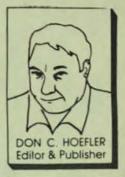
MEROELECTBONICS WITH MANAGER'S CASEBOOK



BOX 2343, SANTA CLARA, CALIFORNIA 95051 Telephone: (408) 373-6688

SILICON VALLEY JANUARY 6 1979

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THEIR FUTURE JUST PASSED. National, which has been billing itself as "the computer company of the future," will in the future be "the computer company without a name." For president <u>Charlie</u> <u>Sporck</u> has reversed strategy and will not enter the end-user marketplace after all.

The Computer Products group has just reported heavy losses, and there was a substantial layoff this week. Although Sporck had been declaring that the company was prepared to sustain longterm losses to buy its way into the marketplace, the fact is that he is highly allergic to losses for any reason, and the group was showing tidy profit margins--until very recently.

The company had planned a January press conference for its System 200 minicomputer, but that has been postponed indefinitely as the company looks forward to a protracted legal wrangle with Digital Equipment.

Selling to OEMs and third-party leasing companies, National had been profiting in excess of industry average. Computer Products had been contributing some 18 per cent of revenues, but more than double that percentage of pretax profits.

To sell to end users, the company would have to pour a ton of money into field sales and service, and then pray for quick public acceptance and freedom from production problems.

With System 200 on hold, the AS-3 mainframe due to be obsoleted by the <u>IBM</u> E series in 1980, and the margins on add-on and add-in memories being pricebombed, National is left with the System 400. Thus it faces some whopping development costs at the same time it would be building an expensive field organization.

As it reverts to private-labeling and third-party marketing, however, National cannot expect that one of its once largest customers, the <u>Itel</u> leasery, will welcome the prodigal with open arms. Nat had already made clear that it was going to operate independently of Itel, and Itel decided it would start manufacturing itself. Accordingly, it has begun construction of a 120,000 sq. ft. facility at Rancho Bernardo, near San Diego in southern California. So the die has already been cast for a National-Itel divorce, and a reconciliation seems unlikely. So National is hoist with its own petard.

So when the national sales meeting of the Computer Products group was held at the Mariott Hotel in Santa Clara this week, the usual pep talk and funand-games had a decidedly hollow ring. It's a new ballgame for the group, and the question is whether it will be able to play hardball in the big leagues.

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MANY UNHAPPY RETURNS.

It was another unmerry Christmas season for Atari

(MN, Feb. 4 1978) -- only more so. Vendors have been told that purchases this year will be much lighter than last, and layoffs began this week which will ultimately cut probably half the work force.

Last season it was 130,000 games unsold because of poor shipping control. This season it was nearly 400,000, because of poor market forecasting. At some \$70-\$75 apiece wholesale, that means Atari is sitting on well over \$25 million in inventory.

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CAUSE AND EFFECT. The manager of one of the country's largest investment portfolio's--an ex-Fairchilder--called on American Microsystems president Glenn Penisten to get an update on the company's

prospects. Glenn painted a rosy picture, based on the company's re-emphasis on custom products. The guy rushed back to his office and gave the order: SELL.

As I was saying ...

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CANCEL THAT. My story that Exxon was moving its Emdex subsidiary to the Valley (MN, Dec. 16 1978) was somewhat garbled. That had been the plan at one time, but Exxon folded it. All that was moved was president Manny Fernandez (and he never really left). And he is shopping for a new affiliation.

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BACK TO THE CHEESE BOARD.

Nolan Bushnell, founder of Atari, is out as chairman as the company prepares to report a substantial loss (see above story), although he has been inactive since selling the company to Warner Communications. President Joe Keenan moves up to chairman, and Ray Kassar, the rug merchant who has been standing in the wings as a "consultant" since last May, moves up to president.

Bushnell will henceforth devote much of his time to the Pizza Time Theater division, a chain of junk food joints with mechanical entertainers and lots of coin-operated games. He and the division g.m., Gene Landrum, are moving in to the former Ness Time facility on Bubb Road in Cupertino. Landrum should feel right at home, as he was also a loser in watches -- at National.

COMEDOWN. Art Stabenow, who quit as operations v.p. at Monolithic Memories last August after rifling his boss's desk and discovering there was a headhunter contract out on his job, has turned up at National, as manager of the Danbury (Ct) plant.

Art succeeds Frank Alvarez, a guy with personality problems and a small circle of friends, but it was the rickety plant's problems with the law (MN, Nov. 11) that brought him down.

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COMEDOWN (II). Bill Baker has found yet another home. The onetime Fairchild v.p., shorttime Monolithics Memories v.p., and group director at National, is new plant manager for American Microsystems at Pocatello (Id).

IN MEMORIAM. Bob Norman, a founder of General Micro-electronics, has penned some thoughts about GMe's first president, the late Col. Art

Lowell (MN, Nov. 18). Bob had a better vantage point than most of us for observing the colonel, and he just might change your thinking on this controversial guy:

"Art Lowell (Col. A. C. Lowell, USMC [Ret.]) was a scientist, a dreamer, a revival preacher, a commander. Art sold, cajoled, achieved. His trail is strewn with broken companies and men. Yet from the ashes of each an industry arose.

"Art mobilized the considerable resources of the Avionics Division of the Bureau of Weapons to pull integrated circuits out of the laboratory and put them into military hardware.

"He made believers out of those who worked for him, many of whom had said, 'This too will pass.'

"He made believers out of equipment and system contractors, many of whom had said, 'This too will pass.'

"He made believers out of other government agencies, many of whom had said, 'This too will pass.'

"He made believers out of the semiconductor industry, many of whom had said, 'This too will pass.'

"And integrated circuits flew!

"And Art retired and entered industry and the rotary mechanical calculator (remember them) choked on electrons.

"And there was LSI.

"And the world laughed when one dreamer (Art) and another dreamer (Sasaki) negotiated a 4-chip calculator contract--and it was painful--for both companies.

"And his patient wife, Evelyn, regretted Art's decision to retire. In retrospect, perhaps she was right. Art as a Marine was the field commander of an electronic revolution. He was not at his best in the frustrations and constraints of industry. He had problems distinguishing between white hats and black hats, and particularly with chameleon hats.

"Rest, Art Lowell, Colonel, USMC (Ret.). 'Outstanding!'"

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SLICKERS. My mention of <u>Signetics</u> going for a subscriber line interface circuit as the item "which will separate the men from the boys" (MN, Dec. 16 1978) prompts Bill Riner of ITT North Electric to comment, "at

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(MN, Dec. 16 1978) prompts <u>Bill Riner</u> of <u>ITT North Electric</u> to comment, "at this point we seem to be the only men in the act." He points out that ITTNE has been making a two-part hybrid set for the past year, which goes into the firm's digital switching system and also into the merchant market.

But it is two units, Bill, and they are thick-film hybrids.

That's a big step in the right direction, but if Sig boils it down to a single monolithic chip, we are liable to see a shift in the men-boys lineup. Or is ITTNE working on one too?

REPRIEVED. Trial of the accused thieves in the Intel-to-National trade secrets case, originally set for December 27, has been put

over to February 5. Charges against Lee Yamada, the guy who walked the reticles out of NBK, were dismissed on a technicality, but the district attorney says he will file them again.

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BY THE BOOK. The personal computer industry, still in swaddling clothes, is about to have a "Blue Book" of used microcomputer trade-

in prices. <u>Newman Computer Exchange</u> has already published schedules for <u>Radio Shack</u> TRS-80 and <u>Commodore</u> PET and KIM, and is assembling a book listing all popular models. For one or more free copies, write Newman Computer Exchange, 1250 No. Main St., Box 8610, Ann Arbor (Mi) 48107.

LOOKING UP. DataQuest is estimating that the four-year-old personal computer industry reached \$500 million in 1978, and should exceed \$2.4 billion by 1982. The estimate is from a report which is part of the firm's minicomputer industry service. Information from DataQuest, 3000 Sand Hill Rd., Menlo Park (Ca) 94025, phone 415-854-7400.

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Frost & Sullivan sees the U.S. watch market as stabilizing after years of upheaval, with volume growing slowly from \$1.8 billion in 1978 to \$2 billion by 1983. The firm sees LED digitals dominating the low-price (\$10-\$20 retail) market, with quartz analogs and LCD digitals in the medium range, and with relatively stable pricing.

F&S also says the micrprocessor is changing the data-acquisition market to data-decision-making, and DA systems houses will be venturing into making their own ICs, largely "by acquiring the smaller solid state manufacturers." They neglect to tell us, however, where such manufacturers are to be found.

Information on either report from Customer Service, Frost & Sullivan Inc., 106 Fulton St., New York (NY) 10038, phone 212-233-1080.

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CATCHING UP. Integrated Circuit Engineering, whose fine annual "status" reports were getting so late that it appeared the company would have to drop a year, got its act together and Status '79 is already off the press. Price is \$95. First status seminar (\$185, including the book) will be February 7 at Rickey's in Palo Alto (Ca). Speaker will be Chuck Missler, president of Western Digital. Information from John Shea, ICE, 100 No. Winchester Blvd., Santa Clara (Ca) 95050, phone 408-248-1843.

SHEIK OF ARABY. If you would like to sell to the oil-rich Middle East, you should have "Arab Trade Guide," a directory of more

than 2000 manufacturers, agents and distributors in 11 countries. Each entry includes company name, address, telephone/telex numbers, number of employees, year established, principal business activity, and name of decision-maker. Price \$77.25 from N. H. Fanous, Executive Services, 5744 L.B.J. Freeway, Suite 205, Dallas (Tx) 75240, phone 214-233-6673.

MICROELECTBONICS DEVIS WITH MANAGER'S CASEBOOK



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SILICON VALLEY JANUARY 13 1979

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BACK IN THE GAME. Dr. Jean Hoerni, who quite possibly has the greatest number of startups to his credit of anyone in this industry (Fairchild, Amelco-Teledyne, Union Carbide Electronics, Intersil, Eurosil), is back in action, hoping for another notch in his gun. And his longtime sidekick, Dr. Bob Freund, is right there with him.

Now living in Sun Valley (Id), Hoerni thought he was going to be dabbling in real estate, but when the opportunity beckoned again, he could not resist it. That opportunity came in the form of the availability of an existing vehicle, followed by the availability of a seasoned president.

The vehicle is <u>Semi</u> <u>Processes Inc.</u>, which has been operating for four years as a small job-shop partnership. It is now incorporated, and Hoerni and Freund have big-time ideas for it. The founder of SPI was <u>Leon Pearce</u>, formerly of <u>ITT</u>, <u>Intersil</u> and <u>Ken Moyle's Hubris</u> consultery. He got Hoerni involved in an advisory capacity about a year ago.

Then Freund returned to the United States last year, at the termination of his five year contract as president of Eurosil, which he brought up to 33,000,000 Deutschmarks. "Germany is a great place to visit, but five years living there was enough," says Bob. So he was shopping and Hoerni was itchy, and for them not to have put this deal together would have been a violation of natural law.

THE LINEUP. Freund is now president. Hoerni is an outside director. Pearce steps down to vice president. Don Stoops is manufacturing manager, his first job in the industry. Another key manager will be coming aboard next week. Total employment is presently 10.

Hoerni will continue to reside in Sun Valley, commuting to Silicon Valley about 10 days each month. "This way they don't have me on their backs all the time," says Jean, who is renowned as a tough taskmaster.

The facility is presently making MOS and CMOS wafers, while the new management is defining a proprietary product line. "Obviously, we're not going to do this without an idea," says Bob. "We're not just going to sit around with ten people."

First step in getting off their duffs is a key contract, which should be signed next week.

SPI location is 1885 Norman Ave., Santa Clara (Ca) 95050. Telephone 408-985-4004. And so the semiconductor family tree springs a new branch.

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BACK TO THE WOMB. Dr. Carmen Santoro, who likes to construct the fight as a "street fighter from Brooklyn," where the fight at Monolithic Memories this week--after only four months with the fight at for the mother church at American Microsystems.

Carm, who was executive v.p. at MMI (MN, Sept. 2 1978) and was slated to be come president (MN, Sept. 23), decided he was "not sure" he wanted to be president after all. But the reasons he gave in his letter of resignation were: (1) the company was too small for him; (2) bipolet is not as exciting as MOS; (3) he had to do too much detail work.

In returning to AMI, Santoro steps down to a group v.p. slot. taking over microprocessors and memory products, thus displacing <u>Loc</u> <u>Kell</u>, who had already dropped from exec v.p. to senior v.p. and now moves back to marketing.

MMI, the company which Santoro found wasn't big enough for him, is presently at a \$32 million run rate, with a backlog of \$40 million.

In his letter of resignation to MMI president <u>Zeev Drori</u> on Monday (8), Santoro said, "I made certain assumptions about my specific involvement as executive vice president, and the level of detail into which I would be placed." He added that those assumptions had "not materialized."

EXPLANATION. Freely translated, this means that Drori did not give him the authority that he thought should go with the title, and the job involved too much detail work. Obviously there was a communications gap between him and Drori, and the job was not what he thought it was.

"He did need to work with an enormous amount of detail," Prori concedes. "But he perceived himself more as a general, and when he came here he felt he had to do a lot of lieutenant-type work, and this was not to his liking."

Once again the industry bar babble will have it that Drori is impossible to work for, but Santoro's letter says, "I would not like my resignation to reflect negatively on any of the executive staff of the corporation." Of course Zeev is difficult to work for--can anyone name a president in this industry who isn't?--but if he were impossible, the company would not have grown and prospered for nearly a decade (see "Manager's Casebook" in this issue).

Santoro gave two weeks notice on Monday, but when Drori knew on Tuesday that his rerecruiting efforts had failed, he let him leave at once.

Zeev was still in a state of shock yesterday, this being the second time he has paid a hefty headhunter fee for a loser. "If an engineer does it to me, I expect it, because the level of sophistication of some of them is low, and their loyalties are known to be rather shortsighted," he says. "But at this level, I thought I could expect better."

The entire caper is all too painfully reminiscent of the <u>Bill Baker</u> performance in 1975, although Baker retains the short-turnaround record (7 weeks). But the parallels are amazing. Baker left bipolar at <u>Fairchild</u> for MOS at MMI. Santoro left MOS at AMI for bipolar at MMI. Both quit MMI before getting up to speed, and both went next to microprocessors, Baker at <u>National</u> (he's now gone) and Santoro at AMI (how long do you give him?). Baker once aspired to be president of Fairchild, but he is yet to be president of anything. Santoro was slated to become president of MMI, and he decided v.p. was good enough for him.

