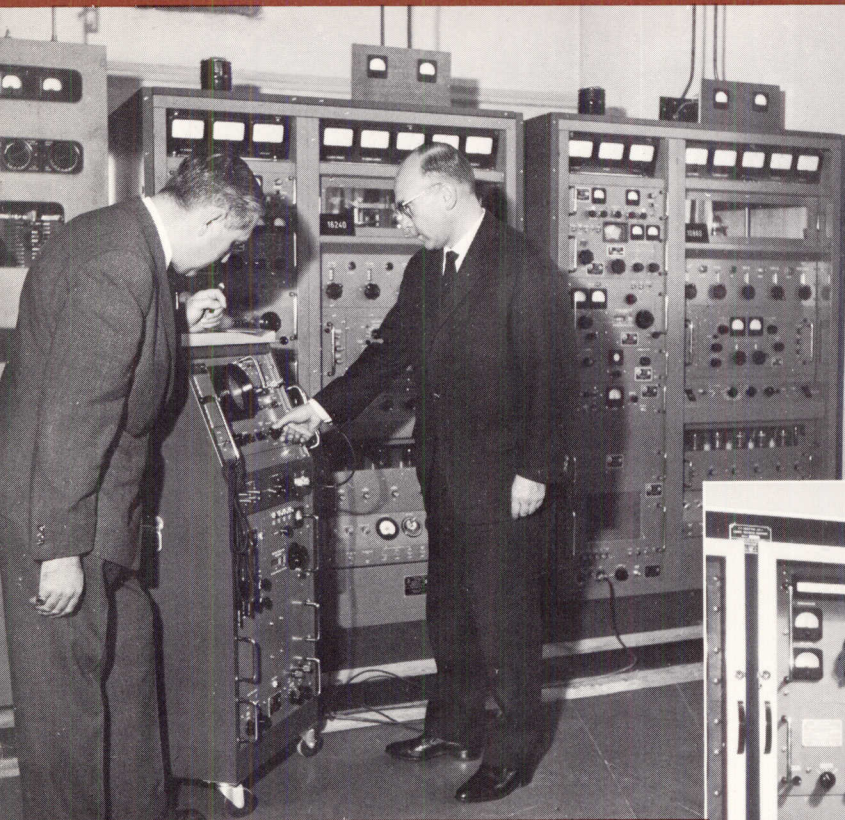
semaphore, based on the Morse code, and when Alexander Graham Bell patented the telephone in 1876 another milestone was reached. Lo and behold! In 1855 Marconi demonstrated that communication was possible without wires!

Now came the 20th Century to unfold more progress than all previous years combined! It was a natural event for the telephone and wireless telegraphy to be combined and its entertainment value was quickly recognized. An infant industry was born, destined to become a giant, and the home receiver became a reality. Now the most remote hamlet became instantly aware of far away events. Pictures were sent by wire, then by radio. Moving pictures were developed first by sight and then by both sight and sound. Means of electrically recording the voice came steadily into use. All of these developments plus the automobile and airplane contributed to the explosion of communications. Finally — Television! — Another infant, destined to become a giant!

