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THE TECHNICAL MATERIEL CORPORATION, NEW YORK

1962 ANNUAL REPORT

# FINANCIAL HIGHLIGHTS

	1962	1961	1960
Net Sales	\$22,124,000	\$11,598,000	\$6,649,000
Net Income Before Taxes	\$ 3,548,000	\$ 1,821,000	\$ 997,000
Net Income After Taxes	\$ 1,741,000	\$ 903,000	\$ 500,000
Common Shares Outstanding	* 2,412,800	* 2,412,800	*2,212,800
Net Income Per Share	\$0.72	\$0.37	\$0.23
Working Capital	\$ 4,381,000	\$ 3,517,000	\$1,608,000
Current Ratio	1.90	3.07	1.89
Net Worth	\$ 6,205,000	\$ 4,498,000	\$2,358,000

\*Adjusted to reflect 2 for 1 splits effective April 25, 1961 and February 14, 1962.

1962

1961

1960



R. H. De Pasquale



W. J. Galione



M. M. de Pasquale



J. E. Galione



D. H. Tinker



A. J. Moccia



G. W. Jennings

## DIRECTORS

R. H. de Pasquale

W. J. Galione

M. M. de Pasquale

J. E. Galione

D. H. Tinker

A. J. Moccia  
*Treasurer, American Airlines, Inc.*

G. W. Jennings  
*Kidder, Peabody & Company*

## MANAGEMENT

R. H. de Pasquale, President

W. J. Galione, Executive Vice President

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

D. H. Tinker, Treasurer

W. L. Deans, Vice President

E. A. Matson, Jr., Vice President

P. C. Munroe, Vice President

R. G. DeBease, Controller

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

D. W. Carter, Director, Engineering  
Services

D. A. Hillmann, Director, International  
Marketing

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

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.



It is extremely gratifying to be able to report that "your corporation has again concluded the most successful year in its history." We say "Again" because this is the ninth year in succession that this has been so.

All predictions made the previous year were fulfilled. Sales and profits almost doubled, and significant gains were made in other areas such as number of employees and manufacturing space.

Of particular interest during last year was the growth of TMC Power Distribution, Inc. Formed less than a year ago, this subsidiary is already doing business at a rate of better than \$1 million a year. Another large contribution was made by our new plant at Clarkstown, New York. This factory now produces a high power transmitter in somewhat less than four hours, a new high in efficiency. This plant is in the process of being expanded to twice its size.

Your corporation now consists of the parent and eight subsidiaries, all prospering under able management. With an eye toward the future, a new research corporation will be formed in the coming year on the West Coast which will collaborate with a prominent school in that area on advanced techniques in the communications art.

These advances have not been made without "growing pains," but the company has been able to attract and hold the high grade managerial and technical help so necessary to a growing organization. Interior functions have been aided by the addition of IBM equipment for inventory control and National Cash Register machines for payroll and accounts payable.

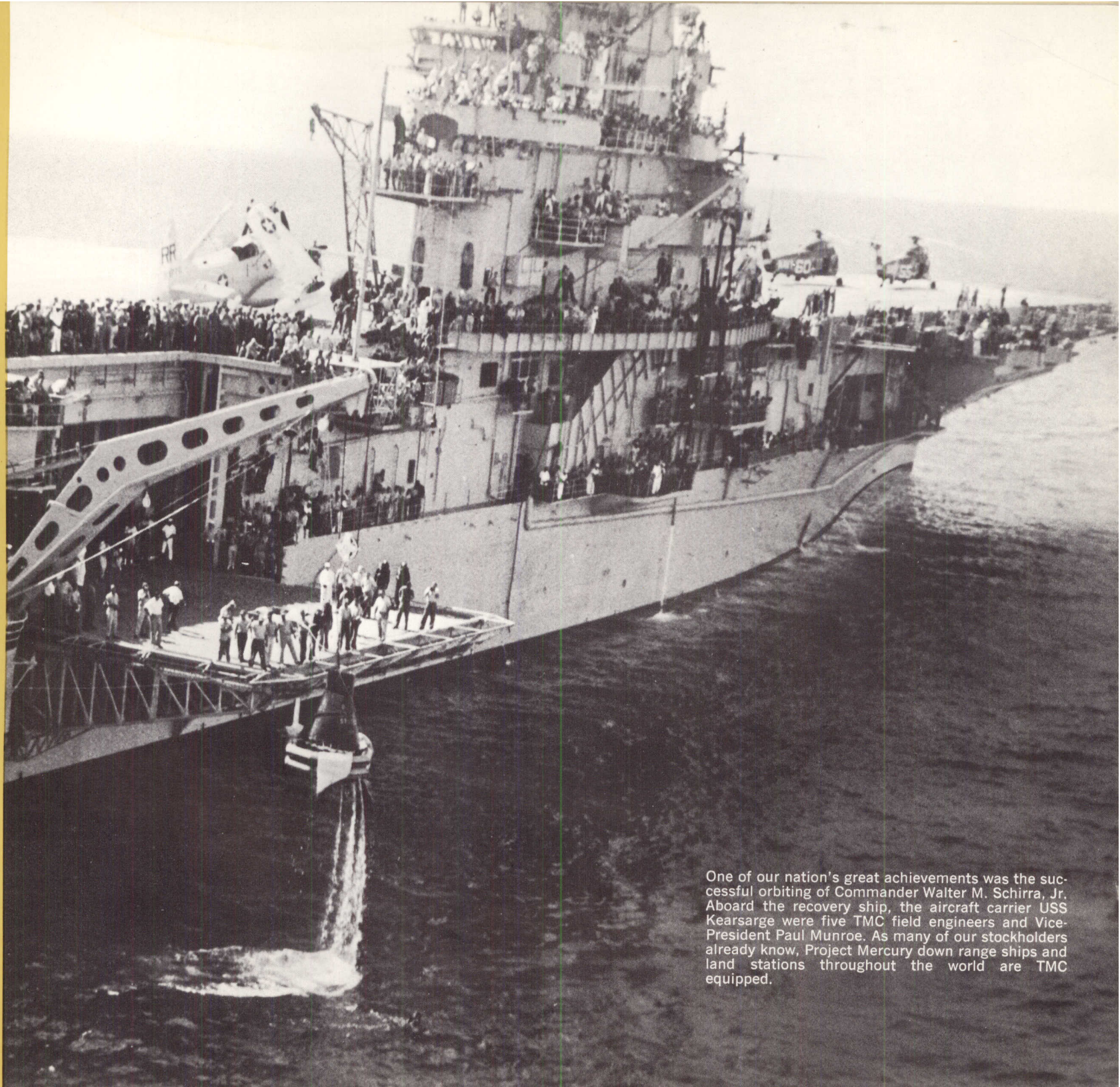
Once again we enter a new year well financed and equipped. Our backlog is substantially twice that of last year. We expect another "record" year in 1963.

