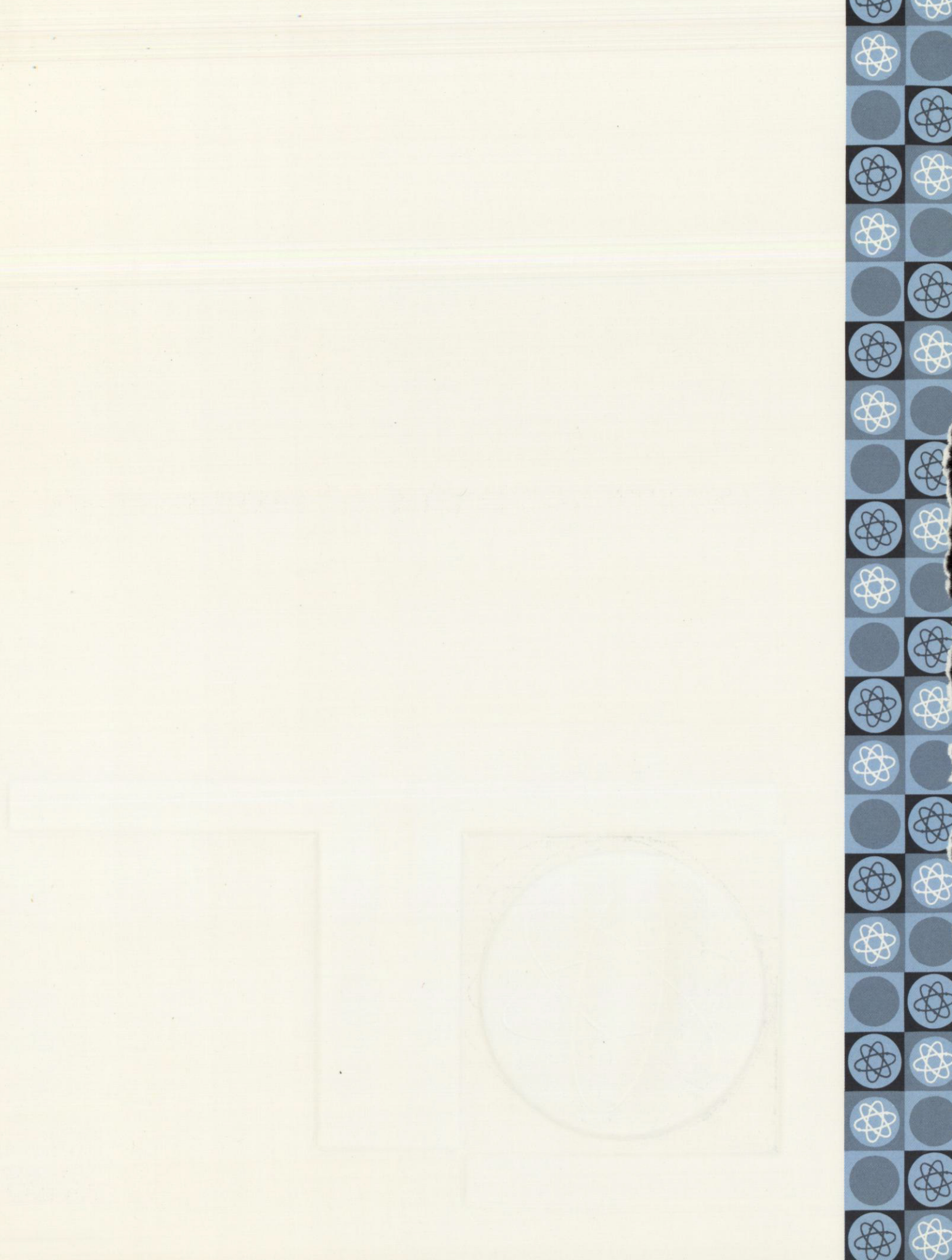


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LING-TEMCO ELECTRONICS, INC.
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annual report 1960



directors

ROBERT McCULLOCH* JAMES J. LING*
CLYDE SKEEN* LEE D. WEBSTER*
D. H. BYRD, (*Diverse business enterprises*),
 D. H. BYRD ENTERPRISES, Dallas, Texas
JAMES M. CUMBY, *Senior Vice President*
 REPUBLIC NATIONAL BANK OF DALLAS, Dallas, Texas
V. A. DAVIDSON, M.D.,
 Real Estate and Investments, Dallas, Texas
W. H. OSBORN, JR., *Partner*
 LEHMAN BROTHERS, New York
O. R. MOORE, *President*
 AMERICAN SECURITY INSURANCE COMPANY, Atlanta, Ga.
HAROLD F. VOLK, *President*
 VOLK BROTHERS DEPARTMENT STORES, Dallas, Texas
A. A. WARD, *President*
 ALTEC COMPANIES, INC., Anaheim, California
JAMES O. WELDON*, *President*
 CONTINENTAL ELECTRONICS
 MANUFACTURING COMPANY, Dallas, Texas

*EXECUTIVE COMMITTEE

CORPORATE OFFICES, **LING-TEMCO ELECTRONICS, INC.**, P. O. BOX 5003, DALLAS 22, TEXAS

officers of the
company

ROBERT McCULLOCH, *Chairman of the Board and Chief Executive Officer*
JAMES J. LING, *President and Chairman of the Executive Committee*
CLYDE SKEEN, *Executive Vice President and General Manager*
LEE D. WEBSTER, *Vice President, Secretary and Treasurer*

TRANSFER AGENTS

Republic National Bank of Dallas, Dallas, Texas
The Chase Manhattan Bank, New York, New York
Bank of America National Trust and Savings Association,
Los Angeles, California

REGISTRARS

First National Bank in Dallas, Dallas, Texas
Bankers Trust Company, New York, New York

TRUSTEES, CONVERSION AND PAYING AGENTS

5¼% Convertible Subordinated Debentures:
Republic National Bank of Dallas, Dallas, Texas
5½% Subordinated Convertible Debentures:
Bank of America National Trust and Savings Association,
Los Angeles, California

TRUSTEES

First Mortgage 5¼% Sinking Fund Bonds:
The First National Bank of Fort Worth, Fort Worth, Texas

AUDITORS

Ernst & Ernst

GENERAL COUNSEL

Johnson, Bromberg, Leeds & Riggs, Dallas, Texas

Common Stock listed on the New York Stock Exchange

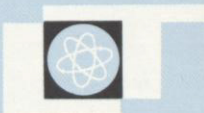


annual report 1960

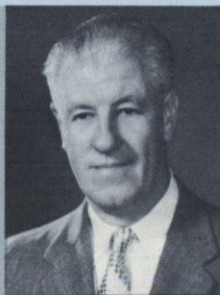
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NOTICE TO STOCKHOLDERS: *The Annual Meeting will be held at the Company's General Office Building at Garland, Texas, on April 10, 1961 at 10 a.m. Formal notice of the meeting, together with the proxy statement and form of proxy will be sent to stockholders on or about March 21, 1961.*



executive committee



ROBERT McCULLOCH



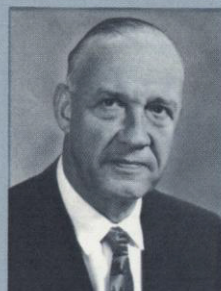
JAMES J. LING



CLYDE SKEEN



LEE D. WEBSTER



JAMES O. WELDON



D. H. BYRD



JAMES M. CUMBY



V. A. DAVIDSON, M.D.



O. R. MOORE

directors



W. H. OSBORN, JR.



HAROLD F. VOLK



A. A. WARD



includes all members of the executive committee

TO THE STOCKHOLDERS:

Fulfillment of immediate as well as long-range objectives continues to be the keynote of your management.

Your Board of Directors' program of orderly expansion and growth to assure development of your Company as a truly effective force in the electronics and aerospace industries moved ahead with the combining of Ling-Altec Electronics, Inc., with Temco Aircraft Corporation. This combination was overwhelmingly approved July 11, 1960 at special meetings of stockholders of both companies.

