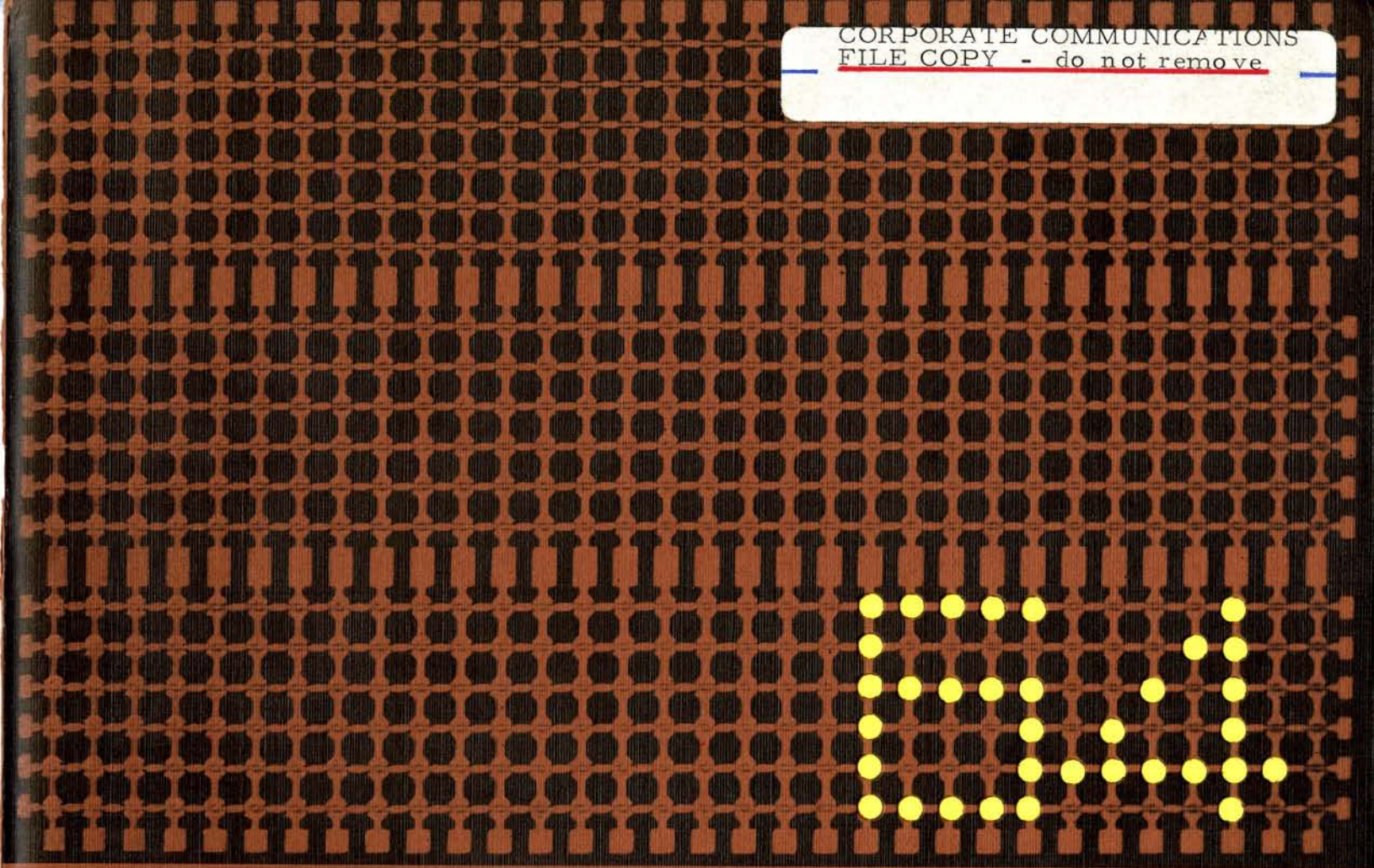
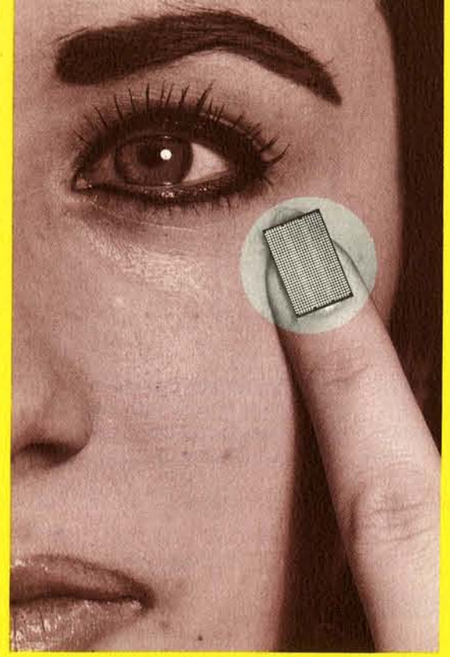


FAIRCHILD

CAMERA AND INSTRUMENT
CORPORATION

# ANNUAL REPORT



***COVER DESIGN** features enlarged photo of world's smallest flashing signboard. Actual size is shown in photograph above. Each of the "lights" spelling out "64" simulates a luminescent electronic device two-thousandths of an inch in diameter, of which 576 are built into a single piece of silicon. Slightly smaller than one-fourth of a square inch, this new Fairchild development replaces a bulky system of prisms, lenses and tubes in a new aerial reconnaissance camera produced by Fairchild Space and Defense Systems Division. It flashes a pattern of dots on the margin of the film to record time-reference data for each frame. This device is the latest product of Fairchild Semiconductor's microcircuit technology.*