By Order of the Board of Directors,

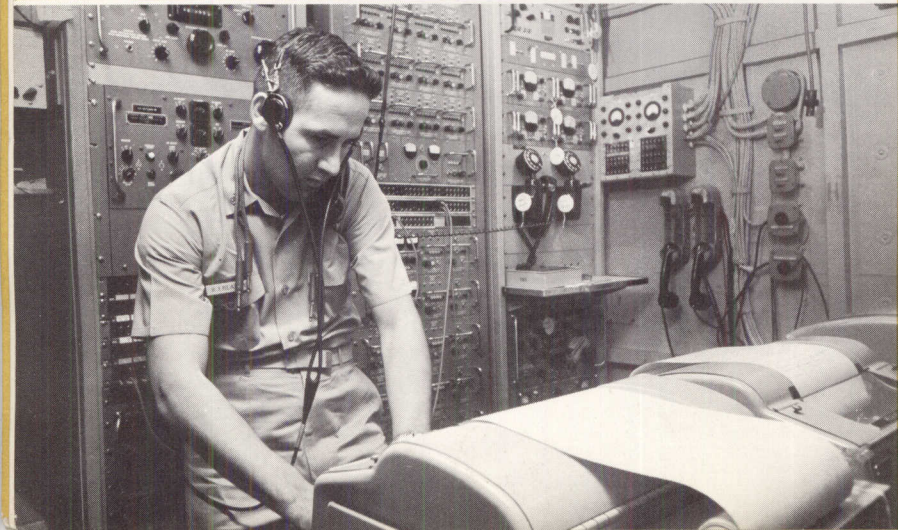
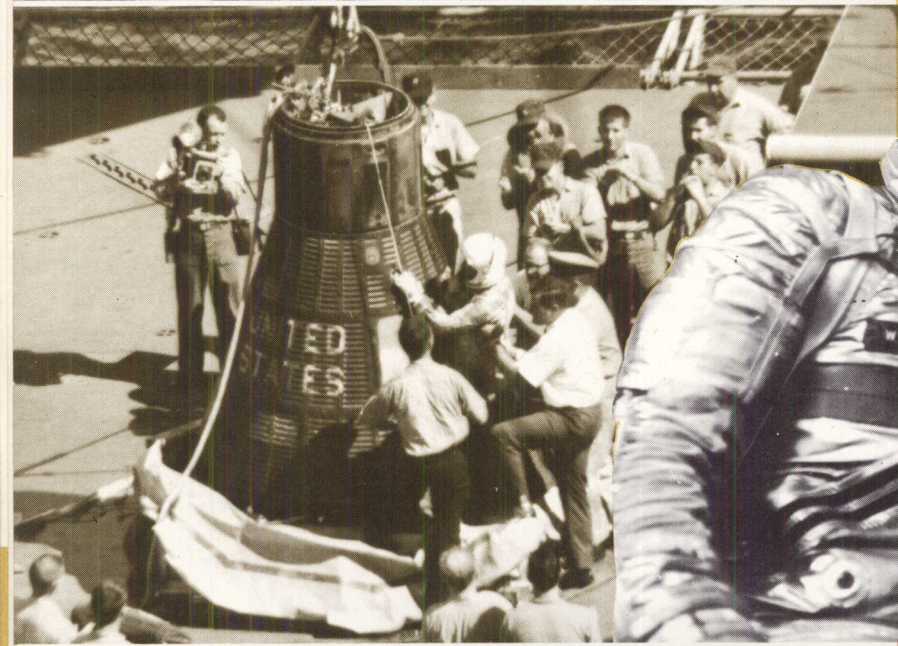
President



Photos: N. R. Farbman—courtesy LIFE Magazine



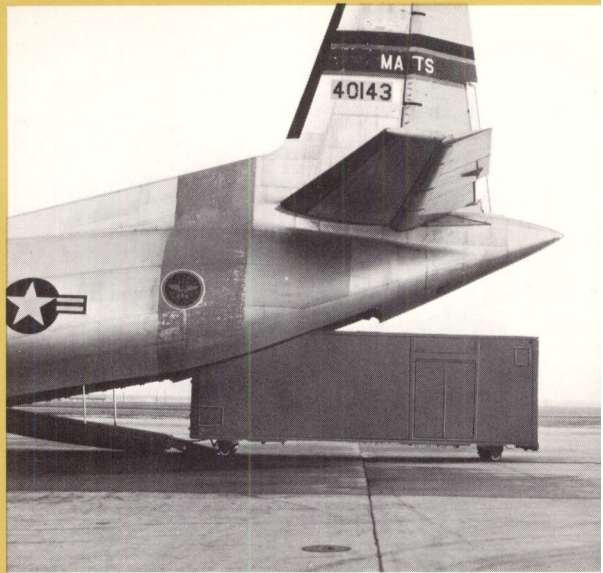
One of our nation's great achievements was the successful orbiting of Commander Walter M. Schirra, Jr. Aboard the recovery ship, the aircraft carrier USS Kearsarge were five TMC field engineers and Vice-President Paul Munroe. As many of our stockholders already know, Project Mercury down range ships and land stations throughout the world are TMC equipped.