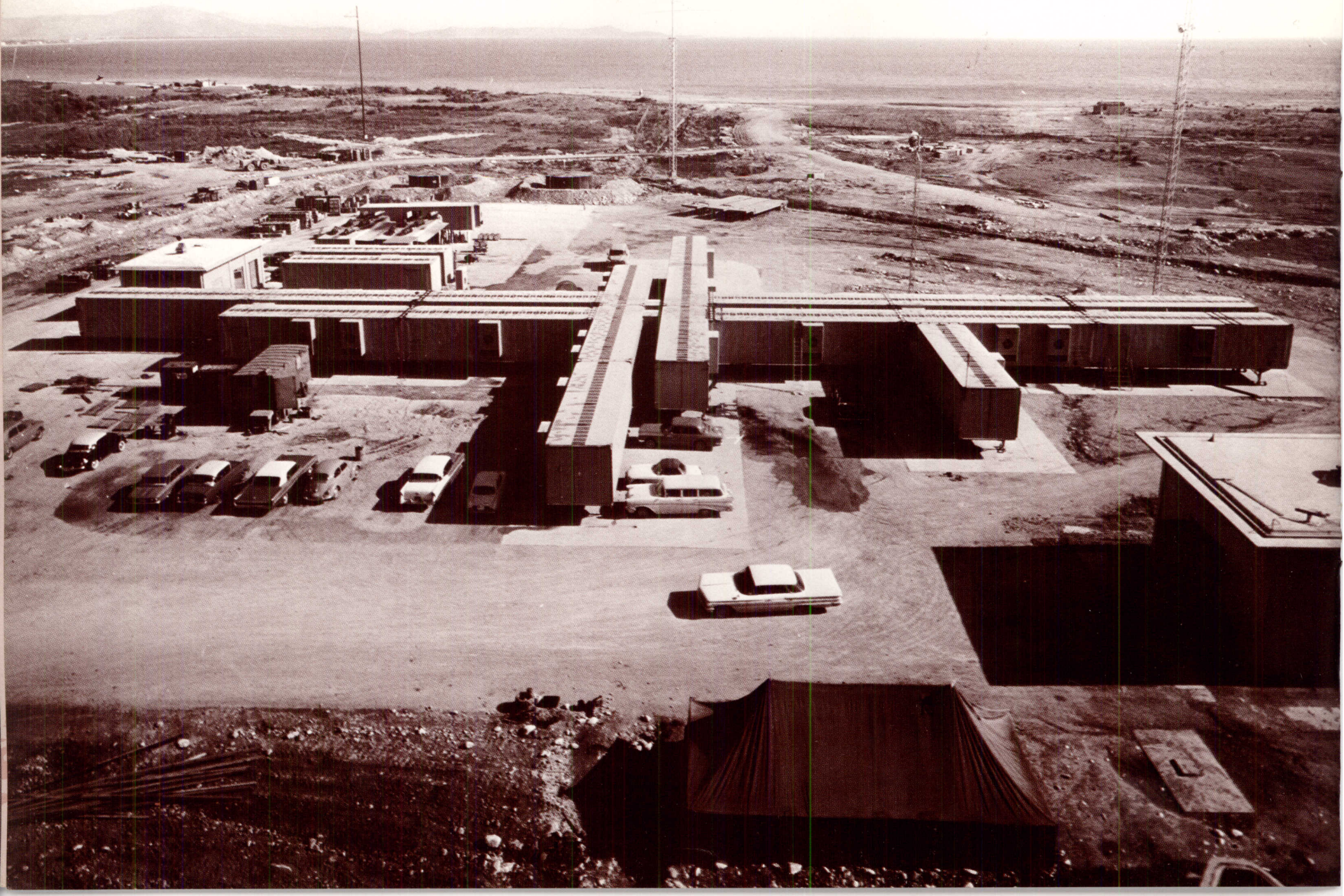
To completely chronicle the steady advance of communications is far beyond the scope of this small treatise, but to say that progress has stopped would be the understatement of the century.

Your corporation is in the forefront of the steadily advancing art of radio communications. We deal in transmitters and receivers capable of handling data, voice, teletype, facsimile and almost any other form of intelligence. Our Research Division is working constantly to improve the ability of peoples to talk to one another. Perhaps in due course we may have some small part in creating a universal language to bring all mankind together in peace and understanding.