# 1964

FAIRCHILD

CAMERA AND INSTRUMENT
CORPORATION

# ANNUAL REPORT

**FOR THE YEAR ENDED DECEMBER 31, 1964**

FAIRCHILD
CAMERA AND INSTRUMENT
CORPORATION

**EXECUTIVE OFFICES: 300 ROBBINS LANE, SYOSSET, L. I., NEW YORK 11791**

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**DIVISIONS**

| | |
|---|---|
| **AERIAL SURVEYS** | 224 E. Eleventh St., Los Angeles, Calif. 90015 |
| **CABLE** | Junge Blvd. and Maiden Lane, Joplin, Mo. 64801 |
| **CONTROLS** | 225 Park Ave., Hicksville, L. I., N. Y. 11802 |
| **DAVIDSON** | 5004 E. Jericho Turnpike, Commack, L. I., N. Y. 11725 |
| **DU MONT LABORATORIES** | 750 Bloomfield Ave., Clifton, N. J. 07015 |
| **GRAPHIC EQUIPMENT** | 221 Fairchild Ave., Plainview, L. I., N. Y. 11803 |
| **INDUSTRIAL PRODUCTS** | 221 Fairchild Ave., Plainview, L. I., N. Y. 11803 |
| **INTERNATIONAL** | 515 Madison Ave., New York, N. Y. 10022 |
| **PRECISION METAL PRODUCTS** | 1700 North Johnson Ave., El Cajon, Calif. 92022 |
| **SEMICONDUCTOR** | 313 Fairchild Drive, Mountain View, Calif. 94042 |
| **SPACE AND DEFENSE SYSTEMS** | 300 Robbins Lane, Syosset, L. I., N. Y. 11791 |

**SUBSIDIARIES**

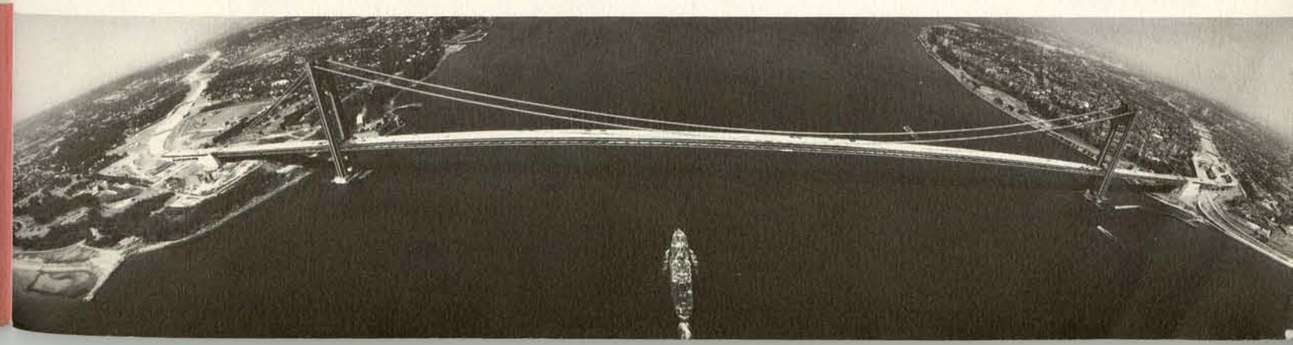
| | |
|---|---|
| **ELECTRO-METRICS CORPORATION** | 88 Church St., Amsterdam, N. Y. 12011 |
| **WINSTON RESEARCH CORPORATION** | 6711 S. Sepulveda Blvd., Los Angeles, Calif. 90045 |

*Verrazano-Narrows Bridge, opened in 1964, spans New York harbor between Staten Island (left) and Brooklyn in this unusual 180° aerial view. The forward oblique photograph was taken from 1,000 foot altitude by Space and Defense Systems Division's new panoramic reconnaissance system. Exposed 70mm film is processed in-flight by mating with roll of Fairchild-proprietary PoroMat in camera's magazine.*



