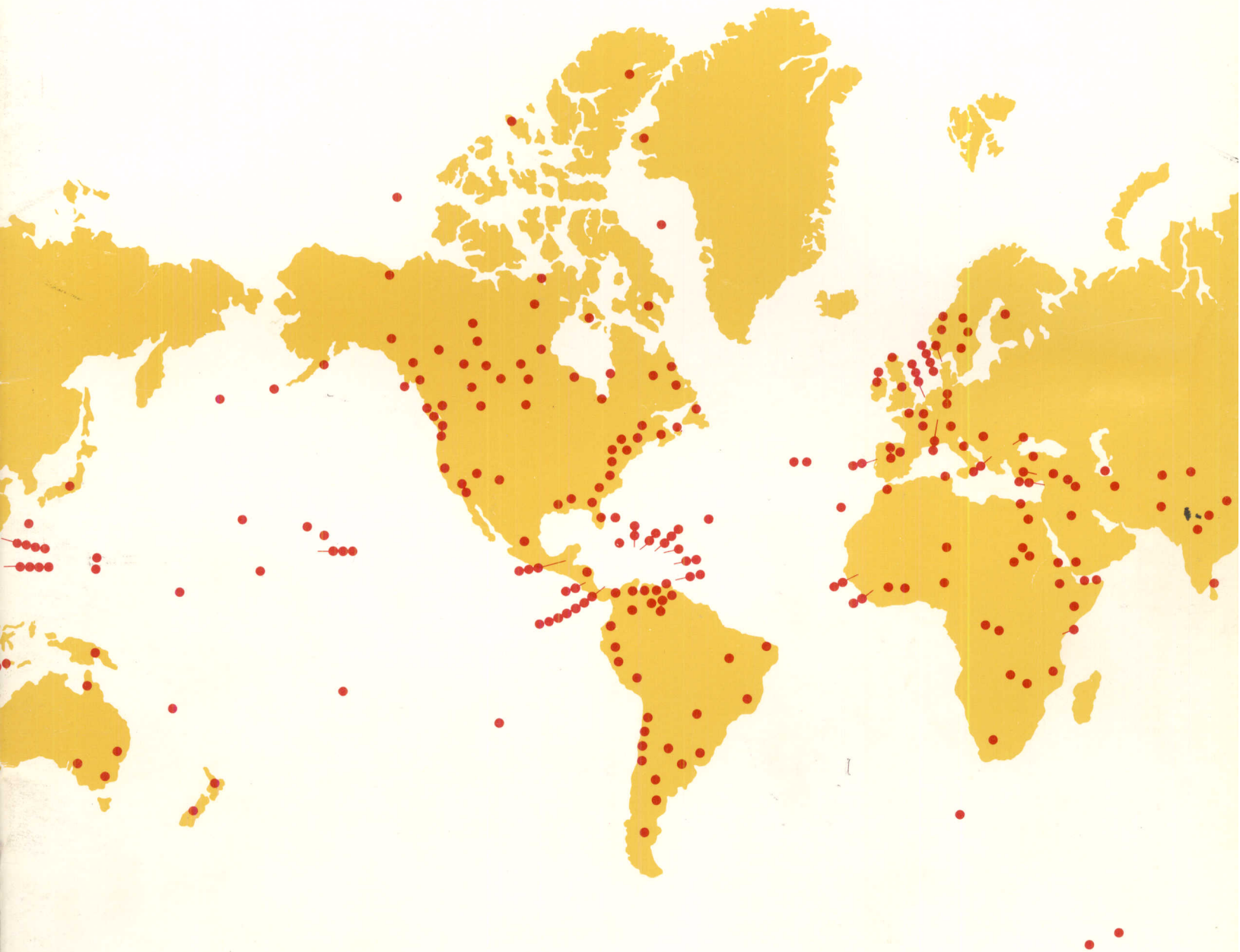


FILE COPY

ANNUAL REPORT 1967



THE TECHNICAL MATERIEL CORPORATION
AND SUBSIDIARIES

BUSINESS HIGHLIGHTS

	FISCAL YEAR	
	1967	1966
Net Sales	\$ 24,575,859	\$ 22,119,382
Net Income	619,706	376,621
Current Assets	12,887,219	13,768,628
Current Liabilities	4,818,330	6,837,517
Working Capital	8,068,889	6,931,111
Current Ratio	2.7 to 1	2.0 to 1
Property, Plant and Equipment Net	3,905,631	3,203,425
Stockholders' Equity	11,007,753	10,380,026
Earnings per Share	0.24	0.14
Book Value per Share	4.19	3.95
Number of Stockholders	4,810	3,782
Common Stock Outstanding	2,628,188	2,626,066 *