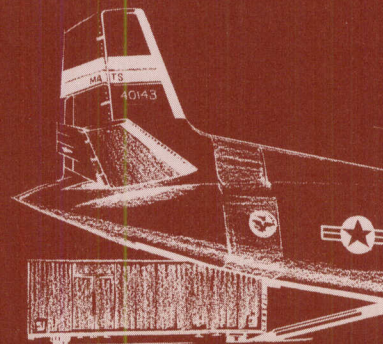
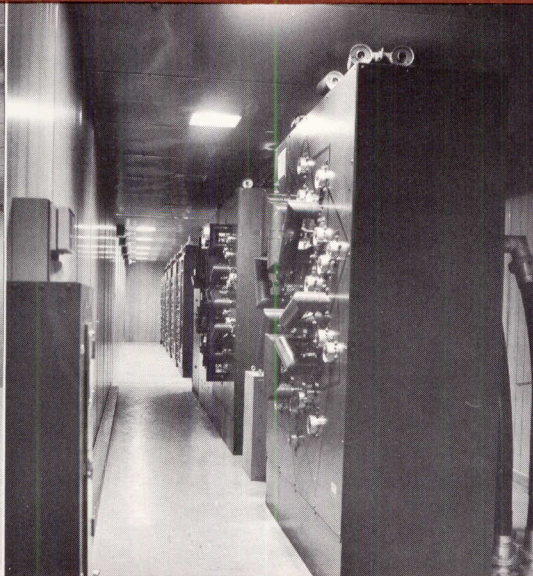
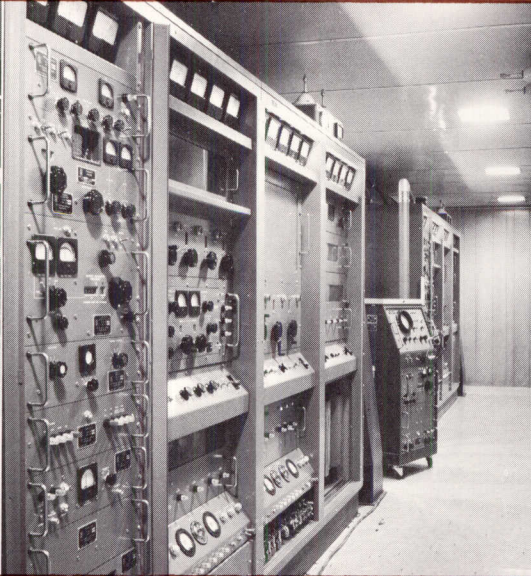
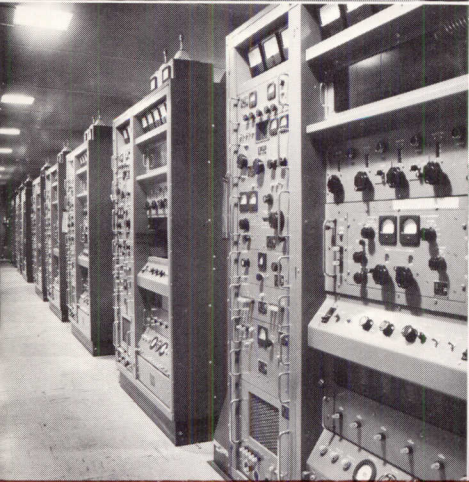
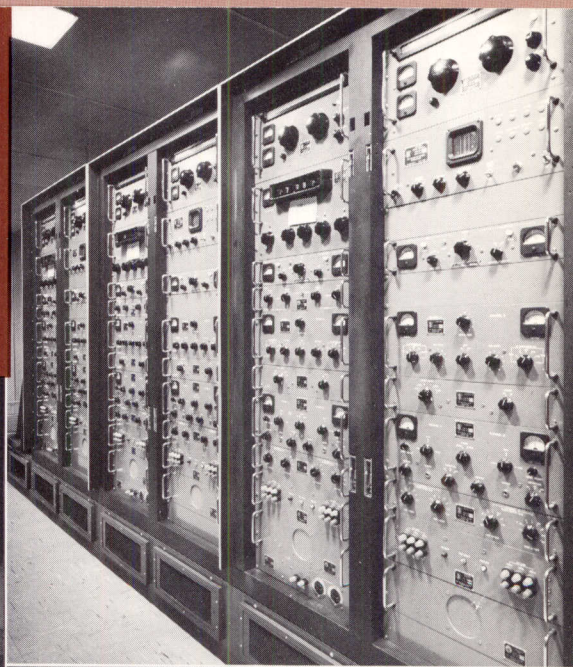
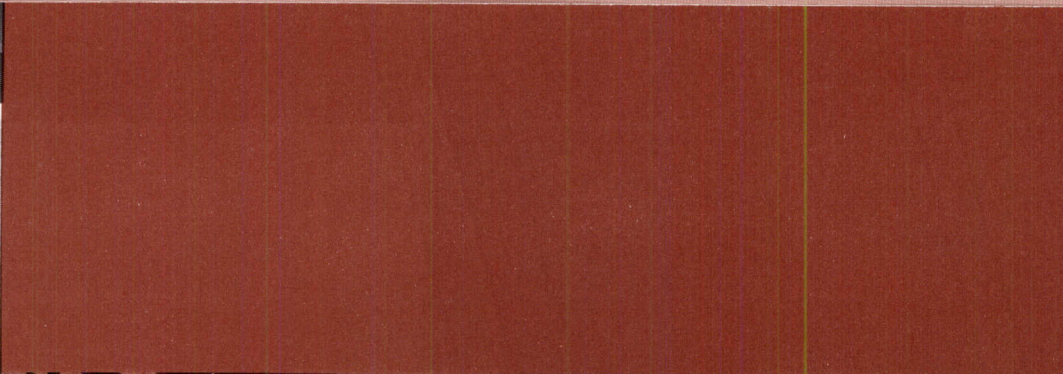