Management has taken steps to maintain the Company's excellent position in its current fields of operation and to establish an equally strong position in promising new fields of technological interest and significance. Expansion of engineering research and marketing to assure continued and aggressive penetration of additional markets were supported by close attention to financing, facilities expansion and strengthening of our management structure. Recent

acquisitions also added to the over-all capabilities of our technical, engineering and management teams.

SALES AND EARNINGS

Sales during 1960 of \$148,447,484 approximated those of 1959 of \$148,723,916 despite the loss of approximately \$16 million of the planned sales in the Corvus program reduction of July 18, 1960. Net earnings after taxes were \$3,051,172 as compared to \$3,029,550 a year ago and net earnings per common share based on an average of 2,450,410 shares outstanding were \$1.25. For 1959, based on the same number of shares, net earnings per common share were \$1.22, which included 18 cents per share of non-recurring income as compared to 11 cents per share of non-recurring income for the current year.

Continued diversification of the Company's product lines has facilitated the shift in emphasis from manned aircraft to electronics and aerospace projects as anticipated by the Company and earnings in the [continued on next page](#)

financial highlights

Years ended December 31,

	1960	1959
Sales	\$148,447,484	\$148,723,916
Earnings	3,051,172	3,029,550
Depreciation and Amortization	1,798,252	1,584,156
Capital Expenditures	2,598,942	2,453,112
Net Property	12,595,976	11,142,904
Shareholders' Equity	28,532,956	24,255,042
Working Capital	22,558,484	24,180,412
Number of Employees	10,303	8,187
Per Common Share:		
Shareholders' Equity	\$8.95	\$7.45
Earnings	1.25	1.22
Number of Shareholders:		
Common	18,838	18,289
Preferred	6,941	7,530

continued third and fourth quarters improved despite general business contraction. Of the year's sales, electronics, communications, missiles and aerospace systems accounted for \$117,000,000 or about 79%; airframe components total \$25,000,000 or about 17%; and all other categories amounted to \$6,000,000 or about 4%. Sales of electronics, communications, missiles and aerospace systems and equipment increased about \$21,000,000 or 21% from the previous year. Although the Company made an intensive effort to reduce general overhead costs, it should be pointed out that research and development, engineering and sales activities were not curtailed.

The forthcoming year is supported by a backlog of orders including letters of intent and contracts under final negotiation in excess of \$100 million.

FINANCIAL CONDITION

The general financial condition at the end of 1960 was strong.

Total shareholders' equity increased by \$4,277,914 to \$28,532,956 during the year. This increase came about largely as a result of retained earnings, and equity per common share increased from \$7.45 to \$8.95.

Total assets amounted to \$93,459,633, an increase of \$26,426,350 from the previous year. Despite unusual heavy capital expenditures, the working capital position at December 31, 1960 was \$22,558,484. Net earnings, depreciation and amortization allowances more than adequately covered cash outflow in the form of capital expenditures.

Ling-Temco has acquired more than 21% of the outstanding capital stock of Chance Vought Corporation whose estimated 1960 sales and earnings were reported to be approximately \$215,000,000 and \$4,000,000, respectively.

The Company has, effective December 1, 1960, negotiated a new line of credit in the amount of \$27,500,000. This arrangement supersedes the loan agreements previously in force. Ling-Temco has no plans for additional equity financing.

CAPITAL EXPENDITURES

It is Ling-Temco's opinion that the business outlook is one of continued expansion and the resources have been provided to meet this expansion. In the past three years, Ling-Temco has spent more than \$7,300,000 on enlarging and modernizing its facilities. The company's entire facilities are presently carried at a book value slightly less than \$12,600,000.

Capital expenditures in 1960 increased to \$2,598,942 by comparison with \$2,453,112 in 1959.

Completion of Temco Electronics Division's fully equipped Radiation Systems Laboratory and the

complete modernization of Continental Electronics Manufacturing Company with the addition of 17,000 square feet of new plant numbered among the more significant of the Company's expansion activities. In addition, a new 40,000 square foot engineering center was erected at the Greenville, Texas facility for lease to the Company. Facilities now occupied by the Company and its subsidiaries comprise in excess of 2,400,000 square feet of floor space.

RESEARCH AND DEVELOPMENT

The growth of any company in highly technological fields depends on the development of new and improved products. Company sponsored research and engineering efforts have been expanded and directed towards fundamental studies and to the development of proprietary products. As a result of this effort, several outstanding new products were introduced during the year. We have continued allocation of funds for this purpose and systematic study is constantly maintained. In addition to \$2,846,348 of company sponsored research and development, approximately \$6,000,000 of research and product development efforts was contracted for by our industrial and government customers.

ACQUISITIONS

Of greatest significance towards further strengthening of Ling-Temco's increased commercial diversification was the acquisition of Ed Friedrich, Incorporated and Friedrich Refrigerators Incorporated, leading manufacturers of air conditioning and refrigerating equipment. Although initiated during 1960, the acquisition of this outstanding business was not completed because of legal details until January 9, 1961. Founded in 1883, this manufacturer, with an established reputation for quality, employs approximately 1,000 people.

Principal advantages of this major acquisition give Ling-Temco penetration in an established and expanding commercial market independent of defense spending. In addition, Friedrich has demonstrated an exceptional earning power record with an annual growth rate exceeding that of the industry. We also gained an established national distribution network in excess of 850 distributors and dealers in a major market that Ling-Temco desires to develop with lines of electronic and electro-mechanical products.

In line with our Company policy of owning in their entirety our operating subsidiaries, Ling-Temco acquired the remaining minority stock interest in Fenske, Fedrick & Miller, Inc. and simultaneously changed the name of this subsidiary to FF&M Electronics, Inc.

These acquisitions, together with a continuing review of operating procedures, organization and facilities requirements toward the objective of greater market diversification, efficiency and economy, have resulted in an over-all improvement of your Company.



Mr. James J. Ling and NYSE officials discussing listing Company's stock under LTE symbol.

FORECAST

The year 1960 saw the electronics, communications, missiles and aerospace systems industry set another record in a year when many industries were showing declines. The consensus of informed opinions indicates that this industry will attain new goals in 1961. These opinions confirm that the military market continues to represent the largest area of the electronics, communications, missiles and aerospace systems industry. However, in appraising this market as it applies to Ling-Temco, it is important to evaluate the trends within the industry. These trends indicate expanding guided missiles and communications spending because of the shifting emphasis from manned aircraft to guided missiles and sharply increased activities expected in space and the general field of communications. Microminiaturization and modular electronics are expected to stimulate the components industry in the direction of fabrication of complex components with further reduction in size and weight.

Within the consumer market, high fidelity and stereo is expected to expand further.

In the consumer goods field, commercial air conditioning and refrigeration in the last few years has exhibited vigorous growth and strength. During the past five years this market's growth rate has been $3\frac{1}{2}$ times the growth rate of consumer durable goods expenditures, and is expected to show strong growth in the years ahead.

These trends coupled with the continued diversification of the Company's product lines support an optimistic outlook for the Company in the national and international markets through 1961.

ROBERT McCULLOCH

*Chairman of the Board and
Chief Executive Officer*

NEW YORK STOCK EXCHANGE LISTING

A decisive and beneficial step in the interest of the stockholders was taken on September 23, 1960 by listing the common stock for trading on the New York Stock Exchange under the symbol, "LTE."

In listing on the "Big Board," Ling-Temco joined a select group of more than 1,100 other publicly owned companies having evidenced high financial responsibility who welcome the widest public disclosure of pertinent information to those having interest in its stock.

DISPOSITION OF EARNINGS

It has been determined by the Board of Directors that the interest of the stockholders can best be served by retaining the Company's earnings and investing them in a program of growth, development and expansion of the Company's products and markets.

MANAGEMENT CHANGES

We proudly announce the addition to our Board of Directors of Mr. William H. Osborn, Jr., partner of Lehman Brothers of New York.