*Restated



DIRECTORS

RAY H. dePASQUALE
 GEORGE C. DIXON
 JOHN E. GALIONE
 ERNEST A. MATSON, JR.
 DOUGLAS V. CARROLL
 GEORGE W. JENNINGS

SOURCE AND DISPOSITION OF FUNDS

THE TECHNICAL MATERIEL CORPORATION *and Subsidiaries*

CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF WORKING CAPITAL

Years ended September 30, 1967 and 1966

Source:	1967	1966
Operations:		
Net income	\$ 619,706	\$ 376,621
Depreciation and amortization of property, plant and equipment ..	335,457	298,427
Amortization and write-offs of deferred new product development ..	536,686	292,584
Deferred income taxes	131,000	155,000
Other	(1,261)	(22,657)
	<u>1,621,588</u>	<u>1,099,975</u>
New mortgage and note borrowings	992,506	92,100
Proceeds from sales of property, plant and equipment	241,982	184,208
Exercise of stock options	18,344	1,088
	<u>2,874,420</u>	<u>1,377,371</u>
 Disposition:		
Renegotiation refund	—	728,466
Purchases of property, plant and equipment	1,133,541	852,955
New product development expenditures	329,952	546,509
Moving costs for Virginia subsidiary	57,165	—
Repayment of mortgages and notes payable	205,661	171,088
Cash paid for fractional shares resulting from stock dividends	10,323	9,549
	<u>1,736,642</u>	<u>2,308,567</u>
Increase (decrease) in working capital	<u>\$ 1,137,778</u>	<u>\$ (931,196)</u>

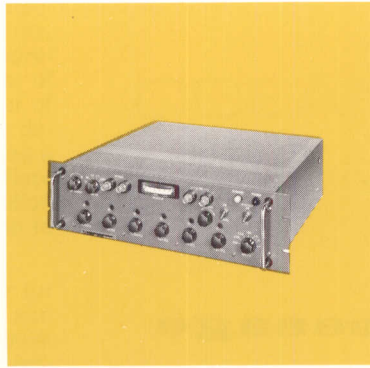
OFFICERS

Ray H. dePasquale, President
 George C. Dixon, Exec. Vice President
 Ernest A. Matson, Jr., Vice President
 John E. Galione, Vice President
 and Secretary
 William L. Deans, Vice President
 David A. Hillmann, Vice President
 Ralph T. Hogan, Vice President
 Conrad Gebhardt, Vice President —
 Special Projects
 Edwardean A. Tucker, Ass't. Vice President
 Robert G. DeBease, Treasurer
 Robert L. Morris, Controller
 Todd K. Beaver, Assistant Controller
 Ruth S. Taylor, Assistant Secretary

Douglas V. Carroll, President
 TMC (Canada) Ltd.
 John C. Adair, Vice President
 TMC (Canada) Ltd.
 William C. Shalag, Exec. Vice President
 The TMC Systems and Power Corp.
 Billy D. Pritchard, Vice President
 The TMC Systems and Power Corp.
 Stanley S. Fischman, Vice President
 The TMC Systems and Power Corp.
 Guedon E. Zakotnik, Vice President
 The TMC Systems and Power Corp.
 Rupert D. Phillips, Vice President
 TMC Systems (W.H.), Inc.
 Alexander Lennox, Jr., Managing Director
 TMC Systems, AG



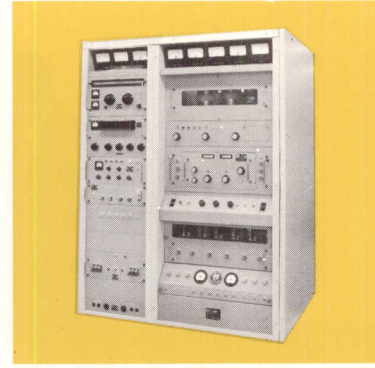
The GPR-10 is the most advanced design solid state receiver offered on today's market. It offers preplanned plug-in flexibility, building-block expansion, extreme accuracy and selectivity, and full one-knob tuning from 0.5MHz to 32.0MHz.



This compact, high quality solid state exciter provides the basis for a whole new generation of TMC transmitters and is compatible with existing TMC transmitters.



One of our new 2.5 kW completely automated transmitter series.



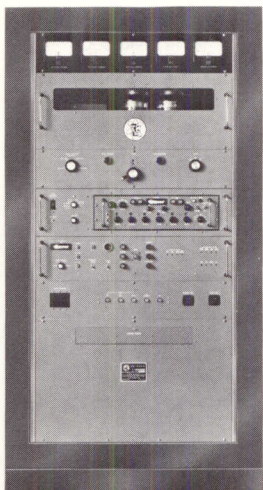
This new automatically tuned 10 kW transmitter is in operation on tracking ships in support of the Apollo program.