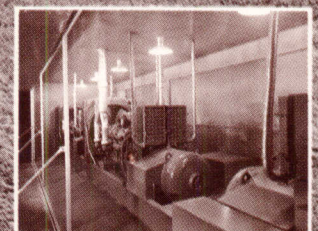
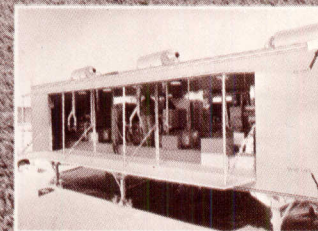
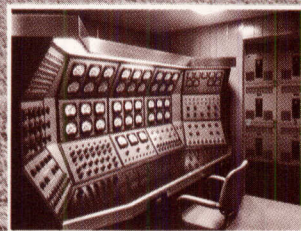
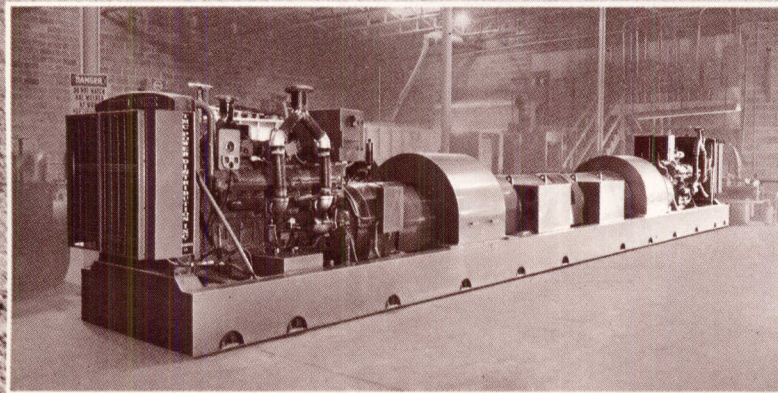
We have shown here one of the largest high frequency mobile radio stations ever built. This station was built and installed by your corporation. This installation contains many of our products, not the least of which is "no break" power, which has found such acceptance throughout the past year.



