



The Challenge in 1971 — To Continue Last Year's Dramatic Growth

(Editor's Note: This article is a summary of recent discussions with top management.)

Memorex has been referred to as a David among the Goliaths of the computer industry—a distinction our employees have earned over the past decade by demonstrating a willingness and ability to accept monumental challenges successfully.

Last year we continued our dramatic growth in product technology, facilities and employment despite generally adverse national business conditions and intense competitive pressures. Our annual volume of business exceeded the 1970 \$100 million goal. While few Santa Clara County employers were able to maintain or increase their work force in 1970, Memorex grew from 3,400 employees to over 6,000. We also increased the size of our owned facilities by 110%, to more than one million square feet, and brought out several important new products.

For the most part, it was the Equipment Group which experienced this tremendous growth. MEG's first shipments of Microfilm Printers, 3660 Disc Storage Systems and 1240 Communication Terminals had a profound effect on the company, particularly in the second half of 1970. As we enter 1971, the buildup of our equipment business, in both manufacturing and marketing services, has substantially changed the character of Memorex. We are now recognized as a leading independent supplier of computer equipment.

We have also continued our role as an international leader in the magnetic media business, although the economy did affect our media business in the United States, causing decreased demand for all tape products and disc packs and stimulating a falloff in prices. In this maturing market, competition remains keen. We have established programs to reduce costs and improve manufacturing efficiencies to protect declining profit margins. These efforts began in 1968 and con-

tinued to bring improvements in 1969 and 1970 to the point where declining prices have been partially offset by reduced product costs. However, reduced sales volume precipitated adjustment of the Santa Clara work force in some departments in January.

A most significant advance for the Information Media Group in 1970 was the introduction of our consumer products line—audio tapes in reel-to-reel and cassette configurations. We began limited marketing last year and in early 1971 consumer products will be marketed throughout the United States. Advertising, which has already started in some areas, will utilize television, radio and major magazines. Our marketing program is designed to take our products to broad retail distribution and simultaneously generate the rapid consumer demand required for successful entry into the substantial consumer products market.

In 1971, the computer tape market is expected to resume its growth trend as business conditions return to normal. In addition to Consumer Products, important contributions will also be made this year by the Micrographics, Business Products and CMX Systems Divisions. We are confident that IMG's multiple product line assures continued growth in the years ahead.

In International, the markets for tapes and disc packs continue to expand, and increased international sales, improved manufacturing costs and the successful introduction of premium media products make this a profitable area. In addition, the development of end user equipment business overseas paralleled the efforts begun a year earlier in the United States. By year-end Memorex had installed disc storage and COM systems in more than 150 user locations in Europe, Canada, and South America. The introduction of equipment products contributed strongly to international sales in 1970.

In order to continue achieving our growth sales goals, the Company requires extra-



Memorex President Laurence Spitters

ordinary amounts of capital. Rapid expansion demands increased inputs of money. We moved to obtain this capital in 1970 with two long-term financing programs.

The first was in April, when we sold \$75 million of convertible subordinated debentures. This money was used to repay short-term loans and support several facility and corporate development programs.

The second was in December, when a \$142.7 million financing program for ILC Peripherals Leasing Corporation was completed. ILC was organized to purchase and lease Memorex computer equipment. Leasing is important to the equipment business because most users prefer to lease rather than purchase.

Obtaining this capital and retaining the con-

(Continued next page)

Intercom

Volume 8, No. 2/February, 1971
A monthly publication for employees
of Memorex Corporation,
Santa Clara, California 95050
Editor: Gary Williams

ABOUT THE COVER

Memorex was incorporated on February 9, 1961, and this month's cover honors the Company's 10th anniversary. Memorex President Laurence Spitters received the Company's first 10-year service award. Other employees who joined Memorex in 1961 are: Eric Daniel, Dick Vasey, Carl Anderson,

Elisabeth Herzfeld, Al Delman, Roland Gallegos and Bill Christie. The cover photos show Mr. Spitters and Al Delman in early 1961; the video test area in the IMG Clean Room a few years later; and one of the newest MEG Manufacturing areas. The cover was designed by Graphic Arts Supervisor Bob Murray, to symbolize the Company's development over the past decade.

confidence of the investment community demands that the Company continue to demonstrate the ability to manage its business effectively.