NEW PRODUCTS

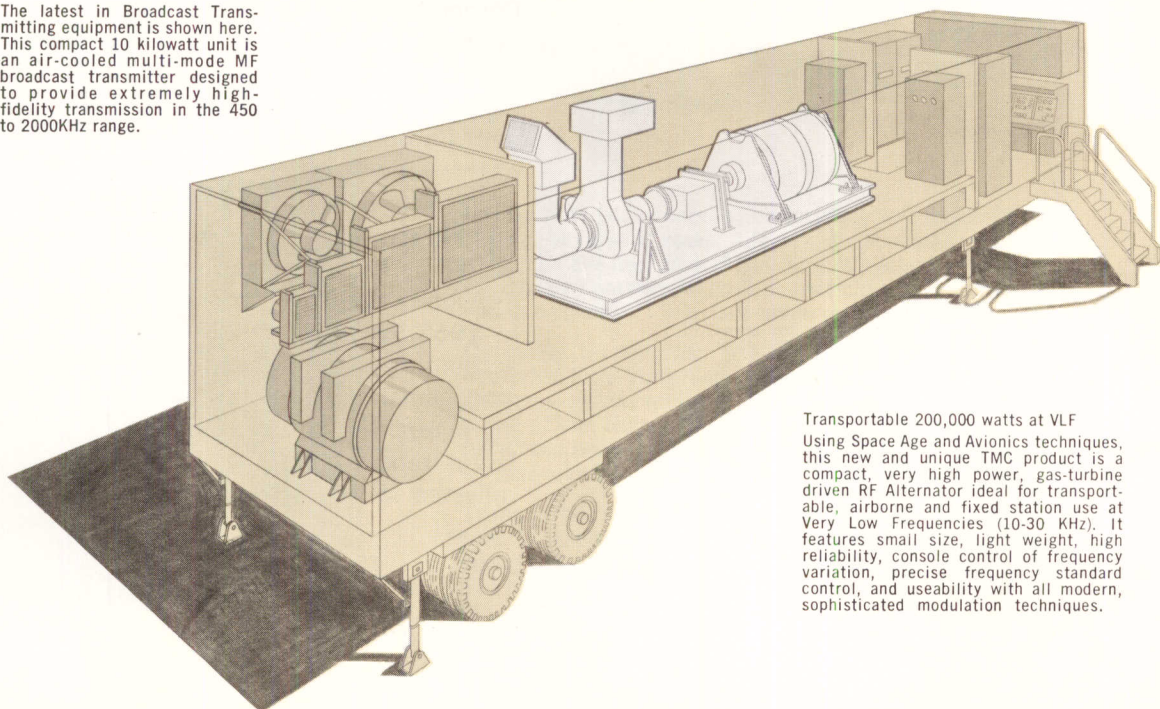
Shown here are a few of the latest products in the growing line of TMC equipment. Emphasis on the use of solid state is evident in these component units and still further conversion of other equipments is underway.

Illustrated on the right is your corporation's exhibit used in trade shows during the past years. This booth is manned by our sales people where literature and photos of our vast line of equipments are available to potential customers.

A revised edition of the Short Form Catalog containing detailed description of our complete line of equipment is currently on press and is available on request.



The latest in Broadcast Transmitting equipment is shown here. This compact 10 kilowatt unit is an air-cooled multi-mode MF broadcast transmitter designed to provide extremely high-fidelity transmission in the 450 to 2000KHz range.



Transportable 200,000 watts at VLF
Using Space Age and Avionics techniques, this new and unique TMC product is a compact, very high power, gas-turbine driven RF Alternator ideal for transportable, airborne and fixed station use at Very Low Frequencies (10-30 KHz). It features small size, light weight, high reliability, console control of frequency variation, precise frequency standard control, and useability with all modern, sophisticated modulation techniques.

This Company has gone through a period of adjustment during which we have eliminated all operations which have appeared unprofitable or seem to possess limited application. We have streamlined our regular lines and new enterprises have been undertaken with the objective of directing our efforts to more profitable and promising fields. Our efforts are meeting with considerable success. We now operate as a parent company and seven subsidiaries, including our Canadian and Swiss companies.

THE TECHNICAL MATERIEL CORPORATION

Our parent company has been long and favorably known for its high power sideband transmitters and sophisticated receivers, and manufactures over 300 proprietary communications products which are shipped to over 100 countries. To this capability has now been added quick reaction broadcast and television. Our operations in ELF (extra low frequency) and VLF (very low frequency) which are vital to submarine and survivable communications have been expanded. Through our Avionics Division, we are equipping aircraft for every conceivable communications activity. We are also expanding in the teaching and training aid field, and will place a new projector and a new audio visual aid on the market this year. Our training school will operate this year with a complete enrollment.

Our manufacture of the above types of communications equipment is largely concentrated in the Mamaroneck and Nyack plants.

THE TMC SYSTEMS AND POWER CORPORATION

Our Systems and Power subsidiary has also expanded its field. During the past year complex systems were shipped to many parts of the World. Among these systems was that designed for Alitalia Airlines. We also should have this year an air cooled diesel engine, which has been over three years in development.