Commander Schirra was immediately congratulated by President Kennedy — over TMC equipment shown in the communications center photos above and below.

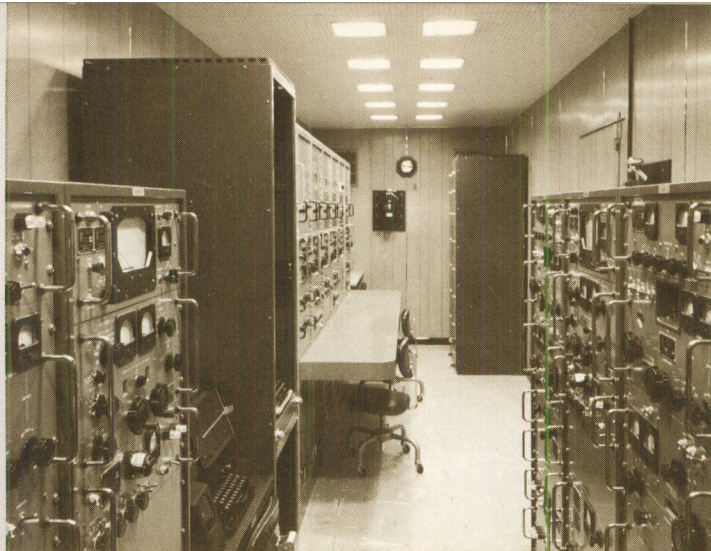
*Photos: N. R. Farbman—courtesy LIFE Magazine*

Photo shows a TMC van being loaded aboard a C-133 for an overseas base.

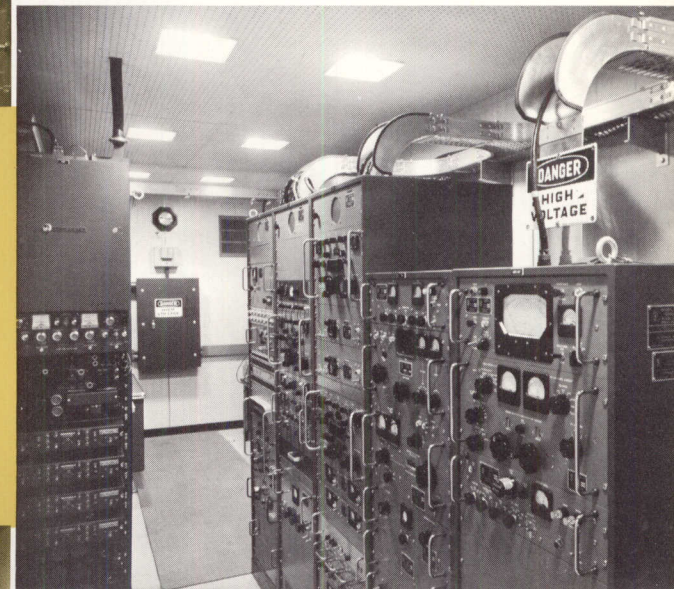


Complete van assembled station shown in operating location. The mobility of this equipment has increased efficiency of operation throughout the world.

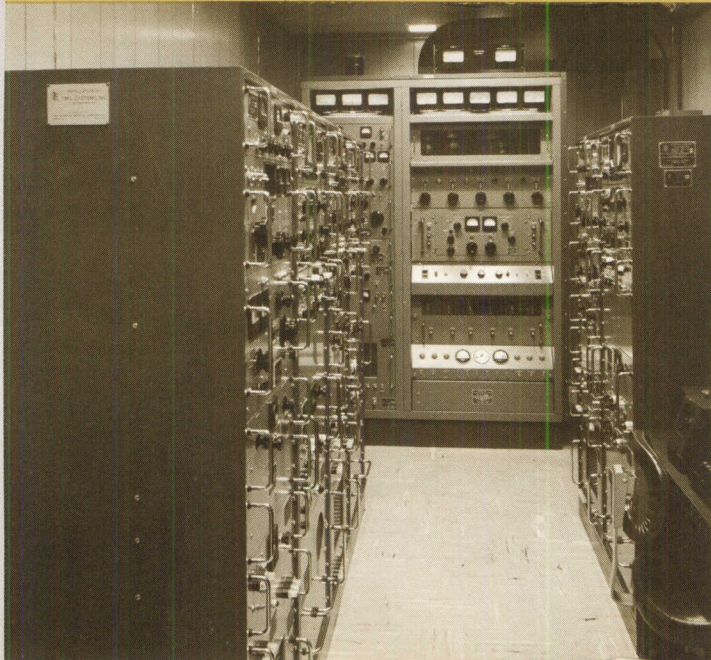
## QUICK REACTION...