WORD OF APPRECIATION

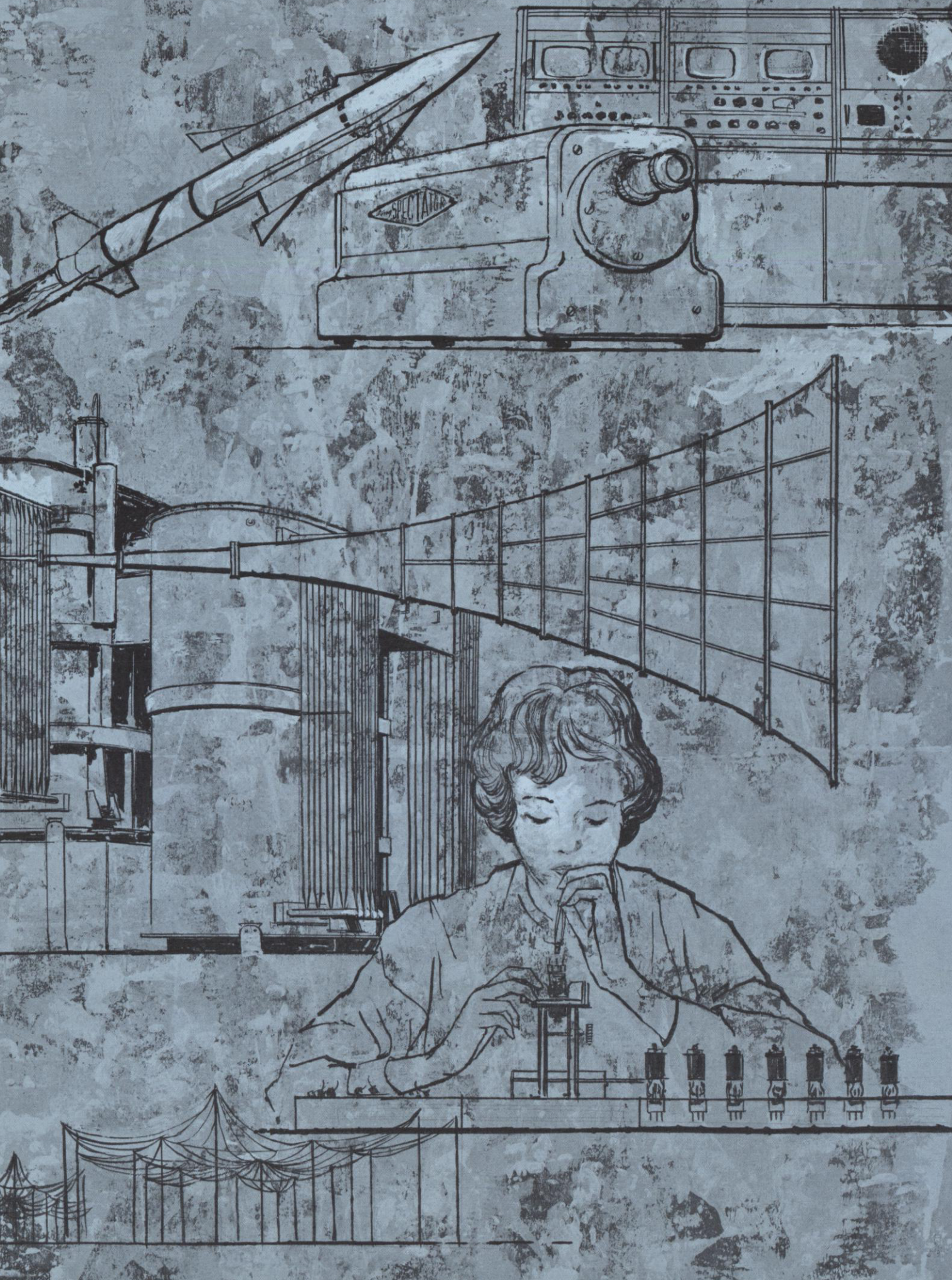
We wish to express our appreciation for the fine performance and teamwork demonstrated by all employees of the Ling-Temco organization and by the thousands of sub-contractors and suppliers who have cooperated in our joint efforts. It has been a privilege to work with the military services and the other governmental agencies whose efforts have helped achieve the maximum progress, quality and economy in government programs. It is a pleasure to present this report to the ever-increasing number of Ling-Temco stockholders, and with your continued support we remain confident that the accelerated progress experienced in the past will be maintained.

ANNUAL MEETING

The annual meeting of the shareholders will be held in the Company's Garland, Texas offices at 10:00 a.m. on April 10, 1961. All shareholders are cordially invited to attend in person and those who cannot attend are urged to forward their proxies in advance of the meeting.

JAMES J. LING

*President and Chairman of
the Executive Committee*



A LOOK AT LING-TEMCO 1960

While continuing to emphasize high-power and super-power electronics and communications during 1960, Ling-Temco projected itself into the fields of guided missiles and aerospace. At the same time, the Company made notable progress in developing consumer and commercial electro-mechanical products and markets.

In sum, it was another year of expansion and progress.

Constant refinement of existing products and development of new product lines, complementing those already in production, strengthen the Company's over-all position in the various markets served. This diversity of products and services, in accordance with a carefully formulated plan, is intended to insure the Company against the economic uncertainties of the times.

Ling-Temco continues to take advantage of the ever-increasing potentials in the electronics, communications, missiles and aerospace industries.

Some of the more important achievements during the past year are highlighted in the operational unit review paragraphs which follow.

ALTEC LANSING CORPORATION

Penetration of the telephonic segment of the communications field was accelerated with the introduction of a transistorized repeater, or voice amplifier, revolutionizing land-line communications by vastly improving audibility and fidelity of conversations. Repeaters and termination bay equipment were installed in aircraft to connect the world-wide airborne radio communications network to the ground telephone system. This was Project Quick Fix in which Altec Lansing modernized the radio network so vital to the

Air Force. Another new telephonic development is the *Chatterbox*, a single instrument which permits one group to converse with another in a distant city in normal voice. This major producer of sound reproduction equipment also placed on the market a new line of microphones featuring molded Mylar diaphragms and bronze sintered filters never before used on microphones. The company continued to refine and expand its product lines in the fields of high-fidelity and stereophonic sound, television and recording studio equipment, industrial sound and public address systems.

ALTEC SERVICE COMPANY

Business for the 71 strategic offices located throughout the country and the overseas group again expanded. New markets for service and preventive maintenance included electronic computers, a national network of printed-word



*Public address
and music
distribution
control center
manufactured
Altec Lansing*



A LOOK AT LING-TEMCO 1960 *continued*

communications and display devices, environmental test systems and complex industrial electronic equipment. The company continued to be one of the leading service organizations for theater sound systems.

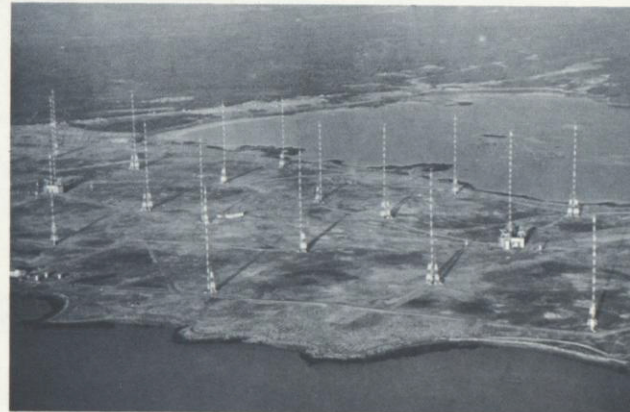
THE CALIDYNE COMPANY, INC.

The entire electro-dynamic vibrator line was completely redesigned and engineered for combined environment testing of missile and aerospace components under the simultaneous stresses of various atmospheric pressures and extreme temperatures as well as vibration. The most powerful electro-dynamic vibrator marketed to date is a new liquid-cooled model capable of providing 30,000 force-pounds. Calidyne also investigated use of the electro-dynamic vibration principle in other applications, including the drawing of metal tubes and increasing the transportability of solid rocket fuels. Also studied were such potential military applications as a variable-spring-rate gunmount and a high-power transducer for low-frequency sonar.