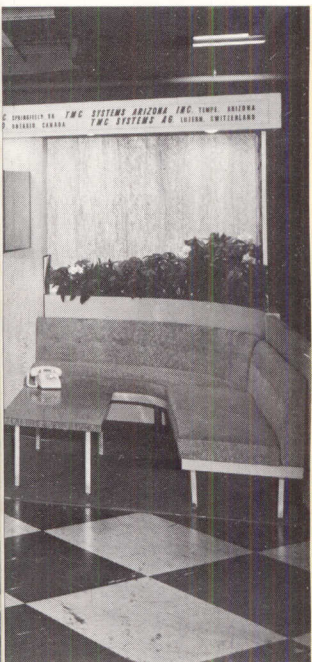
Turnkey and power systems are manufactured in our new consolidated Springfield, Virginia plant, which also houses our Research and Development group.

T.M.C. SYSTEMS (ARIZONA) INC.

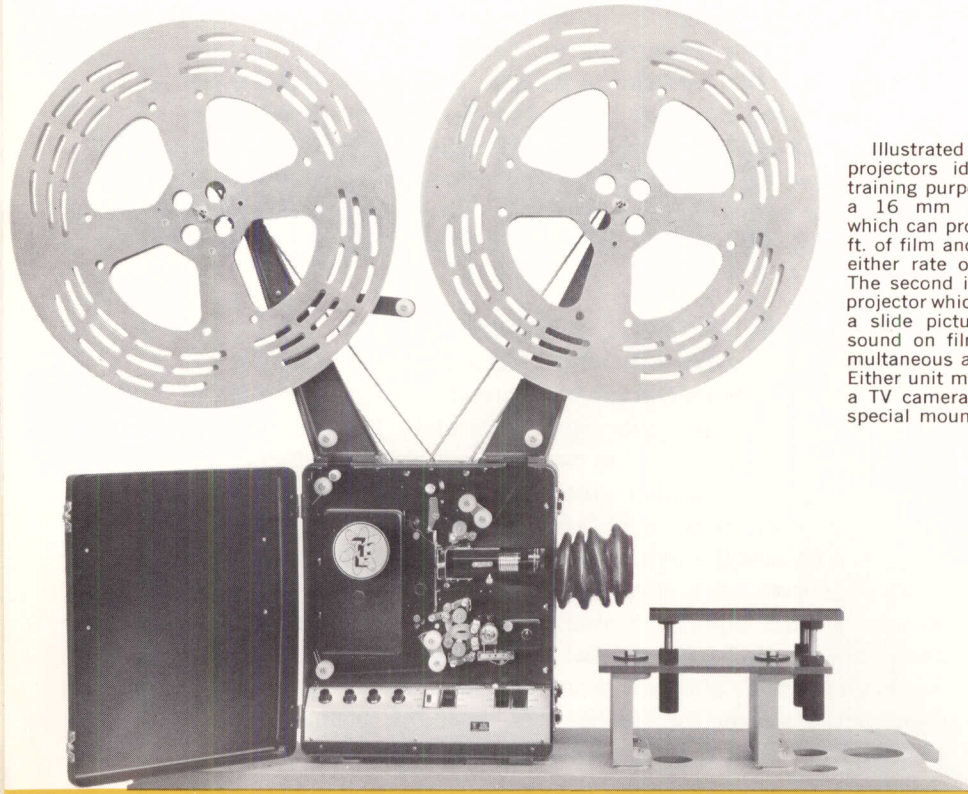
The Arizona subsidiary, situated in an industrial complex in Tempe, designs and manufactures a wide variety of crystal filters, equalizers and other comparable types of products which establish new design parameters for crystal and integrated circuits employed for electronic purposes.

Our special engineering group operating in Arizona is in the process of completing development of the new U. S. Navy receiver. From this activity a completely new commercial receiver with advanced techniques will appear.

