

A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

Preliminary Prospectus Dated August 9, 1963

# PROSPECTUS

## TEKTRONIX, INC.

540,000 Common Shares  
(without par value)

100,000 of the shares offered hereby are to be purchased from the Company and 440,000 shares from the Selling Shareholders (see "Selling Shareholders" herein). The Underwriters have agreed with the Company to offer 50,000 of the shares to employees of the Company at the Price to Employees set forth below, which is the Price to Public less the concession to Selected Dealers referred to under "Underwriting" herein. The remaining 490,000 shares, and any of the 50,000 shares not purchased by employees, are to be offered by the Underwriters to the public at the Price to Public set forth below.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

There has been no public market for the Common Shares of the Company. As soon as practicable after this offering, the Company intends to apply for listing of the Common Shares on the New York Stock Exchange.

	Price to Public (a)	Underwriting Discounts and Commissions (a) (b)	Proceeds to Company (c)	Proceeds to Selling Shareholders (c)
Per Share .....	\$	\$	\$	\$
Total .....	\$	\$	\$	\$

Price to Employees: \$      per share (a). See "Offering to Employees" herein.

- Represents maximum Underwriting Discounts and Commissions. With respect to the shares purchased by employees of the Company, the Underwriting Discounts and Commissions per share will be \$ (which is \$ less than the amount thereof upon the shares offered to the public) and the total Price to Public and maximum Underwriting Discounts and Commissions set forth above will be correspondingly reduced.
- In the Underwriting Agreement, the Company has agreed to indemnify the Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933.
- Before deducting expenses estimated at \$      for the Company and \$      for the Selling Shareholders.

The Common Shares are offered by the Underwriters subject to prior sale when and as delivered and accepted by the Underwriters and subject to approval of certain legal matters by Messrs. Rockwood, Davies, Biggs, Strayer and Stoel, counsel for the Company, and by Messrs. Simpson Thacher & Bartlett, counsel for the Underwriters, and to certain further conditions. It is expected that delivery of certificates for the shares will be made on or about September      , 1963.

Among the Underwriters named herein is

LEHMAN BROTHERS

The Date of this Prospectus is September      , 1963

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus. This Prospectus does not constitute an offering in any jurisdiction in which such offering may not lawfully be made.

---

## ADDITIONAL INFORMATION

Tektronix, Inc. has filed with the Securities and Exchange Commission, Washington 25, D. C., a Registration Statement under the Securities Act of 1933 with respect to the Common Shares offered by this Prospectus. For additional information reference is hereby made to the Registration Statement and to the Exhibits filed therewith.

---

## TABLE OF CONTENTS

	<u>Page</u>
The Company .....	3
Use of Proceeds .....	3
Capitalization .....	4
Summary of Consolidated Earnings .....	5
Dividends .....	6
History and Business .....	6
Employees .....	9
Properties .....	9
Management .....	11
Principal Shareholders .....	13
Selling Shareholders .....	13
Description of Common Shares .....	14
Underwriting .....	14
Offering to Employees .....	15
Litigation .....	16
Legal Opinions .....	16
Experts .....	16
Opinion of Independent Certified Public Accountants .....	17
Financial Statements .....	18

---

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON SHARES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

# TEKTRONIX, INC.

## *Transfer Agents*

THE UNITED STATES NATIONAL BANK OF PORTLAND  
Portland, Oregon

MORGAN GUARANTY TRUST COMPANY  
New York, New York

## *Registrars*

THE FIRST NATIONAL BANK OF OREGON, PORTLAND  
Portland, Oregon

FIRST NATIONAL CITY BANK  
New York, New York

---

## THE COMPANY

Tektronix, Inc. is an Oregon corporation organized in 1946. Its principal offices and manufacturing facilities are located at 13955 S. W. Millikan Way, Tektronix Industrial Park, Beaverton, Oregon, approximately ten miles west of Portland. References herein to the "Company" are to Tektronix, Inc. and its wholly owned subsidiaries unless the context indicates otherwise.

The Company believes that it is the world's largest manufacturer of precision cathode ray oscilloscopes. The cathode ray oscilloscope is an electronic testing and measuring instrument which shows a visual presentation of electrical waveforms on the screen of a cathode ray tube similar to that in a TV receiver. It is the instrument most widely used to observe and measure electrical signals and non-electrical phenomena which can be converted to corresponding electrical signals. In addition to its facilities near Beaverton, the Company has manufacturing plants on the Island of Guernsey in the English Channel and in The Netherlands, and approximately 40 field offices located principally in the United States and Canada.

## USE OF PROCEEDS

The net proceeds to the Company from the sale of the 100,000 Common Shares offered hereby for its account, estimated to be \$ , will be added to the Company's general funds and be available for working capital and other corporate purposes. The Company will not receive any of the proceeds of the 440,000 shares offered for the accounts of the Selling Shareholders.



## CAPITALIZATION

The following table shows the capitalization of the Company on June 30, 1963, adjusted to give effect to the recapitalization and share split accomplished as part of the Tekem merger described below. The table also shows the capitalization of the Company as adjusted to reflect (i) the Tekem merger and (ii) the issuance of the 100,000 Common Shares offered for the account of the Company.

<u>Title of Class</u>	<u>Amount Authorized</u>	<u>Amount Outstanding as of June 30, 1963</u>	<u>Amount to be Outstanding</u>
<b>Capital:</b>			
Common Shares, without par value	20,000,000 shs.(1)	7,980,000 shs.	shs.
<b>Debt(2):</b>			
6% Notes payable in installments to April 15, 1972 .....	\$4,000,000	\$3,600,000	\$3,600,000
5¾% Notes payable in installments to December 1, 1974 ....	\$3,000,000	\$3,000,000	\$3,000,000
4½% Note payable in installments to December 31, 1983(3) .....	\$ 528,200	\$ 528,200	\$ 528,200

- (1) There are 200,000 Common Shares reserved for issuance under options which may be granted from time to time pursuant to the Company's restricted stock option plan for key employees (see "Management" herein).
- (2) Reference is made to Note 10 of Notes to Financial Statements herein for information concerning the extent of obligations under leases on real property.
- (3) Payable in Dutch guilders; amounts are shown in dollars based on current official exchange rates.