FAIRCHILD
CAMERA AND INSTRUMENT
CORPORATION





## FIVE YEAR HIGHLIGHTS

**(Comparative Figures for the Five Years Ending December 31, 1964)**

| FOR THE YEAR | 1964 | 1963 | 1962 | 1961 | 1960 |
|---|---|---|---|---|---|
| **Net Sales and Machine Rentals** | **$138,700,000** | $116,404,000 | $101,538,000 | $92,254,000 | $67,940,000 |
| **Net Earnings** | **1,927,000** | 1,931,000 | 4,335,000 | 3,819,000 | 3,410,000 |
| **Special Credits** | | | | | |
| (Prior years unamortized investment credits) | **253,000** | — | — | — | — |
| (Net gain, after taxes, on disposition of plants) | **266,000** | — | — | — | — |
| (Federal income tax benefits resulting from losses incurred by Allen B. Du Mont Laboratories, Inc. prior to merger) | **128,000** | 737,000 | 1,655,000 | 1,433,000 | 345,000 |
| **Net Earnings and Special Credits** | **2,574,000** | 2,668,000 | 5,990,000 | 5,252,000 | 3,755,000 |
| **Dividends paid** | **1,278,329** | 1,275,328 | 1,266,791 | 1,249,136 | 611,084 |
| **Payroll** | **58,520,000** | 52,500,000 | 45,441,000 | 36,806,000 | 28,352,000 |
| **AT DECEMBER 31** | | | | | |
| **Working Capital** | **45,209,000** | 26,693,000 | 20,704,000 | 17,754,000 | 14,822,000 |
| **Shareholders' Equity** | **40,788,000** | 39,484,000 | 38,081,000 | 32,877,000 | 28,697,000 |
| **Number of Employees** | **8,869** | 8,107 | 7,369 | 5,493 | 5,424 |
| **Number of Stockholders** | **11,968** | 10,857 | 11,606 | 10,997 | 12,859 |
| **Shares Outstanding** (Two-for-one split in 1961) | **2,556,657** | 2,550,657 | 2,535,083 | 2,498,272 | 1,222,168 |
| **Backlog** | **78,000,000** | 50,255,000 | 40,443,000 | 29,357,000 | 33,591,000 |
| **PER SHARE STATISTICS** (Based on 2,556,657 shares outstanding at December 31, 1964): | | | | | |
| **Net Earnings** | **.75** | .75 | 1.69 | 1.49 | 1.33 |
| **Special Credits** | **.26** | .29 | .65 | .56 | .14 |
| **Net Earnings and Special Credits** | **1.01** | 1.04 | 2.34 | 2.05 | 1.47 |
| **Working Capital** | **17.68** | 10.44 | 8.10 | 6.94 | 5.80 |
| **Shareholders' Equity** | **15.95** | 15.44 | 14.89 | 12.86 | 11.22 |



## TO OUR SHAREOWNERS:

The 12-month period ending December 31, 1964 marked a year in which the Corporation achieved record sales and made significant progress.

Fourth quarter earnings reflect increased sales volume in addition to the progress made in correcting certain problem areas. Profits for the last six months more than doubled those generated in the first half of the year.

Company-sponsored research and development totaled $11,400,000, an increase of 13 percent over the $10,076,000 expended in 1963. The success of this program is indicated by the many new and proprietary products which reached the market in 1964 and the fact that a total of 111 new products and product families will be introduced or field tested by the divisions during 1965.

The planar licensing program was continued and agreements effected with ITT, Elliott Automation, Ltd. and Sperry Rand, bringing the total number of licensees to five. This program is now providing an important area of license income to the Corporation.

A long term financing agreement was completed in May in the amount of $30,000,000 with Prudential Insurance Company of America and a group of five banks. In addition, a $10,000,000 revolving credit was established with the bank group.

A 50-cent cash dividend was paid on the Corporation's outstanding shares, representing the 27th consecutive year in which cash dividends have been paid.

E. S. Hill, Vice President and Comptroller, was elected to the Board of Directors of the Corporation, succeeding the late William B. Scarborough. Robert Bruce, General Manager of the Space and Defense Systems Division and Edward O. Cole, Director of Industrial Relations, were elected vice presidents.

Progress can be reported in all of our divisions in the areas of growth, new product development and new markets for our products. Further details are contained in the "Reports on Operating Divisions" section of this report.

We entered 1965 with a backlog of $78,000,000 the highest in the Company's history, and with a continuing upward sales trend.

*Sincerely,*

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

proportion of the sales dollar was in engineering and testing than in previous years.

During 1964 the Division entered the high energy rate forming market with a highly advanced high energy forming machine. The Division's trademark for this machine, process and service is "CEFF" which stands for "Controlled Energy Flow Forming".

In the three areas of major importance – power, accuracy and durability, Fairchild's CEFF machine is believed to be superior to other forming machines now on the market. It is currently planned that CEFF machines will be sold and leased to manufacturers and will also be used to support the Division's own fabrication of components.

The addition of the CEFF machine makes the Division more competitive and adds a commercial line where profits are not so limited.

Even though production requirements of the military rocket program diminished during the year, the Division was successful in obtaining offsetting orders in the non-military space program. Within the aerospace area alone, the Division's year-ending backlog was at an all time high.

## SEMICONDUCTOR

Expanded sales of Fairchild Semiconductor products to the industrial, commercial and consumer equipment fields in 1964 accounted for much of the Division's overall gain in total sales volume. In a year when many suppliers of electronic components saw their sales volume taper off or decline due to curtailed military purchasing, Fairchild's 1963 decision to concentrate on other markets proved timely and profitable.

Integrated microcircuits, a field in which Fairchild leads the electronics industry, had been used in many defense systems, but industrial and commercial equipment makers had hesitated to make the investments required to utilize these new components. Fairchild's action early in 1964, reducing prices and establishing standard specifications for these integrated circuits, revolutionized the attitudes and actions of industry. Sales increased and high volume production brought further reductions in factory costs. The initial increase in commercial (or non-military) sales has been sustained by steadily rising volume in this market. Industrial use of integrated circuits now accounts for a third of total integrated circuit usage. Fairchild led the way for this development and holds the major share of this new market.