This means doing more than just maintaining our present level of earnings. We must improve so that we may continue to be evaluated as a growth company. This enables us to do the financing required to support our ambitious programs, and at reasonable costs. If the Company's earnings in a particular area start to decline then steps must be taken to correct the situation, just as you would cut back your expenses if your personal income began to decline. We saw this happen last year to some extent, where declining tape prices meant that expenses in that area had to be carefully watched and greatly reduced.

Profit improvement programs aren't new to the Company. In 1967 Memorex President Laurence Spitters told employees, "Memorex now faces extreme price competition in our precision tape business. But we are a strong leader and we expect to respond to this competition by greater efficiencies, improved products and a broader product line." He also then disclosed that "Our sales goal in 1970 is to reach sales of \$100 million, three times the rate of 1967."

And just last month, in a letter to all employees, Mr. Spitters wrote, "In the economic and competitive environment of all business in 1971, the most excellent of companies is subject to the extraordinary challenge of improving earnings and operations . . . Success in this effort assures the longer term quality and dynamics of our business. I ask

each of you to accept this challenge with the winning spirit, determination and resourcefulness that you have evidenced in 1970 and earlier years. The Company's success remains dependent upon you."

We have many things going for us in 1971—a growing industry, outstanding product lines, major financing programs, a winning tradition, and most importantly, our team of highly skilled people. To capitalize on these advantages, we must constantly seek to improve our business skills, as individuals and as a company. We must build on the achievements already attained to reach our goals in technology, sales, production and services. Success in meeting our business goals will ensure each of us the opportunity to meet our own personal goals in an environment of continuing growth.

Progress Report On Construction Projects

The Micrographics Division is moving into its newly completed plant on Kifer Road this month, reports Corporate Facilities Director Jim Nelson.

The plant is situated among hundreds of pear trees, on 83 acres of land just west of the San Tomas facilities. "It was built during a tight six-month program (between early August and January) which is very fast for a building of its size and complexity," says Jim.

Some of the production processes involve solvents and solvent vapors, so pollution control devices have been designed into the plant. Engineers from Micrographics and Facilities have worked with the Bay Area Air Pollution Control District to ensure that the plant meets BAAPCD standards.

Late next month, the first departments will begin moving into MAB, the Memorex Administration Building (also referred to as Corporate headquarters). This building's new name

better reflects its function, since it will house members of the operating groups, as well as the Corporate staff.

Hal Rhodes, project manager for the San Tomas site, explains that the Administration Building was Phase 2 of the construction planned for that site. Phase 1 was 210,000 square feet of general office and manufacturing space for the Equipment Group. When it was completed last July it increased our owned facilities by 40%.

Phase 3, another 260,000 square feet of space for MEG, was started in late 1969 and it is scheduled to be fully completed and occupied in April. Phase 4, a 200,000 square foot warehouse, is the final construction planned for San Tomas for the immediate future. Completion of Phase 4 will bring the total size of our buildings for MEG Manufacturing, Engineering and Warehousing on that site to 670,000 square feet. Phase 4 started late in 1970 and is scheduled to be finished in May.

Hal notes that construction on the 54-acre site is "probably years ahead of the planned expansion program for the site, because of the Equipment Group's large scale growth. At first Phase 1 was going to be a 25,000 square foot facility. But by the time the plans received final approval Phase 1 had grown to ten times that size."

The San Tomas project allows the Equipment Group to centralize its operations for the first time, an economically sound move since it is less expensive in the long run for us to occupy our own buildings rather than lease from someone else.