### Tekem Merger

Tekem, a Nevada corporation owned by approximately 6,000 employees and ex-employees of the Company, was merged into the Company effective September , 1963. The principal asset of Tekem consisted of about 12½% of the outstanding shares of the Company. Tekem was organized in 1958 as an interim vehicle for employee participation in ownership of the Company. The Company and its subsidiaries subscribed from time to time to shares of Tekem and distributed them to their employees as a bonus or as part of the profit sharing program. The funds so obtained by Tekem were used from time to time to purchase outstanding shares of the Company. As a result of the merger, the shares of the Company held by Tekem were cancelled and the former shareholders of Tekem received and now own directly the same proportion of the outstanding shares of the Company as they formerly owned indirectly through ownership of Tekem shares. As a part of the merger, the Company was recapitalized and its outstanding shares were split two for one.

## SUMMARY OF CONSOLIDATED EARNINGS

The following summary of consolidated earnings of the Company and its subsidiaries for the three fifty-two week periods ended May 25, 1963, has been examined by Haskins & Sells, as stated in the opinion of that firm of independent certified public accountants included elsewhere in the Prospectus. The summary for the two years ended May 31, 1960 is unaudited, but in the opinion of the Company includes all adjustments (comprising only normal recurring accruals except for the retroactive adjustment explained in Note B) necessary for a fair presentation of the results for such years on a basis consistent with the succeeding three fifty-two week periods. This summary should be read in conjunction with the accompanying financial statements and notes thereto included elsewhere herein.

	For the Years Ended May 31 (A) (Unaudited)		For the Periods Ended (A)		
	1959 (B)	1960	May 27, 1961	May 26, 1962	May 25, 1963
Net sales .....	\$31,592,657	\$43,005,560	\$50,277,595	\$60,135,575	\$70,450,810
Cost of goods sold .....	14,895,444	20,881,663	22,388,496	28,077,648	31,779,384
Operating expenses .....	4,495,897	6,583,635	11,340,293	16,722,684	20,348,079
Profit-sharing .....	4,333,632	5,707,933	5,888,893	5,179,016	6,488,084
Total .....	23,724,973	33,173,231	39,617,682	49,979,348	58,615,547
Operating income .....	7,867,684	9,832,329	10,659,913	10,156,227	11,835,263
Other income .....		19,330	142,327	138,451	93,736
Gross income .....	7,867,684	9,851,659	10,802,240	10,294,678	11,928,999
Interest expense .....	48,889	183,348	354,734	507,406	495,557
Income before income taxes .....	7,818,795	9,668,311	10,447,506	9,787,272	11,433,442
Provision for income taxes .....	4,166,848	5,100,000	5,538,727	5,180,695	5,662,905
Net income .....	\$ 3,651,947	\$ 4,568,311	\$ 4,908,779	\$ 4,606,577	\$ 5,770,537
Common Shares outstanding at end of each period (adjusted for two-for-one stock split in connection with the merger described in Note 14 to Financial Statements) .....	7,980,000	7,980,000	7,980,000	7,980,000	7,980,000
Earnings per share on basis of above number of shares .....	\$ .458	\$ .572	\$ .615	\$ .577	\$ .723
Dividends (C)					

(A) As of May 27, 1961, Tektronix, Inc. changed its annual accounting period from the year ending on May 31 to the fifty-two or fifty-three week period ending on the last Saturday in May.

(B) In 1960 Tektronix, Inc. adopted the practice of valuing inventories at the lower of standard cost or market. Inventories had been previously valued at material cost excluding labor and overhead as elements of cost. The above summary for 1959 has been retroactively adjusted to reflect an increase in inventories of \$1,310,000 and a decrease in depreciation and property taxes of \$86,096, less related income taxes of \$754,380.

(C) Reference is made to "Dividends" for information regarding the dividend policy of the Company.

## **DIVIDENDS**

With the exception of a small dividend paid quarterly beginning in 1958 on a class of non-voting shares no longer authorized, the Company has paid no cash dividends. It has been the policy of the Company to use its earnings to finance expansion and growth. While the payment of future dividends will rest within the discretion of the board of directors and will depend, among other things, upon the Company's earnings, capital requirements and financial condition, the Company presently expects to retain all of its earnings for use in the business. Reference is made to "Description of Common Shares" herein for information concerning certain restrictions on the payment of cash dividends.

## **HISTORY AND BUSINESS**

The Company was organized in 1946 with an authorized capital of \$20,000 by a small group of ex-servicemen, including Howard Vollum and M. J. Murdock, respectively President and Chairman of the Board of the Company. The Company's first plant was in an 11,000 square foot building in Portland, where its first oscilloscope was built in 1947. Initially the Company obtained national distribution of its instruments through manufacturers' representatives. The Company started development of its own sales organization with the establishment in 1950 of the first of its present 37 domestic field offices. The Company established its first representation for overseas sales of its products in 1948, and commenced foreign manufacturing operations with a plant on the Island of Guernsey in the English Channel, established in 1959, and a plant at Heerenveen, The Netherlands, in 1962.

### **Manufacturing and Products**

The Company manufactures a full line of high-quality laboratory and industrial cathode ray oscilloscopes, consisting of more than 40 different models. Oscilloscopes are electronic test instruments used to make basic measurements in research and development laboratories, computer installations, TV stations, repair shops, factory inspection stations, missile monitoring stations, and other facilities. They are used for evaluating the performance of many types of equipment from radio receivers to digital computers. In operation the oscilloscope portrays the waveform or shape of an electronic signal on the fluorescent screen of a cathode ray tube, which is similar to a television tube. The various models of oscilloscopes manufactured by the Company range in price from \$540 to \$3,900, depending upon the performance capabilities of the particular instrument and other factors.

Many of the Company's oscilloscopes are convertible to a wide variety of performance characteristics by the use of interchangeable units which may be plugged into the basic instrument. The Company presently manufactures approximately 35 such plug-in units, ranging in price from \$50 to \$2,500, with the majority selling for \$150 to \$550 per unit.

The Company also manufactures approximately 20 other instruments, such as pulse generators, amplifiers and other auxiliary equipment, intended primarily for use in connection with its oscilloscopes. In addition it produces a variety of optional accessories, including probes, attenuators and specially equipped cameras to record the waveforms displayed on cathode ray tubes. The products manufactured by the Company other than cathode ray oscilloscopes and related plug-in units do not account for a material portion of the Company's total production.