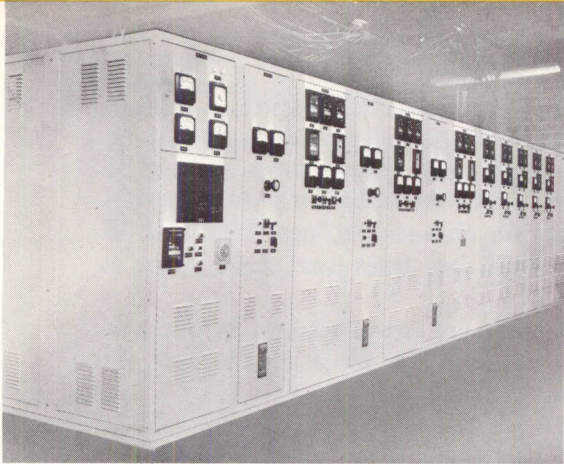
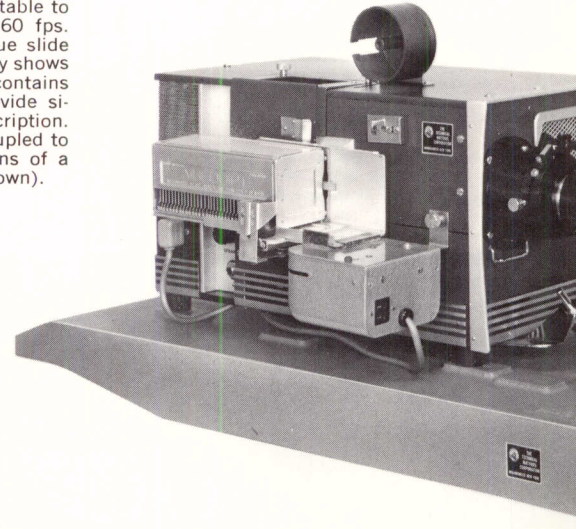
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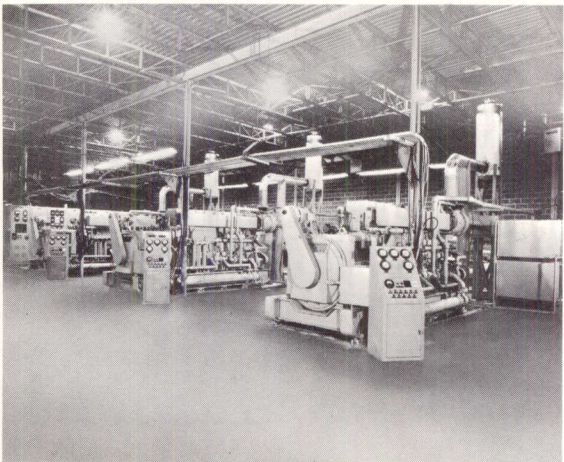
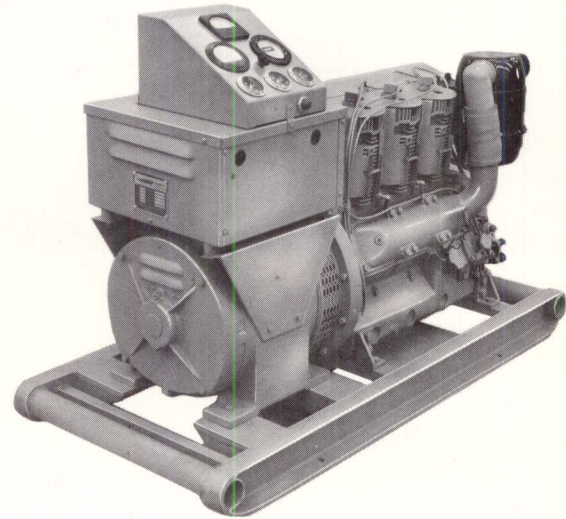
EDUCATIONAL/TRAINING AIDS



Illustrated here are two projectors ideally suited for training purposes. The first is a 16 mm sound projector which can provide up to 4000 ft. of film and is adaptable to either rate of 50 or 60 fps. The second is a unique slide projector which not only shows a slide picture but contains sound on film to provide simultaneous aural description. Either unit may be coupled to a TV camera by means of a special mount (as shown).

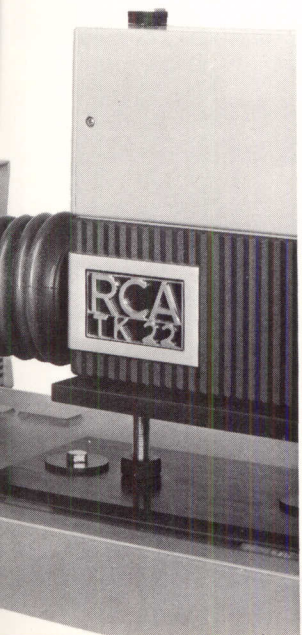


POWER



Pictured above is the new diesel engine designed and built by TMC power engineers, shown coupled to a generator ready for delivery.

The production of all types and sizes of TMC power units including no-break systems, continues at a fast pace. The recently completed Philco-Ford complex designed for a Southeast Asia installation was singled out by the Government and the Philco-Ford Corporation for the excellence of performance and cooperation in early delivery on this equipment (shown at the left under final test in Virginia).



T.M.C. (CANADA) LTD.

Our Canadian subsidiary is responsible for administration, engineering and production of electronic communication equipment for Canadian and export markets particularly for the commonwealth countries. Facilities are located in Ottawa, Canada.

T.M.C. SYSTEMS AG

This subsidiary handles all negotiations with respect to sale of equipment in the European and Near East areas from its base in Lucerne, Switzerland.

T.M.C. SYSTEMS (W.H.) INC.

Headquartered in Pompano Beach, Florida, this subsidiary handles the sale and manufacture of systems for the Caribbean and South American markets. A large contract for South America will keep this subsidiary occupied during the current year.

TMC SYSTEMS (FLORIDA) INC.

This corporation, also headquartered in Pompano Beach, handles all domestic activities in this same area.