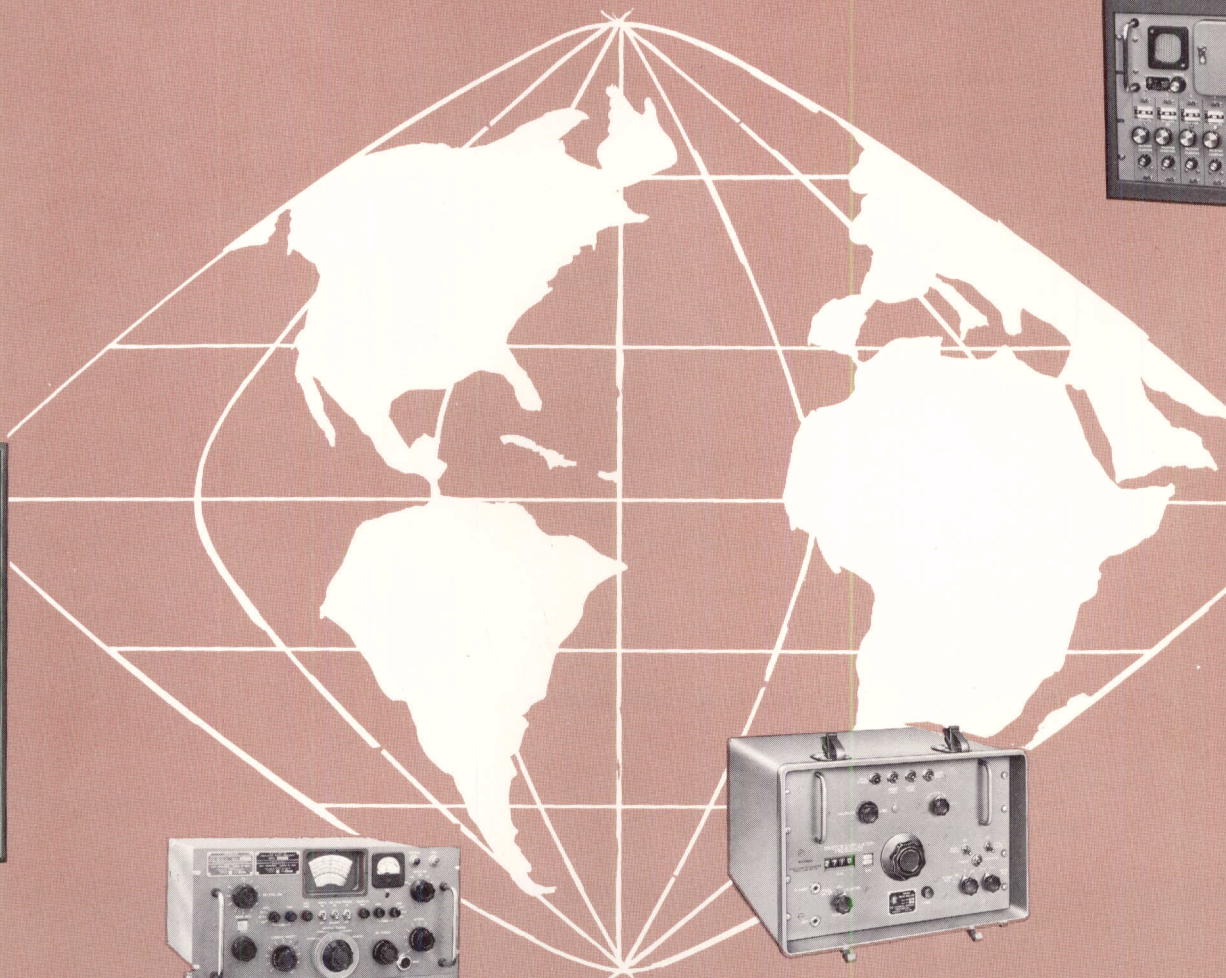
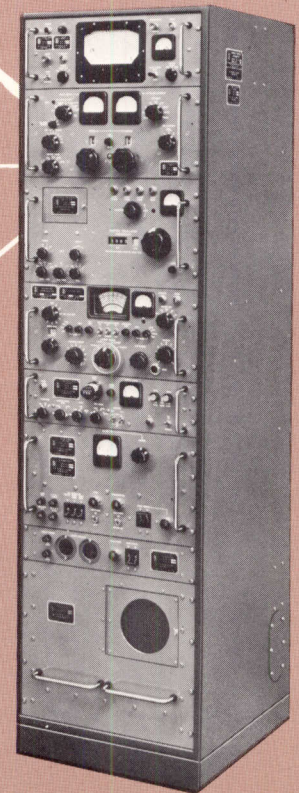
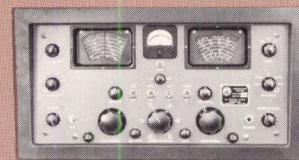
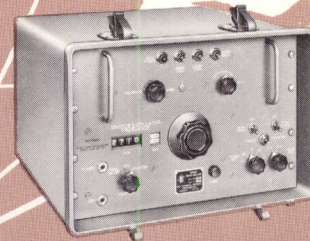
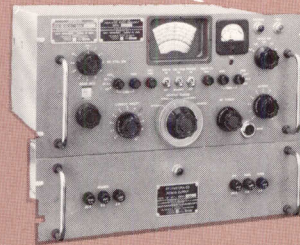
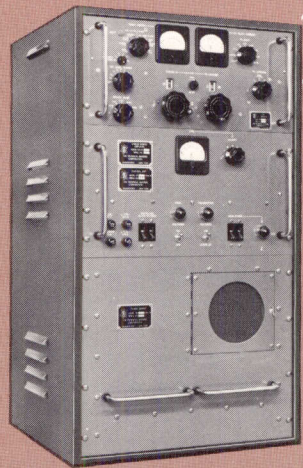
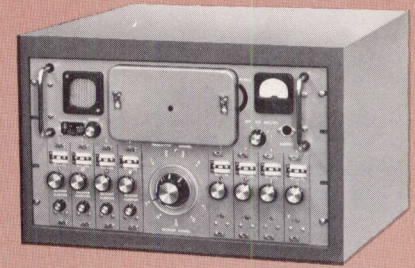
WE MAKE OVER **240** PRODUCTS IN
THE COMMUNICATIONS FIELD WHICH ARE
DISTRIBUTED TO OVER **100** COUNTRIES