In its manufacturing operations, the Company attempts to stress primarily the quality and technical excellence of its instruments. The Company manufactures many of the special components used in its instruments, including cathode ray tubes, transformers, chassis and cabinets, ceramic terminal strips, etched circuitry, precision potentiometers, capacitors, resistors, inductors, coaxial cables and plastic parts. The Company believes that the manufacture of components such as these enables it to achieve a higher standard of performance and that, in many instances, such components can be manufactured by the Company more economically than they can be purchased from other sources. As a result of the manufacture of such components by the Company, it believes that its manufacturing operations are more highly integrated and diversified than those of other manufacturers of similar instruments. Most of the raw materials used in manufacturing and components not manufactured by the Company are standard items readily available from domestic sources.

A limited line of instruments and some components are manufactured in Guernsey and in Heerenveen. The European manufacturing plants buy considerable numbers of standard components in Europe. The Beaverton plant supplies the European plants with Company-made parts which cannot be economically produced in small quantities.

### **Sales and Distribution**

The Company, early in its history, recognized the importance of supporting its customers with competent instruction and demonstration in the use, application and maintenance of its relatively complex electronic products. It also recognized the importance of keeping the customers' instruments operating with readily available replacement parts to aid in prompt repair. To best accomplish this end, it developed its own nation-wide sales engineering and field maintenance organization staffed with technically competent and factory trained personnel. It is believed that the direct factory-customer relationship made possible through this type of organization has contributed significantly to the growth of the Company.

Sales in the United States, Canada and Australia are made through approximately 40 Company field engineering offices located in principal market areas. In addition to a sales function, approximately 20 of the field offices perform major maintenance and reconditioning operations. Customer training classes are also provided at the factory and some field offices as well as on the customers' premises.

Sales of the Company's instruments in countries other than the United States, Canada and Australia are made by independent engineering representatives and distributors, to whom the Company provides direct technical and administrative assistance. The Company is currently in the process of establishing direct sales organizations in Switzerland and the United Kingdom.

The principal customers for the Company's instruments are private industrial concerns engaged in commercial or governmental projects, military and nonmilitary agencies of the United States and foreign governments, educational institutions, computer manufacturers, and to a lesser extent radio and television stations. During the calendar year 1962, United States Government agencies accounted directly for about 12% of the Company's sales. The balance of its sales for that year were distributed among several thousand other customers, with no single customer accounting for more than 6%. The extent to which sales to non-governmental customers are related to governmental expenditures cannot be determined by the Company.



Since most of the Company's Government sales are exempt from renegotiation as standard commercial articles, business subject to renegotiation has generally been under the statutory minimum. Renegotiation has been completed for all years prior to 1962. Although the Company's fiscal years ending May 1962 and May 1963 are still open, the Company believes that no refunds will be required for those years.

Approximately 75% of the Company's sales for the fiscal year ended May 25, 1963, were made in the United States and Canada, and the balance of approximately 25% were made in foreign countries, principally in Europe and the United Kingdom, and to a lesser extent in Australia, Japan, Latin America, India and Africa.

### **Research and Development**

The Company realizes that its success depends heavily on technical competence; research and development occupy an important place. About 10% of the Company's employees are in these areas. Expenditures for these purposes are about 10% of sales.

These activities encompass a wide spectrum from research on basic devices and techniques through design and development of the Company's products and the specialized equipment and processes needed for production. They are carried on both by the central research and design groups and by specialized development groups associated with instrument manufacturing and the various component manufacturing departments.

All of the Company's effort in this area is devoted to its own products. No contract research is performed.

### **Patents and Licenses**

Electronic instruments as complex as most of those produced by the Company are generally not patentable in their entirety. However, it is the policy of the Company, wherever possible, to seek patents for all significant patentable developments both in the United States and in appropriate foreign countries. The Company currently holds 22 patents in the United States and 14 patents issued by foreign countries. In addition, it currently has 55 patent applications pending in the United States and a total of 116 applications pending in foreign countries.

The Company licenses, has cross license agreements and is a licensee both in the United States and abroad and negotiations are presently pending for several other licensing arrangements. However, in the opinion of the Company, its business is not generally dependent to any material extent upon any patent or group of patents or upon any patent application or licensing arrangement.

Reference is made to "Litigation" herein for information as to certain claims by and against the Company for patent infringement.

### **Competition**

The electronics industry is generally very competitive. The instrument and particularly the oscilloscope segments of the industry have enjoyed substantial growth in the last 10 years. The growth of these segments has been accompanied by an increase in competition.



There are at least 12 manufacturers in the United States, and at least another 15 outside the United States, who compete with various products of the Company. Most of these manufacturers cover only a small segment of the Company's line. The degree of competition varies greatly with the different models manufactured by the Company. It is believed that the Company is the world's largest manufacturer of oscilloscopes and that no competitor offers as complete a line.

### **EMPLOYEES**

The Company has about 5400 employees; more than 4500 work in Oregon, about 350 serve in the Company's domestic field offices and about 550 in foreign countries.

The Company believes its success is highly dependent on the skills and attitudes of its employees and has devoted much effort to making the interests of the Company and of the employees a common goal. Attention has been given to the achievement of stable employment. The Company has never had a layoff. Its employees in the United States are not covered by collective bargaining agreements.

To provide a common interest in the profitability of the Company and to emphasize the importance of individual and group effort, the Company has through its history provided a number of incentives and benefits. The profit share plan is an important part of the employee benefit program.

Thirty-five percent of consolidated profit before income taxes and before charitable contributions is set aside for employees, including officers. Employees outside the United States receive profit share and benefits that aggregate approximately the same proportion of base pay as employees in the United States. The profit share of employees in the United States is distributed in proportion to their base pay in the following manner:

1.  $27\frac{1}{2}\%$  is paid in cash.
2.  $7\frac{1}{2}\%$  is placed in a Profit Sharing Retirement Trust and allocated to the accounts of the individual employees.

The Company's Retirement Trust is administered by a committee of six employees appointed by the Company's board of directors, with a bank as trustee of the fund. Benefits are available under the plan when an employee reaches age 50, dies, or becomes totally and permanently disabled.

The Company also provides medical, surgical and hospital insurance for domestic employees and pays part of the cost of such insurance for the dependents of employees. The Company pays a portion of the cost of employees' group life insurance coverage. Employees are also allowed 10 days' sick pay per year, with no limit on accumulations, and 10 to 15 days' vacation pay in addition to 8 holidays or shutdown days with pay. Similar benefits are provided for employees outside the United States.