Corporate Facilities also has another construction project underway, and that's the 60,000 square foot addition to our Liege plant. Its primary purpose is to provide space to assemble and test disc drives. Construction for this project, started in late 1970, is scheduled for completion in September of this year.

Product Development Continues At Midwest Systems

Shown at Midwest Systems' plant in Minnesota are Stan Stegemeyer, manager of Fabrication and Test; Bob Erickson, manager of Quality Assurance; Doug Larson, director of Manufacturing; and Ron Skogstad, manager of Manufacturing Engineering.

Ask someone from Midwest Systems what he's working on and he will probably change the subject.

If that seems secretive, it's for a good reason. Midwest Systems, a Memorex subsidiary, is working on an important addition to our equipment product line, and it's good business to keep the competition guessing what we are up to.

In last year's Annual Report, Memorex President Laurence Spitters wrote that "Midwest Systems Corporation is designing equipment for concentrating data and controlling its flow between remote terminals and a computer system."

The Equipment Group Vice President in charge of the Systems Division, which includes MSC, is John Eastling. He says, "It is still some time before we will be ready to announce our product, so we must be careful to avoid giving specific information which might jeopardize our competitive position. However, I can tell you that Midwest Systems is designing a system, or set of equipment, which will be sold primarily to the large industrial users of our plug-compatible equipment. The system will include our own Memorex communication terminals, disc files, disc controllers, modems and other communication devices."

MSC is the first Memorex subsidiary located outside California to design new products, and it draws its name from the fact that it is in Minneapolis, Minnesota.

MSC employs nearly 100 people and is presently leasing buildings in Golden Valley and New Hope, both suburbs of Minneapolis. "We own 45 acres of land in Plymouth, another suburb, also on the west edge of Minneapolis," says Mr. Eastling. He predicts that construction of a plant will begin there in "the next year or two."

People have asked why this new equipment subsidiary is locating so far from Santa Clara headquarters. Mr. Eastling explains that Midwest Systems was founded by a group of people from the Minneapolis area with a specific technological skill. It is a logical place for Memorex to build a sizable staff since the Twin Cities (Minneapolis-St. Paul) area is noted for its heavy concentration of electronic systems companies (Honeywell, Control Data, Univac, 3M, and IBM-GSD in Rochester, Minnesota, are among the larger firms in the area).

(Continued next page)



Bart Ott, director of Programming



Lorraine Brame, a senior sub-assembler, solders a printed circuit board.

Conferring on an administrative matter are Chuck Zwingman, manager of Administration; Pete Madsen, manager of Employment; Joe Rosengren, manager of Plant Engineering; and Chaire Schwanebeck, supervisor of Office Services.

The president and founder of Midwest Systems is Don Malcolm. Don grew up in Minnesota. He attended the University of Minnesota and graduated with a degree in Electrical Engineering. He went to work for Engineering Research Associates (ERA) in 1954 when the computer industry was just beginning to develop. ERA was later purchased by Remington Rand and renamed Univac. In 1959, Don went to Control Data Corporation (CDC), where he served as project engineer on small computer systems and supervised the development of larger systems. He was a staff consultant, forecasting technical developments in the industry, when he left CDC in 1969.

Other founders of Midwest Systems include Marv Green, director of Engineering; Bart Ott, director of Programming; and Doug Larson, director of Manufacturing.

Marv, a graduate of South Dakota University, was with Control Data for 10 years before joining MSC. He was involved in the design of several computers and managed computer system development for the medium scale product line.

Bart is a native Californian, born and raised in San Francisco. He worked for the State of California, in the area of business data processing, and later joined CDC. He has been involved in the development of many operating systems and has managed both engineering and software departments for CDC, in Europe, California, and Minnesota.



Doug is a graduate of the University of North Dakota. He has been in the computer business since 1951, starting with ERA. He left Univac for CDC in 1959 and began working on small computer development. He quickly became manufacturing manager, and was responsible for the manufacture of numerous computer systems, ranging from the smallest up through the super scale CDC computers. He was an independent consultant and investor when he joined Midwest Systems.