We have shown here one of the largest high frequency mobile radio stations ever built. This station was built and installed by your corporation. This installation contains many of our products, not the least of which is "no break" power, which has found such acceptance throughout the past year.



WE MAKE OVER **240** PRODUCTS IN
THE COMMUNICATIONS FIELD WHICH ARE
DISTRIBUTED TO OVER **100** COUNTRIES



THE TECHNICAL MATERIEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

September 30, 1963

ASSETS

CURRENT ASSETS:

Cash		\$ 707,308
Accounts receivable, principally from the U. S. government		3,146,537
Inventories, at the lower of cost or market (Note 2):		
Finished goods	\$1,214,190	
Work in process	2,947,970	
Raw materials	3,811,790	7,973,950
Prepaid expenses		<u>60,110</u>
TOTAL CURRENT ASSETS		<u>11,887,905</u>

PROPERTY, PLANT AND EQUIPMENT, AT COST:

Land	206,282	
Buildings and building equipment	1,780,914	
Machinery and equipment	736,855	
Leasehold improvements	254,393	
	<u>2,978,444</u>	
Less accumulated depreciation and amortization	543,164	<u>2,435,280</u>
		<u>\$14,323,185</u>

See accompanying notes.

Peace

thru

Communications

assets

THE TECHNICAL MATERIEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

September 30, 1963

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Notes payable to banks	\$ 1,140,000
Accounts payable	1,656,743
Accrued income taxes	1,387,839
Other accrued taxes and expenses	632,345
Current installments of mortgages payable	44,895
TOTAL CURRENT LIABILITIES	<u>4,861,822</u>

MORTGAGES PAYABLE — 5¾% to 7½% and due 1964-1981 (less installments due within one year)	861,270
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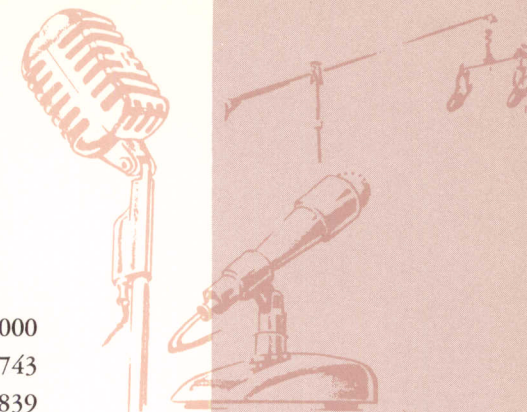
DEFERRED INCOME TAXES	37,000
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MINORITY INTEREST IN SUBSIDIARY COMPANY	18,090
--	--------

STOCKHOLDERS' EQUITY:

Common stock, par value 12½c per share (Note 3):		
Authorized — 4,000,000 shares		
Issued — 2,421,292 shares	\$ 302,662	
Capital surplus (Note 3)	2,203,872	
Earned surplus (Note 1)	6,038,469	8,545,003
		<u>\$14,323,185</u>

See accompanying notes.



liabilities
and
stockholders'
equity

THE TECHNICAL MATERIEL CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
AND EARNED SURPLUS

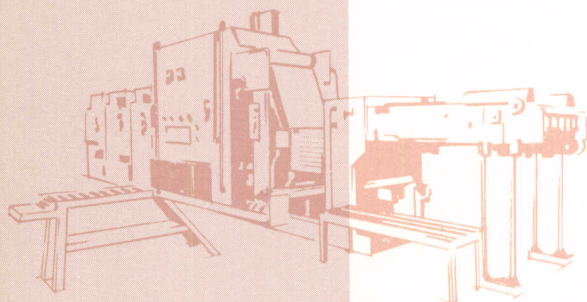
Year ended September 30, 1963

Net sales (Note 1)		\$28,373,671
Cost of sales	\$19,614,865	
Engineering expenses	1,032,438	
General and administrative expenses	3,103,487	
Interest expense	84,432	23,835,222
Income before income taxes		4,538,449
Provision for income taxes (including \$37,000 deferred)		2,322,000
Net income (Note 1)		2,216,449
Earned surplus at beginning of year		3,822,020
Earned surplus at end of year (Note 1)		<u>\$ 6,038,469</u>

Depreciation and amortization included above is \$155,450.

See accompanying notes.

income
and
earned
surplus



THE TECHNICAL MATERIEL CORPORATION
AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

September 30, 1963

Note 1:

Substantially all of the Company's business is subject to renegotiation by the U. S. government. All years through 1960 have been cleared without significant refund. Because of substantial growth, the Company cannot predict what action the Renegotiation Board will take with respect to years subsequent to 1960 but, in the opinion of the Company, no excessive profits were realized. The Company intends to take such action as may be necessary to sustain its position. Accordingly, no provision for renegotiation refunds has been made in the financial statements.

Note 2:

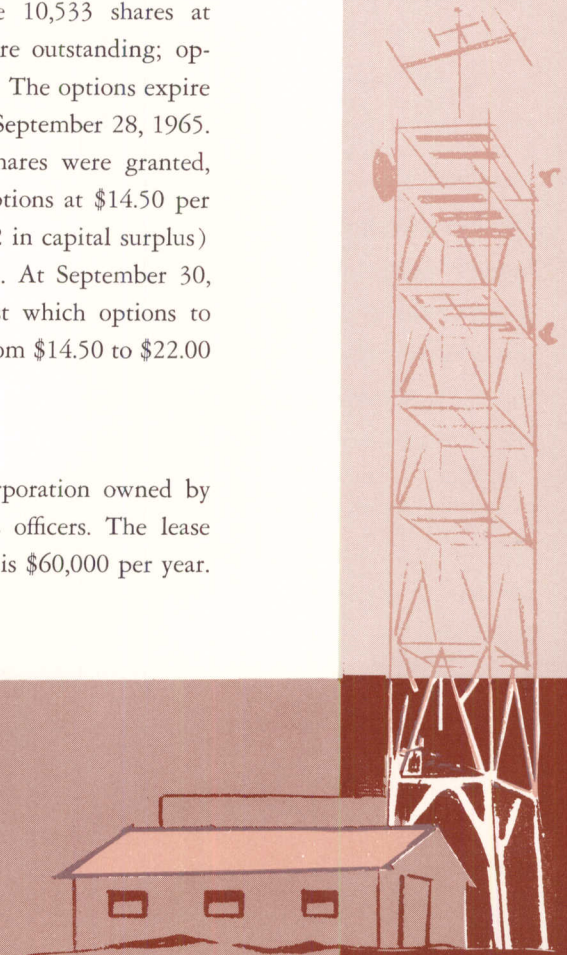
Cost of inventories is determined principally on the basis of the average cost method and includes applicable engineering, general and administrative expenses of approximately \$520,000.

