Annual Report 1959

FAIRCHILD
CAMERA AND INSTRUMENT
CORPORATION

CONTENTS

Annual Report 1959

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION

For the Year Ended December 31, 1959

EXECUTIVE OFFICES AND MAIN PLANT
Robbins Lane, Syosset, L. I., N. Y.

BRANCH OFFICES
Atlanta, Ga.
Chicago, Ill.
Dayton, Ohio
Eastchester, N. Y.
Los Angeles, California
New York, N. Y.
Washington, D. C.

SUBSIDIARIES

Fairchild Semiconductor Corporation
Mountain View, Calif.

Fairchild Aerial Surveys, Inc.
Los Angeles, Calif.

Fairchild Graphic Equipment, Inc.
Plainview, L. I., N. Y.

Fairchild Controls Corporation
Hicksville, L. I., N. Y.

Fairchild Camera en Instrumenten Maatschappij, N.V.
Emmen, Netherlands

Fairchild Camera & Instrument Corp. of Canada, Ltd.
Toronto, Ont.

Sherman M. Fairchild, Chairman of Board
Founder of Fairchild Camera and Instrument Corporation; Chairman of Fairchild Engine and Airplane Corp.; Director of I.B.M. and G. M. Giannini Co., Inc.

BOARD of DIRECTORS

Walter F. Burke, Jr.
Attorney and financial advisor.

F. E. Newbold, Jr.
Vice President of Fairchild Engine and Airplane Corp. and General Manager of Engine, Stratos and Guided Missiles Divisions.

John Carter
President of Fairchild Camera and Instrument Corporation.

Wm. B. Scarborough
Consultant; Director of Metropolitan Fire Association Company.

Charles H. Colvin
President of Colvin Laboratories.

Edward Streeter
Former Vice President of the Bank of New York.

William C. Franklin
President and Director of the Royal Crown Bottling Co., Baltimore, Md.

Milton L. Van Slyck
Managing Editor of the New York Journal of Commerce.

Richard Hodgson
Executive Vice President of Fairchild Camera and Instrument Corporation.

Jos. B. Wharton, Jr.
President and Chief Executive Officer of National Can Corporation.

OFFICERS

John Carter
President

Richard Hodgson
Executive Vice President

E. S. Hill
Vice President and Comptroller

C. L. Terrill
Vice President and Secretary

K. P. McNaughton
Vice President

G. J. Wade
Treasurer

J. W. English
Assistant Comptroller

Philip Haas, Jr.
Assistant Secretary

Nelson Stone
Assistant Secretary

General Counsel
Cravath, Swaine & Moore, New York

Accountants and Auditors
Peat, Marwick, Mitchell & Co., N. Y.

Transfer Agent
The Bank of New York

Registrar
First National City Bank of New York

THE 1959 STORY BRIEFLY

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION and SUBSIDIARIES

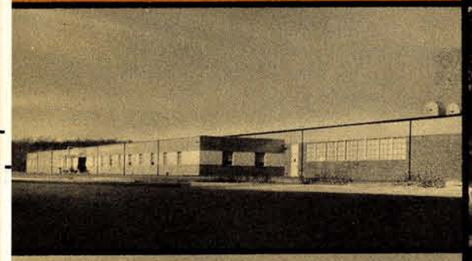
For the Years Ended December 31, 1959 and 1958

	1959	1958
Net Sales	$43,442,000	$31,674,000
Profit Before Federal Taxes on Income (and Special Provision in 1958)	4,360,000	1,869,000
Net Profit (and Special Provision in 1958)	2,071,000	544,000
Taxes	3,376,000	1,637,000
Working Capital	7,738,000	6,741,000
Net Worth	14,376,000	12,374,000
Payroll	22,368,000	14,907,000
Number of Employees	3,577	2,168
Number of Stockholders	3,174	1,965
Shares Outstanding (Two-for-One Split in 1959)	1,036,890	476,597
Backlog	19,823,000	18,154,000
PER SHARE (Both Years Based on 1,036,890 Shares):		
Net Profit (and Special Provision in 1958)	$ 2.00	$ .53
Taxes	3.26	1.58
Working Capital	7.46	6.50
Net Worth	13.86	11.93

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION

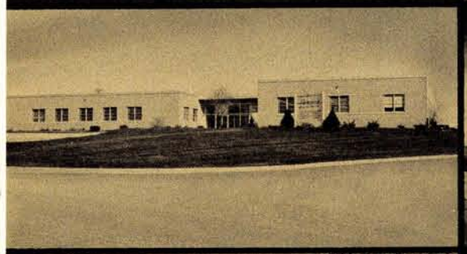
PLANTS AND BUILDINGS

Corporate Headquarters and Main Plant of Defense Products Division,
Syosset, L. I., N. Y.
167,000 square feet