TELECOM REALTY CORPORATION

As explained in note 7 to the Consolidated Financial Statements, Telecom Realty Corporation has been acquired by the parent corporation. This move should reduce expenses and increase cash flow, at the same time providing a vehicle for our real estate activities.

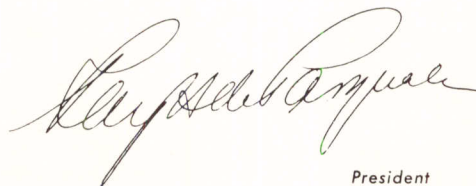
The parent company and the four subsidiaries engaged in manufacturing activities are each responsible for their own Product Development, apart from our Research and Development group, and are budgeted for this requirement.

Our oceanography and nuclear activities have been confined for the present time to our Research and Development group. We have received our first contracts. We have also developed a completely new alternator which is revolutionary in its field. This is also true of new systems for command and control.

A comprehensive plan has been developed with the goal of doubling our sales within three years, apart from acquisitions, which will also be actively considered.

We believe we have an exciting and aggressive program. We feel it will produce favorable results.

By Order of the Board of Directors,



President

ASSETS

THE TECHNICAL MATERIEL CORPORATION *and Subsidiaries*

CONSOLIDATED BALANCE SHEET

September 30, 1967 and 1966

ASSETS	1967	1966
Current assets:		
Cash	\$ 426,715	\$ 1,055,642
Accounts receivable — (\$2,389,173 in 1967 and \$1,545,706 in 1966 from the U. S. and foreign governments)	2,980,692	2,800,576
Inventories, at the lower of cost or market, less progress payments of \$210,102 in 1967 and \$584,189 in 1966 (Note 2):		
Finished goods	824,332	1,108,058
Work in process	4,361,174	4,089,547
Raw materials	3,989,891	3,539,882
	<u>9,175,397</u>	<u>8,737,487</u>
Prepaid commissions and expenses	304,415	1,174,923
Total current assets	<u>12,887,219</u>	<u>13,768,628</u>
Property, plant and equipment, at cost:		
Land	238,399	56,392
Buildings and building equipment	2,114,170	1,815,551
Machinery and equipment	2,175,768	2,046,763
Leasehold improvements	831,186	451,306
	<u>5,359,523</u>	<u>4,370,012</u>
Less accumulated depreciation and amortization	1,453,892	1,166,587
	<u>3,905,631</u>	<u>3,203,425</u>
Other assets:		
Deferred new product development costs (Notes 3 and 4)	1,492,632	1,699,366
Property held for sale, etc.	362,096	449,774
	<u>1,854,728</u>	<u>2,149,140</u>
	<u>\$18,647,578</u>	<u>\$19,121,193</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 1967

Note 1:

Approximately one-half of the Company's 1967 business is subject to renegotiation. The financial statements for the year ended September 30, 1966 reflect a net refund, relating to years prior to 1964, of \$728,466, which was agreed to on December 16, 1966. Since that date, the years 1964 to 1966 have been cleared without refund. The Company believes that 1967 also will be settled without any refund.

Note 2:

Cost of inventories is determined principally on the basis of the average cost method and includes applicable engineering overhead and general and administrative expenses of \$916,000 at September 30, 1967 and \$970,000 at September 30, 1966.

Note 3:

Deferred new product development costs are being

amortized in the statement of income on the basis of the anticipated sales of related products, with a maximum period of amortization of five years.

Note 4:

The provision for income taxes consists of the following:

	1967	1966
Current income taxes:		
Federal provision (refund)	\$146,000	\$(33,000)
Foreign	151,000	143,000
State	10,000	43,000
	<u>307,000</u>	<u>153,000</u>
Deferred income taxes	131,000	155,000
	<u>\$438,000</u>	<u>\$308,000</u>

LIABILITIES

AND STOCKHOLDERS' EQUITY

THE TECHNICAL MATERIEL CORPORATION *and Subsidiaries*

CONSOLIDATED BALANCE SHEET

September 30, 1967 and 1966

LIABILITIES AND STOCKHOLDERS' EQUITY

	1967	1966
Current liabilities:		
Notes payable to banks	\$ 1,743,875	\$ 938,125
Advance payments from customers	267,255	2,983,809
Accounts payable	1,849,265	1,483,394
Net renegotiation refund to the U. S. Government (Note 1)	—	750,210
Accrued income taxes	386,368	290,410
Other accrued taxes and expenses	487,728	314,405
Current installments of mortgages and note payable	83,839	77,164
Total current liabilities	4,818,330	6,837,517
Mortgages and notes payable — 6% to 7½% and due 1968-1992 (less installments due within one year)	1,818,495	1,031,650
Deferred income taxes (Note 4)	1,003,000	872,000
Stockholders' equity:		
Common stock, par value 12½¢ per share (Note 5):		
Authorized — 4,000,000 shares		
Outstanding — 1967 — 2,628,188 shares,		
1966 — 2,575,451 shares	328,524	321,931
Capital surplus (Note 6)	4,862,188	4,268,342
Earned surplus (Note 1)	5,817,041	5,789,753
	11,007,753	10,380,026
	\$18,647,578	\$19,121,193

Current and deferred federal income taxes have been reduced by \$31,245 in 1966 and \$14,801 in 1967 for investment tax credits.