Computer manufacturers in the United States are increasingly committed to the design of equipment using integrated circuits. As this new equipment is put into production in 1965, Fairchild microcircuit sales volume should continue its 1964 growth pattern. Fairchild, for example, is a major supplier of integrated circuits for RCA's Spectra 70 Computer, announced late in 1964.

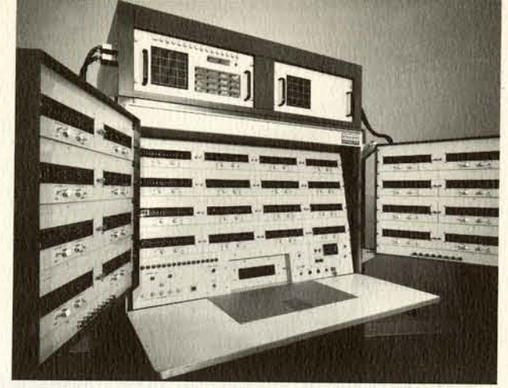
The first semiconductors were made out of germanium. Fairchild's decision to employ silicon exclusively as a raw material was based on its superior performance. Yearly progress in technology has brought silicon semiconductors into widespread industrial use, but germanium devices continued to sell on a basis of low price. In 1964 Fairchild developed a method of reducing cost of silicon transistors for the industrial and entertainment markets. A new way of packaging silicon transistors, using inexpensive discs of ceramic material and a drop of epoxy plastic instead of the conventional metal can, enabled the company to sell high performance silicon transistors at the same prices as germanium units.



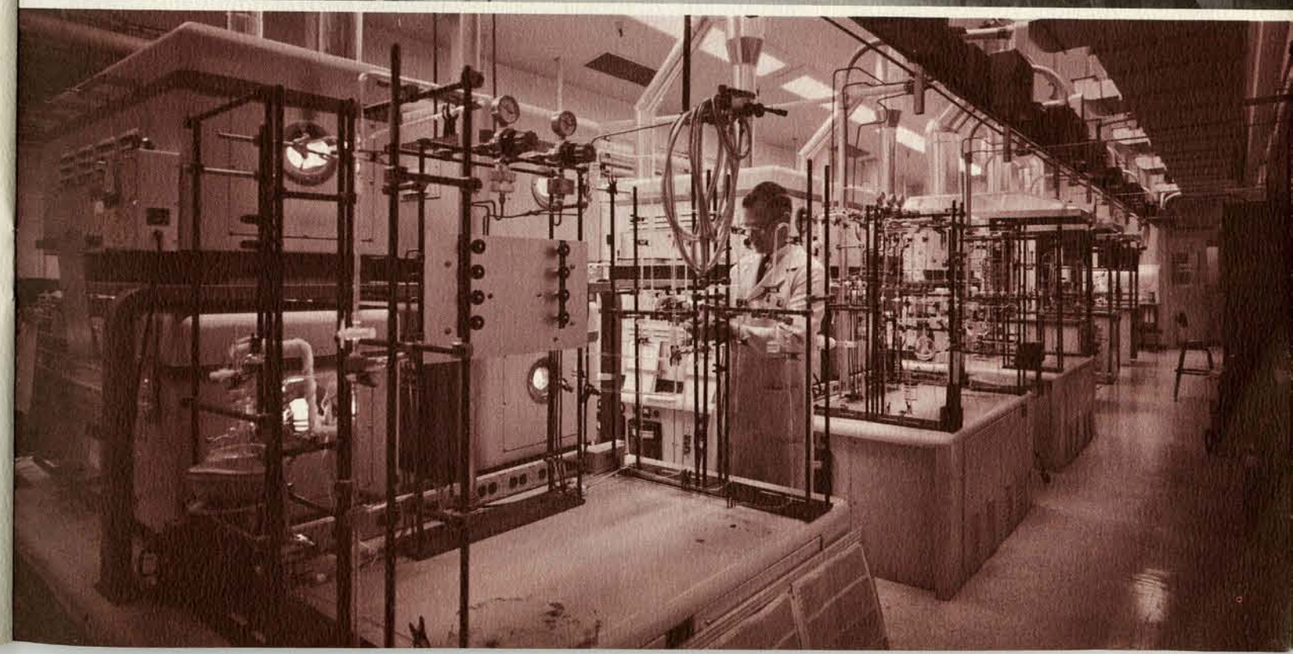
*Technician checking progress of a crystal of pure silicon, being prepared by the Czochralsky method. Chunks of silicon are placed in a heatproof container and melted in an oxygen-free atmosphere. Then a tiny "seed" crystal is touched to the surface of the molten silicon and slowly withdrawn from the container. The molten silicon atoms arrange themselves on the seed in a precise pattern called a "single crystal", and eventually all the molten silicon is transformed into a long, cylindrical ingot for later processing and slicing.*

*One of the integrated circuit assembly lines is pictured below, showing the dust-free work stations. To further assure cleanliness, all workers don dust-free coats and work with all fingers shielded by individual coverings which are changed frequently.*

*A portion of one section of Semiconductor Research and Development Laboratory (lower photo) where new processes, new techniques and new materials are evaluated and transformed from the theoretical to the practical.*



*The Fairchild Series 500 Transistor Tester was invented to speed up production by automatically making the dozens of tests required of each transistor. This and other automatic test instruments produced by Fairchild Semiconductor combine to make Fairchild the leading manufacturer of semiconductor test systems.*



This development resulted immediately in large orders. The epoxy transistor product line will become even more important during 1965 as large-screen television receivers are redesigned to take advantage of the performance of the now low-cost silicon transistors.