Left—Engineering Building, Defense Products Division,
Syosset, L. I., N. Y.
58,500 square feet

Right—Offices and Plant Industrial Products Division
Yonkers, N. Y.
10,000 square feet



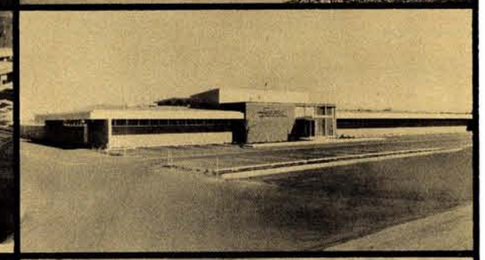
Left—Offices and Plant Graphic Equipment Division
Plainview, L. I., N. Y.
58,500 square feet

Right—Scan-A-Plate Plant Graphic Equipment Division
Syosset, L. I., N. Y.
9,500 square feet

Left—Offices and Plant—East Coast Components Division
Hicksville, L. I., N. Y.
43,000 square feet

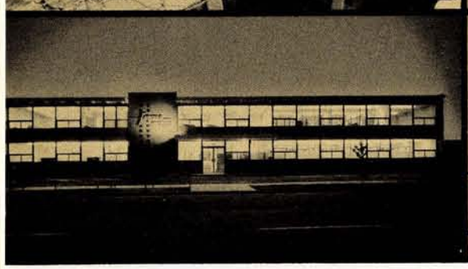
Right—Offices and Plant—West Coast Components Division
Los Angeles, California

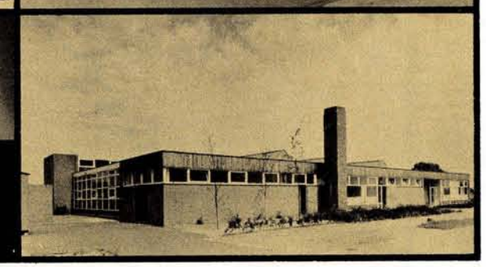
West Coast Sales and Service
Defense Products Division
Graphic Equipment Division
24,000 square feet



Left—Offices and Laboratories Aerial Surveys Division
Los Angeles, California
41,000 square feet

Right—Main Offices and Plant Semiconductor Division
Mountain View, California
113,200 square feet





Left—Research and Development Laboratories Semiconductor Division
Palo Alto, California
32,000 square feet

Right—Fairchild Camera en Instrumenten, Maatschappij, N. V.
Emmen, The Netherlands
12,000 square feet

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION

SYOSSET, L. I., N. Y.

DEAR STOCKHOLDER:

Management presents herein a report on its operations for the year 1959.

We achieved the highest profits in the Corporation's 40 year history, and a sales volume second only to the peak World War II year of 1943.

Stockholders approved a two-for-one stock split, and an increase in the Corporation's authorized common stock from 750,000 to 2,000,000 shares.

A 50-cent per share dividend was voted on the split stock, representing a 100 percent increase over each of the two prior years' payments. The total dividend paid to stockholders amounted to $518,000 and represents the largest annual cash disbursement of dividends in the Company's history. The 1959 dividend represents the 22nd consecutive year in which cash dividends have been paid by the Company.

The year marked your Company's move into the consumer photographic market, acquisition of the Fairchild Semiconductor Corporation and an acceleration of the Company's research program, backed by new laboratories and facilities.

Total backlog was increased and product lines were expanded in all divisions.

All of these developments were geared to your Company's long range program of expansion and product diversification, which your Management believes will continue to result in increased profitability and appreciation of stockholder equity.

Sincerely,

Sherman M. Fairchild

SHERMAN M. FAIRCHILD
Chairman of the Board

John Carter

JOHN CARTER
President

REPORTS ON THE DIVISIONS

THE SEMICONDUCTOR DIVISION

On September 24, 1959 your Company exercised its option to acquire all of the common stock of Fairchild Semiconductor Corporation, Mountain View, California. The Semiconductor acquisition involved the exchange of 19,901 shares (before split) of the common stock of Fairchild Camera and Instrument Corporation for 100 percent of the stock of the Semiconductor Corporation. This exchange was accomplished on October 16, and the firm became a wholly-owned subsidiary.