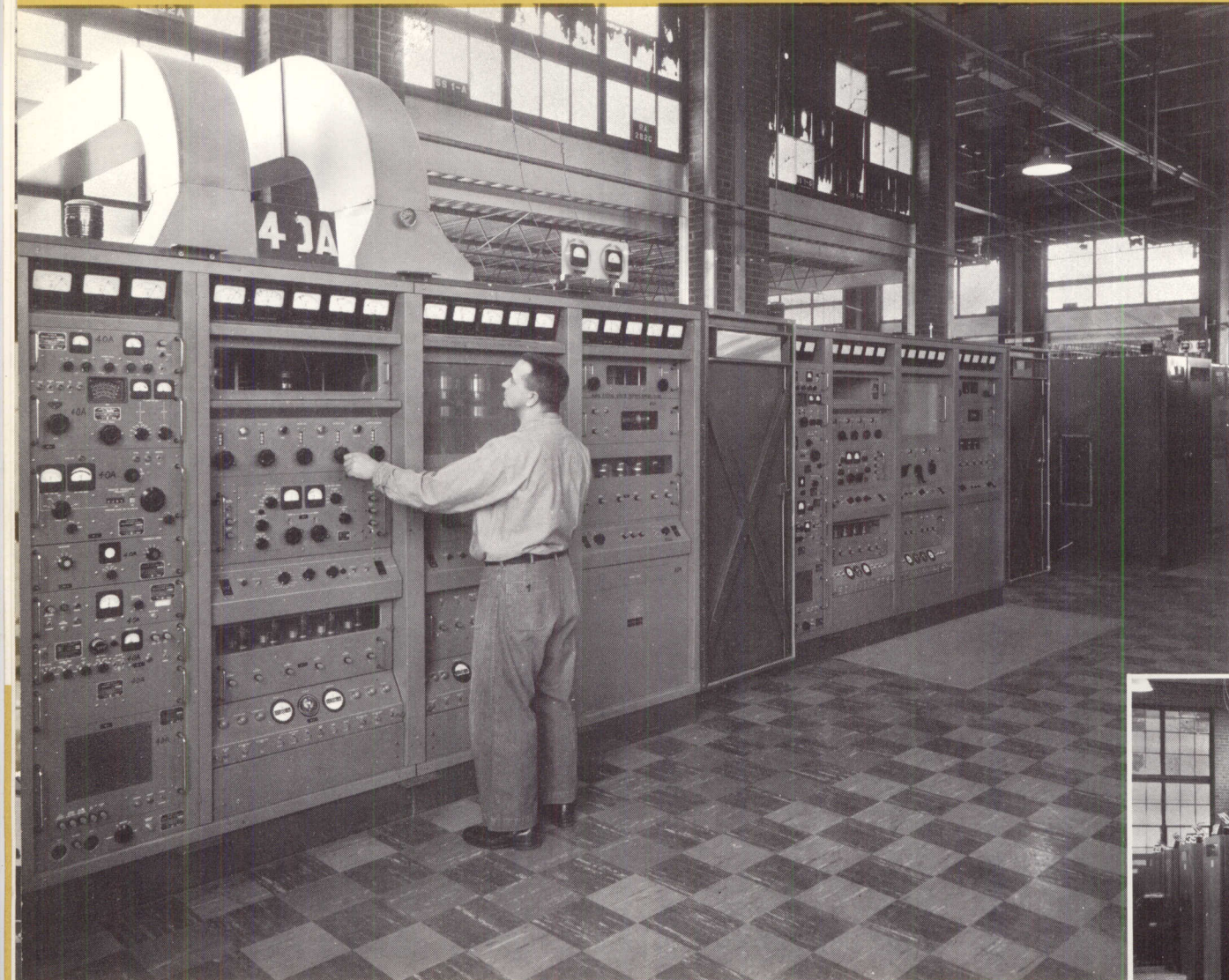


TMC's quick reaction equipment—shown in progress of design and construction at last year's stockholders' meeting—is now in wide use throughout the world.



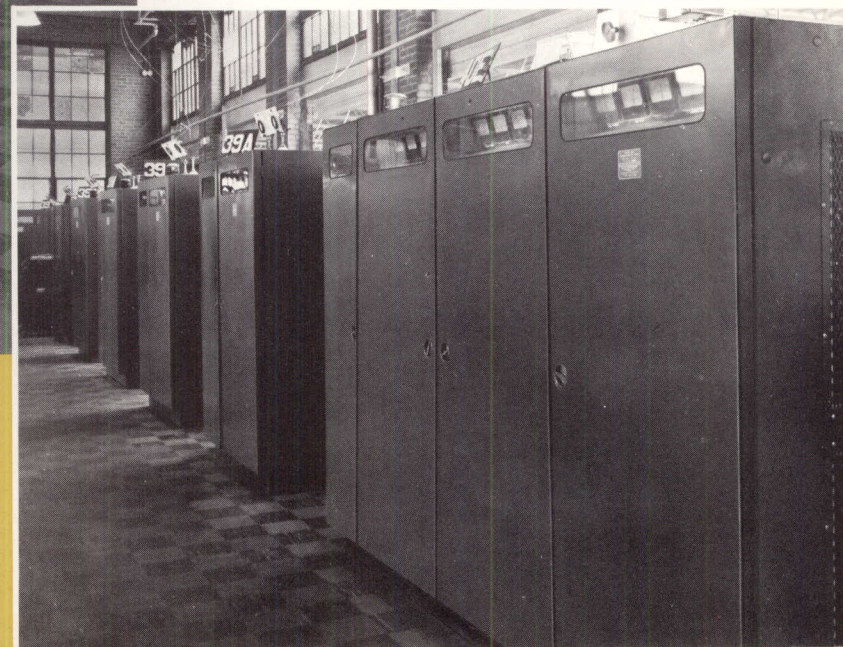
The interiors of TMC's mobile vans contain all elements necessary for reliable communications as well as providing comfortable operating facilities for the crew.