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.REPERCUSSIONS. The Santoro move has affected quite a few lives. Besides the Drori shock and the Bell move, John Richardson took a downer at AMI, from sales v.p. to product marketing manager for microprocessors and memories only. He retains his v.p. stripes, but they are looking a little tarnished.

At 'MI, Mike Callahan, who came to the company even more recently than Santoro, after 16 years at Motorola, moves from fab v.p. to operations v.p. He thus picks up most of Santoro's duties, but not the title. His former job will be absorbed by the fab managers.

Despite the shock, Drori accepted the blow philosophically. "I have two choices -- to roll over and play dead, or to keep fighting," he told me yesterday. "And I'm not going to roll over and play dead. After all, setbacks are a part of life.

"The company was here for nine years before he came on board. He was here for four months," he added. "That's the perspective."

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SIGN OF THE TIMES? Raytheon has become the second Silicon Valley company (after Teledyne) to absorb a layoff. Is this industry still really steady as she goes?

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ANOTHER OMEN. Intel, one of the industry's best bellwethers, thinks 20 per cent of the business being booked these days is empty paper, the result of multiple ordering. Thus the company is targeting its 1979 capacity at only 80 per cent of the current order rate. You were warned here a month ago (MN, Dec. 16 1978).

Meanwhile the company reported its 1978 sales up 42 per cent over 1977, and earnings up 40 per cent. Intel has now passed the \$400 million milestone.

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ANOTHER OPINION. Motorola, not normally the most bullish of companies, looks for continued healthy growth of the industry. Mr. Moto sees worldwide semiconductor consumption to increase from \$8 billion in 1978 to \$12.8 billion in 1982 to \$19 billion in 1985. Now that's a curve we'd all like to see. · 20 Barrow Bay - Sel

NEWCOMER. The amount of resumes afloat from any given company is a good indicator of who is gruntled and who is disgruntled where. At the moment headhunters are seeing lots of paper from National and Raytheon, two old reliables. But there is also a surprising new entry on the bleep parade: Precision Monolithics.

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LUCKY PIERRE Fairchild plans in March to begin deliveries of a medium price LSI tester, to cover the gap between \$200,000 general-purpose types and the \$60,000 benchtoppers. Prices on the "Sentinel" (kid brother of the "Sentry"--get it?) will start at \$85,000.

WANDERER RETURNS. Tom Schneider, who has been toiling offshore for Signetics,

is returning as g.m. of the newly-formed automotive division. This is the second unit in Alan King's hi-rel operation, with him also having the military operation under Ed Sherman reporting to him.

QUOTABLE QUOTES. Some current comments from John Luger of E. F. Hutton on major semiconductor companies: Texas Instruments-- "The

company is having an outstanding year ... continues to do a better job in computers and terminal equipment, and consumer products lines are strong and profitable." Motorola -- "... high proportion of older products in its line ... significant new automotive business that will start being shipped late 1979 and 1980. We question how profitable this business will be." Fairchild--"...enjoying strong results in 1978, although losses in consumer products division continue at a higher rate than originally anticipated ... has a particularly heavy concentration of older semiconductor products that are basically commodities. All of this makes the product line especially sensitive to economic cycles...Next year is a real guess...". National--"enjoying strong semiconductor business and has the advantage of earlier capacity additions ... margins will show no recovery this year ... For fiscal 1980 the key to National is their computer effort ... Semiconductor earnings should be flat to down ... ". Intel -- "... continues to be the technological leader in the industry ... Because their overall product line continues to be heavily dominated by new products with strong market demand growth, results in 1979 should far exceed industry averages." Advanced Micro Devices: "...continues to be one of the fastest growing companies and is evolving into a major supplier ... Management has done an outstanding job developing a market position in MOS/LSI devices... They have demonstrated good process technology."

"Overall the industry will have excess capacity in 1979 if the slower growth projections are realized."

And for once John didn't have a word to say about American Microsystems.

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DEPARTED. Les Brock, who has been backstopping John Shea in the Santa Clara (Ca) office of Integrated Circuit Engineering, has left to front his own venture. He will not be replaced. This leaves John alone on the Coast again, as an earlier addition in Los Angeles didn't work out.

RESET THE TIMER. Valley companies, which now have work schedules all over the calendar, from 2-day to 6-day work weeks, will soon

have those schedules all over the clock as well. Traffic congestion is now so heavy that city and county officials will soon be pressuring manufacturers to flatten down the rush-hour peaks through staggered hours.

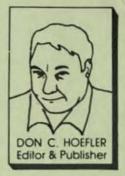
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ZYMURGY'S FIRST LAW OF EVOLVING SYSTEM DYNAMICS. Once you open a can of worms, the only way to

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recan them is to use a larger can. (Old worms never die; they just worm their way into larger cans.)

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SILICON VALLEY JANUARY 20 1979

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WON THE BATTLE, LOST THE WAR. If <u>Ralph</u> <u>Ungermann</u> had listened to me in mid-December when I told him that <u>Manny Fernandez</u> was returning to the Valley, and that <u>Exxon</u> had big plans for him, he might have reconsidered the power play that cost him his job. For Ungermann is now the ex-chief operating officer of Zilog, and Fernandez came in Thursday (18) as a direct replacement, with the title of group vice president.

For the first time since its inception in 1974, Zilog has some strong management at the top, and I am now taking bets as to how long it will take Manny to supplant president Federico Faggin, which Ralph tried to do and failed.

Much more surprising than the Fernandez development this week is the fact that Ungermann made his play at all in December. He is a low-key, low-pressure guy, wholly unequipped for this kind of political infighting. But obviously his ego got in his way. He had founded the company as <u>Ungermann and Associates</u>, a year before Faggin came in from <u>Intel</u> (where the two had been the team responsible for the 8080 microprocessor), and he thought he should be president. In December he thought he was well on his way. In January he learned that a company the size of Exxon is not easily intimidated.

HE DIDN'T HAVE THE CARDS. Months before making his play at the Zilog board meeting in December (which is controlled by Exxon's 70 per cent ownership), Ungermann had been wining and dining all of the members of the top echelon, soliciting their support in his bid for the presidency and thinking he was getting it.

In December he demanded the top job, stating that he had the entire top cadre of the company in his hip pocket (less Faggin), and unless he took charge of the company, he and all the management would walk off and do another startup. Instead the board countered with an offer to make him chief operating officer, adding financial, personnel and legal to his operations job, in which marketing also reported to him. But it was only a sop, while the board laid plans to can him.

For his bold move was also a stupid bluff. He certainly did not have the personal support he claimed, and he should have known it. Even more unlikely is that he already had the capital committed. And if he did, he probably does not have it any more. Investors do not appreciate being used as levers.

A moody recluse, Ungermann frequently closeted himself in his office, incommunicado, while the company ran itself. And the way it ran was like a country club, at the pace of an R&D lab. Except for the fact that stock options are meaningless at Zilog, recruiting out of the place is nearly impossible. (CONTINUED)

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LIFE OF RILEY. Managers and engineers would tell recruiters that they saw no point in transferring to one of the Valley slave galleys,

when they could take two-hour lunches, jog around adjacent DeAnza College, or shoot the company's archery range. So who needs the pressure?

For in this hardest-driving, most competitive branch of the electronics industry, Ungermann--with no previous operations experience--was the most low-pressure guy in the Valley. As a result, development and production schedules were consistently off-target.

But it is a nice place to work. Besides the easygoing manner, the pay is good. The layers of management have more blubber than any other company in the Valley, with many one-on-one reporting relationships--like Motorola.

The Zilog gross is about \$20 million, and in four and one-half years it has never been profitable, losing an average of \$2 million a year over that period. Which makes one wonder why it has become the darling of the financial press. It is either still basking in the glory of its alma mater, or the muscle of its owner.

For compare: there is a company which opened only two months before Zilog, with half the capitalization, and is now two and one-half times the size, and has long been profitable. I refer of course to <u>Synertek</u>. So what's the big noise about Zilog?

The company is merely the latest replay of a longtime industry phenomenon, in which a well-heeled outsider tries to buy in by buying a Messiah. Beckman started it when they wooed Bill Shockley. Then Rheem and Ed Baldwin. After that it's a long list: Sylvania and Tom Longo; Westinghouse and Bill Hugle; Pyle-National and Art Lowell; ITT and Joe Van Poppelen; Philco-Ford and John Welty; Union Carbide and Jean Hoerni; Fairchild and Les Hogan; Varadyne and Frank Wanlass; General Instrument and Lee Seely; Bourns and Marv Rudin; Data General and Pete Noto.

And there are others. It seems that one of these days somebody ought to get the message.

Back at Zilog, <u>Bob Field</u> resigned as marketing v.p. the same day Ungermann was dumped, but this should not be taken as a sympathy move. Instead it is a political reorganization, to take him out from under Fernandez. He will remain with the title of consultant, reporting to Faggin.

All in all, the end is not in sight for the fireworks displays at Zilog.

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FUNNY MONEY TIME AGAIN. American Microsystems, which could no longer conceal its losses and had to reveal them in the third

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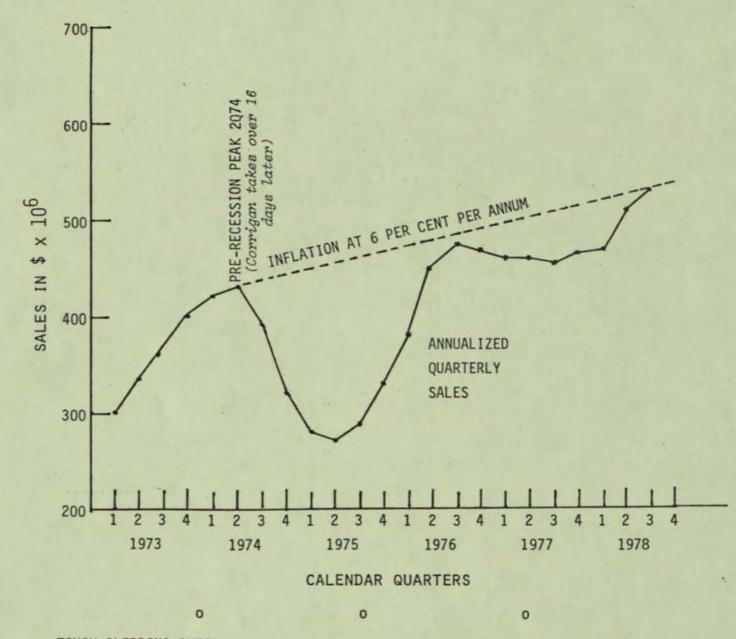
quarter, once again is claiming a return to profitability for the fourth. With sales of \$19 million--\$3 of which comes from <u>Millenium Systems</u>--sales have been absolutely flat in an up market, and there is much grumbling among the troops.

There was much rejoicing about the return of <u>Carm Santoro</u>, however, from those who got out from under <u>Don Bell</u>. The latter is definitely unloved at AMI, and is increasingly becoming a liability to pres <u>Glenn Penisten</u>.

The loser in the latest reorganization is John <u>Richardson</u>, who is not a product marketing type, and now has a highly visible fat paycheck. Color him not long for the organization. LOSING THE RACE.

Anyone who thinks my frequent criticisms of the way Fairchild is being operated are too severe, should look at

the company track record since <u>Wilf Corrigan</u> took over on July 16 1974. The company immediately fell off a cliff, from which it did not recover for two years. Since then performance has been spotty, but constantly worst than the rate of inflation in the economy. Assuming only the modest rate of inflation of 6 per cent--compounded annually--Fairchild never even stayed abreast until the most recent reported quarter. In short, it has been a nogrowth situation in all the years Corrigan has been running it. Look at the curves--and weep.



TOUGH SLEDDING AHEAD. In a move spearheaded by the industry's leading innovator, <u>Intel</u>, Valley Congressmen (<u>Don Edwards</u>, <u>Norm</u> <u>Mineta</u> and <u>Pete McCloskey</u>) are trying to get copyright protection for circuit designs (since they are not covered by patent laws), on the grounds that chip layouts are "artistic endeavors."

It's an innovative stroke by <u>Intel</u>'s chief barrister, <u>Roger</u> <u>Borovoy</u>, but I predict it will be fought tooth-and-nail by the antitrust people, and will die in committee--just as it did in 1978. Remember that Antitrust is already looking hard at sweetheart deals for exclusive licensing.

INSTANT REPLAY. Jerry Starek and Carl Storey are not off the hook yet in the matter of shipping <u>I.I.</u> Industries wafer spinners to Russia, despite their original conviction being overturned due to a faulty transcript by an inept court reporter (MN, October 21 1978). They were indicted again by a Federal grand jury Wednesday (17), and the prosecutor is determined to retry the case.

The government also wants to try <u>Bob</u> Johnson, former president of <u>Kasper</u> <u>Instruments</u>, on similar charges, in this case shipping mask aligners which had Poland as their ultimate destination.

Johnson will be arraigned in San Jose next Thursday (25), and Starek and Storey in San Francisco on Friday.

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ALL THINGS COME TO THOSE WHO WAIT. Jim Feldt, who has been trying to get out of National ever since Joe Van

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Poppelen demoted him from director of military-aerospace marketing more than two years ago, has finally succeeded. He is joining Pacific Reliability as director of marketing, a good opportunity for a fresh start. The job has been open for some months, since Bill Astin got his walking papers.

HOMECOMING. <u>Bob Beckwith</u>, who had been director of R&QA at <u>Monolithic</u> <u>Memories</u> under <u>Carm Santoro</u>, became fair game after Santoro's leaving, and is returning to <u>Signetics</u> as R&QA manager in the military division, reporting to <u>Mac MacKenzie</u>.

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DEPARTING. <u>Howie Sharek</u>, who has bounced around this industry since early <u>Fairchild</u> days, may have sold his last IC. Dropped by <u>Precision</u> Monolithics, Howie seems destined for another industry.

DEEP FROM THE HEART OF TEXAS. Dr. Dick Dexter has joined Tempress as engineering v.p., out of Texas Instruments R&D. This is one of the rare recent imports to the Valley, which is no longer the magnet which could cherry-pick the world.

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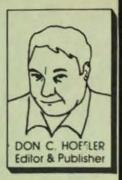
AS A MATTER OF FACT. The warm-body situation in the Valley has become downright desperate. Not only has the flow of imports

dropped to a trickle, but Valley companies are exporting tones of people: <u>Hewlett-Packard</u> to Oregon; <u>Intel</u> to Oregon and Arizona; <u>Advanced Micro Devices</u> to Texas; and <u>Signetics</u>, <u>National</u> and <u>Intersil</u> to Utah. Any way you look at it, there are fewer experienced, qualified people in the Valley than a year ago. Worse, there will be fewer yet a year hence. The trend is unmistakeable: More and more will manufacturing leave here, with only headquarters administration and marketing remain.