CONTINENTAL ELECTRONICS MANUFACTURING COMPANY

Completion a full year ahead of schedule of the world's most powerful radio station — the 2-million-watt *Voice of the Polaris* — in Cutler, Maine, brought a "well done" from Mr. Polaris himself, Vice Adm. W. F. Raborn. The company's long-range Nike-Zeus acquisition radar transmitter program multiplied in size and scope as the nation became more aware that Nike-Zeus is the only ICBM defensive system under development. Continental began producing super-power radar transmitters for the Ballistic Missile Early Warning System installation at Fylingdales Moor in Yorkshire, England, as it had earlier for the first BMEWS site in Thule, Greenland, and the second in Clear, Alaska. The company also

Continental Electronics'
VOICE OF POLARIS
VLF communications station
covering more than
two square miles.



developed a radio frequency drive system, or *exciter*, for the linear accelerator injector of the proton synchrotron for the Argonne National Laboratory nuclear research program. Continental added to its record year with significant gains in commercial sales as radio stations throughout the nation and overseas selected Continental transmitters as "the best."

CONTINENTAL ELECTRONICS SYSTEMS, INC.

Newly formed to specialize in the installation of super-power electronic equipment throughout the world, this unit undertook its first contract: Continental Electronics Manufacturing Company's competitively won portion of a 12-million-dollar joint venture to install a Voice of America radio station in North Carolina for the U. S. Information Agency.

ELECTRON CORPORATION

Closing 1960 with orders for 13 of its low-cost commercial television stations, Electron enjoyed a record year and completed development of an economical, automated FM radio station



A LOOK AT LING-TEMCO 1960 *continued*

system and a television translator permitting families living in remote areas to receive regular TV programs. Electron received Federal Communications Commission type approval for the translator and type acceptance for its ultra high frequency television transmitter which, in addition to being a key to the commercial station equipment, is an important component of Electron's educational television systems and industrial closed-circuit television systems.

FF & M ELECTRONICS, INC.

New Iconorama systems to display BMEWS information were delivered to the Pentagon headquarters of the Air Force, the Strategic Air Command and the North American Air Defense Command. In Europe, Iconorama was integrated into a 3-dimensional air traffic control system, giving the air controller immediate visual information about an aircraft's course, speed and altitude in positional reference to the surrounding terrain. These developments in FF&M's deeper penetration into the field of data processing helped produce a record year. As the Iconorama system and its components were refined and expanded, the search for new applications went on. New markets included the Office of Civil Defense Mobilization and the Navy's Shipboard Combat Information Center Display System. Other Iconorama systems were developed to display the Nike-Zeus in its inter-



FF&M Electronics' ICONORAMA displaying BMEWS information for America's defenders.

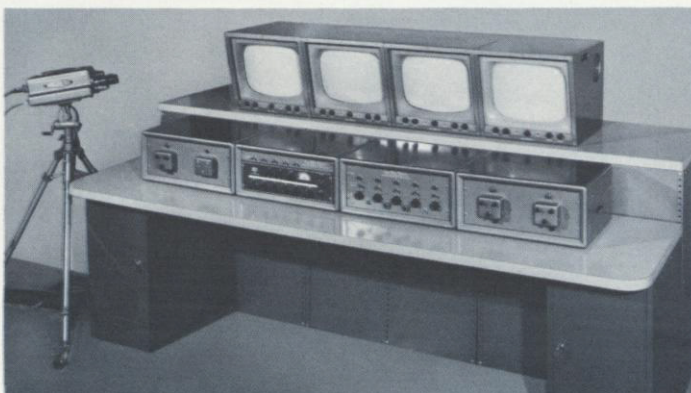
ception mission and for use with various tactical warfare training systems and missile debris plotting systems.

LING-ALTEC RESEARCH DIVISION

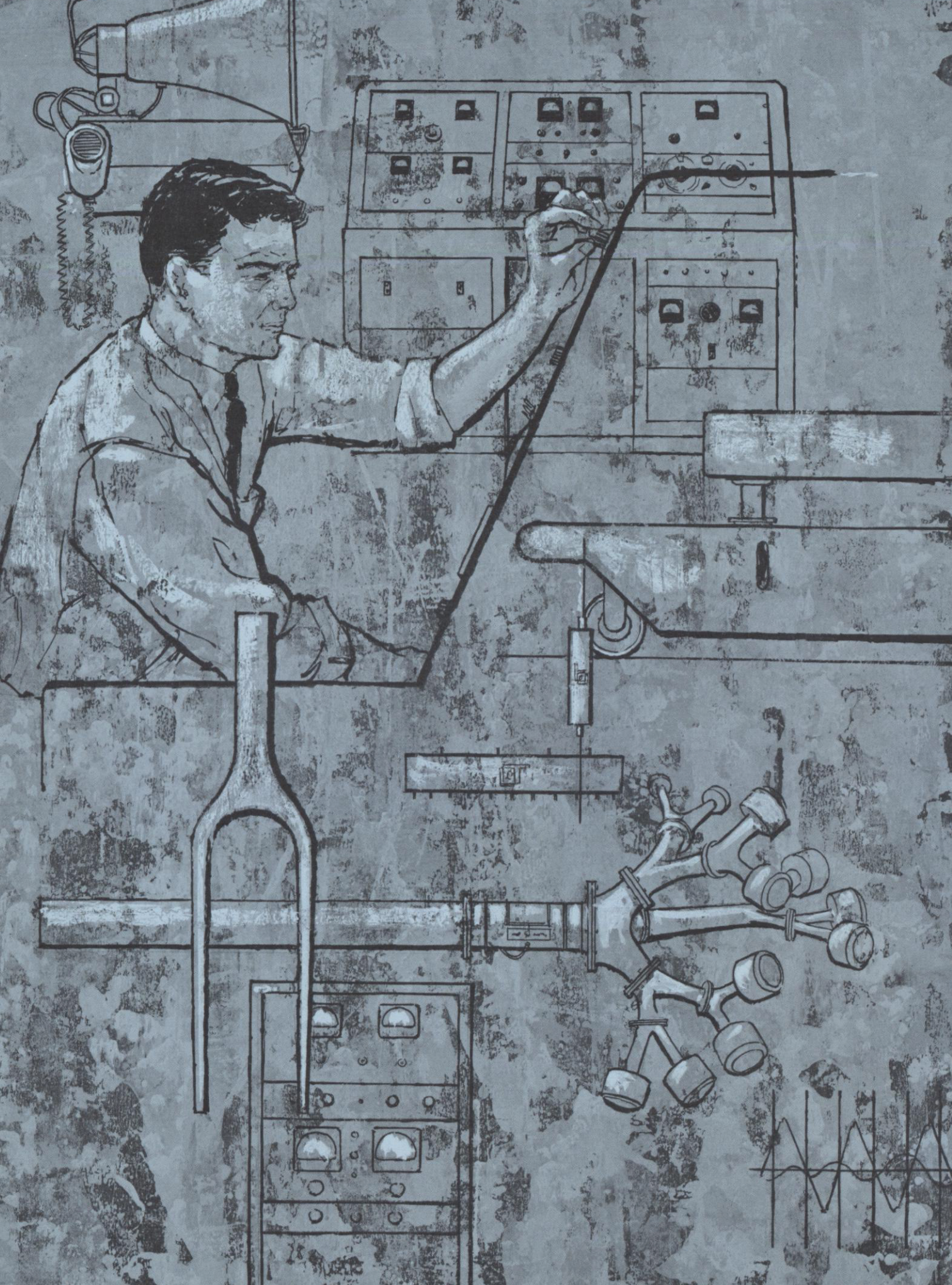
Specializing in the sciences of acoustics and communications, the division's physicists, engineers and technicians developed new telephonic equipment, sonic environmental apparatus, ultrasonic devices, and high-power air-modulated loudspeakers for use underwater, as warning signals and for long-range oral communications. Markets for the latter system exist in civil defense warning and control applications and ship-to-shore communications, among others. The division received a significant amount of work under contracts for the government.

LING ELECTRONICS

A 5-million-watt audio transmitter, several high-intensity sound systems for the environmental testing of missiles and space vehicles to insure



Electron's one announcer-engineer low-cost commercial television station console.