Note 3:

At September 30, 1963 there were reserved under a restricted stock option plan for key employees, 31,508 shares of common stock against which options to purchase 10,533 shares at prices ranging from \$14.50 to \$23.75 were outstanding; options on 7,546 shares were then exercisable. The options expire at various dates from October 22, 1963 to September 28, 1965. During the year 1963 options on 900 shares were granted, 8,492 shares were issued on exercise of options at \$14.50 per share (resulting in an increase of \$122,072 in capital surplus) and options on 550 shares were cancelled. At September 30, 1962, 40,000 shares were reserved against which options to purchase 18,675 shares at prices ranging from \$14.50 to \$22.00 were outstanding.

Note 4:

The Company leases property from a corporation owned by the families of certain of the Company's officers. The lease expires in 1974 and the base annual rental is \$60,000 per year.



ARTHUR YOUNG & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

U. S. A., CANADA, MEXICO, SOUTH AMERICA
GREAT BRITAIN, CONTINENTAL EUROPE
MIDDLE EAST, SOUTH AFRICA, AUSTRALIA

165 BROADWAY
NEW YORK, N. Y. 10006

The Board of Directors and Stockholders

The Technical Materiel Corporation

We have examined the accompanying consolidated balance sheet of The Technical Materiel Corporation and Subsidiaries at September 30, 1963 and the related consolidated statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm amounts due from the United States government, as to which we satisfied ourselves by means of other auditing procedures.