In addition to the standard metal-encased transistors and the industrial epoxy-coated transistors, the Company did a large volume of business in the sale of transistors designed to suit the particular needs of specific customers. One remarkable example of this activity was the purchase, by the computer division of Control Data Corporation, of many millions of transistors for a new computer series said to be the largest and most powerful ever built. In one transaction, Fairchild recorded the largest order for a single semiconductor type ever placed in the history of the Company, and probably ever in the history of the entire industry.

One source of Fairchild Semiconductor's manufacturing success has been the test equipment the Company manufactures for itself. Unique combinations of material handling systems, circuit innovations and the use of digital computer technology resulted in test equipment far better than anything commercially available.

The Company decided to sell this test equipment to other firms in the industry. This activity expanded during 1964, and Fairchild emerged as an important factor in the semiconductor test instrumentation field. One particular instrument, which automatically measures voltages and resistance values, uses Fairchild integrated circuits in a completely new and patented circuit. This Digital Voltmeter put the Corporation in a new market, ahead of more than 400 competing products, and has a sales potential in virtually every location where electronic equipment is built, used, or serviced.

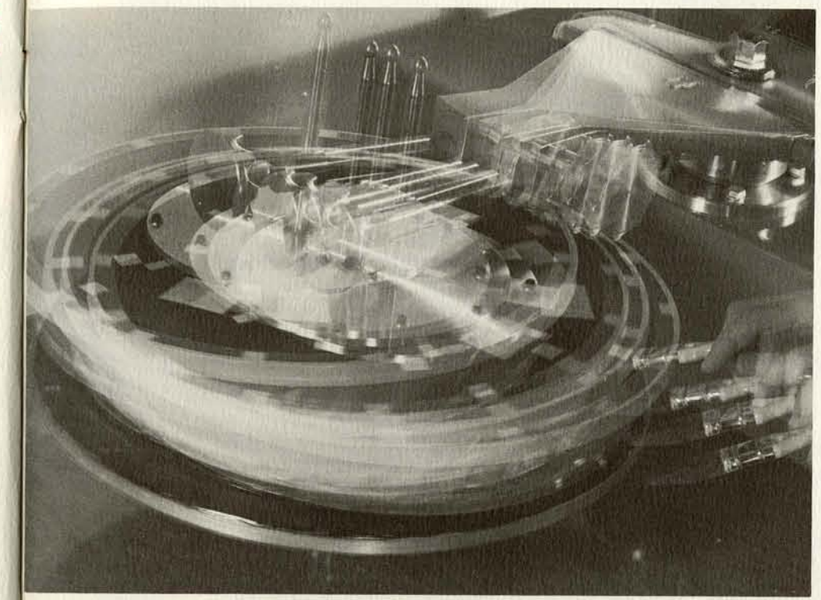
Reliability of products has always been a source of Fairchild's strength, and the Company's own data on this subject was supplemented during the year by a test performed by Massachusetts Institute of Technology at the request of the United States Government. As reported in the November 23 issue of Electronic News, Fairchild microcircuits under test operated continuously for a total of 50 million hours without a single failure. This kind of quality assurance means as much to the customer as price and specifications and accounts for much of the Company's success.

During 1964 the Corporation's patents covering the Planar process and Planar structure were strengthened as the consequence of its success in interference proceedings before the United States Patent Office. These patents cover the manufacture of virtually all high performance silicon transistors, diodes and integrated circuits. The Corporation is continuing in its program to license every manufacturer of these advanced products.

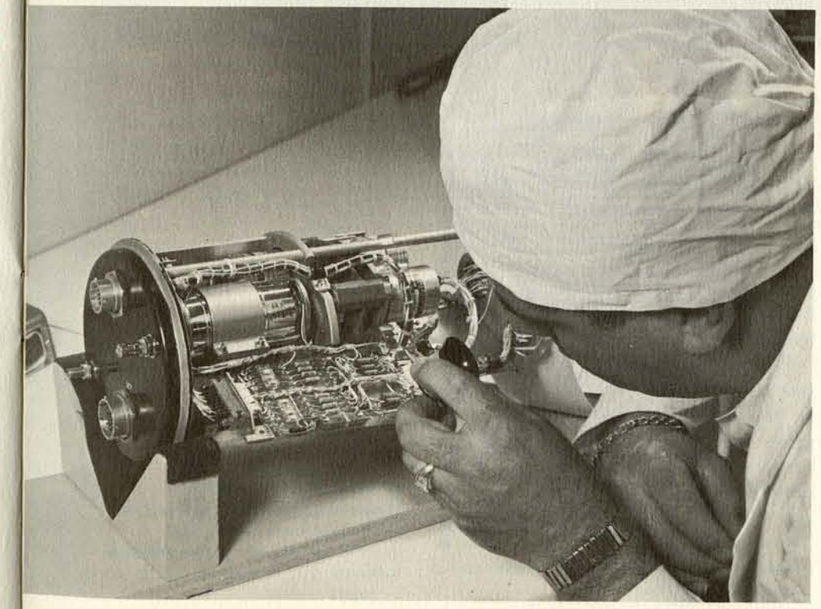
## SPACE AND DEFENSE SYSTEMS

In achieving its highest peacetime backlog during the year, the Space and Defense Systems Division experienced increasing demand for advanced intelligence data collection and processing systems.