A LOOK AT LING-TEMCO 1960 *continued*

reliability and submarine sonar transmitters — each of which was the most powerful ever produced — were delivered. Meanwhile, Ling Electronics continued to refine and expand its entire line of environmental testing apparatus, marketed in matched systems with Calidyne electro-dynamic vibrators. For instance, development of the new electro-dynamic vibrator with 30,000 force-pounds capacity required Ling Electronics to develop amplifier, or driver, units powerful enough to perform at that capacity, or more. The division introduced its new dynamic equalizer/analyzer which provides a 10-to-1 savings in vibration test time compared to conventional techniques. Work in the young science of high-intensity sound involved decibel ratings powerful enough to shatter steel. Miniaturization contributed to the development of lightweight high-power transmitters and high-power sonar units compact enough to be installed aboard submarines. At the other end of the sonar size scale were Ling Electronics contributions to massive sonar equipment.

PEERLESS ELECTRICAL PRODUCTS

New power supplies, transformers and rectifiers were developed for the super-power and high-power amplifiers and transmitters manufactured by Continental Electronics, Ling Electronics and Altec Lansing, as well as for outside customers. Peerless expanded its transformer line in both directions, introducing miniature sizes which function in milliwatts and very large units which operate in excess of 100 kilowatts.

TEMCO ELECTRONICS

Concentrating its activities in the areas of complete aerospace radar systems and subsystems, electromagnetic reconnaissance and electronic countermeasures, the division increased both sales volume and developmental programs.



High-power amplifiers to drive electrodynamic vibrators manufactured by Ling Electronics.

Completion during the year of the Radiation Laboratory, one of the finest scientific facilities of its kind, augmented the capabilities earlier exemplified by this division's Antenna Laboratory. The division also created a new Electronics Research Laboratory to study, among other sciences, molecular electronics. In addition to aerospace computer and timing systems, Temco Electronics obtained a classified space contract in the area of electromagnetic reconnaissance.

TEMCO INDUSTRIAL

Firmly establishing itself in the electro-mechanical markets with the introduction of the Temco-matic central control unit for multiple-unit coin-operated equipment installations, the division also unveiled the revolutionary new compact Temco Dishwasher. Related products included the Launderama, with twice the capacity of competitive commercial electric washers.

TEMCO MISSILES & AIRCRAFT

Continuing to contribute to many of the nation's missile programs, in addition to its own Corvus, the division participated in systems development and production for the Navy's Terrier and



A LOOK AT LING-TEMCO 1960 *continued*

Polaris, the Army's Hawk, Sergeant and Davy Crockett and the Air Force's Minuteman. A new program at year's end utilized computer skill and experience in a reporting system as a management control function for the Army Corps of Engineers to assist in maintaining construction schedules at the Air Force's Titan I bases. The division also was engaged in electronics, fabricating complete microwave decks for a bomber checkout system and missile autopilots. Space Age metalworking skill was employed to produce stainless steel honeycomb components of the trisonic B-70 and of its engines. The division again demonstrated its capabilities for non-military production, supporting Temco Industrial in all of its product lines.

TEMCO OVERHAUL & AEROSYSTEMS

Increased activity, primarily in classified military projects, required expansion of the engineering staff and facilities, housed in a new \$500,000 building. This division could tell little about its developments because of security classification. However, some information was revealed about one unclassified project—the AN/USD-7 program involving the development and installation of electronic systems in KC-135 type aircraft. This project gave evidence that both airframe and electronic experience are basic requirements for the type of aerosystems this division is developing and producing.

UNITED ELECTRONICS

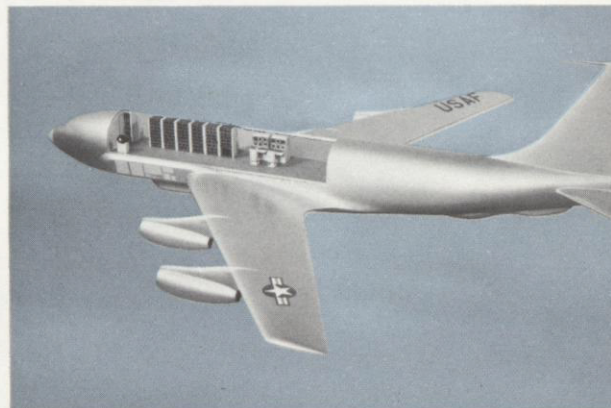
Production of unique high-power bonded thoria tungsten core filament tubes, ceramic variable vacuum capacitors, external anode power diodes and triodes and rectifier tubes for such applications as military fire-control equipment and early-warning devices continued to increase. Other requirements for these highly respected

products were in the fields of ultrasonic cleaning, dust precipitation, induction heating and aviation traffic control. Development work was completed on several new types of vacuum electron tubes for military purposes.

UNIVERSITY LOUDSPEAKERS

This leading manufacturer of specialized public address and commercial loudspeakers introduced the highly successful Medallion—XII *Select-a-Style* high-fidelity speaker systems, incorporating the new *Sphericon Tweeter*. Another new product was a transistorized 25-watt portable address system complete in one small package. The year's development program led to several products which will be marketed during 1961. Included are a new line of Modular microphones of exclusive design, encompassing cardioid, omnidirectional and lavelier types, a series of high-power commercial drive units and speakers, several high-fidelity speaker systems and a transistorized electronic siren system.

KC-135 cut-away revealing AN/USD-7 system installations by Temco Overhaul & Aerosystems.



consolidated balance sheets — NOTE A

ASSETS

	December 31,	
	1960	1959
CURRENT ASSETS		
Cash and marketable securities	\$ 8,616,686	\$ 6,142,971
Trade receivables — Note B:		
United States Government departments	\$12,650,556	\$ 7,545,342
Other	15,659,992	17,220,882
	\$28,310,548	\$24,766,224
Unbilled contract work in progress	— 0 —	1,228,513
Inventories, at average cost, not in excess of market — Note B:		
Materials and purchased parts	\$11,074,220	\$ 7,855,671
Work in process	22,838,653	15,466,052
Finished product	7,015,601	1,734,373
	\$40,928,474	\$25,056,096
Less applicable advances from customers on contracts	6,057,363	6,759,985
	\$34,871,111	\$18,296,111
Prepaid expenses	518,871	473,531
TOTAL CURRENT ASSETS	\$72,317,216	\$50,907,350
INVESTMENTS AND OTHER ASSETS		
Investments in capital stocks of other companies (at cost — approximate market) — Note F	\$ 3,645,317	\$ — 0 —
Miscellaneous receivables, etc.	2,119,857	1,201,747
TOTAL INVESTMENTS AND OTHER ASSETS	\$ 5,765,174	\$ 1,201,747
PROPERTY, PLANT, AND EQUIPMENT — at cost — Note C		
Land	\$ 658,473	\$ 603,365
Buildings	7,225,941	6,615,091
Machinery and equipment, etc.	13,953,826	10,267,634
	\$21,838,240	\$17,486,090
Less allowances for depreciation	9,242,264	6,343,186
TOTAL PROPERTIES — NET	\$12,595,976	\$11,142,904
INTANGIBLES		
Excess of investment in subsidiaries over net assets acquired, less amortization	\$ 2,017,741	\$ 3,177,273
Patents	193,819	74,091
TOTAL INTANGIBLES	\$ 2,211,560	\$ 3,251,364
DEFERRED CHARGES		
Unamortized debt expense	\$ 381,439	\$ 464,381
Unamortized research and development costs	188,268	65,537
TOTAL DEFERRED CHARGES	\$ 569,707	\$ 529,918
	\$93,459,633	\$67,033,283