### **PROPERTIES**

The following is a brief description of the materially important properties of the Company:

#### **Beaverton, Oregon**

The Company owns a 300-acre industrial park near Beaverton, Oregon, where its principal manufacturing facilities and offices are located. The industrial park complex includes ten buildings

containing a total of approximately 750,000 square feet. All of these buildings are less than eight years old, of modern construction and in good condition. All of the manufacturing facilities are air-conditioned.

An electro-chemical plant consisting of approximately 40,000 square feet is under construction at the industrial park and is scheduled for completion in the Fall of 1963. The Company also contemplates construction of a new 120,000 square foot research, development and engineering building and a 60,000 square foot office building at the industrial park within two years. The Company expects that this construction will be financed from depreciation and earnings.

The Company also owns two air-conditioned buildings totaling approximately 100,000 square feet, located on a 14-acre tract about 3 miles northeast of the industrial park, which are used for research and light manufacturing, and a small building in Portland. In addition, the Company occupies approximately 50,000 square feet of rented space in the Beaverton area. The Company plans to integrate the functions carried on in these buildings and rented space into the industrial park complex as new construction permits.

#### **Guernsey, Channel Islands**

The Company owns two plants on the Island of Guernsey, one a 27,000 square foot plant located on 3 acres of land and the other a new 34,000 square foot air-conditioned plant completed this year on an 8-acre tract adjacent to the airport. Although originally established primarily as an assembly operation, the Guernsey plants are manufacturing an increasing number of instruments and parts.

#### **Heerenveen, The Netherlands**

The 40,000 square foot air-conditioned plant owned by the Company was completed in 1961 on 14 acres at Heerenveen, The Netherlands. The Heerenveen plant manufactures both parts and instruments. The plant is subject to a mortgage given to secure a note to the City of Heerenveen in connection with the acquisition and construction of the property. Reference is made to Note 8 of Notes to Financial Statements for further information concerning this note and mortgage.

#### **Facilities and Equipment**

The Company has extensive machinery and equipment for its integrated manufacturing operations. It also maintains a substantial tool and die shop to meet most of its own requirements. Its present facilities and equipment are adequate to take care of its present volume of sales on a one-shift basis with the exception of certain processes which by their nature require continuous operation.

#### **Field Offices**

All of the Company's field offices are located in leased property. The Company does not regard any of these leases as materially important to its business.



## MANAGEMENT

### Directors and Officers

The directors and executive officers of the Company are:

Howard Vollum	Director and President
M. J. Murdock	Director and Chairman of the Board
Robert G. Fitzgerald	Director and Vice President, Operations
William B. Webber	Vice President
James B. Castles	Director, Secretary and General Counsel
Don A. Ellis	Treasurer
Walter P. Dyke	Director

Mr. Vollum and Mr. Murdock are two of the founders of the Company and have been actively engaged in the business since 1946. Mr. Castles became a director in 1953 and Secretary of the Company in June 1960. Prior to becoming Secretary he acted as counsel for the Company as a partner in the law firm of Castles & Musick, Beaverton, Oregon. All other executive officers of the Company have been associated with the Company for at least the past five years. Dr. Dyke was elected a director of the Company on September , 1963. He has been President of Field Emission Corporation since June 1958, and prior to 1961 was the Director of Linfield Research Institute and a member of the faculty of Linfield College, McMinnville, Oregon.

### Remuneration

The following information is furnished for the fiscal year ended May 25, 1963 with respect to each director, and each of the three highest paid officers, of the Company whose aggregate remuneration exceeded \$30,000 for the year, and with respect to all directors and officers as a group:

<u>Name of Individual or Identity of Group</u>	<u>Capacities in which Remuneration was Received</u>	<u>Base Pay</u>	<u>Profit Share</u>	<u>Aggregate Direct Remuneration</u>
Howard Vollum	President	\$ 75,923	\$15,434	\$ 91,357
Don A. Ellis	Treasurer	35,000	7,122	42,122
William B. Webber	Vice President	32,809	6,741	39,550
Robert G. Fitzgerald	Vice President, Operations	31,194	6,320	37,514
James B. Castles	Secretary and General Counsel	29,077	5,910	34,987
Directors and officers as a group		260,951	54,606	315,558

Mr. Murdock serves as Chairman of the Board without compensation. Each of the Company's officers participates in its profit sharing plan on the same basis as other employees. Reference is made to "Employees" herein for further information as to the Company's profit sharing plan.

### Retirement Benefits

The Company's officers also participate in the Profit Sharing Retirement Trust on the same basis as other employees. The following table shows the amount set aside or accrued under

the Trust for each of the officers named above during the Company's last fiscal year and the aggregate amount accrued for each such officer at the end of the year:

<u>Name</u>	<u>Set Aside or Accrued During Last Fiscal Year</u>	<u>Aggregate Amount Accrued</u>
Howard Vollum .....	\$4,138	\$139,197
Don A. Ellis .....	1,908	29,579
William B. Webber .....	1,791	48,873
Robert G. Fitzgerald .....	1,699	20,416
James B. Castles .....	1,585	2,980

Reference is made to "Employees" herein for further information as to the Company's Profit Sharing Retirement Trust.

### Stock Option Plan

On July 22, 1963, the shareholders of the Company approved the adoption of a stock option plan under which 200,000 Common Shares are reserved for issuance to key employees upon exercise of options intended to qualify as "Restricted Stock Options" under Section 421 of the Internal Revenue Code of 1954. The plan provides that the option price must be at least 95% of the fair market value of the shares on the date the option is granted. Options may be for varying periods not to exceed ten years from the date they are granted, and will be nontransferable except upon death of the holder. Options may be exercised only while the holder is in the employ of the Company, within three months after termination of employment, or within one year after the death of the holder. The power to determine and designate the employees to whom options shall be granted, the number of shares to be covered by each option, the period of each option, and the administration of the stock option plan are vested in a stock option committee to be appointed by the board of directors, to consist of not less than three directors none of whom is eligible to hold an option under the plan. As yet no options have been granted under the plan.