CORRECTION. Change the Semi Processes phone (MN, Jan. 13) to 408-988-4004. Price information and sample copy will be furnished in response to letterhead inquiries. The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

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MCBOELECTBONCS MENS with MANAGER'S CASEBOOK



BOX 2343, SANTA CLARA, CALIFORNIA 95051 Telephone: 408-373-6688

SILICON VALLEY JANUARY 27 1979

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RED'S IN THE BLACK. <u>Lloyd "Red" Taylor</u>, onetime president of <u>Standard</u> <u>Microsystems</u> (west) and more recently technology v.p. of <u>Bell Northern Research</u>, has added v.p. stripes from the parent company, <u>Northern Telecom</u>, Canada's giant telecommunications complex which is no longer affiliated with the U.S. Bell System. And thereby hangs a tale.

Undaunted by the <u>Microsystems International</u> fiasco of a few years ago, NTL is determined to update its system to solid state throughout, and Taylor has the full responsibility for design, development and procurement of all ICs. Although the company may later attempt again to set up its own facility-possibly in the U.S.--for the moment most of the parts will be bought on the outside--and most of those in the U.S.

And the size of the market is a four-letter word: huge.

NEARLY A QUARTER-BILLION IN FIVE YEARS. In calendar 1979 alone, NTL will install \$60 million in standard ICs and \$20 million in custom parts, with all of the standards and much of the custom to come from outside sources. By 1983 Red will have disbursed \$200 million.

All of the standard parts will be peripheral to a proprietary NTL development, claimed to be the first-and-only digital filter coder-decoder (codec), which is the key component of the firm's large digital switching systems. While the design is proprietary and dual-technology, it is not too difficult to build by anyone who has know-how in charge-coupled devices, plus an n-channel double-polycrystalline MOS process.

Large contracts have already been let to <u>Intersil</u> and <u>American Microsystems</u>--neither among the most reliable sources in recent years (but Intersil gets the inside track because a big piece of it is owned by NTL)--while others have been invited to bid.

One problem, however, is that Red Taylor is one of the most controversial guys in this industry, whose reputation precedes him everywhere, because he unconventionally marches to the beat of a different drummer.

As the president of one potential vendor said yesterday (26): "I wish him lots of luck. He really comes up with some wild stuff."

And that is the stuff of which horse races are made. And Silicon Valley.

And it's the lifeblood of Microelectronics News.

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MAKE-AND-BUY. Storage Technology, maker of computer peripherals, has made

its make-or-buy decision toward continuing to buy the jellybeans, but making its own proprietary ICs. Ground has been broken for a semiconductor facility at the firm's headquarters in Louisville (Colorado, not Kentucky; pronounced Lewis, not Looey), a few miles from Boulder. STC will manufacture strictly for its own internal consumption, and will not enter the merchant marketplace.

Both linear and digital products will be made in a 10,000 sq. ft. plant, which should be onstream in June and employ 150 by the end of the first year.

Acting plant manager is STC director of corporate technology <u>Steve Popovich</u>, who would like to unload the job just as soon as possible. It's up for grabs, so if you are interested, call Steve at 800-525-2940, ext. 7517. If the hotline is busy (and it usually is), try him at 303-497-5151.

STC has started a recruiting campaign in Valley papers (without mentioning the top job), so you'd better hurry.

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NO IMPROVEMENT.

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Those 400,000 unsold games at <u>Atari</u> (MN, Jan. 6) mean the the company already has its inventory for 1979 in stock,

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for it will take all year to unload them. This is the quantity the company has been selling for the past three years, so it apears this is the market saturation point.

This means more heavy layoffs, not only in manufacturing, but also a shutdown in most Valley R&D. The latter activity will be consolidated in exurbia, at Grass Valley, way out in the boondocks northeast of Sacramento.

It also means poor pickings for Atari's semiconductor suppliers, including Synertek and Maruman.

It also means that Atari's forcast for the home video games market was about five times as big as in the real world. Coin-operated games are still perking along, but the expected boom in the mass market has simply not materialized.

Meanwhile founder and former chairman <u>Nolan Bushnell</u> continues to promote his Pizza Time Theatres, which he now owns wholly. The second PTT has opened in San Jose, with a third scheduled for Concord in March, a fourth in Southern California in June, and others proposed for Marin County and the San Joaquin Valley. Then it's off to the races nationwide.

The stores sell pizzas, sandwiches, tokens for coin-op games, and feature an hilarious array of animated characters including: <u>Chuck E. Cheese; Jasper T.</u> Jowls; <u>Pasqually</u>, the chef supreme; <u>Mr. Munch</u>, the purple pizza eater; the Mopsey Sisters; Helen Henny; <u>Madame Oink</u>; Foxy Colleen; and <u>Miss Kitty</u>.

They are all just as funny as a mustard plaster. Do you suppose Nolan will be able to lose his fortune as fast as he made it?

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CRUDE, CRUDE. Shell Oil, which took second place in the number of closed gas stations in California, is apparently trying to recoup from Intel through a lawsuit alleging patent violations in the manufacture of Intel's 2117 16k RAMs. Shell wants treble damages, court costs, and any further relief deemed proper by the court. Fat chance. THE REIGN'S A PAIN. <u>Carl Bascom</u>, the Canadian hotshot who took over as the first executive director of Semiconductor Equipment and Materials Institute (MN, Aug. 19 1978), didn't last long.

Said Carl in his swan song: "I believe I am essentially a marketing oriented individual, and as such it was difficult for me to function at my best in a position that seemed to me to be heavily oriented toward administrative duties."

Horse buns. He didn't know that going in? And what did he think he was going to sell--memberships? And why didn't I predict this, since I knew damn well it would happen?

Meanwhile ex-pres <u>Phil</u> <u>Gregory</u> and executive secretary <u>Pat Westly</u>-both of whom coveted the job mightily-are smug as two bugs in a rug. And pres Jim Gallagher starts the search job all over again.

Meanwhile at the SEMI conference in San Diego this week--sans Bascom--Fred Zieber of DataQuest cited an interesting reason for a good outlook for the industry in 1979: systems houses with captive suppliers moving back into the markeplace. He noted that IBM, Western Electric and General Motors (Delco) will all be capacity-limited this year, made worse by the fact that each has an obsolescent process which is now undergoing change.

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FEEDBACK. In response to my musing about why <u>Zilog</u> should be so much more glamorous to the financial community, when <u>Synertek</u>'s performance has been more than twice as good over the same period (MN, Jan. 20), comes a comment from a former company president:

"The analysts are only pulling their puds anyway, since neither company is going public. But that doesn't prevent their thinking from remaining in the same old ruts. Of course <u>Schreiner</u> has a much better record of sales and earnings than <u>Faggin</u>, but suddenly all these clowns look at is the products. The Z-80 has a lot more razzmatazz about it than a second-source 6500. It's the magic of a proprietary product.

"The irony is that the products don't even have to be proprietary. <u>Jerry</u> <u>Sanders</u> at <u>Advanced Micro Devices</u> continually second-sources <u>Intel</u> parts, puts a 9 in front of the part number, and fogs the analysts into thinking that AMD is innovating a slew of proprietary parts. Sanders can pull this off slickly every time, and Schreiner can't. Yet Jerry's parts are no more proprietary than Bob's.

"And that is why Schreiner's performance--one of the best in the industry-remains down in the noise level. What he needs is a good PR man."

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LOW-KEY. My constant reader and favorite pen pal at <u>Hewlett-Packard</u> feels I was somewhat harsh in nailing his company as one of those leading the exodus out of the Valley. He denies that HP has been exporting "tones" --or even tons--of people (MN, Jan. 20).

"Certainly there are two functioning divisions in Oregon (Corvallis, McMinville)," says CR&FPP. He does not mention Boise (Id), Loveland (Co), Colorado Springs, San Diego or Santa Rosa. He does mention new facilities at Spokane and Vancouver (Wa), and Roseville (Ca), however. All that may not add up to tons of exports, but it sure ain't chopped liver. HAVE THEY NO SHAME? Omigod, you should read the latest crap from <u>E. F.</u> <u>Hutton's crack(ed) analyst, Mike Sofia</u>, chief shill for American Microsystem's Glenn Penisten:

"An opportunity to buy on weakness...American Microsystems has reported fourth-quarter earnings of 0.13 per share, bringing full year results to 0.51, a penny better than our most recent estimate...The company's improving profit trend should become apparent in the opening quarter of 1979... We believe that purchase of American Microsystems at about current levels will prove amply rewarding. Now that the company has taken steps to boost R&D from previous levels, we believe that a higher P/E will be accorded the shares. As such, we welcome the opportunity to accumulate the stock at current prices."

Now let's take a closer look at the 4Q report. That 13 cents earnings is derived from dividing "Income before ordinary credit" of \$511,000 by "Shares of common stock to compute income per share" (3,870,000). So far so good, but that isn't half the story.

Now we jump to footnote (4), which informs us that the income "includes a \$500,000 sale of technology." Deduct that from the \$511,000, and we discover that the true income on operations is \$11,000! Divide that by the shares outstanding and we find the company's true per-share earnings to be not 13 cents, but 0.3 cents!

No doubt about it, Mike, "the company's improving profit trend" has nowhere to go but up.

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MORE LIKE IT. In contrast to the foregoing drivel, note this much more objective evaluation of <u>National</u> by <u>Tom Kurlak</u> and <u>Leon</u> <u>Brand</u> of <u>Merrill Lynch</u> &c:

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"We continue to advise intermediate term caution on NSM due to an increasing concern over prospects in FY '80 for the important Computer Products group... Computer Products profitability has indeed been eroding and...some minor layoffs have occurred since summer...pretax margins were...down from FY '78 levels...The stock is testing an important support level. The lack of relative strength and negative volume parameters suggest a further period of testing prior to a new reversal for NSM."

IT'S ONLY A HOBBY. A lot of <u>Maruman</u>'s output these days is going to sopping up <u>National</u> overloads, fabricating wafers from mask sets provided by Nat. It helps to keep the doors open, but when you combine Nat's reputation with vendors everywhere for low pay combined with slow pay, it's not exactly a hell of a way to run a railroad.

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GUMMIDGE'S LAW.

The amount of expertise varies in inverse proportion to the number of statements understood by the general public.

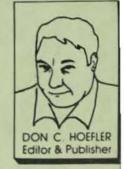
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MICROELECTBONICS MENS with MANAGER'S CASEBOOK



BOX 2343, SANTA CLARA, CALIFORNIA 95051 Telephone: 408-373-6688

SILICON VALLEY FEBRUARY 3 1979

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I BEG TO DIFFER. If any company in this industry has an even greater penchant for The Big Lie than <u>American Microsystems</u>, that company has to be <u>Fairchild</u>.

On Thursday (1), the Flying F sent a wire to all major dailies in the U.S., proclaiming (1) "record" 1978 sales and earnings; admitting (2) that it is out of the digital watch business; denying (3) that it is out of the video games business.

As to (1), I have not yet seen the full, footnoted report, but having exposed many previous instances of creative accountancy at Fairch, I would not expect anything different.

As to (2), the company has been out of the watch business for some time, but the "record" earnings story provided a convenient smokescreen in which to bury that very significant fact. It is significant in that watches were the first bold venture of <u>Wilf Corrigan</u> after he became president in 1974. The venture cost the company a ton of money, and the entire fiasco is all to Corrigan's credit.

The general manager of the watch division, John Sussenberger, who returned to Fairch from Monolithic Memories specifically to take that job, has been on a round of job interviews for several months. John, who once headed the linear division and before that managed the South Portland (Me) plant, is a top-notch man, but so is his salary requirement. For several years the secondtier managers at Fairch have been pulling in the \$80-85,000 range, and that's about where John is--a little too rich for many companies' blood.

QUOTE. "The low profit margins and relative instability of the digital

watch market are not compatible with Fairchild's long-range concentration in the high-technology field," says Corrigan, thus kissing off this worst of many bad business decisions he has made. And if Fairch plans again to concentrate in the high-technology field, it will be a radical departure from the past decade.

"We are therefore discontinuing operations in our Time Products division," he added, finally acknowledging what has been a fact for many months.

As to (3), "We intend to maintain our microprocessor-based video games business, at a reduced level, as part of our digital equipment activity," intoned the chairman-president. Bullbleep. You may be certain that Fairch is for all practical purposes out of the video games business right now, and presumably will acknowledge that fact in some future announcement-within-an-announcement. (CONTINUED OVERLEAF)

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HERE'S WHY. Tom Maher, who headed all video games operations at Fairch, got

the same message Sussenberger got several months ago: find yourself another job, inside or outside the company. Maher elected to go outside, and on Wednesday (7) will show up at <u>Synertek</u>, where he will head up all backend operations (assembly, test, offshore).

And the Fairch Singapore plant (which it picked up in the <u>Exetron</u> steal in 1975), and where the video games have been assembled lately, is on the block and has been for several months. The problem is that the only potential taker is <u>Commodore</u>. This outfit is a rag-picker which haunts fire sales and picks up distresses with low down payments and high promises (<u>Varadyne</u>, <u>MOS</u> <u>Technology</u>, <u>Frontier</u>), and it is doubtful that even Corrigan--who is not burdened with an excessive IQ--will go for one of those deals.

PAR FOR THE COURSE. And thus we see another chapter of Fairchild duplicity in dealing with its publics. It has been that way for ten years now, since <u>Hogan</u> and his heroes came in and truth went out the window. Honest, hard-working guys such as <u>Manny Robles</u> and <u>Ted Michel</u> were unable to buck the trend when Hogan determined to get rid of his chief flack, the plodding, colorless <u>Jim Moore</u>, whom he had inherited from the former Fairch headquarters in New York.

The first candidate for his replacement, recommended by Joe Van Poppelen, was the late <u>George Learned</u>, who had done a spectacular job in putting <u>Signetics</u> and <u>Jim Riley</u> on the map. When the Learned deal didn't jell, <u>Al Grant</u> came up with Fred Hoar, out of RCA, who has been living up to his name ever since.

Freddie, never one to put fact ahead of fiction, has been calling the PR shots at Fairch for a decade with reckless abandon, and has achieved the lowest rating for credibility with journalists and analysts of anybody in the business. He buried the watch story in an unrelated earnings notice, and now is stretching out the video games story so as to blunt its impact.

He and Corrigan deserve each other.