LING-TEMCO ELECTRONICS, INC. AND SUBSIDIARIES

LIABILITIES AND STOCKHOLDERS' EQUITY

	<i>December 31,</i>	
	1960	1959
CURRENT LIABILITIES		
Notes payable to banks — Note B	\$29,340,000	\$ 7,200,988
Accounts payable, etc.	12,947,624	11,140,392
Accrued compensation, taxes, interest, etc.	3,922,487	5,038,833
Federal and state taxes on income — estimated	2,481,464	2,553,932
Current portion of long-term debt — Note C	1,067,157	792,793
TOTAL CURRENT LIABILITIES	\$49,758,732	\$26,726,938
LONG-TERM DEBT — Note C		
Notes payable	\$ 5,910,132	\$ 5,413,920
Subordinated debentures	5,449,000	6,600,000
Mortgage bonds	3,280,000	3,640,000
TOTAL LONG-TERM DEBT	\$14,639,132	\$15,653,920
RESERVE		
For deferred federal taxes on income	528,813	397,383
STOCKHOLDERS' EQUITY		
4½% Series A preferred stock, par value \$30 a share — Notes C, D, and E: Authorized — 1,000,000 shares; Issued — 189,806 shares in 1960, and 204,457 shares in 1959	\$ 5,694,180	\$ 6,133,710
6% Cumulative convertible preferred stock, par value \$1 a share	— 0 —	36,953
Common stock, par value \$0.50 a share, Notes C, D, and E: Authorized — 9,000,000 shares; Issued — 2,553,098 shares in 1960, and 2,428,648 shares in 1959	1,276,549	1,214,324
Capital surplus	2,238,853	597,853
Retained earnings — Notes B and C	19,324,036	16,272,864
	\$28,533,618	\$24,255,704
Less cost of 58 shares of common stock held in treasury	662	662
TOTAL STOCKHOLDERS' EQUITY	\$28,532,956	\$24,255,042
COMMITMENTS AND CONTINGENCIES — Note F		
	\$93,459,633	\$67,033,283
	\$93,459,633	\$67,033,283

See notes to financial statements.

Statements of consolidated capital surplus and retained earnings — NOTE A

Years ended December 31,

1960

1959

CAPITAL SURPLUS

Balance at beginning of year:

Ling-Temco Electronics, Inc. (formerly Ling-Altec Electronics, Inc.) and subsidiaries	\$ 597,853	\$ 1,749,810
Deduct aggregate par value of common and preferred stock of Ling-Temco Electronics, Inc. required to convert outstanding common stock of Temco Aircraft Corporation, less \$2,813,265 capital of Temco Aircraft Corporation	— 0 —	3,725,522
	\$ 597,853	\$ 1,975,712*
Excess of principal amount over par value of common and preferred shares issued upon conversion of subordinated convertible debentures, less expenses	780,265	796,399
Excess of par value of preferred stock over par value of common shares issued upon conversion of preferred stock	467,536	727,888
Excess of fair or market value over par value of common shares issued upon acquisition of other businesses	203,577	235,000
Excess over par value of proceeds from sale of common stock under option plan	189,622	809,049
Credits from sundry other capital transactions	— 0 —	5,229
Balance at end of year	\$ 2,238,853	\$ 597,853

RETAINED EARNINGS

Balance at beginning of year:

Ling-Temco Electronics, Inc. (formerly Ling-Altec Electronics, Inc.) and subsidiaries	\$16,272,864	\$ 2,847,707
Temco Aircraft Corporation and subsidiary	— 0 —	11,412,078
	\$16,272,864	\$14,259,785
Add net earnings for the year	3,051,172	3,029,550
	\$19,324,036	\$17,289,335
Deduct cash dividends paid:		
Ling-Altec Electronics, Inc. — on 6% cumulative convertible preferred stock	\$ — 0 —	\$ 45,980
Temco Aircraft Corporation, prior to acquisition — on common stock	— 0 —	936,991
Altec Companies, Inc., prior to acquisition — on common stock	— 0 —	33,500
	\$ — 0 —	\$ 1,016,471
Balance at end of year — Notes B and C	\$19,324,036	\$16,272,864

*Indicates red figure.

See notes to financial statements.

statements of consolidated earnings — NOTE A

	Years ended December 31,	
	1960	1959
NET SALES	\$148,447,484	\$148,723,916
Cost of sales and other operating expenses:		
Cost of sales	\$133,419,743	\$135,230,352
Selling, administrative, and general expenses	8,345,090	7,038,674
	\$141,764,833	\$142,269,026
	\$ 6,682,651	\$ 6,454,890
Other deductions — net:		
Interest expense	\$ 1,281,201	\$ 956,564
Less miscellaneous income — net	335,682	531,742
	\$ 945,519	\$ 424,822
EARNINGS BEFORE TAXES ON INCOME	\$ 5,737,132	\$ 6,030,068
Federal and state taxes on income — estimated	2,685,960	3,000,518
NET EARNINGS	\$ 3,051,172	\$ 3,029,550
Depreciation and amortization of property, plant, and equipment included above: 1960 — \$1,798,252; 1959 — \$1,584,156		

See notes to financial statements.

accountants' report of examination

Board of Directors,
Ling-Temco Electronics, Inc.,
Dallas, Texas.

We have examined the consolidated balance sheet of Ling-Temco Electronics, Inc. and subsidiaries at December 31, 1960, and the related consolidated statements of earnings, capital surplus and retained earnings 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 by direct correspondence amounts receivable from United States Government departments, but we satisfied ourselves as to such amounts by means of other auditing procedures.

In our opinion, the accompanying balance sheet and statements of earnings, capital surplus and retained earnings present fairly the consolidated financial position of Ling-Temco Electronics, Inc. and subsidiaries at December 31, 1960, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Dallas, Texas
March 6, 1961

ERNST & ERNST

notes to financial statements

DECEMBER 31, 1960

NOTE A — ACQUISITIONS OF SUBSIDIARY COMPANIES

The Company acquired all properties and assets of Temco Aircraft Corporation and subsidiary in July, 1960. This acquisition has been considered a pooling of interests for accounting purposes, and accordingly the accompanying financial statements for both 1959 and 1960 include the accounts of Temco and subsidiary. The acquisition of Ed Friedrich, Incorporated and its associated company, Friedrich Refrigerators Incorporated, contracted for in 1960 was not closed until January, 1961, at which time certain additional bank loans in the amount of \$5,990,000 were obtained, and liabilities arising in connection with the acquisitions were liquidated. These transactions have been given effect to in the consolidated balance sheet at December 31, 1960.

NOTE B — LOAN AGREEMENT WITH BANK

Under the terms of a loan agreement expiring November 30, 1961, the Company may borrow up to \$27,500,000 (\$22,990,000 of such borrowings are reflected in consolidated balance sheet at December 31, 1960). As collateral to such loans, the Company assigned accounts receivable aggregating \$12,565,000 and inventories of materials and work in process amounting to \$14,037,000 (after deducting applicable advances from customers on contracts) at December 31, 1960. The agreement contains requirements as to the maintenance of working capital and other matters, and reference is made to Note C herein concerning dividend restrictions.

NOTE C — LONG-TERM DEBT AND DIVIDEND RESTRICTIONS

Long-term debt consists of (1) 4% to 5% notes payable aggregating \$1,317,289 maturing at the rate of \$407,157 during 1961, and from \$237,991 to \$131,324 a year thereafter through 1967, (2) 6% Senior notes payable in the amount of \$5,000,000 (due December 1, 1974, and requiring annual prepayments commencing December 1, 1965), (3) 5% and 5% convertible subordinated debentures (due September 1, 1970, and October 1, 1971, respectively, and requiring annual prepayments each year through 1970, including \$300,000 due in 1961), and (4) 5% first mortgage sinking fund bonds due August 1, 1970 and requiring prepayments of \$360,000 each year from 1961 to 1969, inclusive. At December 31, 1960 the Company had reserved 264,814 shares of common stock and 32,328 shares of 4% Series A preferred stock for conversion of the debentures, and 67,380 shares of common stock for sale to holders of warrants issued in connection with the 6% Senior Notes.

The loan agreements and indentures pertaining to long-term debt, and the loan agreement with bank referred to in Note B herein, contain requirements as to the maintenance of working capital and certain restrictions as to the payment of dividends. At December 31, 1960, under the most restrictive provision of the agreements and indentures, unrestricted consolidated retained earnings amounted to \$3,240,034.