Foreign income taxes relate to subsidiaries operating in Canada and Switzerland. For 1967 these subsidiaries had net sales of \$9,284,930 and net income of \$414,342; net assets at September 30, 1967 were \$1,320,525.

Deferred income taxes at September 30, 1967 included \$751,000 related to deferred new product development costs and \$26,000 related to other deferred costs, both deducted currently for income tax purposes, and \$226,000 related to accelerated tax depreciation.

Financial statements for 1966 have been reclassified to include New York State Franchise Taxes and other

state taxes related to income with federal and foreign income taxes.

Note 5:

At September 30, 1967, there were reserved under the Employee Stock Option Plan, 26,290 shares of common stock against which options to purchase 9,591 shares at a price of \$8.46 were outstanding; stock options on 3,841 shares were then exercisable. The options expire at September 6, 1968. During the year 1967 no stock options were granted, options on 9,425 shares were cancelled or expired, options on 212 shares were exercised at \$10.25 per share, and options on 1,910 shares were exercised at \$8.46 per share. At September 30, 1966, 28,412 shares were reserved against which options to purchase 21,138 shares at prices ranging

INCOME

AND EARNED SURPLUS

THE TECHNICAL MATERIEL CORPORATION *and Subsidiaries*

CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

Years ended September 30, 1967 and 1966

	1967	1966
Net sales	\$24,575,859	\$22,119,382
Cost of sales	16,159,238	16,566,436
Engineering and development expenses (Note 3)	1,670,587	1,418,765
Selling, general and administrative expenses	5,489,546	3,272,614
Interest expense	205,632	199,603
Other income	(6,850)	(22,657)
	<u>23,518,153</u>	<u>21,434,761</u>
Income before income taxes	1,057,706	684,621
Provision for income taxes (Note 4)	438,000	308,000
Net income (24¢ per share in 1967 and 14¢ per share in 1966)	619,706	376,621
Earned surplus at beginning of year	5,789,753	6,741,501
Prior year renegotiation refund (Note 1)	—	(728,466)
	<u>6,409,459</u>	<u>6,389,656</u>
2% stock dividend:		
Cash paid for fractional shares	10,323	9,549
Earnings transferred to capital	582,095	590,354
	<u>592,418</u>	<u>599,903</u>
Earned surplus at end of year	<u>\$ 5,817,041</u>	<u>\$ 5,789,753</u>

from \$8.46 to \$10.25 were outstanding. The above shares and share prices have been adjusted to reflect stock dividends.

Note 6:

During the year capital surplus was increased as follows:

Balance at beginning of year	\$4,268,342
Excess of market value over par value of 50,617 shares of common stock issued as a stock dividend on March 1, 1967 ..	575,768
Excess of option price over par value of 2,120 shares of common stock issued under the Employee Stock Option Plan ..	18,078
Balance at end of year	<u>\$4,862,188</u>

Note 7:

On November 1, 1967, the Company acquired the corporate lessor of property leased to the Company until 1974 at a base annual rental of \$60,000. The corporate lessor was previously owned in part by the family of the Company's president. The purchase price of \$663,000 was determined on the basis of independent appraisals of the value of the property held by the corporate lessor and was paid in notes subsequently refinanced by the Company with a bank through a \$500,000, 6¾% mortgage due in 1987, the principal and interest of which is payable at the rate of \$46,000 per year.

Long term leases for other plants, chiefly expiring in 1977, require minimum annual rentals aggregating \$205,000.

AUDITORS' REPORT

ARTHUR YOUNG & COMPANY

277 PARK AVENUE
NEW YORK, N. Y. 10017

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, 1967 and the related consolidated statement of income and earned surplus and the consolidated statement of source and disposition of working capital 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 and foreign governments, as to which we satisfied ourselves by means of other auditing procedures.

In our opinion, the statements mentioned above present fairly the consolidated financial position of The Technical Materiel Corporation and Subsidiaries at September 30, 1967 and the consolidated results of their operations and the source and disposition of their consolidated working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

December 6, 1967

Arthur Young & Company

TRANSFER AGENT:

Bankers Trust Company
485 Lexington Ave.
New York, N. Y. 10017

REGISTRAR:

Irving Trust Co.
New York, N. Y.