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SMALL WORLD. It was full-circle time at <u>Intersil</u> this week, as systems v.p. <u>Bob Landee</u>, onetime president of <u>Nitron</u>, added <u>Bob Depweg</u>, one time president of <u>Nanon</u>, the paper company that now owns Nitron. The move was part of a reorganization, in which Landee split his division into Systems and Microsystems departments. Systems makes IBM add-on memories, and Microsystems makes board-level subsystems. The latter is now headed by Depweg, who also picks up v.p. stripes.

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The Systems v.p. is Lee Jensen, formerly director of marketing for the division. Dick Andreini, former marketing v.p., now reports to pres Ori Hoch as corporate planning v.p.

Landee's division had tripled in size since he moved in in mid-1974, and he had too many people reporting to him. Now he is somewhat removed from the day-to-day, and can give belated attention to diversification. Look for some new product lines at Intersil before the end of the year.

Unlike Depweg (who took a financial bath in the Nanon disappointment), Landee's problem has been an embarassment of riches. His division has been so successful in real time that he has had little opportunity to plan for its future. He now believes that Intersil has more IBM add-on memory business than all of its competitors combined: National, Intel, EM&M and Cambridge Memories.

LEVERAGE. Who could have foreseen, a few years ago, when I told <u>Bob Landee</u> at <u>Intersil</u> that he should consider <u>Nippon Electric</u> as interim supplier of 4k RAMs, that it would develop into a lasting, multi-milliondollar relationship?

Landee had his next-generation product ready to go, and was complaining that <u>Jim Curningham</u> was unable to fill his 4k needs internally. Today history repeats itself. <u>Roger Smullen</u> has a 16k RAM, but not nearly in sufficent quantity to satisfy Landee. For Intersil Systems will devour 1,000,000 pieces this year.

And that is more than any U.S. supplier (including <u>Texas Instruments</u> and <u>Motorola</u>) was willing to commit to reliable delivery. But once again NEC has come to the rescue, and to them will go most of the business. <u>Fujitsu</u> and Hitachi will probably be secondary sources, however.

So Intersil's new System 3031, in each of its seven versions, will have all-Japanese RAMs--initially, at least.

"NEC has never missed a delivery," says Landee. "They have tremendous credibility with us."

And that should answer <u>Charlie Sporck</u>'s question as to how the Japanese are giving U.S. companies a run for their money.

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PROCESS DETECTIVES. A new materials characterization service has arrived on the northern edge of the Valley, fugitives from the

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University of Illinois. The firm is <u>Charles Evans & Associates</u>, with the associates being <u>Vaughan</u> <u>Deline</u> and <u>Richard Blattner</u>, the latter partner still at UofI.

Central to their service is a <u>Kameca</u> ion micro probe, made in France. CE&A has only the second ever built (the first having gone to Japan--where else?-the third to a U.S. geology laboratory, the fourth to a European laboratory, the fifth to IBM in East Fishkill, and the sixth to Bell Labs in Allentown).

The Kameca can analyze semiconductor materials at doping levels, doing dopant profiles in an area only 250 microns on a side, at 2 to 15 atoms per cubic centimeter, taking data points at every 10 Angstroms of depth.

The result is a quantum jump in studying the effects of processes, including failure modes. CE&A can tell you in short order, for example, what kind of contaminant is causing the problem, and with which process step it is identified, such as oxidation, aluminization, diffusion or whatever.

CE&A is located at 1670 Amphlett Blvd., Suite 120, San Mateo (Ca) 94402. Phone 415-572-1601.

QUOTABLE QUOTE. From Larry Thielen, president of <u>Avantek</u>: "We have worked hard not to be trapped in the classic founders' syndrome. This happens when the firm grows faster than its founders' ability to manage."

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Having written the first story about the formation of the company, and having watched it closely ever since, I've got to say that if Larry is working hard, he sure makes it look easy. A natural manager, if ever I saw one.

EXURBIA.

Perkin Elmer Data Systems, the design house which was nestled out in the boondocks of Scotts Valley (Ca), has moved even further away to the more metropolitan area of Santa Cruz, on the Pacific

New address is 440 Encinal St., Santa Cruz (Ca) 95066. Phone 408-429-8288.

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REBUTTAL.

My constant reader and favorite pen pal at Hewlett-Packard still thinks I give his company too much discredit for the exodus of warm bodies from the Valley (MN, Jan. 27). CR&FPP writes:

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"Sure, I know about Loveland, Colorado Springs, Santa Rosa and Boise. (The San Diego situation definitely doesn't apply, because it grew out of the old F. L. Moseley Co. of Pasadena, not by any significant tranfusion of peninsula blood. I guess I thought you were talking about the current exodus; what's happened during the last 6-12 months, and what's going to happen during the next 6-12. The exodus about which so much has been written lately: the one that's been strongly influenced by the impossible real-estate prices. I guess maybe you weren't confining your comment to that kind of framework. But for those four H-P divisions, you have to go back 2-to-15 years. Certainly each has grown almost entirely by direct recruiting, rather than by the transplanting of tons of peninsula folks. When H-P's peninsula population levels off and starts down, then you'll really have something to write about

Now what in hell do you suppose he meant with that last line ???

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QUOTABLE QUOTE II.

From Bill Grinker, president of American Computer Group, Boston: "A combination of unique factors in the computer industry will push lease placements to a record high in 1979. In addition to a record supply of equipment, the general economic conditions in 1979 favor leasing. The factors include restricted capital budgets and the impending

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BULLISH.

In raising its longterm opinion on Intel stock to "buy," Merrill Lynch &c had this to say: "In our opinion, the fundamental outlook for this year has improved dramatically. Reflecting a better than expected outlook for the components sector, together with somewhat stronger conditions in microcomputers, we now look for a 40 per cent increase in sales to \$560 million and a 39 per cent increase in earnings to \$4.50 a share...Assuming an improvement in the level of worldwide economic activity in 1980, we project a minimum 21 per cent gain in sales and earnings to \$675 million and \$5.50 a share... It stands to be a major beneficiary of what we believe to be a positive long-term investment posture building toward high-technology stocks."

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FAIRCHILD'S LAW OF PUBLIC RELATIONS.

(Also known as the American Microsystems Law of Financial Reporting.) If the

facts do not conform to the objectives, they must be disposed of. Never let a bad fact ruin a good story.

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MEROELECTBONCS WITH MANAGER'S CASEBOOK



BOX 2343, SANTA CLARA, CALIFORNIA 95051 408-373-6688

SILICON VALLEY FEBRUARY 10 1979

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TOIL AND TROUBLE. The recent power play of <u>Ralph</u> <u>Ungermann</u> at <u>Zilog</u>, which resulted in his ouster and the importation of <u>Manny</u> <u>Fernandez</u> (MN, Jan. 20), has unearthed a can of worms which even the redoubtable Manny will find difficult to whip into an organization.

For the company's problems are numerous: weak management at the top; too much management at the middle; excessive office politics; too few products; too many processes; too many sets of design rules; employee disenchantment; and no profits yet in sight, after nearly five years in business.

President <u>Federico</u> Faggin, a device physicist with an Italian PhD, is a philosopher and planner, not a strong leader. When the company began to lose its lustre in 1978, and a freeze was put on hirings, Faggin became increasingly withdrawn, while at the same time he was shunned by Ungermann and <u>Roger Badertscher</u>, head of the components division. He stopped entertaining questions from the floor at staff meetings, demanding that they be presented in writing and in advance, and he discontinued holding progress meetings for employees.

Badertscher is a politician, an iron-handed taskmaster who is adroit at deflecting blame for the fact that his division makes very few products that yield at profitable levels. Overall, they are quite unprofitable. He is also adept at the big-company ploy of pulling off reorganizations during the absence of the person most affected, against which the guy has no defense, with the deed a *fait accompli* upon his return.

As I noted earlier, this small company is loaded with <u>Motorola</u>-style one-onone management, with continual scrambles for position and power-pocket cliques. The result is extremely heavy overmanagement.

RAT RACE. Unlike the systems products under <u>Charlie Bass</u>, which have been reasonably successful, the components are a terrible mess. The much-lauded Z-8 and Z-8000 microprocessors, while definitely superior products, are ahead of their time, conceptually strange to most users, and will not begin to appear in quantity until at least 1980.

The Z-80 logic set of five chips embraces three different sets of design rules. The 6104 4k static RAM had load-resistor problems which only now are being corrected, and the 6116 16k static had refresh problems with a transistor, which had to be redesigned. Each is made by a separate process, and both processes are oddballs. Both parts are yielding very poorly.

Upcoming are a 2k x 8 static and 4k x 8 dynamic RAMs, oddballs because of the x 8 configuration, which must be designed in and are a long way from a volume market. (CONTINUED OVERLEAF)

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JERKED OFF. After 18 months of development, work was stopped on a 2716-type EPROM, which despite yet another oddball process, could have been the company's salvation, because it was nearly ready for production, and there is a ready market for it in today's real world. It is a hot product in short supply, with prices and profits holding up while producers are quoting six-month delivery times.

Zilog is a spinout from Intel, a company which in addition to its great technology has an uncanny ability to read the marketplace and be in the right place with the right products at the right time. Clearly none of this genius has rubbed off on Zilog.

The firm is severely fab-limited. By mid-1978, and as late as October, the production of good dice was down to 20,000 units a week. It began starting back up in November, however, and is now in the 100,000 range.

Production was not improved by the separation of engineering and production into separate facilities, which only served to tighten the bottleneck.

Although Zilog still has many good people, it has also lost many good people, and those who remain are not as starry-eyed as they were a year ago. They are not highly paid, and their stock options--priced by Exxon to a mythical market much as Corning did at Signetics some years ago--no longer have any

What it all comes down to is that Zilog has too many jejune chiefs and not

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Manny Fernandez has his work cut out for him.

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DOWNTURN.

John Luke, onetime national sales manager at Fairchild, marketing v.p. at Monolithic Memories, and former fair-haired boy and product marketing v.p. at American Microsystems, is joining Signetics as-are you ready for this? -- western regional manager.

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STRAIGHT SKINNY.

You can forget all that crappola that Carm Santoro put

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in writing about his reasons for returning to American Microsystems after only four months as executive v.p. at Monolithic Memories (MN, Jan. 13). As I reported (Sept. 23 1978), Carm was slated to become president of MMI. Founder-pres Zeev Drori had stepped back from the dayto-day and was rapidly turning over the reins, but wanted a nine-month looksee of Carm before giving him the title. The monetary terms could only be described as handsome. But Carmen wanted the whole enchilada like right now. And when Zeev didn't quite see it that way--because in fact Carm was not ready--he packed up his marbles and went home.

Do you suppose he thinks he is going to oust AMI pres Glenn Penisten in even

REBELLION.

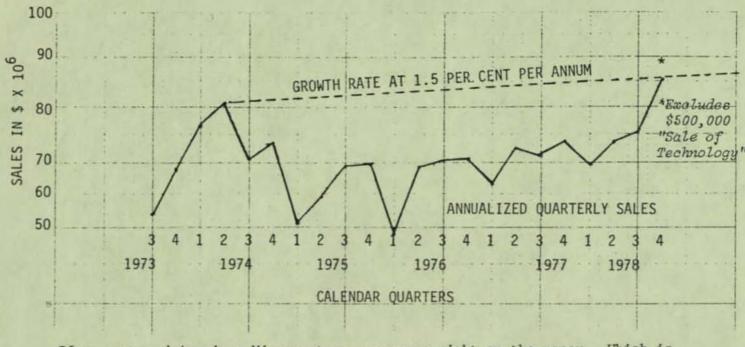
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Intel, the queen bee of the industry, is becoming an easy recruiting target because of internecine warfare. Insiders say a faction formerly from Texas Instruments and the majority formerly from Fairchild are refighting the Civil War, and the troops are saying a pox on

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TURNAROUND SITUATION. You remember a few weeks ago I showed that <u>Fairchild</u> for most of the past five years had failed even to keep pace with an inflation rate of 6 per cent (MN, Jan. 20).

Well, here's another going-noplace outfit, despite the never-ending breastbeating of its president. Wanna guess who only at year-end achieved the magnificent growth rate 1.5 per cent compounded annually?



If you guessed <u>American Microsystems</u>, you were right on the money. Which is more than can be said for AMI.

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SPECIAL ASSIGNMENT, REPORTING TO THE PRESIDENT. I

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COEN CO.

Intersil insiders are not impressed with the "promotion"

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of <u>Dick Andreini</u> from systems marketing v.p. to corporate planning v.p. They point out that the title is the same non-job to which <u>Jim Cunningham</u> was moved when he was relieved of semiconductor operations. The inside of Jim's office door was emblazoned, "To The Egress," and the way the cynics see it, Andreini gets the same cachet.

Andreini is a carryover from <u>Advanced Memory Systems</u> days, predating both his former boss, systems v.p. Bob Landee, and his present one, pres <u>Ori Hoch</u>.

UNRECOGNIZABLE. The Intersil field sales force, a razzmatazz, slam-bang, goto-hell gang during the regime of Marshall Cox, is now so

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subdued as to be somewhere down in the noise level. Some of this is due to the overall conservative shadow cast by pres Ori Hoch, but more of it is due to demoralization resulting from sniping by new v.p. Jack Gifford, the industry's professional troublemaker, who at this point in time has a clear channel to Hoch's eardrums.

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NEW DEPARTURE. Marketing v.p. Art Fury appears to have gained the upper hand at <u>Siliconix</u>. Longtime sales v.p. Lee Lynberg, who came with the lease, is leaving to form a rep firm, and taking several of his subordinates along with him. SILICON MAFIA. Western Digital president Chuck Missler, speaking as an industry newcomer before the Integrated Circuit Engineering "Status '79" seminar in Palo Alto (Ca) on Wednesday (7), polished off his otherwise plain-vanilla speech with a strong indictment of the sleazy trade practices which have become s.o.p. in this industry.

He had good reason. For WD has been systematically shafted by <u>National</u> ever since the chief executives of the two companies (Missler and <u>Charlie Sporck</u>) celebrated the signing of a second-source and technology-transfer agreement (MN, Aug. 12 1978), at a dinner at "Chez Yvonne" in Mountain View (Ca). Also present were WD v.p. Orville Baker and Nat v.p. Pierre Lamond.

The agreement called for each party to second-source a family of parts of the other, and to exchange technical information in support of the agreement. National's primary contribution was to be its ll-chip COPS family of 4-bit μ controller chips, while WD was to provide a family of data communications chips, spread out in time with the last to be the 1791 double-density floppy-disk controller.

But hardly was the ink dry on the agreement when Lamond began trying to renegotiate it, in effect demanding to ignore all the WD products except the 1791, and holding back the COPS data as ransom.

This perfidy could cost WD \$3-\$4 million, which is a lot of bread for a company recently out of Chapter XI. For if WD has to go back to square 1 to develop another alternate source for its parts, it could lose that much in business which IBM and Honeywell are prepared to write right now.