NOTE D — 4% SERIES A PREFERRED STOCK

The preferred stock is convertible into common stock and as of December 31, 1960, 189,806 shares of common stock were reserved for conversion thereof. The stock is subject to redemption on and after July 1, 1965 at 105% of par value plus accumulated unpaid dividends, and is required to be redeemed on July 1, 1970.

Each share of preferred stock is entitled to receive cash dividends to the extent consolidated net earnings exceeds \$2 per share on common stock outstanding on the last day of each year, limited in any year to 4% of its par value of \$30. Dividends are cumulative and payable before any dividends are paid on common stock.

NOTE E — OPTIONS TO PURCHASE COMMON AND PREFERRED STOCK

The Company has a plan for granting restricted stock options to officers and employees of the Company and its subsidiaries. In connection with its acquisition of Temco Aircraft Corporation, the Company assumed Temco's restricted stock option plan which was adjusted to provide for the conversion of options to purchase Temco common stock into options to purchase the Company's common and 4% Series A preferred stock on the basis of .48 share of Ling-Temco common stock and .12 share of Ling-Temco preferred stock for each share of Temco common stock under option. At December 31, 1960, the Company had reserved under both plans an aggregate of 292,890 shares of common stock and 15,480 shares of 4% Series A preferred stock, of which 231,008 shares common and 15,252 shares preferred were issuable at option prices aggregating \$5,323,864. During the year, an additional 100,000 shares of common stock were reserved under the Company's original plan and the equivalent of an additional 19,200 shares of Ling-Temco common stock and 4,800 shares of Ling-Temco preferred stock reserved under the Temco plan. Under both plans during 1960, 14,844 shares common and 756 shares preferred were issued at option prices aggregating \$219,360; options for 11,748 shares common and 1,662 shares preferred were cancelled or forfeited and options were granted for 110,888 shares common and 9,822 shares preferred at option prices aggregating \$2,699,352. Unoptioned shares under both plans at December 31, 1960, aggregated 61,882 shares of common and 228 shares of preferred stock.

In addition to the foregoing, options covering 34,998 shares of the Company's common stock at option prices aggregating \$717,459 which did not fall within the definition of the Company's restricted stock option plan were granted to employees of a subsidiary.

NOTE F — COMMITMENTS AND CONTINGENCIES

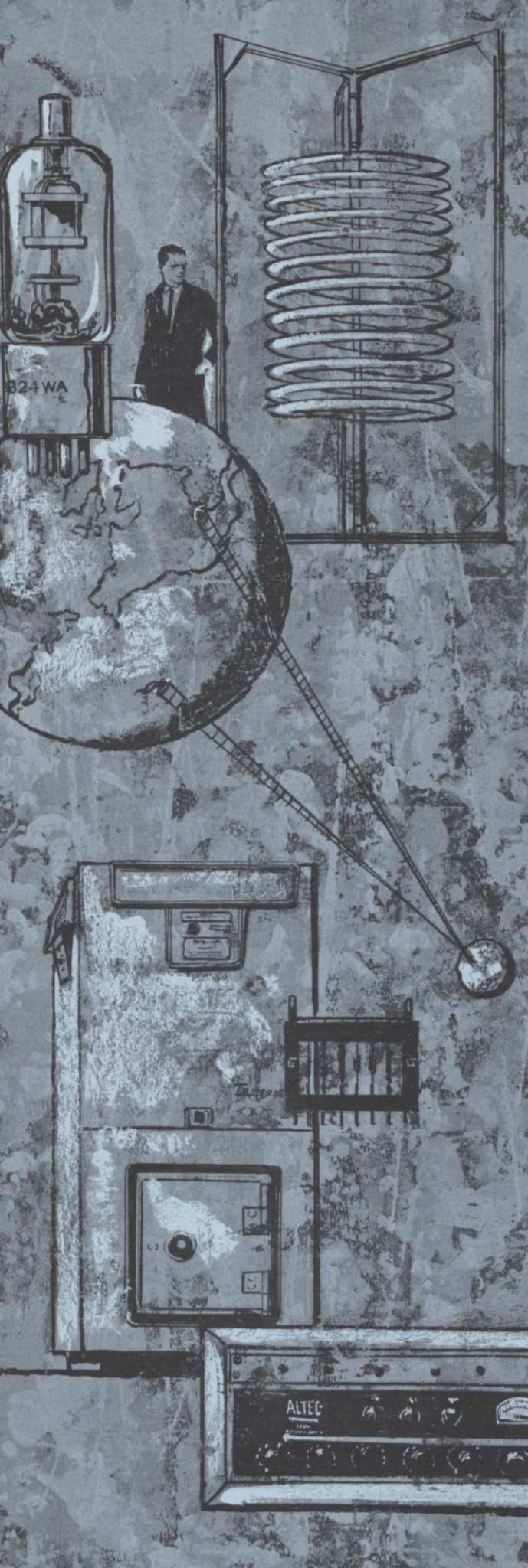
Renegotiation proceedings under the Renegotiation Act of 1951 have resulted in an assessment (net of applicable Federal income tax credits) of \$1,003,790 for the year 1953. Because in the opinion of the Company's management no excessive earnings have been realized, no provision has been made for refunds or interest thereon, and suit has been filed in the Tax Court of the United States to eliminate the assessment in respect to 1953.

The companies are contingently liable for customer indebtedness guarantees aggregating \$2,630,234.

On January 26, 1961, the Company and subsidiaries were named defendants in proceedings filed by Chance Vought Corporation alleging violation of the antitrust laws of the United States. The case, now pending, concerns acquisitions by the Company of capital stock of Chance Vought Corporation. Subsequent to December 31, 1960, the Company invested additional funds of approximately \$6,800,000 in such capital stock.

NOTE G — PENSION PLANS

Under pension plans in effect at December 31, 1960, the estimated annual cost, including amortization of past service costs, amounts to approximately \$1,800,000. Provisions for amortization of past service costs have been based upon funding such costs over a twenty-year period. Estimated unpaid past service costs at December 31, 1960, amounted to approximately \$2,600,000.



A PREVIEW OF **LING-TEMCO** 1961

Ling-Temco begins 1961 with optimism, confident that its experience, capabilities and facilities will provide further expansion and continued progress. New technological break-throughs already are indicated. New markets will be added to the carry-over backlog.

Reliable authorities estimate that the electronics industry will experience in 1961 an 8% increase in total sales to 10.5 billion dollars. Ling-Temco is prepared to record its share of this growth.

Slightly more than half of the industry's volume is in the military market, 10 times greater in 1960 than in 1950. This market is expected to grow from 5 billion dollars in 1960 to 5.4 billion this year. Ling-Temco is prepared to record its share of this gain.

Nearly as large as the military market is the steadily growing consumer-commercial market — with a predicted industry total of 5.1 billion dollars in 1961. Ling-Temco is placing equal emphasis on this market. This effort will accelerate as new applications are made in the consumer and industrial fields — beyond the original military applications — for many products.

Not to be overshadowed, however, are the sales and growth potentials of the Company's other military and commercial-consumer markets for its aerospace and electro-mechanical products and services. The Company's facilities and capabilities offer tremendous diversity and flexibility in these markets.

Looking ahead, these are some of the major developments anticipated in 1961 by Ling-Temco:

In super-power and high-power electronics, in addition to the carry-over programs from 1960, new projects will be undertaken in radar, radio, sonar, nucleonics and television.



A PREVIEW OF LING-TEMCO 1961 continued

The Nike-Zeus program is receiving aggressive support enhancing Ling-Temco's participation in this vital development. A fourth BMEWS installation requirement appears imminent. As space probe and satellite projects become more ambitious, the need for super-power space tracking radars is growing. Aerospace radar systems projects also will benefit from the increased activity in this field.

Communications projects will be spurred on by the heavier accent on space programs. No manned space vehicle will take off toward even as close a neighbor as the moon until super-power communication systems have been completed. Radio astronomy, for which Ling-Temco equipment already is being used, will grow in importance. Aerospace radio systems, with increasing stress placed on the areas of microwave, telemetry and data processing, will be augmented. Informed reports have recorded the need for another Very Low Frequency radio station similar to the one constructed in Cutler, Maine, by the Company as a part of the Polaris program. Recently a VLF System for a hardened installation was proposed in response to an invitation from the Air Force. Still another invitation came from the British Government for a NATO VLF installation in England. Renewed interest in communicating with the people of other nations will lead to a demand for more super-power Voice of America radio stations. Commercial broadcasting and telecasting stations at both ends of the economic spectrum will be supplied with Ling-Temco equipment.