CORPORATION COUNSEL:

Harold J. Morse



	1967	1966	1965
Net Sales	\$24,575,859	\$22,119,382	\$18,394,329
Provision for Taxes on Income	\$ 438,000	\$ 308,000	\$ 54,000
Net Earnings for the Year	\$ 619,706	\$ 376,621	\$ 37,193
Per Cent of Earnings to Sales	2.52%	1.70%	0.20%
Current Assets	\$12,887,219	\$13,768,628	\$12,981,993
Current Liabilities	\$ 4,818,330	\$ 6,837,517	\$ 5,119,686
Current Ratio	2.7 to 1	2.0 to 1	2.5 to 1
Working Capital	\$ 8,068,889	\$ 6,931,111	\$ 7,862,307
Long-Term Liabilities	\$ 1,818,495	\$ 1,031,650	\$ 1,110,638
Property, Plant and Equipment (net)	\$ 3,905,631	\$ 3,203,425	\$ 3,260,222
Expenditures for Property, Plant and Equipment	\$ 1,133,541	\$ 852,955	\$ 632,644
Depreciation and Amortization	\$ 335,457	\$ 298,427	\$ 244,057
Square Feet of Building Space:			
Owned	130,900	118,600	138,600
Leased	215,200	274,450	147,400
Total	346,100	393,050	286,000
Common Shares Outstanding	2,628,188	2,626,066	2,625,957
Per Share Statistics:			
Earnings	\$.24	\$.14	\$.01
Book Value	\$ 4.19	\$ 3.95	\$ 3.81
Stockholders' Equity	\$11,007,753	\$10,380,026	\$10,011,866

10 YEAR COMPARISON

1964	1963	1962	1961	1960	1959	1958
\$29,387,053	\$27,705,772	\$20,898,611	\$11,598,068	\$ 6,600,137	\$ 5,028,453	\$ 3,212,468
\$ 2,206,000	\$ 2,122,994	\$ 1,320,000	\$ 1,000,500	\$ 499,000	\$ 368,700	\$ 202,000
\$ 2,243,904	\$ 1,907,680	\$ 1,176,784	\$ 903,340	\$ 463,507	\$ 336,867	\$ 200,178
7.64%	6.89%	5.63%	7.79%	7.02%	6.70%	6.23%
\$12,034,290	\$11,887,905	\$ 9,223,214	\$ 5,216,707	\$ 3,411,503	\$ 2,452,459	\$ 802,290
\$ 3,641,030	\$ 4,858,822	\$ 4,841,954	\$ 1,700,069	\$ 1,803,561	\$ 935,558	\$ 484,989
3.3 to 1	2.4 to 1	1.9 to 1	3.1 to 1	1.9 to 1	2.6 to 1	1.7 to 1
\$ 8,393,260	\$ 7,029,083	\$ 4,381,260	\$ 3,516,638	\$ 1,607,942	\$ 1,516,901	\$ 317,301
\$ 913,785	\$ 861,270	\$ 153,058	\$ 135,904	\$ 150,495	\$ 124,667	\$ 201,669
\$ 2,876,240	\$ 2,435,280	\$ 1,976,768	\$ 1,111,160	\$ 894,868	\$ 461,014	\$ 507,853
\$ 789,741	\$ 653,840	\$ 975,431	\$ 296,520	\$ 498,672	\$ 64,735	\$ 200,714
\$ 197,904	\$ 155,450	\$ 106,823	\$ 73,354	\$ 59,747	\$ 38,439	\$ 33,659
133,600	113,600	65,850	40,850	40,850	40,850	47,100
131,400	127,400	120,400	107,000	43,000	4,000	8,500
265,000	241,000	186,250	147,850	83,850	44,850	55,600
2,625,957	2,617,574	2,608,394	2,608,394	2,392,182	2,378,343	2,013,324
\$.86	\$.73	\$.45	\$.35	\$.19	\$.14	\$.10
\$ 3.80	\$ 2.93	\$ 2.16	\$ 1.72	\$.97	\$.75	\$.32
\$ 9,984,345	\$ 7,676,159	\$ 5,645,344	\$ 4,498,217	\$ 2,321,709	\$ 1,789,231	\$ 645,741

(1) Common shares outstanding and per share book value statistics are as at the close of each fiscal year. Per share earnings statistics are computed on the basis of the average number of common shares outstanding during each period. Both are adjusted for stock splits in 1959, 1961 and 1962 and 2% stock dividends in 1964, 1965, 1966 and 1967.

(2) Amounts previously published have been adjusted to reflect the reclassifications mentioned in note 4 to the Consolidated Financial Statements.

This report has been prepared and is distributed solely for the purpose of furnishing financial and statistical information about the Corporation and its Subsidiaries and its products to present stockholders and employees. It is not a representation, prospectus, communication or circular in connection with any present or future sale or purchase, or offer to sell or purchase any stock or other security of The Technical Materiel Corporation and its Subsidiaries.



THE TECHNICAL MATERIEL CORPORATION •

and its subsidiaries:

The TMC Systems and Power Corp., Springfield, Va.

TMC (Canada), Ltd., Ottawa, Ontario, Canada

TMC Systems AG, Luzern, Switzerland

TMC Systems (W.H.), Inc., Pompano Beach, Florida

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

TMC Systems (Arizona), Inc., Tempe, Arizona