National is stonewalling, and WD is hurting in its business plan. Missler does not want to litigate, but he fears his board may force his hand on this one. Interestingly, one of the WD board members is <u>John Hughes</u>, once the chief financial officer at National.

But whatever happens, the cat is out of the bag now. "New West" magazine-the outfit which first exposed <u>Jim Jones</u> and the people's temple--has a story in work on shoddy dealings in the semiconductor industry, and the San Jose Mercury has at least two. This whole matter is going to become a *cause célèbre* just as sure as you are reading these words.

As for Missler, a longtime industry observer said, "He can be a little moralistic at times, and I can be a little cynical at times, but I certainly have to side with him on this one."

As for Sporck and Lamond, *noblesse oblige* is just two more empty words in a fractured French dictionary.

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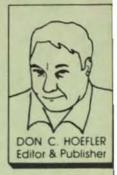
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AUSTIN, SNAFU. Kim Giontzeneli has been removed as memory products operations manager at Motorola's Texas facility, relieved of

his command and told to seek work outside the company. As yet another <u>Al</u> <u>Stein</u> disaster, Kim's abrasive personality was close to fomenting armed insurrection, where the company has few old retainers on which it can rely. <u>Charles Silva</u> gets his job, and <u>Wolf Loescher</u> gets Silva's. It's a very similar situation at Mesa (Az) under <u>Henri Jarat</u>, but the tenured drones there are not rebelling, instead slowing down. In both digitals and linears, yields are at an all-time low, and delinquency at an all-time high.

MEROELECTBONICS WITH MANAGER'S CASEBOOK



BOX 2343. SANTA CLARA. CALIFORNIA 95051 Telephone: 408-373-6688

SILICON VALLEY FEBRUARY 17 1979

Friend -

SPLIT DOWN THE MIDDLE. <u>Siemens</u>, which has invested \$22.5 million in <u>Advanced</u> <u>Micro Devices</u>, this week agreed to dissolve its partnership with AMD in the joint venture known as <u>Advanced Micro Computers</u>.

In a masterpiece of double-talk in their formal announcement, the two firms characterized the move as a "restructuring."

In fact it is a mutual buyout, in which AMD takes sole possession of the U.S. end of AMC, and Siemens takes sole possession of the German facility--and will probably rename it forthwith.

The joint announcement said that "the restructuring of AMC was appropriate in view of the different marketing objectives of the two companies in some areas of their respective microcomputer activities."

W-e-1-1-1, that sort of says it. But the disparity was not inside AMC at all, but rather between AMD and Siemens components group. And the subject is microprocessors. As you will recall, AMD plans to second-source the <u>Zilog</u> Z-8000. When Siemens announced in November that it has a deal with <u>Intel</u> to market the 8086, the hackles began to rise along AMD prez <u>Jerry Sanders</u>' backbone. When it later became evident that Siemens also hopes to built that part, Jerry hit the overhead, and started negotiations for the dissolution of the partnership. (Siemens will continue to hold its minority interest in AMD, however.)

AMD will continue to use the AMC name. Siemens will very likely change theirs to <u>Siemens Micro Computers</u>, the name they wanted for the partnership, which Sanders vetoed. Whether AMC will be incorporated is not yet determined, but Jerry does want it to continue to have a stand-alone identity.

The combined AMC was grossing about \$4 million a year, divided about equally between the U.S. and German facilities.

Since <u>Tony Holbrook</u> returned to the parent AMD, AMC has been operated by <u>Leo</u> <u>Dwork</u> on an acting basis. Sanders is still looking for a permanent g.m.

The announcement also said that "the developments in the microcomputer area do not affect the previously established agreements between Siemens and AMD relating to marketing arrangements and technological exchange programs in the area of microelectronics." In fact there are no "previously established agreements" in the area of technology exchange. Lots of talks--which are continuing--but no exchanges yet. When agreements are reached, however, it will be a two-way street, for Siemens has some bipolar technology that AMD would like to acquire.

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AMOEBIC DIVISION.

Steve Sharp's digital division at Signetics has been subdivided, with Steve retaining only standard products.

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The other part, a new digital LSI division, is now headed by Franc Weeger, newly arrived from Motorola.

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RECRUITER'S PARADISE.

You can expect a continuing outflow of bodies from Motorola, as Mr. Moto continues to lower morale among his wage slaves. Latest downer was a 7 per cent pay increase for exempt personnel, which was preceded by a 10 per cent cost-of-living hike

for non-exempts, on top of merit increases and paid overtime.

It should be cherry-picking time for Intel when it gets up to speed in Chandler (Az), while Moto has suffered heavy people losses in Mesa. The only things keeping Mesa going are imports from Texas Instruments and transfers from Phoenix, where Moto is cutting back everywhere except on the milking machines for the discrete sacred cows.

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As I've been reporting, the bloom is off the rose at Zilog, MORE OF THE SAME. and Z-initialed resumes have been turning up in increasing numbers. This week marketeers joined the planned exodus, an historic breakthrough of sorts.

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A nice boost for Larry Amon at Synertek, as Bob Barringer, a founder RE-UPPED. and former R&QA manager, bagged the company and applied his Honey-

well profits to the squire's life at Lake Tahoe. Amon, who had been an R&QA manager at Signetics, and was brought in by v.p. Ken Yagura as director of strategic planning, now becomes director of corporate services, picking up Barringer's R&OA responsibilities, plus facilities planning, purchasing and training.

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WE STAND BY WHAT WE SELL.

The following appeared yesterday (16) in the "Action Line" column of the San Jose Mercury:

"My wife purchased a Commodore wrist watch for me from Mr. Calculator (Retail outlet owned by Commodore--Ed.) on December 22. The watch failed within a week and she took it back to the store. She was given a new one. This has happened three times and we don't even want to open the fourth one. We just want our money back. The store has refused to do this.

Chuck Sorbet Jr., Mountain View" "The store has a no-cash-refund policy. This is posted very clearly right next to the cash register, says a store spokesman. You can exchange the watch for something else, however."

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How about a nice PET computer, Chuck?

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EMM-SEMI and Rockwell have a cross-license deal for SEMI to make PACTED. Rock's 6500 microcomputer and 2332 32k ROM, and Kock to make SEMI's 8108 8k static RAM and other RAM products to be announced.

BINGO. John Lawrence's wafer reclaiming business, <u>Silicon Material Inc.</u>, has been sold to <u>Ametek</u>, a New York maker of materials and equipment. Ametek's sales of more than \$320 million dwarf SMI's 1978 sales of less than \$3 million.

It's a tice run-up for John and a few of his relatives, who self-financed the enterprise less than five years ago. The company is also moving into larger quarters, from Mountain View to Sunnyvale.

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UPGRADE. <u>Intel</u> this week put some more marketing horsepower into its <u>Telecommunications group</u>, formed about a year ago. <u>Tony</u> <u>Livingston</u>, who had headed marketing for memory special products, is new marketing manager for the group.

The transfer saved him from moving to Oregon, where the memory division has gone, including his former sidekick <u>Barry Cox</u>. Barry continues to handle all dynamic RAMs plus the 2147 high-speed static RAM. Replacing Livingston is <u>Gordie Campbell</u>, who picks up EPROMs, ROMs and slow-speed static RAMs, although all RAMs will probably wind up with Cox eventually.

FOR SALE. <u>DCA Reliability</u> president <u>Mike Economy</u>, who has been colored envy-green ever since <u>Eli Goldfarb</u> palmed off <u>Pacific Reliability</u> on <u>Cutler-Hammer</u> last year, would like to sell his outfit as well.

Brokering the deal is Jim Riley of <u>DataQuest</u>, former president of <u>Signetics</u> and <u>Intersil</u>, whose previous sales have included <u>Stewart-Warner Microcircuits</u> to Signetics and Electronic Arrays to Nippon Electric.

Annual sales of DCA have been running about \$8 million, so look for an asking price of around \$25 million.

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DEPT. OF AMPLIFICATION. The departure of <u>Lee Lynberg</u> from <u>Siliconix</u> (MN, Feb. 10) was only a part a larger story concerning the reorganization of the entire company, which for the first time finds the Santa Clara (Ca) facility headed by someone other than president <u>Dick Lee</u>.

For Lee has divided the company into three geographical areas worldwide, each headed by a v.p. reporting to him, plus a corporate staff also reporting to him. The new U.S. division is headed by senior v.p. <u>Harold Molyneux</u>, former manufacturing v.p., who now adds sales (formerly headed by Lynberg), engineering, finance and administration. Heading the European division is <u>Don Keefe</u>, former managing director of <u>Siliconix Ltd.</u> in Wales. Heading the Asian division (less Japan) is John Niem, former m.d. of Siliconix Hong Kong Ltd.

Joining the corporate staff is marketing v.p. Art Fury, who is also responsible for Japan--temporarily at least. Engineering v.p. John Hulme becomes the corporation's chief technical officer, while Molyneux will name a new chief engineer for his division. Also added to the corporate staff is a new chief financial officer, Bob Lorrie, recently arrived from Four-Phase.

It all adds up to radical surgery for Sil, which in the past has been as monolithic as its products.

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DOMINO EFFECT. Pocket calculators were losers for <u>Hewlett-Packard</u> last

year because of a six-month delivery delay in custom ICs for its "E" series. And who was the culprit? That dandy born-again turnaround, <u>American Microsystems</u>.

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But at least the vendor made a profit. Right? Right?????

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IT'S MATERIAL. Materials suppliers continue to expand in the Valley to

meet industry demand. <u>Air Products</u>, already expanding its 300-ton-per-day oxygen-nitrogen-argon plant in Santa Clara (Ca) by addition of 220 T/d of nitrogen, now also plans to add 300 T/d of liquid N. The latter will be onstream in the spring of 1981.

On Thursday (15), <u>Materials Research</u> opened a new distribution center for speedy (24-hour) dispatch of evaporation charges, rods, wires, foils, metal powders and metal single-crystals. Regional manager is <u>Larry Ingham</u>. New facility is in suite 312 of Bayshore Plaza, 1101 San Antonio Rd., Mountain View (Ca) 94043. Phone 415-964-7272.

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DESERTION. I don't know of it was <u>IBM</u>'s announcement of its upcoming "E" series machines a few weeks ago--promising a price-performance improvement of 5:1 when most of the industry was expecting no better than 3:1--but for some reason there have been droves of departures from <u>National</u>'s mainframe operation in San Diego to other systems houses in the Los Angeles-Orange County-San Diego area.

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NOW HEAR THIS. Merrill Lynch &c on Fairchild: "Most of the gain from recurring business was in non-semiconductor sector...For

second consecutive year FCI lost market share and experienced declining profit margins in its core business...Disappointing results in Semiconductor division, given strong industry conditions, coupled with an estimated sharp decline...in other income in '80 is reason for neutral rating...".

ML&c on <u>Texas Instruments</u>: "...disappointing 6 per cent profit gain semiconductors...Margin decline semiconductors greater than expected, resulting from costs associated with aggressive new-product program, yield problems plant realignment English subsidiary...estimate relatively flat year... Expected sluggish profits in semiconductor...".

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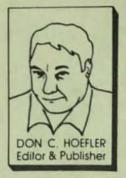
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PEN PALS. American Electronics Association (former WEMA) this week launched a letter-writing campaign to kill H.R. 2002, a bill to extend the life of the Renegotiation Board, now under consideration by the House Banking Committee.

The author, <u>Rep. Joseph Minish</u> (D-N.J.) says the agency "annually returns to the U.S. Treasury many times its annual expenditures." Bullship, says Valley Congressman <u>Paul McCloskey</u> (R-Calif.). According to Pete, renegotiation costs the taxpayers \$20-25 for every dollar recovered.

One thing is certain: they can't both be right.

MICROELECTRONICS WITH MANAGER'S CASEBOOK



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SILICON VALLEY FEBRUARY 24 1979

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MOSBALLS? Something strange is going on at the <u>Fairchild</u> plant in South San Jose (Ca), the white elephant which was designed as a linear facility to serve the automotive market, but was converted to an MOS factory before it opened.

The MOS division, whose main claim to fame is the succession of general managers, operations managers and marketing managers it has devoured, looks like it is getting ready to back out of the marketplace.

<u>Dr. Tom Longo</u>, the company's chief technical officer, who in recent years has spent most of his time in promoting charge coupled devices, has relocated his office to the MOS building. The cover story is that the move is temporary, while components v.p. <u>George Wells</u> is out of town, but Tom is really there for keeps.

Does this all add up to Fairch putting MOS on the back burner, while firing up a major effort in CCD? That's the way I hear it.

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CREATIVE ACCOUNTANCY. Parent Exxon is fed up with the financial reporting at Zilog and is preparing to install its own controller. It seems that Zil's books reflect such circus stunts as capitalizing engineering and process development, while overlooking depreciation of capital equipment.

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As a result, recently reported losses of \$2 million would actually have been \$7 million had conventional accounting practices been employed.

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BIG DADDY'S GOIN' GOODBYE. Parent Philips has told Signetics management that 1979 is the last year it plays Sugar Daddy. Beginning in 1980, says Phil, Sig must stand on its own financial feet.

CAUSE AND EFFECT. <u>Andy Allison</u>, director of microsystems marketing at <u>Intersil</u>, is preparing for an early departure. If you think his resignation and the arrival of <u>Bob Depweg</u> as v.p.-g.m. of the Microsystems department (MN, Feb. 3) are more than merely coincidental, then you are really groovin'.

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WE ARE ABOUT TO BE NIPPONIZED.

The establishment of Japanese listening posts and marketing arms in the U.S. is

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soon to lead to a full-scale invasion of highly automated semiconductor factories. The formations of <u>Oki</u> and <u>Exar</u>, and the acquisition of <u>Electronic</u> <u>Arrays</u> are just the beginnings.

This year, look for a <u>Fujitsu</u> plant in Tulsa and an <u>Hitachi</u> plant in the Chicago area.

What's more each of these plants will be loaded with automated equipment, developed in-house by each of the components makers. For the Japanese semiconductor industry is structured like the U.S. industry was 15 years ago, each with its own mechanization department developing proprietary equipment.

These equipments are well-kept company secrets, for there is little jobjumping there and competitors do not talk to each other. Most of the G-2 they gather on each other is collected in the U.S.

<u>Nippon Electric</u>, for one, continues to automate its lines, now being able to operate hands-off from scribe-and-break to final test and pack. Soon EA will be in the same condition, as NEC is now shipping large quantities of die-bond and lead-bond equipment to Mountain View. EA is destined, for a time at least, to become the most highly automated semiconductor facility in the U.S.