### Loans by Management

From time to time during the last three fiscal years of the Company, the persons named below have made loans to it at approximately the interest rate the Company was then paying for short term bank borrowings. The approximate maximum amounts of such loans outstanding at any time during each of these years were as follows:

<u>Name of Lender</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
Howard Vollum .....	\$444,000	\$609,000	\$950,000
M. J. Murdock .....	\$ 40,000	\$480,000	\$132,000
Robert J. Davis .....			\$298,000

Messrs. Vollum and Murdock are officers and directors of the Company and Mr. Davis is a former officer and director. All of these loans were repaid before the end of the Company's last fiscal year, and no other such loans are presently outstanding or contemplated.



## PRINCIPAL SHAREHOLDERS

The following table shows ownership of the Common Shares of the Company on June 30, 1963, by each person who owned of record or beneficially more than 10% of such shares, and the amount owned by all directors and officers as a group. The information set forth has been adjusted to give effect to the recapitalization and merger described under "Capitalization" herein.

<u>Name and Address</u>	<u>Type of Ownership</u>	<u>Number of Shares</u>	<u>Approximate Per Cent</u>
Howard Vollum 1000 N. W. Skyline Blvd. Portland 10, Oregon	Record and Beneficial	2,154,000	27%
M. J. Murdock 8010 E. Maple Street Vancouver, Washington	Record and Beneficial	1,998,000	25%
Directors and Officers as a Group	Record and Beneficial	4,544,846	57%

In addition to the holdings set forth above, Tektronix Foundation, a charitable corporation of which officers of the Company constitute a majority of the trustees, owned 111,065 shares, or approximately 1.4%. Millicent Foundation, a charitable corporation established by Mr. Murdock and of which he and other officers of the Company constitute a majority of the board of directors, owned 55,180 shares, or about 0.7%, and a charitable foundation established by Mr. Vollum owned 2,000 shares. The Company's Profit Sharing Retirement Trust, which is administered by a committee appointed by the board of directors of the Company presently consisting of two officers and four other employees or former employees, owned 313,384 shares or about 4%.

Reference is made to "Selling Shareholders" herein for information as to the number of Common Shares offered hereby for the accounts of certain shareholders (including some of those referred to above) and the number of shares to be owned by them after the offering.

## SELLING SHAREHOLDERS

The Selling Shareholders, the number of Common Shares owned by them, the number of shares being sold by them, and their respective holdings after giving effect to such sales are as follows:

<u>Name</u>	<u>Shares Presently Owned</u>	<u>Shares Being Sold</u>	<u>Shares Owned After Sale</u>
Millicent Foundation(1) .....	55,180	55,180	none
Tektronix Foundation(1) .....	111,065	109,506	1,559
34 Individual shareholders as a group(2) .....	1,774,066	275,314	1,498,752

(1) See "Principal Shareholders" herein for further information as to these Selling Shareholders.

(2) 31 of these individuals are officers or supervisory employees and 3 are former employees. None of these individuals owns more than 130,000 Common Shares (approximately 1.6 per cent), and none is selling more than 25,000 shares.

After giving effect to these sales, the officers and directors of the Company as a group will own 4,502,504 Common Shares or approximately 56 per cent, taking into account the issuance of the 100,000 Common Shares offered hereby for the account of the Company.

## DESCRIPTION OF COMMON SHARES

The Company's authorized capital consists of 20,000,000 Common Shares without par value, all of one class. The outstanding Common Shares are, and the Common Shares offered hereby for the account of the Company will be, fully paid and non-assessable and the shareholders have and will have no liability for further calls. The Common Shares are not redeemable or convertible nor do the holders thereof have any pre-emptive right to purchase any shares of the Company. Upon the dissolution of the Company the holders of Common Shares are entitled to receive ratably all of the assets legally available for distribution to shareholders.

### Dividend Rights

The holders of the Common Shares outstanding from time to time are entitled to receive dividends as and when declared by the board of directors of the Company. Under its outstanding Notes the Company may not pay cash dividends or reacquire any of its capital stock (i) except out of consolidated net income (as defined) of Tektronix, Inc. and Tektronix Canada Ltd. accrued subsequent to May 26, 1962 (provided that capital stock may also be reacquired to the extent of the net cash proceeds of sales of capital stock subsequent to that date), or (ii) if consolidated net current assets (as defined) of Tektronix, Inc. and Tektronix Canada Ltd. would thereby be reduced below \$6,000,000. Under the more restrictive of these provisions, \$4,269,124 of retained earnings was available for payment of cash dividends on the Common Shares as of May 25, 1963.

### Noncumulative Voting

Since the Common Shares do not have cumulative voting rights, the holders of more than 50% of all such shares outstanding, if they choose to do so, can elect all of the directors of the Company, and the holders of the remaining shares cannot elect any directors. The holders of Common Shares are entitled to one vote per share on any matter submitted to the shareholders.

### Reports to Shareholders

The Company intends to furnish to its Shareholders unaudited quarterly statements of earnings and an annual report containing audited financial statements.

## UNDERWRITING

The Underwriters named below, represented by Lehman Brothers, have severally agreed, subject to the terms and conditions of the Underwriting Agreement, to purchase from the Company and the Selling Shareholders the respective numbers of Common Shares set forth below opposite the Underwriters' names:

<u>Underwriter</u>	<u>Address</u>	<u>Number of Shares to be Purchased</u>
Lehman Brothers	One William Street, New York 4, New York	

Total: 540,000



The Underwriters are committed to purchase all the 540,000 Common Shares if any are purchased.

The Underwriters have agreed to reserve 50,000 of the Common Shares for sale to the Company's employees at the price shown with respect thereto on the cover of this Prospectus. Reference is made to "Offering to Employees" below for further information as to the terms of the offering to employees. Any of the reserved shares not purchased by employees of the Company will be offered by the Underwriters to the public at the "Price to Public" set forth on the cover of this Prospectus.

Lehman Brothers, as Representative of the Underwriters, has advised the Company that the Underwriters intend to offer part of the Common Shares to certain Selected Dealers at the initial public offering price less a concession of           cents per share; that the Underwriters and such dealers may reallocate to other dealers a discount not exceeding           cents per share; and that, after the initial public offering, the public offering price and concession and discount to dealers may be changed by the Representative.

The Selling Shareholders have agreed that they will not sell, offer or contract to sell additional Common Shares of the Company, except with the written consent of the Representative, within ninety days after the initial public offering.