During 1959 Fairchild Semiconductor increased its rate of sales tenfold, with an equivalent increase in personnel to 1260 employees. Plant space of 20,000 square feet in January was increased to 100,000 square feet in August with the opening of a new 68,000 square foot manufacturing facility in Mountain View, California and an addition of more space to the Research and Development Laboratories in Palo Alto, California.

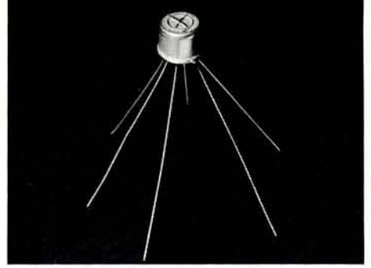
Undisputed technical leadership in the silicon transistor product line has been maintained by the introduction, during a six month period, of seven new transistors, each the most advanced type available in its area of application.

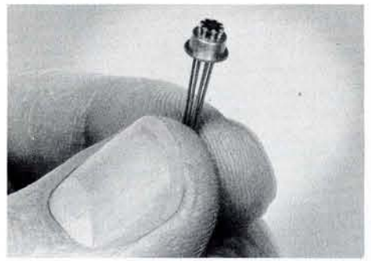
Development of a line of new ultra-fast silicon diodes was completed during the Fall, and a diode manufacturing operation was initiated in San Rafael, California. This activity is located in a temporary 7,000 square foot facility while a new 50,000 square foot diode plant is being constructed. Completion is scheduled for August, 1960. In addition to this new diode plant, the transistor manufacturing facilities at Mountain View are being expanded to more than double the present capacity in anticipation of 1960 demands.

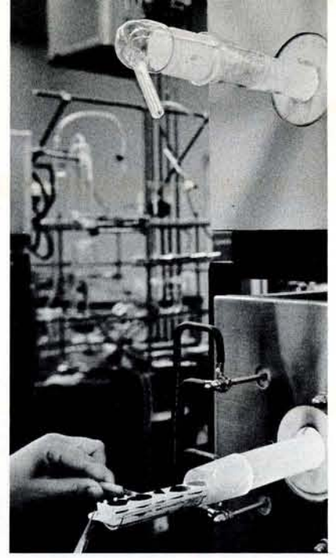
The Research and Development activity has been increased during the year, and is now nearly as large as the entire Semiconductor Company was only a year ago. New materials and new methods of producing transistors and diodes are being investigated. New semiconductor devices, including parametric diodes and Esaki or "tunnel" diodes are being produced on a developmental production line and their applications are being studied.

Artist's rendering of new 50,000 square foot diode plant of Semiconductor Division now under construction at San Rafael, California.

Transistor production has been expedited through elimination of much manual handling of tiny parts. This is a die attach station in which parts move on metal track past the operator.







Two new developments of Semiconductor Division are shown here. **At top left** — "Hexistor" contains complete 20 megacycle flip-flop, gating, adding or other computer circuit block encapsulated in a standard transistor capsule; **at bottom left** is the new micrologic element packaged in tiny transistor capsule. Unit is one of six types of logic elements developed for computer use. Cost reductions of 75% and space savings of 20 to 30 times are possible with this new concept. **At right** is shown method of loading silicon wafers into diffusion furnace.

New integrated "micrologic" components have been developed which allow an entire computer circuit of four active elements plus numerous resistors and capacitors to be packaged in a conventional transistor capsule, smaller than the eraser tip of a pencil. These micromodules represent great space and weight savings to the modern computer, and give greater circuit reliability than previous types. Through these and other advanced R and D programs, Fairchild Semiconductor expects to maintain its technological leadership in the semiconductor field.

THE INDUSTRIAL PRODUCTS DIVISION

In the Industrial Products Division continued expansion of products for industrial application was accompanied by a major effort to develop a unique and proprietary position in the consumer field.

Marketing and technical investigations covered a number of consumer areas and possible new products. Final analysis selected eight millimeter magnetic sound motion picture equipment as the logical first in a line of Fairchild consumer items.

As a result, your management authorized immediate and full scale development of the 8mm Cinephonic equipment line, to include camera, projector, film, and related photographic accessories.

The accelerated program which followed has resulted in another "Fairchild First", this time in a vast consumer field. To quote from an article in the April issue of Popular Photography Magazine: "The 8mm sound barrier has been smashed, pulverized, evaporated . . . Fairchild's Cinephonic Eight system is a monumental development because it introduces an important professional tool—sound-on-film—to 8mm movies."