When these automated, socialized, non-profit plants go head-and-head against our labor-intensive, free-enterprise, profit-demanding facilities, there is going to be a major implosion.

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TOP-SEEDED. Kasper Instruments will soon be in the ion-implant business, thanks to some seed money implanted by parent Cutler-Hammer

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last September in <u>Nova Associates</u>, a small equipment manufacturer in Beverly (Ma). C-H purchased convertible notes which could give it an equity position in NA, in an agreement which also gives C-H marketing rights to Nova developments.

Nova is headed by Peter Rose, who earlier founded Extrion, a maker of particle accelerators in Gloucester (Ma), which he sold to Varian.

Kasper expects to begin delivering the implanters within 60 days.

ALL'S WELL THAT ENDS WELL. Neither <u>Art Fury</u> nor <u>Lee Lynberg</u> cared for my recent implication (MN, Feb. 10) that there had been a power struggle between them at <u>Siliconix</u>.

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So okay. But as I reported last week (MN, Feb. 17), in the recent reorganization, Lee's responsibilities would have shrunk, and Art's were expanded.

In any case, Lee opens the doors of his new reppery on Monday (26). It is Costar Inc., 10080 N. Wolfe Rd., Bldg. 3 Suite 175, Cupertino (Ca) 95014. Phone 408-446-9339.

Other principals are <u>Dave</u> Ferran, <u>Dean</u> Johansen and <u>Doug</u> Potter, all ex-Sil. They start out with Sil as sole principal, so if you are looking for a rep, they will have plenty of time to work your account. LEAPFROG.

National, which never made it in the 4k RAM market, is telling

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customers it is not going to be that way with the 16k. Several key customers who visited Santa Clara (Ca) this week were told that Nat is commited to being an honest-to-god source for the biggie, beginning in the third quarter of this year.

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FULL ASTERN. Reverse engineers are going to have a much more difficult life trying to recreate designs in the next generation of

devices, R&D people tell me. It's going to become a three-dimensional world, as submicron lithography has just about reached the physical limits of the material, and silicon real estate, just as on the good earth, is going to go high-rise with vertical structures and multiple layers. Add to this such techniques as laser annealing and chemical conversion, which can greatly alter physical behavior but not be readily apparent to the eye, plus some trickery in microcoding which could baffle a cryptographer, and it all adds up to a point of diminishing returns for the "design consultant."

EXODUS. <u>Signetics</u> is the latest company to export technology out of the Valley, with a major expansion of fabrication activity in its Utah facility, and the transfer of Dick Murphy to head it.

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Sig has been in Utah for some years, first in Provo and now in Orem, but most of the activity was limited to assembly. Now almost one-quarter of the 170,000 sq. ft. plant will be devoted to fab.

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IF AT FIRST. Unitrode, which had its hopes of acquiring Synertek smashed by the bigger muscle of <u>Honeywell</u>, is now moving to become

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the sole owner of <u>Micro</u> <u>Networks</u>, maker of thin-film hybrids, mainly A-to-D and D-to-A converters.

Uni already owns 40 per cent of MN, and will pick up the remaining 60 per cent for \$6 million. Thus the valuation placed on the acquired company is about equal to its annual sales of \$9.9 million. Payment will be partly cash, and the rest in Unitrode common.

MN founder-president <u>Bob</u> Jay will remain in that post, while picking up v.p. stripes in Unitrode. The deal should close by the end of March.

SUBSTITUTE. Advanced Micro Devices' hope of weaning public relations man Roy Twitty away from National came unglued when Twitty chickened out, and the job was filled instead on Monday (19) by Bob Grossman. He was west coast editor of EDN and Electronic Business, and before that in PR with Data General.

SWEET DEAL. Harris is trading its know-how for a 49 per cent piece of a joint venture in France, with all of the funding being provided by its partner and the French taxpayers. The partner is Matra S.A., of Paris, and the joint venture is a \$40 million deal. Harris' contribution is CMOS process technology and licenses to produce its product line. Don Sorchych lives!

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THEY JUST MAY BE RIGHT.

Texas Instruments has been saying for years that the semiconductor industry will ultimately shake

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out in the same manner as the auto industry, with only a small handful of big survivors. Now some financial analysts think they see that handwriting on the wall.

The numbers they are looking at are asset turns, the ratio of sales dollars to the fixed investment which generates them. That number has been continually dropping over the years, and is now almost down to 2:1.

Some believe it will reach unity by the mid-1980s, with the next generation of technology, which will include full automation, 5-in. wafers and pattern generation with direct-writing electron beams.

When it takes a dollar in assets to produce a dollar in sales, then the independent vendor of components is doomed, for then only high-margin systems houses can afford to absorb the value-added costs of semiconductor content.

Thus the semiconductor company must become a systems company--like National, Intel and Intersil--or be acquired by a systems company--like Signetics into Philips, Synertek into Honeywell and Electronic Arrays into Nippon Electric.

When you see Siemens acquire control of Advanced Micro Devices, you'll know the ballgame is over.

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Here's the old curmudgeon (also called Don C. Quixote) in the February 1979 issue of "Peninsula," a regional magazine QUOTABLE QUOTE. published in Palo Alto:

"My purpose is not to shoot anybody (semiconductor managements) down just for

the hell of it. On the contrary, I like to build them up. But one thing I cannot stand is untruth, and when I find a guy lying in public, then I'm going to nail his ass."

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Seminar on "Managing the Rapidly Growing Electronics Firm." Marriott Hotel, Santa Clara (Ca), Mar. 8. Electronics MEETINGS UPCOMING. Association of California, 408-735-7440.

IEEE International Conference on Communications and Telecommunications Exposition. Sheraton Boston Hotel, Boston (Ma), June 10-13. Trade Associates Inc., 301-656-5794.

International Electrical, Electronics Conference and Exposition. Automotive Building, Exhibition Park, Toronto (Canada), Oct. 2-4. IEEE Canadian Region, 416-445-7280.

National IEEE Telecommunications Conference and Telecommunications Exposition. Shoreham Americana Hotel, Washington (DC), Nov. 26-30. Trade Associates Inc., 301-656-5794.

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RULE FOR INCOMPETENT MANAGERS. 1. Hide! 2. If they find you, lie!

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MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 489 SUBJECT: WHO'S HIS BROTHER'S KEEPER?

Which of us has known his brother? Thomas Wolfe "Look Homeward, Angel!"

THE WORST KIND OF PARTNERSHIP. The 50-50 partnership is an open invitation to future trouble, no matter how much the

the two partners may trust each other at the outset. Sooner or later-often not until the next generation--there will be a conflict which requires a tie-breaker.

Any major policy discord can immobilize the company in its tracks.

The demise of a partner usually fractionalizes and factionalizes his halfinterest among his heirs.

Controversial management decisions can trigger internecine warfare, pitting family against family, friend against friend, even brother against brother.

Welch <u>Scientific Company</u> took a three-year course in these hard facts of business life before a truce was called in a civil war between brothers. The company recovered after the two of them were finally kicked upstairs, but the scars won't disappear until at least another generation.

BROTHER AGAINST BROTHER. The two brothers, sons of the founder, grew up together with the company, and they grew old in

it. They had worked together as teen-agers after school, and later, during the Great Depression, they worked together mightily just to keep the doors open. They prospered together in the technology and education boom following World War II.

But time and recessions and lack of market planning slowed the company's progress to a crawl, and as competitors became more agressive the brothers disagreed violently as to how to meet the threat.

The older brother, who was the president and also in charge of marketing, wanted to stand pat. The company had been through rough weather before, and after all it was still basically sound. Both brothers were comfortably wealthy, so why exert for a needless expansion? Besides, any major overhaul would require incurring bank debt, a proposition which was anathema to him.

The younger brother, himself at ordinary retirement age, was the executive vice president and head of production. He wanted a complete modernization. He wanted to consolidate a scattering of outmoded facilities into a new plant, and to revamp thoroughly the product line.

The plot at this point sounds like a diametric opposition between two old men, one reactionary but the other still visionary. But there was also an emotional factor which may well have motivated the contrary behavior of both of them: The executive vice president had a son and heir-apparent; the president had none. AT LAST, A CREATIVE BANKER.

Although Emerson would have been perfectly willing to stand aside and let the company

shoot out the tubes, somebody at UCB thought WD should get another lease on life, through Missler's leadership. But he didn't think it was his dish of tea. "I emphasized that I was not a semiconductor executive, that my background was more in systems than components," he recalls. "The bank offered a perceptive rebuttal: they suggested that (a) LSI is more of a systems technology than a components one; and (b) that all the officers g who had reported to the former president were still in place, and all they ostensibly needed was a leader to give it direction."

After satisfying himself that the people, the products and the technology were there (as Riley and Cox had done before him), Missler decided to go for the crapshoot, and first closed in on the board of directors. He had told UCB that he would take the job only "if we could organize a strong, outside, non-constituent board."

Next he faced up to the debt burden, and in a remarkable piece of legerdemain he bought off more than half of it with stock, and refinanced the remainder through a longterm note.

CONTRARY OPINION. As a relative newcomer from the outside, Chuck Missler has perceptions of the semiconductor industry rather different from those normally found on the inside. "Our stronger products enjoy--for a time--almost a ten-to-one price to variable cost ratio. Improving the efficiency of manufacture has a limited effect on margins," he says. "Capturing design-ins in the early phases of the market is far more important.

"This view of our business leads us to some interesting decisions. We are not in RAMs or other commodity parts, and don't plan to be," he adds. "We would rather be the leader in specialized growth niches than be trampled down the learning curve by the herd who have lost sight of their own selfinterest."

Rather than cost-pinching and learning-curve pricing, Missler feels that today's executive in LSI should be concentrating on these strategic questions:

- o What are the implications of timing of forthcoming products with the timing of related communications services being offered by the same vendor?
- o What are the protocol and language implications in these products? Where is the Trojan Horse hidden?

"It is in the architectural and functional areas that the product strategy wins or fails--not in the costs of commodity parts," says Missler. "It is my informed view that most CEOs today are going to be caught napping in the protocol, language or architectural areas, unless they are particularly sensitive to the strategic implications of LSI in exploiting these dramatically changing areas.

"Western Digital has come a long way this past year," Missler concludes. But we feel that the markets and technologies immediately in front of us are revolutionary and exciting. This volatility contains both jeopardy and opportunity, and will stretch our maturity and our creativity on a daily basis. But we are highly leveraged on the upside."

Don C. Hoefler's



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with Manager's Casebook



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SILICON VALLEY MAY 12 1979

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THE GAME SWITCHES TO HARDBALL. The <u>Gould</u> pursuit of <u>Fairchild</u>, until now a simple arm's-length game of tag, became down-right unfriendly this week, as both sides went into Federal court in a foolish game of overkill.

After Fairch predictably rejected Gould's offer of \$54 a share and sued Gould to file 20-day notice of a tender offer, Gould just as predictably did so and raised the ante to \$57 a share.

So far the game was going precisely according to plan. But then Gould threw a monkey wrench by suing Fairchild in U.S. District Court, without even waiting for an answer to the new offer.

Filing on its home turf in the Northern District of Illinois, Gould alleged that Fairch violated SEC regulations in its public statements and other reactions to Gould's acquisition offer. Gould certainly has a case, and there will be stockholder lawsuits alleging the same thing when the numbers settle down, but the timing was most unfortunate, for it put Fairch management--until now going through a charade of resistance--strongly on the defensive.

Pres <u>Wilf Corrigan</u> ran off to New York, to convene the board to reject the new offer, and to instruct the lawyers to countersue. Fairch filed on Wednesday in the Southern District of New York, seeking to enjoin Gould from acquiring any Fairch securities, on antitrust grounds. The case is as specious as Gould's is strong, but Gould's filing the day before gave Corrigan and the board no choice but to go through this ridiculous gandy-dance.

For here is where the whole game gets idiotic. It is a foregone conclusion that Fairchild is finished as an independent company. One of the most poorly managed companies in the semiconductor business, yet still having some momentum and some potential, Fairch has been an obvious takeover candidate for a long time (MN, Dec. 17 1977). When Gould's next offer goes the other half way to \$60, the ball game is over, for all key stockholders--including the Fairch directors-will vote to accept.

It also means the end of Corrigan as president of Fairchild, but he could hardly care less. He has already pillaged the company beyond his wildest dreams, and he walks away a multimillionaire. His only worry is those inevitable stockholder suits, and the very real possibility that he may be ordered to return some of his ill-gotten gains.

Anybody know what our extradition agreement with the U.K. is in cases like this? Full contents COPYRIGHT 1979Don C. Hoefler. Copying by any means is a Federal offense.

SWITCHEROO. Remember last year's flap about the Chevrolet engines under

Oldsmobile hoods? <u>Fairchild</u> was doing the same thing as Corrigan's Folly, the Time Products division, was going through its death throes.

If you can still find a Fairch watch on a dealer shelf someplace, pry it open. Chances are you'll find inside a module built by--National.

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WIN SOME, LOSE SOME. Lionel Kirton, one of the old oldtimers at Signetics, has decided to bag it in the wake of the recent reorganization (MN, May 5). In effect demoted because of the creation of three senior vice presidencies, and now surrounded by peers with shiny new v.p. stripes, Lionel is taking a walk.

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Chances are he will return to his native England, which he is now visiting.

Would his main reason for leaving be having to report to Jack Halter instead of Chuck Harwood?

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OCCUPATIONAL HAZARDS. The accidental death of a young maintenance technician, <u>Ed Cheslock</u>, at <u>Advanced Micro Devices</u> last Friday night (4), was not only a shocker to pres <u>Jerry Sanders</u>, but could have serious repercussions throughout the industry.

Cheslock was probing the back panel of a computer when he got across too many kilovolts, and apparently died instantly. His co-workers immediately attempted mouth-to-mouth resuscitation, and Sunnyvale public safety officers were on the scene in moments, but he was declared dead 48 minutes later.

The backlash will come from the invading horde of Occupational Safety and Health Administration inspectors, who will cite AMD, not for the Cheslock accident, but for dozens of other unsafe conditions which are a fact of life in semiconductor manufacturing: all those open cauldrons of hydrogen flouride, whirling nitric acid and hot sulphuric acid; the pipelines meandering throughout the plant, containing silane, phosgene, hydrogen and oxygen. Beyond any doubt, the OSHA snoopers will be imposing more stringent standards on the industry.

"It's about as safe as working in a gunpowder factory," a company president told me last night. "Why we don't blow away one of these places about every six months beats the hell out of me."