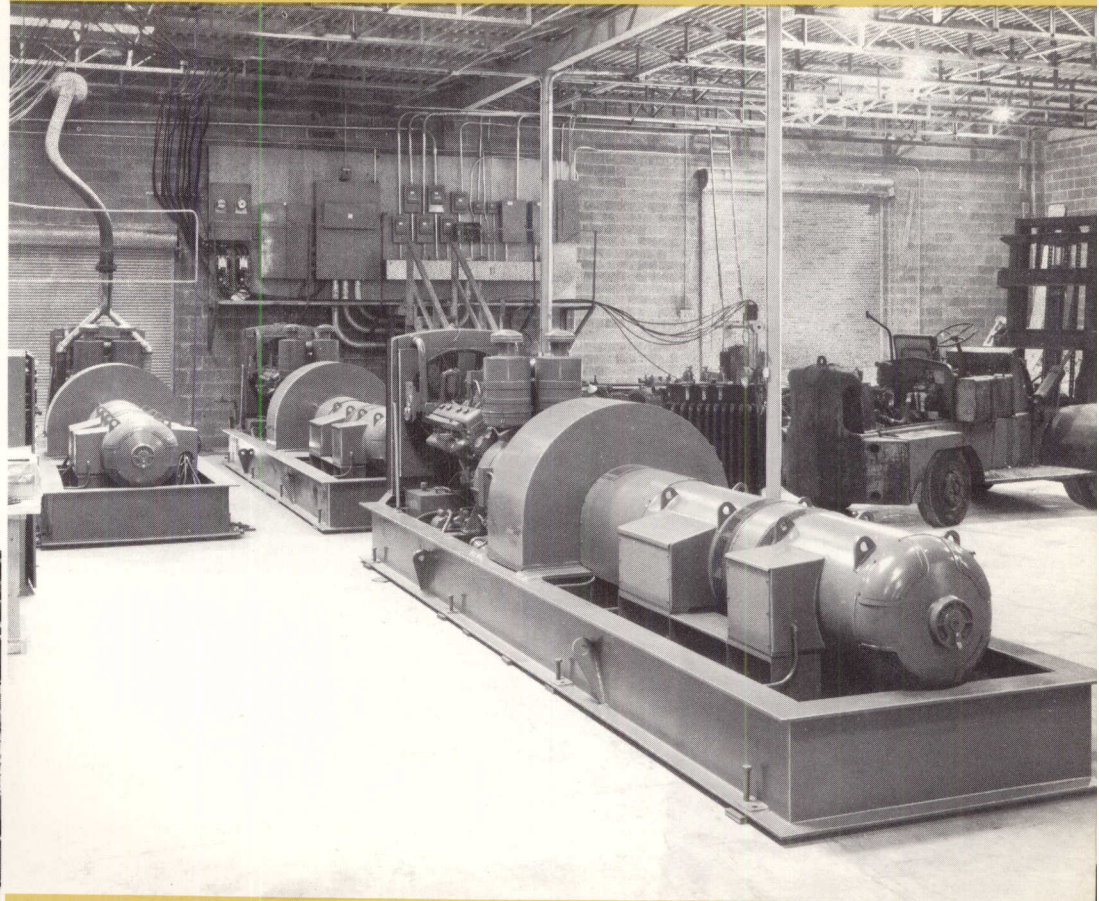
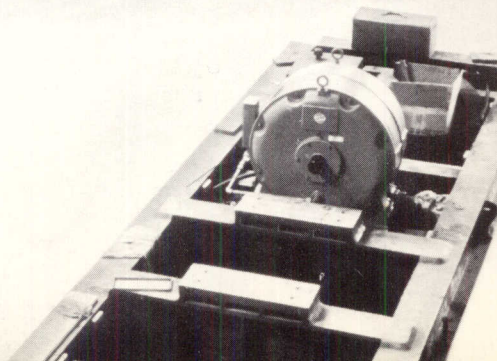
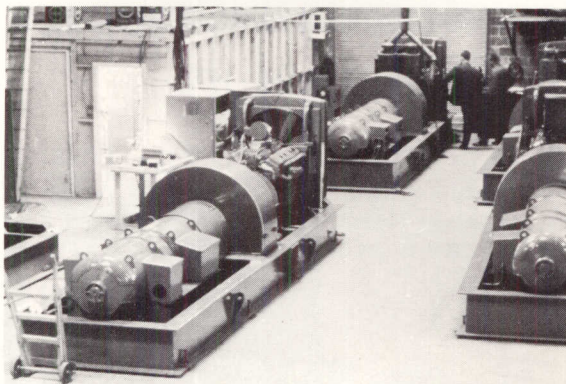
Much TMC equipment is permanently installed and functions at full capacity 24 hours a day all over the world.

# PERMANENT





# INSTALLATION...



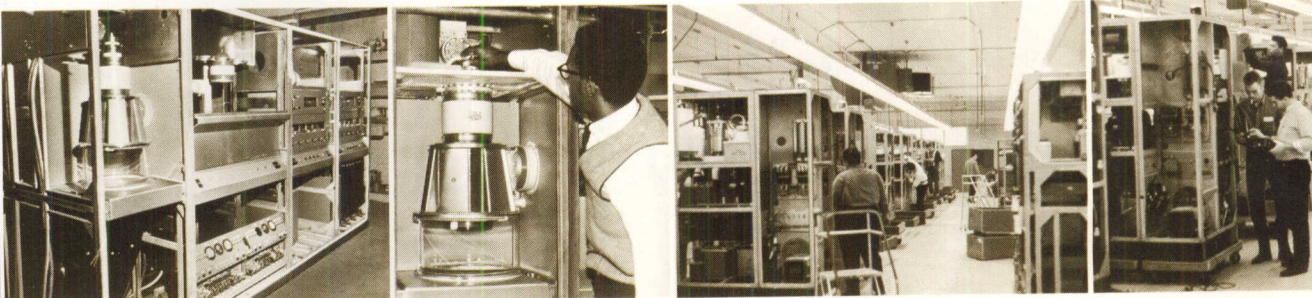
Spectacular advances in NO-BREAK Power sales have been made in the short year by TMC Power Distribution Inc., a wholly owned subsidiary.

# SUPER POWER...

Development continues on new super power transmitters — up to one million watts with high level modulators of similar capabilities.

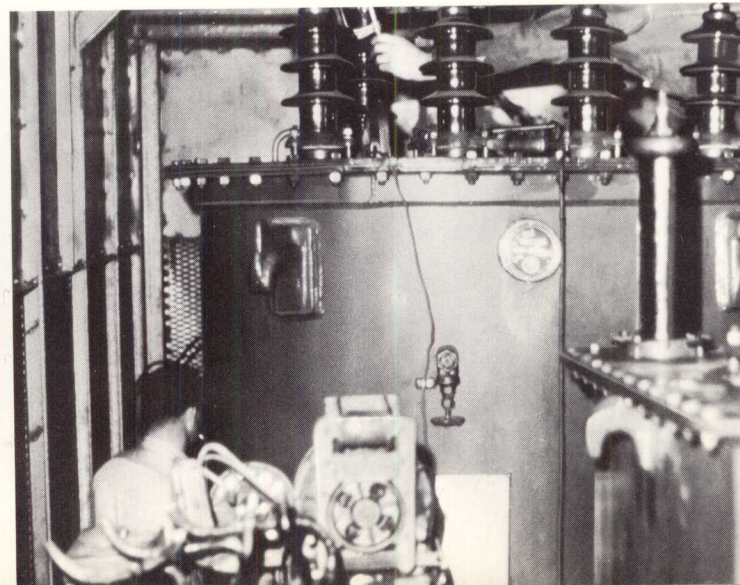


Shown with a pack of cigarettes for size comparison is one of the two tubes capable of dissipating over 120,000 watts in their plate circuits — or enough to light 1200 100 watt bulbs of the type used in your home.