Distribution of the equipment is being handled directly by your Company through franchised dealers. Under agreement with Ansco, we are also marketing, under the Fairchild name, a superior sound-striped color film as well.

Since this represents a real breakthrough in the field, a significant area of accessory equipment is indicated and we will continue to add to the line now offered.

Board Chairman, Sherman M. Fairchild proudly shows the new Fairchild Cinephonic 8 sound-movie camera introduced by Industrial Products Division.

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION and SUBSIDIARIES

EFFECT OF 1959 OPERATIONS ON WORKING CAPITAL

Working Capital, December 31, 1958				$ 6,740,646
Net addition caused by consolidation of Fairchild Semiconductor Corporation under "pooling of interests" concept in 1959 without restating prior year				653,412
Additions:				
Net earnings for the year			$2,071,225	
Depreciation and amortization—1959:				
Rental machines	$ 559,816			
Other	916,407	$1,476,223		
Less: Charges to reserve:				
Disposals	$1,085,944			
Rebuilding costs	12,598	1,098,542	377,681	
Decrease in investments in affiliated companies and other assets			24,203	
Increase in non-current borrowings			100,000	
Proceeds from sales of capital stock less expenses			443,486	3,016,595
				10,410,653
Deductions:				
Cash dividend paid — $.50 per share			518,270	
Additions to fixed assets, etc.—net:				
Property and plant equipment		2,348,666		
Rental machines		(247,334)	2,101,332	
Decrease in deferred Federal income taxes			53,000	2,672,602
Working Capital, December 31, 1959				$ 7,738,051

GLOSSARY

accelerometer — an instrument placed in a moving body, such as an airplane or missile, to measure the forces resulting from direction or velocity changes, and to supply an electrical output in terms of these changes. Applications are in bombing and gunnery computers and in guided missile controls.

automatic film 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.

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.

data processing — in a broad sense, the automatic translation and evaluation of coded information into meaningful numbers, words, etc. An example would be the translation of punched holes in IBM cards into names, addresses, and numbers.

diode — a small component (literally half a transistor) having two electrodes, one being positive and the other negative. Principal function is in switching.

doppler navigation system — a self-contained airborne electronic navigation system similar to radar which continually positions the aircraft at any time during its flight.

dubbing — the art of inserting verbal commentary or additional sound effects onto the sound track of a film or tape.

Esaki (tunnel) diode — a potentially inexpensive semiconductor device which can be used as a switching device for computer applications.

facsimile — in this instance, the transmission of printed matter, charts, drawings, etc. over long distances by wire or radio.

gravity meter survey — a method of measuring the force of gravity at points on the earth's surface usually resulting in a special gravity contour map showing the force of gravity at the different elevations.

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.

micrologic components — an ingenious group of miniaturized semiconductor circuit components which are capable of operating at speeds of 20 million cycles per second, and can perform all of the functions of a digital computer. Use of these unique units in contemporary digital computers would reduce their size by 95% and their cost by 75%.

missile support equipment — inspection, test, operating and training equipment necessary to the operation of airborne vehicles such as missiles but which are not a physical part of the airborne vehicle.

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

parametric diode — a very high frequency semiconductor with low noise (static) characteristics.

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

prototype — usually the first working model of an instrument or machine upon which future production units will be built.

rate gyro — an electro-mechanical device which measures angular rates of turn in missile and aircraft applications.

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

Scan-A-Color — trade name for Fairchild's electro-optical device which electronically separates the primary colors of a color photograph and provides negatives of these colors for the production of engravings used in printed reproduction of such photographs.

Scan-A-Graver — the registered trade name for the Graphic Equipment Division's electronic halftone engraving machine console model. Features same-size reproduction in any one of four screen size models.

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

topographic survey — a form of mapping which shows the contours and elevations of the earth's surface.

transducer — an electro-mechanical device that transforms one kind of energy into another. The Components Division makes a pressure transducer which changes mechanical pressure into electrical energy.