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IT'S ONLY MONEY. If <u>Gould</u> wants to pry <u>Al</u> <u>Stein</u> out of <u>Motorola</u> to become the next president of <u>Fairchild</u>, they must be prepared to make a very sweet offer. For Al is the sixt highest paid guy in the company, with salary of \$111,692, incentive award of \$44,676, "equity award" (to buy stock) of \$45,324, "contingent remuneration" of \$3718, and fringe benefits of \$10,503. My little handy-dandy computer tells me that's a couple bucks shy of \$216,000 a year. In addition, Al received options on 19,500 shares at \$36.75 last year, which, if he could have excercised and sold at yesterday's close of \$42, would have grossed more than another \$102,000.

Al and his boss, John Welty, are the only division v.p.s among Moto's top six. All the other big pay checks are at headquarters.

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DON'T INVITE TO THE SAME PARTY.

Among those present at Ben Rosen's (Morgan Stanley) annual semiconductor boondoggle in

New Orleans last week were Fairchild's senior v.p.s, George Wells and Tom Sherby. Elsewhere in the same room were two delegates from Gould.

The drinks were strictly no-host.

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DEPT. OF CLARIFICATION AND AMPLIFICATION.

Tom Target complained to boss Bob Schreiner at Synertek this week,

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"It's the first time I ever got mentioned in Hoefler's sheet, and it's wrong." (MN, May 4). So all right, I'm gonna keep doin' it 'til I get it right.

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Tom was not demoted, but transferred. He had been handling distributor relations in the western region, and that is now in such good shape that he has been told to sharpen up the east and midwest as well.

Ron Innecken was not booted, but left on his own terms. Sales-marketing v.p. Bill O'Meara told him three months ago that he was eliminating the national sales manager job, and giving Ron six months to find a new billet. Ron did it in three.

The newcomer is John Siemens, who formerly reported to distributor sales manager George Perris at Fairchild, and is very happy that he no longer does.

The reason for the dropping of "salesman of the year" John Farley was that he was too good a salesman but not enough of a manager. Instead of motivating the reps, he was doing their selling for them (and earning their commissions for them). The reps thought it was just dandy. They are expected to see it differently with the arrival of the new northwest area manager, <u>Rich Ponce de Leon</u>, who may be a fountain of youth but is not likely to be the reps' field man.

In sum: nobody replaces Innecken; Tom is still on Target; Siemens replaces Ponce de Leon, who replaces Farley.

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SPEAKING OF TARGETS. Intel has dropped all growth targets from its future business plans, and will henceforth concentrate on profits. Specifically: a tidy \$150 million net after taxes for fiscal 1981. That should handily run Intel past both Fairchild and National.

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The best way of increasing margins is by increasing prices, and so Int is going through the entire product line, weeding out anything that grosses under \$5. That's why 8080s, which were going for around \$3.50-\$4 a copy, are suddenly very scarce, and \$9 if you can find any. If they don't move at that price, they'll be shut off too.

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QUOTABLE QUOTE. From <u>Greg Richards</u>, analyst at <u>E. F. Hutton</u>: "We believe that the earnings risk of the semiconductor industry currently is much less than it was in 1974 because of the anticipated mildness of the economic decline, the impact of new markets and the control of inventories being exercised in the industry. In our judgment, an economic slowdown would penalize earnings of leading companies approximately 10 per cent.

"Thus our conclusion is that both the strong outlook for semiconductor markets and the unprecedentedly low valuation levels of selected companies are providing something not seen in this industry in 20 years-a stable investment framework...". COMIC PAGE. What do you call a computer mass storage device which is designed in Tokyo and manufactured in Manila? The answer (thanks to those scalawags at Corporate Technology): A Nippy Flippy Floppy.

Of course if the device is high speed, it becomes a Zippy Nippy Flippy Floppy. If it is sold in the Haight-Ashbury section of San Francisco, it is a Zippy Nippy Flippy Hippy Floppy. If the operator is hung over and a little whippy, it becomes--oh, the hell with it.

0 0 0 BUT SERIOUSLY, NOW. There is a guy up in Oregon who claims he has "the ultimate in semiconductor can openers." My first thought was of when <u>Fairchild</u> packed transistors in No. 2 tins (total sales two cans, one returned). But no, he is talking about going into packages from TO-3 to TO-46 "with a clean, burr-free cut."

If your burrs are beginning to scratch, take a cut at <u>Bert Wagner</u>, <u>B&G</u> <u>Enterprises</u>, 2002 Stringer Gap Rd., Grants Pass (Or) 97526. Phone 503-476-6921.

CERTIFIED AND CERTIFICATED. Good old <u>Howard Autry</u>, QA v.p. at <u>Precision Mono-lithics</u>, polished up his stripes and saddled up <u>Trigger</u> (or is it <u>Champion</u>? I never can remember), rode off to D.C. and picked up a JAN microcircuit certification for PMI linears.

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PMI Fab I can do anything but epi, silicon nitride and glassivation, while Fab II can perform only those operations.

Come to think of it, if it takes two lines, maybe Howie needs both of those horses.

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GO WHERE THE MONEY IS. The market for microelectronics in just four industries will grow to at least \$30 billion by 1987, according to a new study by <u>Arthur D. Little</u>. The customers will be found in automotive, consumer, business communications and industrial, says ADL.

What's that? You want to see the report for yourself?

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Well, you just check ADL at 25 Acorn Park, Cambridge (Ma) 02140, phone 617-864-5770.

And be sure your check is in the amount of \$35,000.

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LET'S HEAR IT FOR HYBRIDS. The low-bred hybrid industry "is not dying nor does it show any tendency to do so," say market researchers Frost & Sullivan. "Industry members underestimate hybrid's growth potential."

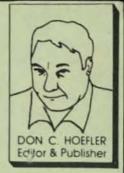
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That potential, F&S says, is 10-15 per cent a year. Not sensational, but a hell of a lot better than <u>Fairchild</u> under the Corrigan regime ("Manager's Casebook" No. 495-3).

THE GREEKS DIDN'T HAVE A WORD FOR IT. Newton's Laws of Motion never came to grips with the problem of job-hopping in the Valley. So EKC Technology has named it: "Siliconian Motion."

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MEROELECTBONICS MEMOS WITH MANAGER'S CASEBOOK



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SILICON VALLEY MARCH 3 1979

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HISTORY LESSON. MN, June 4 1977: "Not only has <u>Motorola</u> been militantly anti-union for all of its years, but until only a year or so ago the firm also had a deep-seated prejudice against blacks, the general laws of the land and the specific rules of government contracts notwithstanding."

Letter to MN publisher Don Hoefler from Moto chairman Bob Galvin, June 7 1977: "We have no prejudice against blacks or other minorities. We have had an affirmative policy demonstrated by extensive hiring of minorities including blacks."

U.S. District Court testimony, Spring 1978: Prof. <u>Philip Hauser</u> of the University of Chicago testified that employment records showed less than 3 per cent blacks on the Motorola payroll during the period 1966-1975, at the same time the Chicago metropolitan area labor force was 15 per cent black. Hauser added that Motorola was far behind 34 other suburban manufacturing plants in percentage of black employees.

Decision of Judge Thomas McMillen, Jan. 26 1979: "The low percentage of black employees appears to reflect management policy."

Chicago Sun-Times, Jan. 27 1979: "Judge finds Motorola guilty of race bias."

Chicago Tribune, Jan. 27 1979: "Motorola convicted of bias."

Wall Street Journal, Jan. 29 1979: "Motorola's Hiring Showed Racial Bias, Judge Rules."

Motorola "Company News," Feb. 2 1979: "This was a discriminatory impact case. Please understand that discriminatory impact does not mean that Motorola had intent to discriminate."

That final mealy-mouthed statement above, entirely contrary to the the judge's express findings, was contained in a one-page memo to managers, inconspicuously posted under glass at all Motorola plants. It concludes with a stern "NOTICE TO MANAGERS: Any elaboration, speculation, emphasis, or other comments by management beyond the printed message above is expressly prohibited. This case is not fully resolved and therefore extraneous statements may misstate Motorola's true position on this matter."

Mr. Moto's "true position" is one of extreme embarrassment, as well it should be. The only thing "not fully resolved" is how much the company shall pay, and to whom, for it turned down some 10,000-12,000 black job applicants in the period covered by the decision.

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UNDER EVERY BED.

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There is another group that Motorola will not hire:

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Communists. In 1955 it was one of the founders of the Mid-American Research Library, a blacklist of suspected Commies who might be looking for work.

Out of this grew the American Security Council, a right-wing propaganda outfit with more than 1500 company members, now located in Boston (Va), 65 miles southwest of Washington, housed in a mansion on an 850-acre estate. The ASC believes that Moscow is winning The Cold War, and its blacklist is still alive and well in Boston.

Gosh, I was active in Progressive Party affairs in the 1948 election, in which naive, idealistic Henry Wallace was totally inundated by the Communists. Does that make me eligible?

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Motorola has cut a second-source deal for its , LET'S BE NICE FOR A CHANGE. best-of-breed 68000 microprocessor--which means there are now two guys that can't make it. On paper, however, the 68000 outclasses the vaunted Zilog Z-8000, and is far superior to the Intel 8086.

It's the same old story: the Johnny-come-latelies try to one-up Intel. But Intel doesn't want to be best; it just wants to be first--like two years ahead--before the marketplace becomes a rat race and the learning curve becomes a toboggan slide.

The founders of Intel played musical chairs on paper SHIFT, SHIFT, SHIFT. this week, as pres Gordon Moore moved up to chairman, chairman Bob Noyce steps down to vice chairman, and v.p. Andy Grove becomes president.

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Things have been pretty much that way for the past two years, but it has taken time for Andy's personality to mellow and his public appearances to acquire at least a modicum of sparkle.

He will never match Bob and Gordon in the sense-of-humor department, however.

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Another layoff at National Computer Products yesterday, with the SHRINKING. System 200 still on hold (MN, Jan. 6). Meanwhile, the recent

IBM bombshell has pres Charlie Sporck reconsidering whether he wants to be in the computer business at all. You can rename the division, "The Computer Company with the Uncertain Future."

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The five-month-old prosecution of Peter Gopal and his henchmen STALLING. for theft of Intel trade secrets and their attempted sale to National continues to drag on. Attorney for the defense is now trying to get the indictment quashed on the grounds that evidence was obtained through improper search. Hearing on the motion is scheduled for 10:30 AM Tuesday (6).

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Intel's acquisition of MRI Systems in Austin (Tx) was finalized APPROVED. Tuesday (27) following affirmation of MRI shareholders.

* ONE NEVER KNOW, DO ONE? Fairchild lost its domestic sales v.p. to Synertek

this week, in a move that caught both sides by surprise. Fairch pres <u>Wilf Corrigan</u> had been unaware that <u>Bill O'Meara</u>, one of his fair-haired boys, was contemplating a change, and he made a strenuous but futile effort to rerecruit him. Syn pres <u>Bob Schreiner</u>, meanwhile, didn't know for sure that he had bagged O'Meara, who starts Monday (5), until Fairch began announcing his departure to the field troops at mid-week.

O'Meara becomes v.p. of marketing and sales, replacing co-founder Jack Balletto, who moves into strategic planning, replacing Larry Amon, who earlier became director of corporate services (MN, Feb. 17).

Schreiner had been looking for somebody who had a strong combination of both inside and outside sales-marketing experience, which O'Meara certainly has. Starting at <u>Texas Instruments</u> as a field sales engineer, Bill joined Fairch in 1969 as account exec servicing <u>Univac</u>. He then moved to regional manager, area manager, product marketing manager, district manager, LSI sales manager, and finally sales v.p.

Balletto was understandably a little bent out of shape by the move, but straightened up again when Schreiner convinced him that planning is not a standby function at Synertek, and reminded him that Bob had been trying to get him to devote more time to it for some months. The future product direction of the company is now in his hands.

Meanwhile, back at the rusty ranch, another Corrigan hand-picked body, <u>Hal</u> <u>Mumma</u>, former distributor sales manager at <u>Motorola</u> (MN, Aug. 19, 26 1978), is the replacement for O'Meara.

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AS I'VE BEEN SAYING. The biggest losers in the latest brand-recognition survey of "Electronic Design" magazine were Fairchild

and <u>American Microsystems</u>, as ED readers answered the question, "Which manufacturers do you consider in planning the purchases of the following products?"

In CMOS ICs, Fairch got only a 13.6 per cent rating, which inversely means that 86.4 per cent would not consider buying there. AMI was down in the noise level with 0.3 per cent.

In data communication ICs, Fairch's rating slipped nearly one-third from the previous year, to 12.8 per cent. AMI was a mere 2.7.

In digital MOS, Fairch ranked seventh at 14.7, with AMI tenth at 4.8.

Fairch held first place in linears as recently as 1973, then was bumped to third and has been losing market percentage ever since, now down to 29.8.

In MOS memories Fairch comes in tied for sixth place with 10.4, while AMI lost more than two-thirds of its ground since 1975, dropping from 12.7 to 4.0.

Fairch is also sixth in microprocessors with 13.7, while AMI lost more than half of its position in 1976, going from 5.0 to 2.4.

Fairch takes another sixth in FETs with a 9.2, and eighth in microwave transistors at 5.4, losing nearly 75 per cent of its position in 1970.

Now that is what you call a pair of real losers. Nobody else in the industry has such a consistently poor record. BACKLASH. <u>Hewlett-Packard</u> president John Young told stockholders Tuesday (27) that the firm's Corvallis (Or) plant had a poor 1978

because of the failure of a vendor to supply adequate controller chips during the crucial introduction period of H-Ps newest pocket calculator. The announcement did nothing to H-P stock, and although <u>American Microsystems</u> was not mentioned by name (MN, Feb. 17), AMI stock immediately took a \$1 dive.

FURTHER NIPPONIZING. Add <u>Toshiba</u> to the list of Japanese producers who are stepping up their U.S. activity (MN, Feb. 24). Like <u>NEC</u> and <u>Fujitsu</u>, Tosh is spearheading its efforts with a marketing campaign, but a later U.S. manufacturing facility is a definite possibility.

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<u>Randy</u> <u>Crume</u> is director of U.S. sales and marketing, and he has just made his first rep appointment, <u>Elrepco</u> (<u>Frank Lonergan</u> and <u>Steve LaVaute</u>, who celebrated the firm's first birthday on the news).

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HEADHUNTER HUNTED. <u>Mike Parsells</u>, who opened his own headhuntery less than a year ago, has already outgrown a one-man business and is looking for an associate. If you know where the bodies are buried --and how to dig them up--and would like a six-figure income (so help me, that's what the man says), give Mike a call at 408-446-4334.