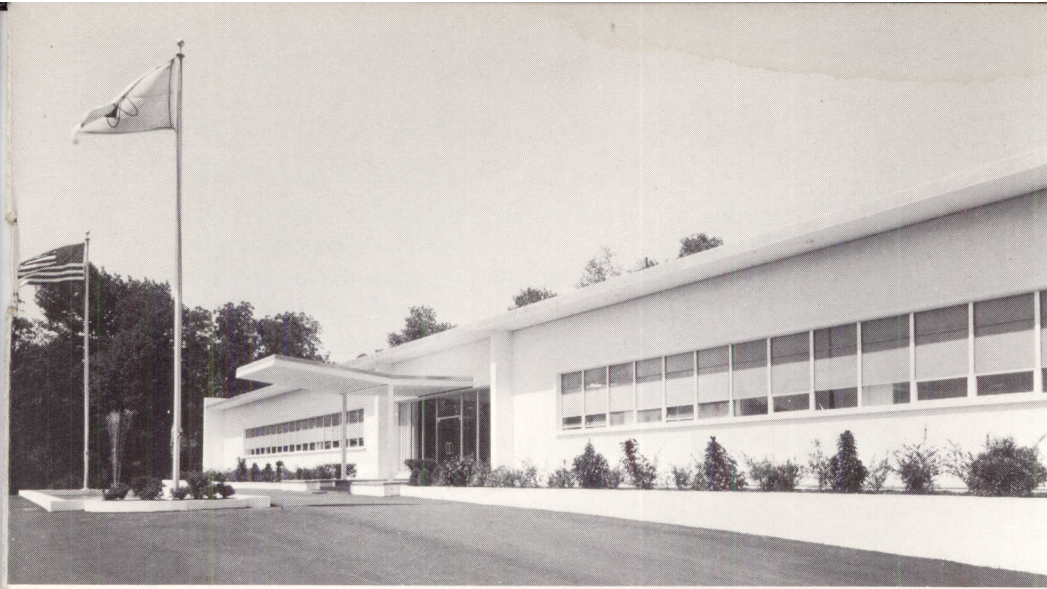


TMC — GPT 200K — a 200 KW transmitter in production.

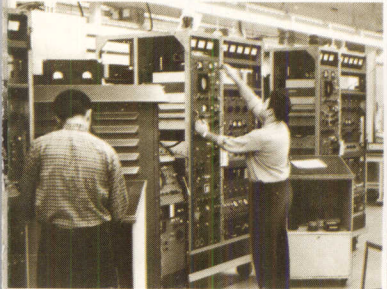
Transmitter production lines at Clarkstown.



High level Modulator completed at our plant in Virginia.



Manufacturing areas in Canada, Virginia and Texas were more than doubled this past year, and work was begun on the Clarkstown plant to double its size.



·BUILDINGS·PEOPLE·MACHINES·

Our plants' interior functions are constantly being streamlined to keep pace with our rapid growth. Shown here are some of our IBM machines in use.





# THE TECHNICAL MATERIEL CORPORATION AND SUBSIDIARIES

COMPARATIVE CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30

## ASSETS

### CURRENT ASSETS

	1962	1961
Cash (Note 2) .....	\$ 368,746.07	\$ 289,124.29
Accounts Receivable (partially pledged) (Note 2) .....	3,615,620.43	2,170,168.04
Inventories (at the lower of cost or market) .....	5,036,652.32	2,689,205.58
Advances to Employees for Expenses .....	18,952.66	10,658.33
Other Receivables .....	159,727.85	42,868.02
Unexpired Insurance .....	23,514.32	14,683.00
<b>TOTAL CURRENT ASSETS</b> .....	<b>\$ 9,223,213.65</b>	<b>\$5,216,707.26</b>

### PROPERTY, PLANT & EQUIPMENT (AT COST)

Land .....	\$ 207,542.28	\$ 146,938.00
Buildings & Building Equipment (Note 4) .....	1,364,531.28	701,760.66
Machinery & Equipment .....	411,630.48	261,838.19
Office Equipment and Fixtures .....	114,349.84	74,280.97
Leasehold Improvements (Note 4) .....	224,474.01	191,246.18
Automobiles and Trucks .....	60,404.70	43,212.34
<b>TOTAL</b> .....	<b>\$ 2,382,932.59</b>	<b>\$1,419,276.34</b>
Less: Accumulated Depreciation and Amortization .....	406,165.00	308,115.94
<b>NET BALANCE</b> .....	<b>\$ 1,976,767.59</b>	<b>\$1,111,160.40</b>

### INVESTMENT IN SUBSIDIARIES AND AFFILIATES

TMC Sytems, A.G., Luzerne, Switzerland (Note 1) .....	\$ 6,000.00	
Technical Materiel Development (Canada), Ltd. (Note 1) .....		\$ 5,400.00

### DEFERRED ITEMS

Organization Expenses .....	\$ 341.08	\$ 451.16
Prepaid Rent .....	233.83	471.50
<b>TOTAL</b> .....	<b>\$ 574.91</b>	<b>\$ 922.66</b>

<b>TOTAL ASSETS</b> .....	<b>\$11,206,556.15</b>	<b>\$6,334,190.32</b>
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ASSETS