Backed by strong domestic and overseas sales and publicity programs, worldwide recognition of the Division's leadership in the field of panoramic reconnaissance was attained. Production quantities of 5-inch and new 70mm film versions of its ultra-wide angle camera systems were supplied for a



*48-Inch beryllium mirror for aerospace optical system is polished at Space and Defense Systems Division Los Angeles operation.*



*Event programmer is one of a family of transistorized lightweight switching devices produced for space vehicle application.*

variety of Air Force, Army and Navy requirements. In addition, unique stabilized mounts accepting three different photographic sensors were produced for installation in RF-4B and RF-4C reconnaissance aircraft.

Under a major contract, the Division furnished quantities of a new intelligence data reduction shelter to the Air Force. Capable of being airlifted to any theatre of operation within 24 hours, the semi-automated photointerpretation "cell" handles infrared, radar and photographic imagery. It is designed to accelerate the preparation of vital intelligence reports for command decision.

To speed the ground handling of reconnaissance film under tactical conditions, a new line of display and processing equipment was introduced. These portable devices make it possible to develop either frame or panoramic film as well as scan and print enlargements of individual negatives in minutes. Fairchild's presaturated PoroMat film processing material eliminates the need for chemicals, water and darkroom facilities. Tests performed under actual field conditions showed excellent results and acceptance by the services.

At midyear, the Division delivered an advanced flight control computer under Air Force contract which is expected to have a significant bearing on the design of future systems. Developed as an operational laboratory model, the digital computer achieves substantial savings in size, weight and power consumption through the use of microelectronic circuitry. Reductions of 50% in size and 67% in weight combined with sizable reliability benefits indicate future potential in the control of high performance aircraft and aerospace vehicles.

At the Los Angeles facility, 1964 was marked by growth in the volume and diversification of precision optical sub-

## FAIRCHILD GLOSSARY

**analytic triangulation** — a means of determining the location coordinates of points in an aerial photograph from known points in another, by mathematical analysis of measured distances on the photographs.

**backlog** — refers to the contracted value of all orders booked but not as yet delivered. Includes work in process, work scheduled and work yet to be scheduled.

**broadband** (transmitters and receivers) — refers to equipment that operates over a very wide range of frequencies.

**chopper** — a device that produces an ac output from a dc input. Fairchild Controls makes solid state choppers but the device can also be mechanical.

**coaxial attenuator** — one of a variety of fixed or variable devices used to control the amplitude of an input or output signal to or from a radio frequency circuit.

**comparator** — as used in this report, a precision instrument for measuring *x* and *y* coordinates on an aerial photograph.

**countermeasure** — refers to electronic devices which generate signals to deter or deflect opposing signals. An example of an electronic countermeasure would be the "jamming" of radio signals.

**demodulator** — a device that converts a supressed carrier modulated input signal to a phase sensitive dc output signal.

**digital rotary transducer** — a rotating device utilizing optical sensor that produces a serial binary output as a result of shaft rotation.

**discrete** — separate; composed of individually distinct parts.

**fiber-optic faceplate** — the flat surface of an electron tube comprised of millions of extremely small (8 micron) fibers which results in increased light output and improved optical resolution.

**follow-on contract** — a contract which is awarded following an initial contract for a given program or product.

**geophysical** — refers to aerial surveys which show the physical geography of the earth.

**magnetometer**—a device which measures changes in the strength of the earth's magnetic field. Such changes, recorded in the air over a strip of land, reveal information to the geologist of the presence of mineral concentrations.

**microcircuit** — a miniaturized electrical or electronic circuit in which several components are combined into a single tiny unit. Fairchild "Micrologic" is an example of microcircuitry.

**Mini-Rapid processor** — a compact, portable machine which automatically develops, fixes and dries black-and-white roll film such as 16mm movie film in a matter of minutes. A 100 foot roll of exposed film can be processed, ready for viewing in 20 minutes.

**net worth** — the book value of the shareholders' investment in the corporation.

**offset** — a printing process by which the printed image is transferred from a positive plate to a rubber blanket and thence to the paper. The term derives from the fact that the printed image is "offset" from one medium (blanket) to another (paper).

**oscilloscope** — a test instrument using a cathode-ray tube (similar to TV tube) which produces visible wave forms of varying electrical currents or voltages.

**photomultiplier tube** — an electron tube that converts light into an electrical signal and then multiplies that signal as much as a million times.

**Planar process** — an advanced process by which Fairchild transistors and diodes are produced to provide unusual stability and increased reliability.

**plug-in module** — as used in this report, an electronic unit that is interchangeable with other similar units in a cathode-ray oscilloscope, to increase the range of capabilities of a single instrument.

**PoroMat** — Fairchild's trade name for a system using a plastic web material impregnated with chemicals for in-flight processing of aerial film.

**precision potentiometer** — an extremely accurate variable resistor, or voltage divider. The volume control on your radio is one of its simpler forms. Fairchild Controls makes precision potentiometers for very specialized industrial and military applications.

**retrofit** — to modify or up-date equipment already in service.

**RMS meter** — an electrical device which measures RMS (root-mean-square) . . . a value of direct-current that is .746 of a corresponding alternating current value.

