



MEMO

DATE: 11/16/65

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TO: Byron Broms DEPT: Corporate Staff

FROM: Jim Castles DEPT: Secretary

SUBJECT: Need for documentation relating to secondary offering

It is apparent that we may get a comment from the Securities and Exchange Commission relating to the representations we made in the Form S-1 Registration Statement along the lines of what happened at the time of the initial public offering in 1963.

Dave Hayhurst states that it is almost a standard form of deficiency so has suggested that we be prepared to meet a similar comment this time.

This means that we should work up some documentation of our competitive position and documentary basis of our belief that "The Company believes that it is the world's largest manufacturer of precision cathode ray oscilloscopes."

As background, I quote from the letter of comments from the SEC, dated August 27, 1963, as follows:

"It is noted that the company claims to be the world's largest manufacturer of oscilloscopes and that no competitor offers as complete a line. Supplementally, please provide us with information as to the basis and source of such representations. The names of the organizations deemed to be the principal competitors should also be included.

"Appropriate information should be included not only as to competitors manufacturing oscilloscopes, but also with respect to any other type of product, now available or expected to be made available in the near future, which performs the same or a comparable function as the oscilloscope or its convertible units. Details of material competition of this nature should also be set out independently, under a proper caption, due to the fact that the success of the company presently is based on the sale of this one basic product.

"The extent to which the company competes with larger companies which may not sell as many oscilloscopes but offers many other products should be clarified."

We responded to that in 1963 by a memorandum as follows:

"The principal domestic competitors of the Company in the manufacture of oscilloscopes are Hewlett-Packard Company and the DuMont Division of Fairchild Camera and Instrument Corporation. In foreign markets, the Company

has a number of competitors which compete in the areas in which such competitors are located. The principal such competitor is Electric & Musical Industries Limited, located in Great Britain.

"As shown by the total industry sales figures contained in the Bureau of Census publication and trade publications enclosed herewith, the Company's share of the domestic oscilloscope market might be estimated at between 48% and 68% of the total market, depending on the figure used for total industry sales. In addition to these publications, the Company's belief that it is the largest manufacturer of oscilloscopes is based upon information flowing to the Company from its representatives and field offices located in the principal market areas for such instruments. All information available to the Company from these and other sources indicates that it is the world's largest manufacturer of oscilloscopes and the Company is confident that the statements made in this connection in the Prospectus are correct.

"The Company's belief that no competitor offers as complete a line of oscilloscopes as does the Company is based upon readily available catalogs published by competing manufacturers and upon the enclosed 1962 Oscilloscope Directory published by Electronics World. A copy of the Company's 1963 abridged catalog is enclosed. It shows that the Company offers more than forty different models of oscilloscopes. The catalogs of the Company's principal competitors, Hewlett-Packard, Fairchild Camera and Electric & Musical Industries Limited show that these companies each offer approximately ten models of oscilloscopes. The Company is not aware of any competitor in the free world which offers a broader line than these three companies, and believes that its sources of information are such that it would have knowledge of any company offering a broader line, if any existed.

"There is no other type of product presently available or expected to be available in the near future which performs the same or a comparable function as the oscilloscope. There are some other instruments which will perform a small part of the measuring activities of which an oscilloscope is capable, but no other instrument has the versatility and capacity to be used for the wide-range of measuring functions of which the oscilloscope is capable. For these reasons, the Company believes that other limited purpose measuring instruments do not compete with the oscilloscope.


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"While the oscilloscope is presently the principal product of the Company, it regards itself as being in the business of producing wave form measuring instruments. The Company is constantly striving to improve the characteristics of its instruments and believes that it is in a position to compete in the development and production of such new wave form measuring instruments as technological advances will permit.

"The principal competitors of the Company named above are larger than the Company in total assets. However, it is believed that the portion of the assets of those companies devoted to the production of oscilloscopes is much less than the total assets of the Company, practically all of which are devoted to the production of oscilloscopes. Accordingly, the fact that such competitors may be larger than the Company is not deemed to be material and has not been included in the text, in accordance with our conversation with Mr. Johanson of the Securities and Exchange Commission."

I am enclosing a preliminary Prospectus, dated November 8, 1965, and would suggest that you proceed to work up something that could be used to meet such a comment assuming it comes through again. For instance, your Jack Hornor could get industry figures on the total market, what our share is, the share of competitors and prepare whatever he thinks might serve the purpose.

We can thus be prepared and have our thoughts oriented in this direction.



JBC: bz
Enc.