COMPARATIVE CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30

LIABILITIES AND CAPITAL

CURRENT LIABILITIES

	1962	1961
Loans Payable — Banks (Partially secured) (Note 2) .....	\$ 1,040,000.00	\$ 55,000.00
Accounts Payable — Trade .....	1,465,310.33	441,543.29
Mortgage Installments due within one year (Note 4) .....	22,449.53	18,841.33
Taxes Payable — Payroll .....	131,286.17	76,141.22
Federal & Canadian Income and Franchise Taxes .....	1,777,981.56	988,312.61
Accrued Expenses .....	160,071.14	88,362.94
Sundry Payables .....	9,230.24	11,563.85
Due to Technical Materiel Development (Canada) Ltd. (Note 1) .....		20,303.89
Due to U. S. Government (Note 7) .....	235,625.20	
<b>TOTAL CURRENT LIABILITIES</b> .....	<u>\$ 4,841,954.17</u>	<u>\$ 1,700,069.13</u>

OTHER LIABILITIES

Mortgages Payable (Less amount included above) (Note 4) .....	\$ 153,058.39	\$ 135,904.28
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MINORITY INTEREST (Note 1)

In stock of TMC Power Distribution, Inc. — 50 shares .....	2,000.00	
Portion of Surplus (Earnings Current Year) .....	4,124.28	
<b>TOTAL</b> .....	<u>\$ 6,124.28</u>	
<b>TOTAL LIABILITIES</b> .....	<u>\$ 5,001,136.84</u>	<u>\$ 1,835,973.41</u>

CAPITAL STOCK AND SURPLUS

Common Stock outstanding (Note 3) .....	301,600.00	301,600.00
Capital Surplus — (Note A) .....	2,081,799.55	2,083,441.31
Earned Surplus — (Note B) .....	3,822,019.76	2,113,175.60
<b>TOTAL CAPITAL AND SURPLUS</b> .....	<u>\$ 6,205,419.31</u>	<u>\$ 4,498,216.91</u>
<b>TOTAL LIABILITIES AND CAPITAL</b> .....	<u>\$ 11,206,556.15</u>	<u>\$ 6,334,190.32</u>

Shares outstanding (See Note 3) .....	2,412,800	1,206,400
Par Value .....	.12½	.25

Note "A" — Capital Surplus

Balance — September 30, 1960 .....	\$ 868,331.88
Add: Proceeds of sale of 50,000 shares at \$25.05 .....	1,252,500.00
Less: Transferred to Capital Stock Account 50,000 shares at 50 cents .....	( 25,000.00)
Cost of Registration .....	( 12,390.57)
Balance — September 30, 1961 .....	<u>\$ 2,083,441.31</u>
Less: Additional Registration Costs — Stock Options .....	1,641.76
Balance — September 30, 1962 .....	<u>\$ 2,081,799.55</u>

Note "B" — Earned Surplus

Balance — September 30, 1960 .....	\$ 1,212,782.68
Add: Net Income for the fiscal year ended September 30, 1961 .....	903,340.32
Less: Federal Taxes applicable to prior years .....	( 2,947.40)
Balance — September 30, 1961 .....	<u>\$ 2,113,175.60</u>
Add: Net Income for the fiscal year ended September 30, 1962 .....	1,740,983.65
Less: Applicable Minority Interest .....	4,124.28
Less: Taxes and Expenses Applicable to Prior Period .....	( 28,015.21)
Balance — September 30, 1962 .....	<u>\$ 3,822,019.76</u>



LIABILITIES



# THE TECHNICAL MATERIEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF INCOME, PROFIT AND LOSS FOR THE FISCAL YEAR ENDED SEPTEMBER 30

	1962	1961
<b>INCOME</b>		
Net Sales (Note 7) .....	\$22,123,950.91	\$11,598,067.91
Cost of Goods Sold .....	15,266,854.09	7,737,518.01
<b>GROSS PROFIT</b> .....	<u>6,857,096.82</u>	<u>3,860,549.90</u>
<b>EXPENSES</b>		
General and Administrative .....	2,143,226.24	1,274,389.77
Engineering Expenses .....	1,252,708.86	810,558.80
<b>TOTAL EXPENSES</b> .....	<u>3,395,935.10</u>	<u>2,084,948.57</u>
Net Profit from Operations .....	3,461,161.72	1,775,601.33
Other Income .....	86,360.08	45,082.01
Net Income (Before Taxes) .....	3,547,521.80	1,820,683.34
Provision for Federal and Canadian Income Taxes .....	1,806,538.15	917,343.02
<b>NET INCOME (AFTER TAXES)</b> .....	<u>1,740,983.65</u>	<u>903,340.32</u>
Less: Applicable to Minority Interest .....	4,124.28	
Balance Available for Common Stock .....	<u>1,736,859.37</u>	
*Earnings per Share 2,412,800 Shares .....	<u>0.72</u>	0.37

\*Based on outstanding shares after giving effect to 2 for 1 stock splits April 25, 1961 and February 14, 1962.

TRANSFER AGENT:  
The County Trust Co.  
White Plains, N. Y.

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

CORPORATION COUNSEL:  
Meighan and Necarsulmer  
Harold J. Morse

PROFIT  
AND LOSS

## NOTES TO FINANCIAL STATEMENTS

### Note 1 — Principles of Consolidation

The consolidated financial statements include The Technical Materiel Corporation; the following wholly owned subsidiaries: TMC Industrial Corporation, TMC (Canada) Limited, TMC Systems Inc. (Va.), and TMC Systems (Texas) Inc.; and TMC Power Distribution Inc., a 90%-owned subsidiary. Technical Materiel Development (Canada) Limited, a subsidiary dissolved in 1962, and TMC Systems, A. G. of Lucerne, Switzerland, organized in 1962, were not included in the consolidation as their operations were not considered material.

### Note 2 — Bank Loans

Because September 30, 1962 was a Sunday, several transactions involving cash, accounts receivable and bank loans were properly treated by the Company as having been consummated on September 30, 1962 although such transactions were not actually recorded by the bank involved until October 1, 1962.