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

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

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION

CONSOLIDATED BALANCE SHEET

and SUBSIDIARIES

DECEMBER 31, 1959 WITH COMPARATIVE FIGURES FOR 1958

ASSETS

	1959	1958
Current assets:		
Cash	$ 1,452,665	$ 1,110,683
Accounts receivable, less allowances for doubtful accounts	8,300,102	5,914,702
Inventories, at lower of cost or estimated realizable market:		
U. S. Government contracts and other work in process, less progress payments – 1959, $849,269; 1958, $606,490	5,086,396	3,261,094
Raw materials, parts and finished goods	4,511,012	3,083,300
Prepaid expenses	236,147	212,454
Total current assets	19,586,322	13,582,233
Investments in affiliated companies and other assets (note 1)	365,864	390,067
Advances to Fairchild Semiconductor Corporation, less provision for possible loss of $380,765 (note 1)	–	925,235
Property, plant and equipment, at cost:		
Land and buildings	3,952,301	3,860,200
Rental equipment	3,734,197	3,981,531
Machinery, furniture and fixtures and leasehold improvements	7,459,705	4,869,076
	15,146,203	12,710,807
Less accumulated depreciation and amortization	4,828,143	4,393,546
	10,318,060	8,317,261
Goodwill	1	1
	$ 30,270,247	$ 23,214,797

See accompanying notes to consolidated financial statements.

LIABILITIES

	1959	1958
Current liabilities:		
Notes payable to banks (note 2)	$ 4,000,000	$ 2,900,000
Accounts payable and accrued liabilities	5,895,394	2,495,446
Provision for Federal and other taxes on income	1,952,877	1,446,141
Total current liabilities	11,848,271	6,841,587
Long-term debt – secured revolving credit (note 2)	2,900,000	2,800,000
Deferred Federal income taxes (note 3)	1,146,000	1,199,000
Stockholders' equity:		
Common stock, $1 par value (notes 4 and 5): Authorized, 2,000,000 shares.		
Issued and outstanding, 1,036,890 shares in 1959 and 476,597 shares in 1958	1,036,890	476,597
Additional paid-in capital	3,188,905	3,300,387
Retained earnings (note 2)	10,150,181	8,597,226
Total stockholders' equity	14,375,976	12,374,210
Commitments (notes 6 and 7).		
	$ 30,270,247	$ 23,214,797

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION and SUBSIDIARIES

STATEMENT OF CONSOLIDATED EARNINGS

YEAR ENDED DECEMBER 31, 1959 WITH COMPARATIVE FIGURES FOR 1958

	1959	1958
Net sales and machine rentals	$ 43,442,600	$ 31,674,356
Cost of sales and other operating costs (depreciation and amortization provided — 1959, $1,476,223; 1958, $1,306,288 (note 3)):		
Cost of sales and machine rentals	32,012,210	23,819,131
Administrative and selling	7,119,927	5,804,254
	39,132,137	29,623,385
	4,310,463	2,050,971
Other income (note 1):		
Dividend from affiliate	75,000	—
Other	287,890	176,788
	4,673,353	2,227,759
Less interest paid (1959, $291,920; 1958, $281,005) and other charges	313,128	359,044
	4,360,225	1,868,715
Provision for Federal taxes on income	2,289,000	1,009,000
Net earnings before provision for possible loss on advances	2,071,225	859,715
Provision for possible loss on advances to Fairchild Semiconductor Corporation (note 1)	—	315,320
Net earnings for year	$ 2,071,225	$ 544,395

See accompanying notes to consolidated financial statements.

STATEMENTS OF CONSOLIDATED ADDITIONAL PAID-IN CAPITAL AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1959 WITH COMPARATIVE FIGURES FOR 1958

	1959	1958
Additional Paid-in Capital		
BALANCE AT BEGINNING OF YEAR	$ 3,300,387	$ 3,289,911
Excess of proceeds from exercise of stock options over par value of shares issued, less expenses (note 5)	421,364	10,476
	3,721,751	3,300,387
Less:		
Transfer to common stock account in connection with two-for-one stock split (note 4)	518,270	—
Excess of par value of Fairchild Camera and Instrument Corporation stock issued over par value of Fairchild Semiconductor Corporation stock acquired, less Semiconductor additional paid-in capital (note 1)	14,576	—
	532,846	—
BALANCE AT END OF YEAR	$ 3,188,905	$ 3,300,387
Retained Earnings		
BALANCE AT BEGINNING OF YEAR	$ 8,597,226	$ 8,291,130
Add net earnings for year, per accompanying statement	2,071,225	544,395
	10,668,451	8,835,525
Deduct cash dividends—50¢ a share in 1959 and 25¢ a share (adjusted for two-for-one stock split) in 1958	518,270	238,299
BALANCE AT END OF YEAR (NOTE 2)	$ 10,150,181	$ 8,597,226

See accompanying notes to consolidated financial statements.

Geri Hadley
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gerihadley@sbcglobal.net

ROBBINS LANE, SYOSSET, L. I., NEW YORK

FAIRCHILD
CAMERA AND INSTRUMENT
CORPORATION