**safety, arming and fuzing devices** — devices used to program the various sequences of operation in the firing of warheads on missiles, etc.

**solid-state** — the physics of materials in their solid form. Examples of solid-state materials are: transistor, diodes, solid-state lasers, metals and alloys, etc.

**storage tube** — a cathode-ray tube that retains an image or trace on the tube face for a relatively long period of time as opposed to a momentary or transient image.

**strain-gauge transducer** — a miniaturized pressure sensing device using semiconductors as sensors.

**Teletypesetter** — a typewriter-like device that produces a perforated tape, which when fed into an attachment on a linecasting machine permits the latter to be operated automatically.

**transducer** — an electro-mechanical device that transforms one kind of energy into another. Fairchild Controls makes a pressure transducer which changes physical pressures into electrical energy.

**transistor** — a small semiconductor device no larger than the eraser on the end of a pencil, which performs the functions of a radio tube. Commonly used in miniaturized electronic devices.

**vibrating wire transducer** — a transducer which utilizes a thin wire suspended in a magnetic field whose change in tension reflects a frequency modulating output.

**web perfecting press** — in this case an offset printing press in which a continuous roll of paper (web) is fed between two printing blankets which make a printed impression on both sides of the paper simultaneously. It is also referred to as a blanket-to-blanket press.

**working capital** — the excess of current assets over current liabilities available for use in the daily (and any unusual) operations of the corporation.





## STATEMENT OF CHANGES IN WORKING CAPITAL

YEAR ENDED DECEMBER 31, 1964 WITH COMPARATIVE FIGURES FOR 1963

| | 1964 | 1963 |
|---|---|---|
| **WORKING CAPITAL AT BEGINNING OF YEAR** | **$26,693,150** | **$20,703,574** |
| Adjustments resulting from poolings of interests — | | |
| Electro-Metrics Corporation in 1964 and Winston Research Corporation in 1963 | ( 40,513) | (130,082) |
| | **26,652,637** | **20,573,492** |
| **ADDITIONS:** | | |
| Net earnings and special credits | 2,574,229 | 2,667,555 |
| Depreciation and amortization | 5,212,703 | 4,392,729 |
| Increase in long-term debt | 17,148,841 | 7,294,515 |
| Proceeds from sale of capital stock, less expenses | 48,250 | 141,070 |
| Decrease in investments in and advances to affiliated companies and other assets | — | 23,885 |
| | **24,984,023** | **14,519,754** |
| | 51,636,660 | 35,093,246 |
| **DEDUCTIONS:** | | |
| Cash dividend paid — 50c a share in 1964 and 1963 | 1,278,329 | 1,275,328 |
| Net additions to property, plant and equipment | 4,317,435 | 6,790,708 |
| Decrease in deferred Federal income taxes | 290,159 | 334,060 |
| Increase in investments in and advances to affiliated companies and other assets | 541,903 | — |
| | **6,427,826** | **8,400,096** |
| **WORKING CAPITAL AT END OF YEAR** | **$45,208,834** | **$26,693,150** |

# CONSOLIDATED BALANCE SHEET / YEAR ENDED DECEMBER 31, 1964 WITH COMPARATIVE FIGURES FOR 1963

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION AND SUBSIDIARIES

## ASSETS

| | 1964 | 1963 |
|---|---|---|
| **CURRENT ASSETS:** | | |
| Cash | $ 4,609,606 | $ 3,760,500 |
| Accounts and notes receivable, including $3,793,730 in 1964 and $2,921,556 in 1963 of instalment payment contracts due after one year, less provision for allowances and doubtful accounts — 1964, $1,603,174; 1963, $1,104,637 | 31,525,562 | 26,882,897 |
| Inventories, at the lower of cost (principally first-in, first-out) or estimated realizable market: | | |
| U. S. Government contracts and other work in process, less progress payments — 1964, $3,660,580; 1963, $1,530,620 | 15,819,984 | 12,975,414 |
| Raw materials and parts | 9,419,789 | 6,656,230 |
| Finished goods | 8,592,669 | 8,877,411 |
| | 33,832,442 | 28,509,055 |
| Prepaid Expenses | 699,995 | 686,038 |
| Total Current Assets | **70,667,605** | **59,838,490** |
| **INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES** (note 1) | **2,507,009** | **1,794,953** |
| **PROPERTY, PLANT AND EQUIPMENT, AT COST:** | | |
| Land | 332,855 | 514,747 |
| Buildings | 8,504,972 | 8,660,361 |
| Rental equipment | 3,135,790 | 3,905,948 |
| Machinery, furniture and fixtures and leasehold improvements | 30,292,992 | 27,161,608 |
| | 42,266,609 | 40,242,664 |
| Less accumulated depreciation and amortization | 19,110,643 | 16,191,430 |
| | **23,155,966** | **24,051,234** |
| **DEFERRED CHARGES** | 101,602 | 271,755 |
| **GOODWILL** | 1 | 1 |
| | **$96,432,183** | **$85,956,433** |