On September 30, 1962, The Technical Materiel Corporation had outstanding bank loans in the amount of \$215,000.00 secured by assigned accounts receivable of \$239,687.76, and TMC (Canada) Limited had outstanding bank loans in the amount of \$150,000.00 secured by a general assignment of all contracts.

### Note 3 — Common Stock

Under the Company's Employee Stock Option Plan, options may be granted to purchase up to 20,000 shares of common stock at a price not lower than 95% of the market price on the date of grant. On September 30, 1962, options covering 11,575 shares had been granted.

On April 25, 1961, the authorized common stock of the company was increased from 1,000,000 shares, 50 cents par value, to 2,000,000 shares, 25 cents par value, and the outstanding shares were split 2 for 1. On February 14, 1962, the authorized common stock was increased to 4,000,000 shares, 12½ cents par value, and the outstanding shares were split 2 for 1.

### Note 4 — Property

The Company's land and building at 700 Waverly Avenue, Mamaroneck, N. Y., are leased from Telecom Realty Corp. for a term expiring in 1974. The Company has made leasehold improvements on this building in the amount of \$204,751.87 and has constructed a warehouse on this land. Telecom Realty Corp. has mortgaged the Waverly Avenue property to secure a loan in the original amount of \$250,000.00 from the holder of a note of the Company secured by a mortgage on the Company's property at 700 Fenimore Road, Mamaroneck, N. Y. The Company has agreed that

a default on the loan secured by the Waverly Avenue property will constitute a default under the Company's note. Construction of a plant at Clarkstown, N. Y. was substantially completed in March, 1961 at a cost of \$571,650.27. The principal contractor completed his work under a verbal agreement stipulating a cost plus basis. His costs have not been audited.

### Note 5 — Contingent Liabilities

The Federal income tax returns of the Technical Materiel Corporation have been examined through 1959 except for 1958, and the 1960 return is now being examined. Such returns of TMC Industrial Corporation have been examined through 1958, and the Canadian tax returns of TMC (Canada) Limited have been examined through 1955.

### Note 6 — Employees Savings Trust Plan

All employees continuously employed for three years are eligible to participate in the Company's Employees Savings Trust Plan. Each participant may contribute as much as 5% of his base compensation under the Plan, and the Company has agreed to match these contributions.

### Note 7 — Renegotiation and Redetermination

The Company has received clearance from the Renegotiation Board for all years through September 30, 1960 and no recapture of a substantial amount is anticipated by management for 1961 or 1962. In 1962 the Company voluntarily refunded \$990,000.00 on a contract under which, in the opinion of management, costs were substantially reduced by increased production efficiency. Such contract was substantially completed in 1962, and at September 30, 1962 the balance due to the U. S. Government thereunder in respect of such refund was \$212,206.48. In 1962 T.M.C. Industrial Corporation incurred a renegotiation cost for the 1960 fiscal year of \$23,418.72 after taxes. These transactions are reflected in the statements.

As of September 30, 1962 The Technical Materiel Corporation had two active uncompleted contracts on which progress payments were made by the U. S. Government. The policy of the Company in regard to contracts extending beyond the current fiscal year is to include as sales in such year an amount equivalent to the costs incurred. The status of these two contracts is as follows:

Total costs in 1962 (included in Sales) .....	\$4,325,439.73
Actual progress payments received in 1962 .....	\$3,227,484.52

The contracts in question had not been definitized as of September 30, 1962. Final price determination is subject to negotiation in the future and the results may affect the sales in both 1962 and subsequent periods.

## AUDITOR'S REPORT

December 13, 1962

To The Board of Directors,  
The Technical Materiel Corporation

I have examined the Balance Sheet of The Technical Materiel Corporation and Subsidiaries consolidated as at September 30, 1962 and the related Statements of Profit and Loss and Earned and Capital Surplus for the fiscal year then ended. My 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 I considered necessary in the circumstances. Confirmation of amounts due from U. S. Government Departments was not obtainable, but other auditing procedures deemed appropriate were followed in respect of such amounts. As to T.M.C. (Canada) Limited, the amounts included in the consolidated financial statements are based upon the opinion of other accountants.

In my opinion based upon my examination and upon the aforementioned opinion of other accountants, the accompanying Balance Sheet, Statement of Profit and Loss and Earned and Capital Surplus and the notes thereto present fairly the financial position of The Technical Materiel Corporation and Subsidiaries consolidated at September 30, 1962 and the result of their operation for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis.

LOUIS KONIGSBERG  
Certified Public Accountant

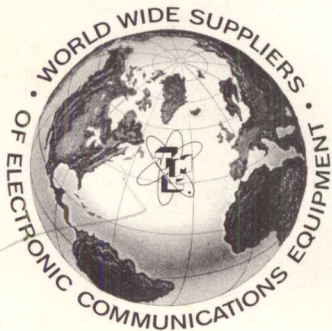
To the Shareholders of  
T.M.C. (Canada) Limited

We have examined the balance sheet of T.M.C. (Canada) Limited at 30th September, 1962 and the statement of Profit and Loss for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanation given to us and as shown by the books of the company, the accompanying Balance Sheet and Statement of Profit and Loss are properly drawn up so as to exhibit a true and correct view of the company's affairs at 30th September, 1962 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

MILNE, HONEYWELL & BURPEE  
Chartered Accountants

OTTAWA, 29th November, 1962



## THE TECHNICAL MATERIEL CORPORATION AND SUBSIDIARIES

TMC (Canada) Ltd., Ottawa, Canada *Montreal*  
TMC Industrial Corp., Mamaroneck, N. Y. *NY*  
TMC Systems, Inc., Alexandria, Va. *Washington*  
TMC Systems, (Texas), Inc., Garland, Texas *Dallas*  
TMC Systems, (Calif.), Inc., La Mesa, Calif.  
TMC Systems, (Florida), Inc., Pompano Beach, Fla.  
TMC Power Distribution, Inc., Alexandria, Va. *Washington*  
TMC Systems AG, Luzern, Switzerland