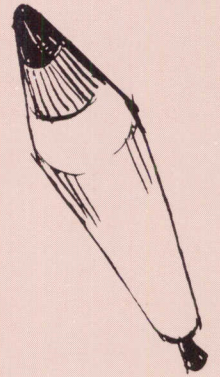
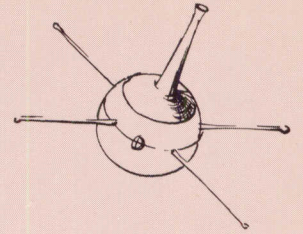
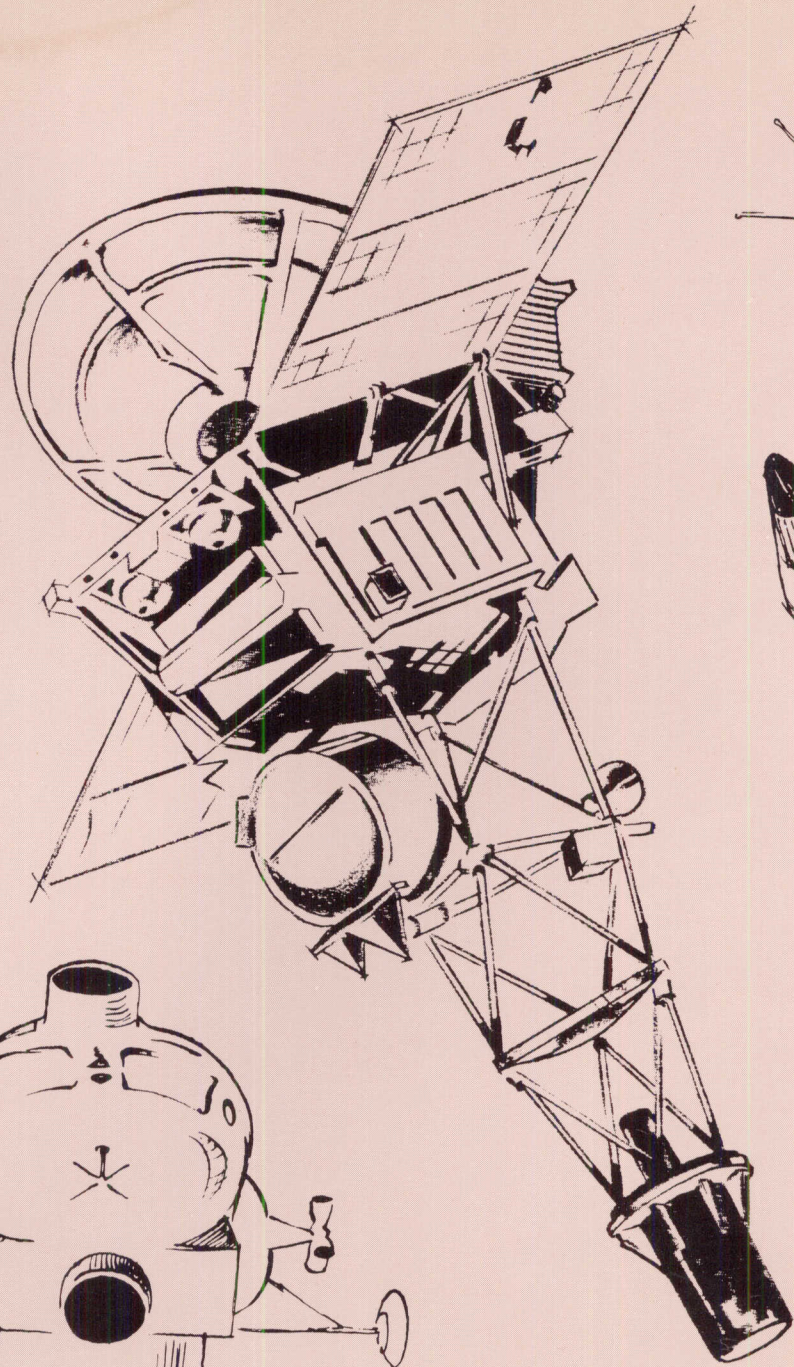
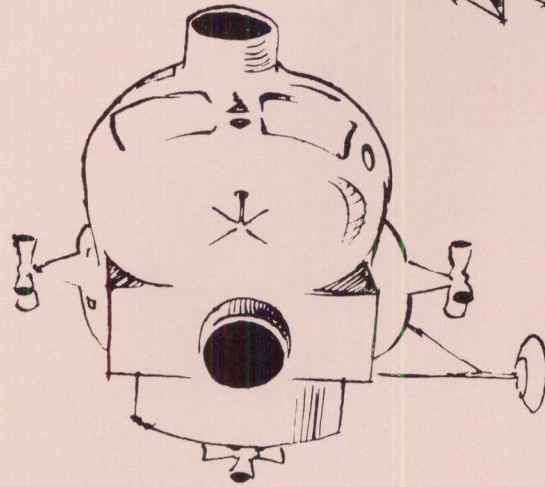
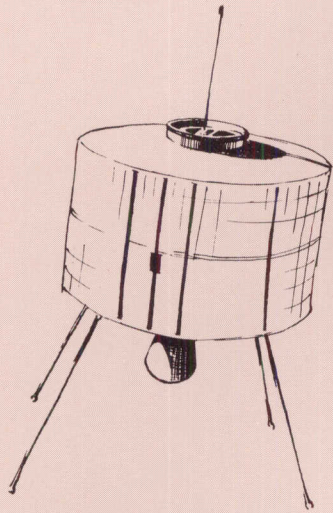
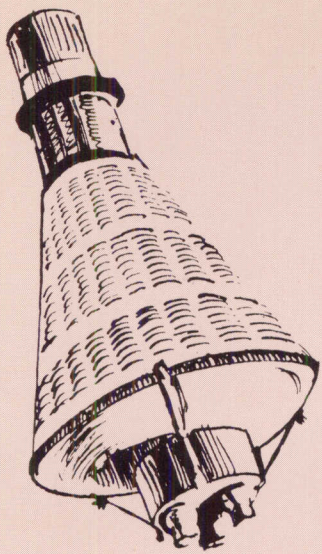
Since this was our initial examination, we were not in a position to observe the physical taking of inventory at the beginning of the year used in determining net income for the year ended September 30, 1963. We did perform substantial alternative procedures with respect to such inventory. We are satisfied that such inventory and related accounts (taking into account unrecorded profits on partial shipments under U. S. government letters of intent) are fairly stated in respects material to the determination of such net income.

In our opinion, subject to any adjustments which may result from renegotiation (see Note 1), the statements mentioned above present fairly the consolidated financial position of The Technical Materiel Corporation and Subsidiaries at September 30, 1963 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

November 18, 1963

Arthur Young & Company

auditors'
report



TRANSFER AGENT:
Bankers Trust Company
485 Lexington Ave.
New York City 17, N. Y.

REGISTRAR:
Irving Trust Co.
New York, N. Y.

CORPORATION COUNSEL:
Harold J. Morse



the Technical Materiel Corporation and Subsidiaries

TMC (Canada) Ltd. Ottawa, Canada

TMC Industrial Corp. Mamaroneck, N. Y.

TMC Systems, Inc., Alexandria, Va.

TMC Systems, (Texas), Inc., Garland, Texas

TMC Systems, (Calif.), Inc., Oxnard, Calif.

TMC Systems, (Florida), Inc., Pompano Beach, Fla.

TMC Power Distribution, Inc., Alexandria, Va.

TMC Research, Inc., San Luis Obispo, Cal.

TMC Systems AG, Luzern, Switzerland