The average level of experience among all professional employees at MSC is over seven years—a relatively long time measured in a young industry characterized by rapid growth—and indicative of their level of technical competence. As a group, they are dedicated to the successful commercialization of the systems products.

How Well Do You Know Your Benefits?

A good novel might be more exciting, but you can probably save yourself money by reading through your Memorex benefits booklets the next time you have some time to spare.

The medical insurance booklets are especially important because it's almost impossible to remember every covered medical expense unless you work with the information regularly. For example, you may not have remembered that covered major medical expenses incurred during October, November and December of 1970 can be applied toward your 1971 deductible amount of \$100 per person.

Or, maybe you weren't aware that Supplemental Accident Benefits cover yourself or a member of your family, and there is no deductible. Under this part of our medical plan, coverage includes costs for medical supplies, drugs or medicines furnished by your doctor, ambulance service, and hospital emergency services, up to 100% of the first \$300 per accident. Additional expenses will be covered under major medical plan provisions.

MEG Secretary Drives "Voltus" to Autocross Championship

The only clue to Pat Snarr's weekend hobby is a poster beside her desk announcing an upcoming sports car event. But that doesn't really tell the story.

Pat, a secretary in MRX Sales and Service, has more than a passing interest in sports cars—she's the 1970 Northern California Ladies Autocross Champion.

Autocrossing is a popular type of racing which usually takes place on a large parking lot. Marker cones are used to lay out a difficult course of turns and short straight-aways. One car at a time runs through the course, usually at speeds between 35 and 75 mph, trying to better the lap times posted by other cars. To make competition more even, cars are divided into different classifications, and they compete for the best times in their class. Pat explains that people autocross all kinds of cars, from Volkswagens to specially built racers like the Snarr's, which they tow to events on a trailer.

Pat caught the autocrossing bug from her

sister and decided to try her hand at it in 1968, driving a Fiat 850 sedan. She didn't win any races at first, but she met Ken Snarr, who is now her husband. Ken is the 1970 Northern California Champion in the Men's Division, and has been a top autocross racer for several years.

The Snarrs belong to the Sports Car Autocross Team, one of about 50 clubs in the Northern California Sports Car Council (NCSCC). About half of the clubs actively participate in autocrossing, and the rest concentrate on rallies and touring. Pat notes that the Council stresses safety at every race, most of which are run on the fairgrounds parking lot in Pleasanton. As a result she says, autocrossing is "the safest motor sport in the world."

Soon after she and Ken met, he began teaching her how to drive his car, a Corvair-Genie. "It had a tube frame and a Corvair engine," recalls Pat. "It was scary to drive but Ken finished first in his class in 1968 and lost the overall championship by one

point. We replaced the Genie with a car Ken built using a tube frame, a Volvo B-18 engine and a Lotus 23 body. We call it the Voltus.

NCSCC runs 23 championship events each year, and with the new Voltus Pat and Ken won most of the 1969 autocrosses they entered. Ken ended the season first in his class and overall men's champion, while Pat was second in her class.

Now that the Snarrs have proven their autocrossing skills they are becoming interested in a new type of dirt track racing for dune-buggies. Pat also notes that Ken and his brother rebuilt an older model Volkswagen and entered it in the Baja 500 off-the-road race last June. But she is emphatic that "They'll never do that again. Their car broke down halfway through the race and it took them two days to get it out of the desert. I spent our first anniversary alone in Ensenada waiting for them. Besides, if I'm going to support a race car I want to drive it half the time."



Pat Snarr autocrosses the "Voltus."

New MAG Officers Selected At Santa Clara, Hawthorne

Palm



Mendonca



Salerno



Daugherty



Neuenschwander



Tredway



Stasiak



Anderson



Leszcz



Winebrenner



Stephenson



McLelland



Geddie



Youngs



Cain



Green



Shell



Santa Clara

Steve Palm was elected president of Santa Clara MAG at the group's Board of Directors meeting in January. Steve is a production control analyst in the Equipment Group.