#### **OFFERING TO EMPLOYEES**

The 50,000 shares reserved for sale to employees of the Company are being offered by the Underwriters to employees of the Company at the "Price to Employees" set forth on the cover of this Prospectus. The offering price to employees is the public offering price less the concession to Selected Dealers. The number of shares to be allocated to each employee will be determined by the Company.

The shares reserved for employees may be purchased through The United States National Bank of Portland, Oregon, as Agent.

Any shares not so purchased by employees by noon Portland time on the second day after the day on which the public offering commences will be offered by the Underwriters to the public at the "Price to Public" set forth on the cover of this Prospectus.

## **LITIGATION**

In March 1961, the Company filed suit in the Court of Claims against the United States seeking compensation for infringement of seven of the Company's patents by other firms engaged in producing for the government oscilloscopes developed by Tektronix. The United States has filed pleadings denying the Company's claims and has filed a counterclaim against the Company for damages or royalties for claimed infringement of two patents alleged to be owned by the United States. In answer to the counterclaim, the Company has denied the infringement and has asserted that the patents are invalid and that the United States can have no interest in the patents sufficient to support the counterclaim. The trial of the case is expected to commence some time next year.

The Company and its special legal counsel believe that it will prevail in most, if not all, of its claims against the United States, that the counterclaim of the United States will not be allowed, and that the resolution of this litigation will have no material effect on the financial position or results of operations of the Company. The processes of the Company alleged by the United States to infringe the patents which are the basis of its counterclaim are not essential to the Company's business.

## **LEGAL OPINIONS**

Counsel passing upon the legality of the Common Shares offered hereby are Messrs. Rockwood, Davies, Biggs, Strayer and Stoel, 1410 Yeon Building, Portland 4, Oregon, for the Company, and Messrs. Simpson Thacher & Bartlett, 120 Broadway, New York 5, New York, for the Underwriters.

## **EXPERTS**

The consolidated balance sheet of the Company and its subsidiaries as of May 25, 1963 and the related statement of consolidated income and retained earnings and summary of consolidated earnings for the three fifty-two week periods then ended included in this Prospectus (and related schedules included in the Registration Statement) have been examined by Haskins & Sells, independent certified public accountants, as stated in their opinion appearing herein, and have been so included in reliance upon the opinion of that firm given upon their authority as experts in accounting and auditing.



## OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Tektronix, Inc.:

We have examined the consolidated balance sheet of Tektronix, Inc. and its subsidiaries as of May 25, 1963, and the related statement of consolidated income and retained earnings and summary of consolidated earnings for the three fifty-two week periods 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.

In our opinion, the accompanying consolidated balance sheet presents fairly the financial position of the companies at May 25, 1963, and the statement of consolidated income and retained earnings presents fairly, and the summary of consolidated earnings summarizes fairly, the results of operations of the companies for the three fifty-two week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

HASKINS & SELLS

Portland, Oregon,  
August 1, 1963.

# TEKTRONIX, INC. AND SUBSIDIARIES

Consolidated Balance Sheet, May 25, 1963

## ASSETS

### Current Assets:

Cash .....		\$ 1,628,617
Time deposits .....		682,395
Accounts receivable—trade .....	\$ 9,061,798	
Less allowance for doubtful accounts .....	104,199	
Accounts receivable—net .....		8,957,599
Inventories (Note 2):		
Finished goods .....	7,436,591	
Work in process .....	7,849,668	
Production materials .....	5,267,692	
Total inventories .....		20,553,951
Supplies—at cost .....		478,964
Prepaid expenses .....		270,201
Total current assets .....		32,571,727

### Property and Equipment—At cost (Notes 3 and 8):

Buildings and grounds .....	15,904,895	
Machinery and equipment .....	6,754,027	
Leasehold improvements .....	220,884	
Total .....	22,879,806	
Less accumulated depreciation and amortization .....	7,008,894	
Remainder .....	15,870,912	
Land .....	615,706	
Construction in progress .....	1,127,133	
Property and equipment—net .....		17,613,751

### Deferred Charges and Other Assets:

Deferred charges (Note 5) .....	127,493	
Unimproved real estate—at cost .....	270,555	
Tekem stock (Notes 4 and 14) .....	745,849	
Total deferred charges and other assets .....		1,143,897
Total .....		\$51,329,375

The accompanying Notes to Financial Statements are an integral part of this balance sheet.



# TEKTRONIX, INC. AND SUBSIDIARIES

## Consolidated Balance Sheet, May 25, 1963

### LIABILITIES AND SHAREHOLDERS' EQUITY

#### Current Liabilities:

Note payable to bank .....		\$ 2,000,000
Accounts payable—trade .....		2,270,703
Federal, state, and foreign income taxes (Note 6) .....		3,758,869
Accrued expenses:		
Employee profit-sharing (Note 7) .....	\$ 2,980,940	
Payroll and payroll taxes .....	1,747,196	
Vacations .....	747,828	
Interest and miscellaneous taxes .....	184,018	
Total accrued expenses .....		5,659,982
Current portion of long-term liabilities .....		400,000
Total current liabilities .....		14,089,554

Long-Term Liabilities—Less portion due within one year (Note 8) ..... 6,728,200

Deferred Federal Income Tax (Note 9) ..... 48,500

Commitments and Contingent Liabilities (Notes 10 and 14)

#### Shareholders' Equity:

Capital shares (Notes 11 and 14):		
Class V common—voting; authorized 10,000,000 shares of \$1 par value; issued and outstanding 3,330,008 shares .....	3,330,008	
Class N common—non-voting; authorized 10,000,000 shares of \$1 par value; issued and outstanding 659,992 shares .....	659,992	
Total capital shares .....	3,990,000	
Retained earnings (Notes 12 and 14) .....	26,473,121	
Total shareholders' equity .....		30,463,121

Total ..... \$51,329,375

The accompanying Notes to Financial Statements are an integral part of this balance sheet.