*See accompanying notes to consolidated financial statements.*



## LIABILITIES AND STOCKHOLDERS' EQUITY

| | 1964 | 1963 |
|---|---|---|
| **CURRENT LIABILITIES:** | | |
| Notes payable to banks — unsecured (note 2) | $ 6,000,000 | $14,500,000 |
| Current instalments of unsecured term loan payable (note 2) | 1,250,000 | 2,000,000 |
| Current instalments of mortgages payable | 116,464 | 128,286 |
| Accounts payable and accrued liabilities | 14,935,776 | 13,741,325 |
| Provision for Federal and other taxes on income (note 3) | 3,156,531 | 2,775,729 |
| Total Current Liabilities | **25,458,771** | **33,145,340** |
| **LONG-TERM DEBT:** | | |
| Note payable to insurance company (note 2) | 23,750,000 | — |
| Unsecured term loan, less current instalments (note 2) | 5,000,000 | 7,000,000 |
| 4¾% to 6% mortgages payable, less current instalments | 968,709 | 1,069,868 |
| Secured revolving credit | — | 4,500,000 |
| | **29,718,709** | **12,569,868** |
| **DEFERRED FEDERAL INCOME TAXES AND, IN 1963, INVESTMENT CREDIT** (note 3) | **467,000** | **757,159** |
| **STOCKHOLDERS' EQUITY:** | | |
| Common Stock, $1 par value (note 4): | | |
| Authorized, 4,000,000 shares. | | |
| Issued and outstanding, 2,556,657 shares in 1964 and 2,550,657 shares in 1963 | 2,556,657 | 2,550,657 |
| Additional paid-in capital | 17,330,492 | 17,288,025 |
| Retained earnings (note 2) | 20,900,554 | 19,645,384 |
| Total stockholders' equity | **40,787,703** | **39,484,066** |
| **CONTINGENCIES AND COMMITMENTS** (notes 5 and 6) | | |
| | **$96,432,183** | **$85,956,433** |

# STATEMENT OF CONSOLIDATED EARNINGS

YEAR ENDED DECEMBER 31, 1964 WITH COMPARATIVE FIGURES FOR 1963

| | 1964 | 1963 |
|---|---|---|
| NET SALES AND MACHINE RENTALS | $138,700,193 | $116,404,392 |
| COST OF SALES AND OTHER OPERATING COSTS | | |
| (Depreciation and amortization provided — 1964, $5,212,703; 1963, $4,392,729): | | |
| Cost of sales and machine rentals | 108,206,707 | 86,991,668 |
| Administrative and selling | 26,327,330 | 24,729,341 |
| | 134,534,037 | 111,721,009 |
| | 4,166,156 | 4,683,383 |
| OTHER INCOME: | | |
| Royalties | 738,396 | 157,289 |
| Miscellaneous | 821,755 | 644,431 |
| | 1,560,151 | 801,720 |
| | 5,726,307 | 5,485,103 |
| LESS INTEREST PAID (1964, $1,804,378; 1963, $1,260,204) and other charges | 2,186,990 | 1,632,548 |
| EARNINGS BEFORE FEDERAL TAXES ON INCOME | 3,539,317 | 3,852,555 |
| PROVISION FOR FEDERAL TAXES ON INCOME (note 3) | 1,612,000 | 1,922,000 |
| NET EARNINGS FOR YEAR | 1,927,317 | 1,930,555 |
| SPECIAL CREDITS: | | |
| PRIOR YEARS UNAMORTIZED INVESTMENT CREDITS at beginning of year (note 3) | 253,159 | — |
| NET GAIN, AFTER APPLICABLE TAXES, ON DISPOSITION OF PLANTS | 265,753 | — |
| FEDERAL INCOME TAX BENEFITS RESULTING FROM LOSSES INCURRED BY ALLEN B. DU MONT LABORATORIES, INC. PRIOR TO MERGER | 128,000 | 737,000 |
| | 646,912 | 737,000 |
| NET EARNINGS AND SPECIAL CREDITS | $ 2,574,229 | $ 2,667,555 |

*See accompanying notes to consolidated financial statements.*





# STATEMENTS OF CONSOLIDATED ADDITIONAL PAID-IN CAPITAL AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1964 WITH COMPARATIVE FIGURES FOR 1963

| | 1964 | 1963 |
|---|---|---|
| ADDITIONAL PAID-IN CAPITAL | | |
| BALANCE AT BEGINNING OF YEAR | $17,288,025 | $17,152,551 |
| Excess of value of capital stock of Electro-Metrics Corporation in 1964 and Winston Research Corporation in 1963 over par value of Fairchild stock issued therefor (note 1) | 217 | 9,478 |
| Excess of proceeds from exercise of stock options over par value of shares issued, less expenses (note 4) | 42,250 | 125,996 |
| BALANCE AT END OF YEAR | $17,330,492 | $17,288,025 |
| RETAINED EARNINGS | | |
| BALANCE AT BEGINNING OF YEAR | $19,645,384 | $18,393,217 |
| (Deficit) of Electro-Metrics Corporation at January 1, 1964 and Winston Research Corporation at January 1, 1963 (note 1) | ( 40,730) | (140,060) |
| | 19,604,654 | 18,253,157 |
| Add net earnings and special credits | 2,574,229 | 2,667,555 |
| | 22,178,883 | 20,920,712 |
| Deduct cash dividends — 50c a share in 1964 and 1963 | 1,278,329 | 1,275,328 |
| BALANCE AT END OF YEAR (note 2) | $20,900,554 | $19,645,384 |

*See accompanying notes to consolidated financial statements.*

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