Also joining Steve as new officers are Bob Mendonca, vice president; Lena Salerno, secretary; and Pat Daugherty, treasurer.

Other directors of the Santa Clara Board are Sylvia Adams, Hal Neuenschwander, Ron Tredway, Verlene Stasiak, Bill Anderson, Diane Leszcz, Vic Winebrenner and Julie Stephenson.

Hawthorne

At the same time elections were being held in Northern California, a new MAG group was forming at Substrate, in Hawthorne. The first directors are Manuel McLelland, president; Billie Geddie, vice president; John Youngs, secretary; Homer Cain, treasurer; Joe Green, sports chairman; and Ted Shell, publicity.

Among the first activities they are considering are a deep sea fishing trip and a tour of Universal Movie Studios. And, like the other MAG boards, they are anxious to receive comments and suggestions from the employees they represent.

Intercom

Memorex Corporation

Santa Clara, Ca. 95050
Return Requested



INPUT/OUTPUT is an anonymous channel for employee questions, comments, complaints, or suggestions. INPUT/OUTPUT forms and locked boxes in which to put them are located throughout Memorex. Forms are collected by the program administrator, who is the only person ever to see the names of employees who submit INPUT/OUTPUTs. Answers are mailed to employees' homes, and questions of general interest are selected for publication, unless the author requests otherwise. If you can't locate an INPUT/OUTPUT Box, you can obtain forms from your Personnel Office.

Why is the landscaping and building continuing during a cost-cutting time?

Certain landscaping and building activities will continue but will be limited to 1) those areas where funds are already committed, 2) those expenses which are judged to be essential for business purposes, and 3) landscaping near our facilities that is paid for by local government (such as at Shulman Avenue).

In the past, it has been Memorex's policy to "pay for performance." Yet at this time, when each employee has been requested to make an "extraordinary effort," this is precisely the feature of Memorex's compensation program which has been temporarily halted. What alternatives were considered? Why were they rejected?

Some alternatives to putting a "holding action" on all pay increases were to change the pay guidelines, ask employees to take time off without pay, or to consider unpaid holidays. In evaluating these the company needed to find an effective and consistent means of controlling 1971 payroll costs. In management's judgment, delaying pay increases by extending each employee's review period by the same amount of time is the most equitable way to immediately reduce costs in this area.

Why can't we run classified advertisements for the employees of this company in employee publications?

Our publications are to provide information about activities of interest to Memorex and its employees. With this objective in mind, it is important to use these employee publications to transmit information that would not normally be available through other media.

Classified advertisements are available to everyone through the newspapers, and we feel that it is not necessary or desirable to duplicate such information in our employee publications. Those who want to can place classified ad material on specified company bulletin boards by submitting the information to their Personnel Office.

Why doesn't Memorex pay the lab work on a yearly physical?

Expenses incurred for preventive medicine, such as a routine annual physical examination and related lab fees, are not covered by our medical insurance program. The primary reason is that a routine physical examination is a discretionary matter for each individual. Were we to cover such expenses, our premium costs would be much higher. And higher costs could curb the scope of medical benefits the Company provides its employees and dependents.

A diagnostic physical examination and related lab work, performed to diagnose a medical ailment or problem that an employee or dependent may have, is covered under our medical program.

Would Memorex consider granting birthday holidays for employees?

As with other employee benefits, we regularly review the number and designation of holidays we and other companies are granting each year. At the present time, we do not have any plans to adjust the holiday benefit.

Why is it necessary to lock the door on the north lobby of the tape plant?

The switchboard lobby was closed because it would be necessary to hire a receptionist to maintain security. For Building A occupants, the side door of H Building and the central lobby provide entrance from, and exit to, all parking lots and other buildings within the complex.

JAMES N PORTER
1224 ARBOR COURT
MOUNTAIN VIEW CA 94040

98

First Class Mail