# TEKTRONIX, INC. AND SUBSIDIARIES

## Statement of Consolidated Income and Retained Earnings

	For the Periods Ended		
	May 27, 1961	May 26, 1962	May 25, 1963
Net Sales .....	\$50,277,595	\$60,135,575	\$70,450,810
Cost of Goods Sold .....	22,388,496	28,077,648	31,779,384
Gross Profit .....	27,889,099	32,057,927	38,671,426
<b>Operating Expenses and Profit-Sharing:</b>			
Selling .....	5,167,248	6,853,202	7,821,579
Research and development .....	3,145,014	5,380,645	6,823,728
Administrative .....	3,028,031	4,488,837	5,702,772
Profit-sharing (Note 7) .....	5,888,893	5,179,016	6,488,084
Total operating expenses and profit-sharing .....	17,229,186	21,901,700	26,836,163
Operating Income .....	10,659,913	10,156,227	11,835,263
<b>Other Income (Expense):</b>			
Gain on disposition of assets .....	82,625	99,812	108,924
Miscellaneous—net .....	59,702	38,639	(15,188)
Total .....	142,327	138,451	93,736
Gross Income .....	10,802,240	10,294,678	11,928,999
<b>Interest Expense:</b>			
Interest on long-term liabilities .....	204,462	238,497	394,074
Other interest .....	150,272	268,909	101,483
Total interest expense .....	354,734	507,406	495,557
Income Before Income Taxes .....	10,447,506	9,787,272	11,433,442
<b>Provision for Income Taxes:</b>			
Federal (Note 9):			
Current .....	5,129,015	4,604,751	5,043,540
Deferred—net .....		26,609	21,891
State and foreign .....	409,712	549,335	597,474
Total provision for income taxes .....	5,538,727	5,180,695	5,662,905
Net Income .....	4,908,779	4,606,577	5,770,537
Retained Earnings at Beginning of Period .....	11,480,765	16,319,006	20,825,342
Total .....	16,389,544	20,925,583	26,595,879
Deduct Dividends (Class N shares, per share: 1961, \$.138; 1962, \$.165; 1963, \$.186) .....	70,538	100,241	122,758
Retained Earnings at End of Period (Notes 12 and 14) .....	\$16,319,006	\$20,825,342	\$26,473,121

The accompanying Notes to Financial Statements are an integral part of this statement.



# TEKTRONIX, INC. AND SUBSIDIARIES

## Notes to Financial Statements

### 1. Principles of Consolidation:

The consolidated financial statements include all of the Company's subsidiaries, all of which are wholly-owned. Subsidiary companies are: Tektronix Canada Ltd. (Canada), Tektronix International A. G. (Switzerland), Tektronix Holland N. V. (The Netherlands), Bouwerij Heerenveen N. V. (The Netherlands), Tektronix Guernsey Limited (Island of Guernsey), Tektronix Limited (Island of Guernsey), and Tektronix Australia Pty. Limited (Australia).

All significant intercompany transactions have been eliminated in the consolidated financial statements.

The equity of Tektronix, Inc. in the net assets (shareholder's equity) of the consolidated subsidiaries exceeded the cost of the Company's investment by \$1,131,352 at May 25, 1963. Of this amount, \$874,599 is included in consolidated retained earnings and the remainder, \$256,753, representing intercompany profit in inventories has been eliminated.

Conversion of foreign currencies to United States dollars has been made at the rate of exchange at May 25, 1963, that being the approximate rate since organization of the respective companies.

### 2. Inventories:

Inventories are valued at the lower of standard cost (approximates actual cost on a first-in, first-out basis) or market.

Inventories used in the determination of cost of sales were as follows:

May 31, 1960 .....	\$10,717,341
May 27, 1961 .....	14,500,012
May 26, 1962 .....	16,807,188
May 25, 1963 .....	20,553,951

### 3. Property and Equipment:

Depreciation has been provided on buildings and grounds and machinery and equipment generally on the sum of the years-digits method based on estimated useful lives of the properties. Estimated useful lives of buildings and grounds vary from 10 to 40 years and estimated useful lives of machinery and equipment vary from 5 to 15 years.

Leasehold improvements have been amortized on the straight-line basis over the periods of the leases.

Maintenance and repairs of property and equipment are charged to expense. The costs of replacements and significant betterments are added to property and equipment. Gains or losses on sales or retirements of property and equipment are credited or charged to income.

### 4. Tekem Stock:

Reference is made to "Capitalization" for a description of Tekem and to Note 14 for information relating to the merger of Tekem with and into Tektronix, Inc. and the commitment of Tektronix, Inc. to purchase Tekem shares.

On May 25, 1963, Tektronix, Inc. and subsidiaries owned 143,625 shares of Tekem acquired under the Company's continuing offer to purchase such shares and in June 1963, 132,462 Tekem shares were distributed to employees as a part of profit-sharing (see Note 7). By August 1, 1963, Tektronix, Inc. had acquired an additional 30,762 shares and as of that date the cost of the 41,925 shares owned was \$255,611.

### 5. Deferred Charges:

Deferred charges include \$75,000 of Federal income taxes applicable to the transfer of property and other assets to foreign subsidiaries at the time of their incorporation.

### 6. Federal Income Taxes:

The Federal income tax returns of Tektronix, Inc. through May 31, 1959 have been examined by the Internal Revenue Service.

## NOTES TO FINANCIAL STATEMENTS—(Continued)

### 7. Employee Profit-Sharing:

Under the terms of the Company's profit-sharing plan (see "Employees"), 35% of consolidated profit before income taxes, profit-sharing and charitable contributions is provided for employee profit-sharing.

### 8. Long-Term Liabilities:

Long-term liabilities at May 25, 1963 were as follows:

Notes payable to:

New York Life Insurance Company, unsecured:

6%, dated July 21, 1960 in the original amount of \$4,000,000, due in annual instalments of \$400,000 beginning April 15, 1963 .....	\$3,600,000
--	-------------

5½%, dated July 26, 1962 in the original amount of \$3,000,000, due in annual instalments of \$300,000 beginning December 1, 1965 .....	3,000,000
---	-----------

City of Heerenveen, The Netherlands:

4½%, dated June 29, 1961 in the original amount of \$528,200, due in annual instalments of \$26,410 beginning December 31, 1964 (property and equipment at a cost of \$1,276,007 pledged as collateral) .....	528,200
---	---------

Total .....	7,128,200
-------------	-----------

Less portion due within one year .....	400,000
--	---------

Total long-term liabilities .....	\$6,728,200
-----------------------------------	-------------

Annual instalments for the fifty-two or fifty-three week periods ending in May will aggregate \$400,000 in 1964, \$426,410 in 1965, and \$726,410 in 1966, 1967, and 1968.

### 9. Deferred Income Taxes:

The Company follows the practice of taking 48% of the "investment credit" provided by the Revenue Act of 1962 into income by providing for deferred income taxes equivalent to 52% of the "investment credit" and reducing the provision for current Federal income taxes the full amount of the "investment credit". The deferred income tax is amortized over the life of the depreciable property to which the credit relates.