As the Anti-Submarine Warfare program increases in scope, new demands will be made for more sonar systems for installation aboard submarines, surface craft, aerospace vehicles, and at shore stations. So will sonar subsystems be in demand, following the history of radar subsystems.

In the field of nuclear research, the quality of performance increasingly is being dictated by the higher power available to accelerate nuclear

particles. Thus, a new round of requests is developing for authorizations to expend rather large sums for new particle accelerators. This, too, has already benefited Ling-Temco, and further developments in this area will continue in 1961.

Congress is considering a number of proposals to grant each state dollar-for-dollar matching funds for the installation of educational television stations. Success here will relieve the vital need of our nation's school systems for this important educational aid.

Low-cost television stations still are needed in many smaller communities, as are TV translators in remote areas. Growth of automation is expanding the demand for industrial closed-circuit television.

The twin fields of data processing and automation offer tremendous growth potential for such Ling-Temco products as the Iconorama, an electronic system that displays accurately, two- and three-dimensional graphic projections of any activity, without regard to size, configuration or speed. In addition to its many military applications, there are a greater number of commercial adaptations for the Iconorama. These now are being fully pursued.

Commercial applications begin with so vital a system as air traffic control and expand across a wide area to include such functions as the control of municipal fire-fighting equipment. In any case where there is a need for visual comprehension of automated or data processing operations, the Iconorama can fill that need; indeed, many such operations are impractical without the visual service of a display system such as the Iconorama.

The potential for environmental test systems is expected to rise in a sharper curve, especially with the new demand for systems to supply a complete simulation of the combined environmental factors encountered in the conquest of

A PREVIEW OF LING-TEMCO 1961 *continued*

space. This demand takes Ling-Temco beyond the present electro-dynamic testing system into the development of combination environment testing facilities. More and more environmental testing will incorporate high intensity sound systems, and acoustics will continue to be an important part of the total Ling-Temco business.

The Company consistently will refine and expand its lines of high-fidelity and stereophonic sound systems, public address equipment, special purpose industrial loudspeakers and microphones, telephonic devices and sonic instruments and products. Ling-Temco's leading position in the field of sound is again confirmed by the selection of its sound systems for the new Cinerama theaters opening this year.

As the production of super-power and high-power electronic systems increases, the demand for new power supplies, transformers and rectifiers also is rising.

Development will be completed this year, and marketing will begin in a new line of high-power metal and ceramic vacuum switches offering reliability and length-of-life advantages over other switch types. Also to appear this year is a new line of gaseous glow and indicator tubes for commercial applications, including instrumentation.

Miniaturization of electronic components is an increasing need, both in the military and commercial markets. Product modules featuring optimum size and weight reduction coupled with high performance and superior long-life reliability at levels heretofore unattainable are in constant demand.

The Company formed the Micromodular Components Division near the end of 1960 to meet this universal demand. The division specializes in high-density packaging of discrete components, subminiaturization of popular electronic

circuits and design and fabrication of miniature electronic assemblies for custom application.

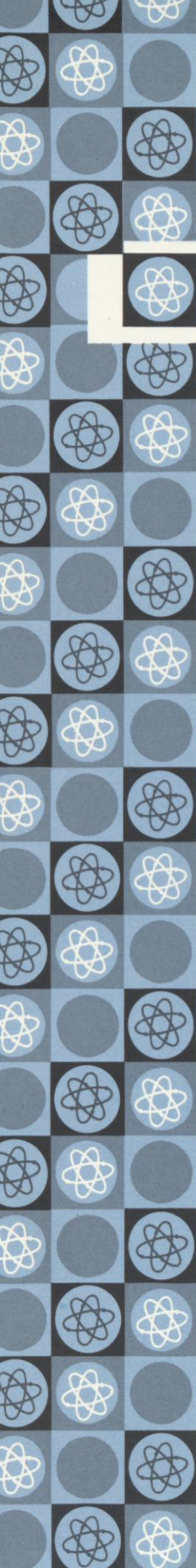
Supporting the entire electronics group are the service and research divisions. The burgeoning of data processing and automation will multiply the activities of the service organizations which are moving ahead nation-wide preventive maintenance assignments for new environmental testing installations as well as complex industrial electronic equipment.

At the end of last year, the Company acquired the firms of Ed Friedrich, Incorporated and Friedrich Refrigerators Incorporated of San Antonio. Producers and distributors of the finest in refrigerating equipment for 77 years, Friedrich in recent years also has become a leader in the manufacture of quality air conditioning equipment. During the past several years, Friedrich, through its nation-wide distribution network, has exceeded its industry's average in sales growth, and in 1961 is again expected to expand.

In addition, Ling-Temco in 1961 will continue its programmed activity in electromechanical commercial-consumer markets. New quality products — complementing such items as the Temco-matic central control devices for multi-unit coin-operated equipment installations, compact automatic dishwashers and electric washers — will be marketed in growing volume.

Both of these programs will favorably improve the Company's position in marketing areas exclusive of military spending.

As a group and as individual operating units, the aerospace divisions will continue to expand their space project capabilities. Carry-over missile programs will be expanded. Satellite and space probe programs will be sought. Innovations in such support missions as the transport of large space boosters will be exploited and new emphasis will be given to participation in missile base activation and management programs.



DIVISIONS AND SUBSIDIARIES OF
LING-TEMCO ELECTRONICS, INC.

P. O. BOX 5003 • DALLAS 22, TEXAS

ALTEC LANSING CORPORATION

1515 South Manchester Avenue, Anaheim, California

ALTEC SERVICE COMPANY

161 Sixth Avenue, New York, New York

THE CALIDYNE COMPANY, INC. DIVISION

120 Cross Street, Winchester, Massachusetts

CONTINENTAL ELECTRONICS MANUFACTURING COMPANY

4212 South Buckner Boulevard, Dallas, Texas

CONTINENTAL ELECTRONICS SYSTEMS, INC.

4212 South Buckner Boulevard, Dallas, Texas

ELECTRON CORPORATION

747 South Central Expressway, Richardson, Texas

F F & M ELECTRONICS, INC.

12820 Panama Street, Los Angeles, California

ED FRIEDRICH, INCORPORATED

1117 East Commerce Street, San Antonio, Texas

FRIEDRICH REFRIGERATORS INCORPORATED

1117 East Commerce Street, San Antonio, Texas

LING ELECTRONICS DIVISION

1515 South Manchester Avenue, Anaheim, California

LING-ALTEC EXPORT CORPORATION

161 Sixth Avenue, New York 13, New York

LING-ALTEC RESEARCH DIVISION

1515 South Manchester Avenue, Anaheim, California

LING-ALTEC WESTERN HEMISPHERE CORPORATION

161 Sixth Avenue, New York 13, New York

MICROMODULAR COMPONENTS DIVISION

1859 South Manchester Avenue, Anaheim, California

NATIONAL AERONAUTICS & SPACE ENGINEERING, INC.

5710 Manchester Boulevard, Los Angeles, California

PEERLESS ELECTRICAL PRODUCTS DIVISION

7004 McKinney Avenue, Los Angeles, California

TEMCO ELECTRONICS & MISSILES COMPANY

P. O. Box 6191, Dallas 22, Texas

TEMCO ELECTRONICS DIVISION

TEMCO INDUSTRIAL DIVISION

TEMCO MISSILES & AIRCRAFT DIVISION

TEMCO OVERHAUL & AEROSYSTEMS DIVISION

P. O. Box 1056, Greenville, Texas

UNITED ELECTRONICS COMPANY

42 Spring Street, Newark, New Jersey

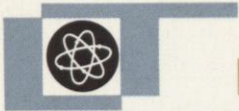
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The contents of this report comply with Government regulations concerning the publication of information affecting national security



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