### 10. Commitments and Contingent Liabilities:

The companies are committed to pay rentals of approximately \$1,131,000 on building leases expiring from June 1963 to July 1977. Rentals under these leases for the fifty-three weeks ending May 30, 1964 will be approximately \$234,000.

In connection with the expansion of the plant and facilities, Tektronix, Inc. and subsidiaries were committed under contracts and purchase orders related thereto in the amount of approximately \$890,000.

Reference is made to Note 14 regarding the commitment to purchase Tekem shares, the commitment under the shareholders' agreement, and the commitment related to shareholders' notes held by a bank.

Reference is also made to "Litigation".

Reference is also made to "Sales and Distribution" under "History and Business" for information relating to renegotiation.

### 11. Capital Shares:

For information relating to the recapitalization, merger, and restrictions on transfer of shares, see Note 14.

A restricted stock option plan for employees was adopted on July 22, 1963 by Tektronix, Inc. under which 200,000 of the shares to be authorized pursuant to the plan of merger are reserved for issuance to employees. See "Management".



## NOTES TO FINANCIAL STATEMENTS—(Continued)

Except for the foregoing, no shares were held by or for account of the Company or reserved for officers and employees or for options, warrants, conversions, and other rights.

### 12. Retained Earnings:

The note purchase agreements with New York Life Insurance Company (see Note 8) restrict distributions by Tektronix, Inc. for the payment of dividends (other than share dividends) or for the purchase, redemption, or retirement of shares of the Company to the consolidated earnings (as defined) of Tektronix, Inc. and Tektronix Canada Ltd. subsequent to May 26, 1962 and to an amount which will not reduce consolidated working capital (as defined) of Tektronix, Inc. and Tektronix Canada Ltd. below \$6,000,000. As a result of the foregoing \$22,203,997 of retained earnings was not available at May 25, 1963 for such distributions. Because it is anticipated that the retained earnings of foreign subsidiaries will be required for use in their business, no provision has been made for United States income taxes which would accrue upon payment of dividends to Tektronix, Inc.

	Charged To		
	Cost of Sales	Operating Expense	Total
13. Supplementary Information:			
Period Ended May 27, 1961:			
Maintenance and repairs .....	\$ 197,680	\$ 470,547	\$ 668,227
Depreciation and amortization .....	681,054	508,116	1,189,170
Taxes other than income taxes:			
Payroll .....	661,498	343,843	1,005,341
Real and personal property .....	162,313	186,895	349,208
Business licenses and other .....	85	16,798	16,883
Rents .....	42,205	298,133	340,338
Period Ended May 26, 1962:			
Maintenance and repairs .....	\$ 256,011	\$1,028,848	\$1,284,859
Depreciation and amortization .....	1,044,929	737,748	1,782,677
Taxes other than income taxes:			
Payroll .....	810,171	480,388	1,290,559
Real and personal property .....	171,799	183,429	355,228
Business licenses and other .....		13,238	13,238
Rents .....	49,377	395,200	444,577
Period Ended May 25, 1963:			
Maintenance and repairs .....	\$ 244,734	\$1,062,407	\$1,307,141
Depreciation and amortization .....	1,105,038	1,089,192	2,194,230
Taxes other than income taxes:			
Payroll .....	809,875	738,860	1,548,735
Real and personal property .....	240,528	369,159	609,687
Business licenses and other .....	1,076	12,125	13,201
Rents .....	25,163	490,972	516,135

### 14. Merger and Share Purchase Commitments:

The following described plan of merger was approved by the shareholders of Tektronix, Inc. and Tekem on July 22, 1963 and July 24, 1963, respectively, to become effective prior to the date of the final Prospectus.

## NOTES TO FINANCIAL STATEMENTS—(Concluded)

As a part of the plan of merger, the authorized capital shares of Tektronix, Inc. will be changed from the two presently authorized classes of shares into a single class of 20,000,000 Common Shares without par value. Pursuant to the plan of merger, Tektronix, Inc. will issue two new shares in exchange for each share of the presently outstanding Class V and Class N shares, other than the shares held by Tekem. Also pursuant to the plan, Tektronix, Inc. will issue one new share in exchange for each 2.5 shares of Tekem, except those held by Tektronix, Inc., and the outstanding shares of Tekem (2,549,204 at May 25, 1963 and August 1, 1963) and the Class N Tektronix, Inc. shares held by Tekem (503,300 at May 25, 1963 and August 1, 1963) will be cancelled.

The retained earnings of Tektronix, Inc. will be reduced by the cost of the Tekem shares owned by Tektronix, Inc. on the effective date of the merger, and increased by the value of the other net assets of Tekem, principally cash expected not to exceed \$50,000, acquired by it in the merger. As of August 1, 1963, Tektronix, Inc. owned 41,925 Tekem shares which cost \$255,611. After the merger, Tektronix, Inc. will have outstanding 7,980,000 new Common Shares less one such share for each  $2\frac{1}{2}$  Tekem shares owned by Tektronix, Inc. on the merger date.

At May 25, 1963, the Company had the following commitments, all of which terminate on or before the merger date:

(i) Tektronix, Inc. has made and published a continuing offer to Tekem shareholders, and to financial institutions holding Tekem shares as collateral for loans, to purchase Tekem shares at a price determined from time to time by certain officers of Tektronix, Inc. On August 1, 1963, there were 2,507,279 outstanding Tekem shares not owned by Tektronix, Inc. to which the continuing offer applied. The price then in effect was \$7.35 per Tekem share.

(ii) Tektronix, Inc. is a party to a shareholders' agreement restricting transfer of its shares. Under the terms of the agreement, an Evaluation Committee composed of four shareholders designates transferees to whom shares may be transferred and establishes the price at which such shares can be sold. Tektronix, Inc. has agreed to purchase at that price all shares not purchased by designated transferees. The price in effect for the Tektronix, Inc. shares outstanding on August 1, 1963 was equivalent to \$18.60 per new Tektronix, Inc. Common Share.

(iii) Certain shareholders of Tektronix, Inc. have pledged their shares as collateral for loans from a bank and the Company is committed to purchase such notes upon the death or default of the shareholders. At May 25, 1963, the unpaid balance on all such shareholder loans totaled approximately \$2,680,000.