ALL THE NEWS THAT FITS. In an otherwise great interview with <u>Jerry Sanders</u> in Sunday's (25) New York Times, the article included a financial box, complete with <u>AMD</u> logo--and <u>AMI</u> numbers.

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CLIP SHEET. Semiconductor Industry Association has started a privatelycirculated memo called "SIA Executive Excerpts," which states "We will report those items normally NOT covered in the trade press or other industry newsletters."

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WHAT "other industry newsletters?"

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Anyway, SIAEE gives us the fascinating information that fourth-quarter 1978 semiconductor shipments were 10.6 per cent higher than the third, and the even more fascinating statement that "Annual shipment rate was 5460." (They meant x10^o--I think.)

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CALENDAR. The March dinner meeting of American Electronics Association (WEMA) will feature a three-man panel, discussing "Motivating the Management Team Under the New Tax Environment." Speakers are three consultant types you probably never heard of, so I won't belabor the matter here, but the topic is intrigueing. At the Palo Alto Hills Country Club as usual, no-host cocktails at 6PM, dinner at 7. Members \$13.50, nonmembers \$16.50. Reservations (before Wednesday noon) 415-327-9300.

Price information and sample copy will be furnished in response to letterhead inquiries. The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

MERCELECTBONICS WITH MANAGER'S CASEBOOK



BOX 2343, SANTA CLARA, CALIFORNIA 95051 Telephone: 408-373-6688

SILICON VALLEY MARCH 10 1979

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IT'S ABOUT TIME. Some weird and wonderful things were happening this week, as the chief executive officers of the two worst-performing companies in the industry--Fairchild (MN, Jan. 20) and <u>American Microsystems</u> (MN, Feb. 10)--showed unmistakeable signs of abdication of their oval offices sometime this year, voluntarily or otherwise.

Fairchild stock has been jumping madly in recent days on rumors that the shareholders would soon be in receipt of a tender offer from a major European company, and that pres <u>Wilf Corrigan</u> would relinquish the presidency, while remaining chairman for the time being.

AMI stock meanwhile has been doing nothing at all as financiers fidgeted, thoroughly disenchanted with the performance of pres <u>Glenn</u> <u>Penisten</u>, while they pondered his future and that of the company.

Performance of both companies has been flat for years, even headed downward if one factors in inflation.

The word is that the European buyer of Fairch wants Corrigan out, preferring still another president out of Motorola, IC manufacturing v.p. Al Stein.

Wall Street money managers would like to see AMI acquired as well, with Penisten out of the picture within six months.

Corrigan has just perpetrated probably the grossest act in his long gross career, one that he would not dare to repeat, thus giving credence to the notion that he is not long for his present job.

Penisten has just been skewered by his last remaining bastion of strength, the research v.p. of a major brokerage house.

Corrigan just voted himself the lion's share of the bonuses paid to the 240-person key-employee group, walking away with 20 times as much plunder as the No. 5 man on the list.

The research v.p. at <u>E. F. Hutton</u>, <u>Mike Sofia</u>, who frequently has been publicly spanked in these pages for his roseate view of AMI, has suddenly pulled hard astern. This is his latest published opinion: "This company is full of surprises, and for the last year most of them have been unpleasant...in speaking with American Micro, we don't know where hope leaves off and reality begins...traders, and those with a shorter-term investment orientation, would be well advised to avoid the stock...As an earnings play, "Micro" currently appears to have little merit...".

(CONTINUED OVERLEAF)

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WHAT THEY PUT UP WITH.

The key-employee compensation program at the Fairch country club is probably the most lavish in the

industry, including in addition to a handsome salary, extended vacations, virtually unlimited expense accounts, many other fringe benefits, and--until now--a liberal bonus.

But this year saw a curious bunching effect in the bonus distribution, wherein Corrigan got \$200,000, the No. 5 guy got \$10,000, and those way down the stick got an earnest handshake.

This largess to the Corrigan poorbox means that 1979 is probably the biggest year he will ever see. With a salary of another \$200,000, plus all the perquisites including stock options, the little round man should gross in excess of a half-million dollars.

But it has also had another major effect: the resignation of many key employees who got stiffed. Among the first to go was sales v.p. <u>Bill</u> <u>O'Meara</u>, who joined <u>Synertek</u> this week, while many others gave notice this week and more will do so next week.

All of the following are either gone or going: <u>Bill Carrico</u>, former operations manager for power transistors, has gone to <u>Zilog</u>; large-area LCD displays lost both their operations manager and marketing manager <u>Terry Leeder</u>; <u>Roger Girard</u>, industrial relations manager for worldwide manager, is another defector; so is <u>Jim Heffernan</u>, controller for worldwide marketing, who jumps to <u>Measurex</u> and will ultimately wind up in London as director of finance in Europe; <u>Jerry</u> <u>Nalywajko</u>, worldwide marketing manager for MOS memories, will take up a similar post at Advanced Micro Devices in a week or ten days.

Even Gunnar Hurtig, a Fairchild veteran (with time out to help found <u>Kinetic</u> <u>Technology</u> and pick up a Stanford MBA), is leaving. He was to have picked up v.p. stripes in a new Fairch subsidiary devoted to ventures and acquisitions, but instead is leaving to do his own thing.

MUSICAL CHAIRS. Meanwhile Fairch announced coincidentally(?) on Monday the appointment of five new divisional v.p.s: Jim Ellick, IC marketing; Doug McBurnie, transistor v.p.-g.m.; Connie Pasqua, purchasing; Mike Chalkley, Xincom v.p.-g.m.; Ken Daub, Xincom sales-service.

Just how much longer the jelly-belly Fairchild board will sit still for the ravishment of this once-fine company remains to be seen. It now appears that selling out is to be the cop-out, for any takeover would almost certainly have to be friendly. For Fairch has always been tightly controlled, even though it is a public company on the New York Stock Exchange. At the time of the death of founder <u>Sherman Fairchild</u> (who contributed to the downfall of his own company by insisting against the counsel of his advisors on raiding Motorola for <u>Les Hogan</u> and his Heroes), he owned only 18 per cent of the large blocks of Fairch shares which are owned by institutions, are controlled by Fairchild directors. Thus Sherman was able to exercise control with only a minority interest, since he and the institutional directors were all on a good-old-boy basis.

If Fairch is now acquired, the buyer will not get nearly the bargain that was available when I first pointed out it was ripe for a raid (Dec. 3 1977), and Corrigan immediately set out to make it less attractive (MN, Feb. 18 1978).

AS for AMI, its replacement value is substantially above market, so it too is an attractive takeover prospect--especially in the eyes of large holders who have become disillusioned with the performance of Glenn Penisten. INCEST. The Fairchild board of directors continues to stroke those big-

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block owners its members represent, by voting dividends that even the successful companies do not pay, and a marginal one like Fairch can ill afford. But the good old boys just voted another 20 cents a share quarterly. That's close to \$5 million a year.

NORTHWEST PASSAGE. The Oregon state government has backed off its silly furriner-stay-home policy, as Valley companies continue to proliferate in the Pacific Northwest, largely because of the ready availability of electric power, water and people.

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Hewlett-Packard will be in Vancouver (Wa) in the next two to three years, while across the Columbia near Portland, <u>Fairchild</u> has been shopping Gresham to the east, and <u>National</u> has been scouting Hillsboro to the west. Also west of the city is Aloha, home of the new Intel facility.

In the same vicinity is Beaverton, home of <u>Tektronix</u>, which will be a prime source of people, especially as there is now much discontent in microelectronics and R&D. A word of caution, however: make sure your prospects have not been RIFed, for there is much of that going on at Tek these days.

Under the smokescreen of following the President's wage-price guidelines, Tek is seizing the opportunity to clean out deadwood through a wage freeze. For yes, the once lean-and-mean clodhoppers have accumulated a bureaucracy all their own.

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RECOVERED. <u>Hal Tenney</u>, founder and former president of <u>KTI</u> (Kinetic Technology), who was eased down when the company was sold and moved to Arkansas, has recovered nicely, thank you, and showed up this week as the new division manager of <u>Addington Laboratories</u> Micro-Components.

HELP WANTED. Even though its first executive director became a cropper, Semiconductor Equipment and Materials Institute is back in the marketplace looking for a replacement. SEMI's only stated qualifications are "knowledge of the semiconductor equipment and materials industry and experience at the management level."

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But if you have never had any association experience, I suggest you also have a political personality or nerves of steel, because every dues-paying s.o.b. in the outfit thinks he's your boss.

If you still think you qualify, and you are interested, the selection committee chairman, <u>Larry Hansen</u>, would like to hear from you. Send a resume to him at <u>Varian Associates</u>, 611 Hansen Way, Palo Alto (Ca) 94303.

ANALOG DEVICES. If you are in the linear business, you should see a new book edited by Alan Grebene, a founder and engineering

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v.p. of Exar, titled "Analog Integrated Circuits." Sections of the 439page tome include fundamentals, op amps, voltage regulators and references, wideband amps, multipliers and modulators, data conversion, communications, and precision linears. Price \$14.45 paper, \$28.95 cloth. John Wiley & Sons, 605 Third Ave., New York (NY) 10016. CRUNCHED. John Draper, the "Captain Crunch" who once worked for the late

Hugle International and is a little whippy on the subject of illegal entry into <u>AT&T</u> longlines, is finally going to do time for pursuing his hobby.

Convicted of wire fraud three times, once in Pennsylvania and twice in California, and always getting off with light or suspended sentences, Draper has violated parole so many times that the judge decided it was time to give him a year in the slammer.

"Is it not this simple?" the man in the black robe asked. "You have to pay for your long-distance telephone calls. Is that such a very difficult moral concept to grasp?"

The judge also ordered him to undergo psychiatric therapy while in durance vile. But he has already faced two shrinks, who concluded he has "an underdeveloped sense of people and is extremely suggestible and vulnerable"-especially when it comes to electronics. But the two could not agree on whether or not he is psychotic.

SANDBAGGED. Dow Chemical has come out on the short end of its Japanese joint venture in single-crystal silicon, and will sell its 45 per cent interest in <u>Shin-Etsu Handotai</u> to that firm's parent company, and will no longer be the ex-Japan sales agent for SEH products.

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Dow remains in the polycrystalline business through its <u>Hemlock</u> <u>Semiconductor</u> subsidiary, Hemlock (Mi).

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FREEBIE. Purchasing agents may want to add to their catalog file the "EDRI Buyers Guide for Electronics," published by Electronic Distributors Research Institute, and including lines of more than one hundred manufacturers. Ask on company letterhead for a free copy to EDRI Buyers Guide, Box 23875, Fort Lauderdale (F1) 33307.

DINNER DATE. Brian Brackle of Fairchild, Art Fury of Siliconix, Bernie Marren of Western Microtechnology and Prof. Warren Hausman

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of Stanford will speak on "Techniques Used in Business Forecasting," at the next SEMI dinner, a week from Thursday (22) at the Cabaña Hyatt House in Palo Alto. Time 6:30PM. Tickets \$14 for members, \$17 for nonmembers. Reservations 415-964-5111.

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WEINBERG'S LAW. If builders built buildings in the way in which software programmers write programs, then the first woodpecker to come along would destroy civilization.

CHURCHILL'S COMMENTARY ON CIVILIZATION.

Man will occasionally stumble over the truth, but most of the

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time he will pick himself up and continue on.

Price information and sample copy will be furnished in response to letterhead inquiries. The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 491 SUBJECT: MARY JANE IS NO LADY

Sho' they got to have it against the law. Shoot, ever'body git high, wouldn't be nobody git up and feed the chickens. "Red Dirt Marijuana"

EVERYBODY'S DOIN' IT. Chances are there are grass fires all around

your plant, every time a worker gets a break and lights up a lid of Tijuana gold. It's part of today's drug culture that your young workers believe that marijuana is nothing more than a harmless "recreational" drug producing far less serious consequences than alcohol.

But is this really true? The argument has raged for years, with the anti-grass forces arguing that even if reefers are less harmful than tobacco cigarettes or booze, their use inexorably leads to the hard stuff.

That argument has now been rather well refuted (notwithstanding the fact that hard drug usage in the United States today is the greatest in its history), but what about the contention of our youth that marijuana smoking has no ill effects at all?

Congress set out to find some answers a decade ago, with the formation of the National Institute on Drug Abuse, one of whose mandates was to evaluate the toxicology and pharamacology of the marijuana weed, and of its constituents known as cannabinoids.

PUBLIC IN THE DARK. The job was assigned to the Mason Research Institute of $\underline{EG\&G}$, and more than 50 scientific papers have resulted. The problem is that, in the incestuous ways of the scientific community, only other scientists get the word, with only trickles to the outside world.

First assignment of MRI was to assess the toxicity of crude marijuana extract and pure tetrahydrocannabinol (THC), the most active euphoric agent in marijuana.

The studies began in animals, to determine oral toxicites which were graded as acute, subacute and subchronic. The research soon expanded to other areas, however, after establishing safe doses of cannabinoids in animals.

The laboratory discovered that there are indeed adverse effects from the use of marijuana, including: behavioral aggression; neurotoxity (convulsions); chemical changes in the brain; impairment of natural body immunities; hormone imbalance; and lung irritation.

It also revealed, however, that neither marijuana nor pure THC is a teratogen --that is, they do not cause gross malformations of the body.

It should be noted, however, that the detrimental effects observed were induced over a long period, and to hasten the findings, grades of marijuana used were more potent than those usually found in the commercial marketplace. ON THE OTHER HAND.

Even as snake venom has its positive effects when

properly administered, some cannabinoids and THC in regulated doses become useful therapeutic agents, in treating glaucoma and convulsions, and as antiemetics and antidepressants.

Don't go to your corner drug store and try to buy any yet, for laboratories are still trying to synthesize new chemical forms which will not produce undesirable side effects.

Although it is known that agricultural environments will produce differences in the properties of marijuana grown in various localities, there is yet to be a definitive study which compares the weeds grown in such regions as Mexico, Turkey, Colombia and Algeria.

IT'S A KILLER. Perhaps the most startling result of the MRI studies is the deadly propensities of marijuana during pregnancy. In the womb, Mary Jane becomes a murderess.

First work in this area began with the ingestion or injection of pure THC into mice and rats, which greatly increased fetal fatalities. But the tests needed refinement.

As W. C. Fields once said: "You can die from drinking too much of anything --coffee, water, milk, softdrinks and all such stuffs as that. And so long as the presence of death lurks within anyone who goes through the simple act of swallowing, I will make mine whiskey."

The next step was to administer the cannabinoids to pregnant rats and mice through actual smoking, in doses similar to those used by human marijuana smokers. The rodents were ideal subjects for the study, since multiple births are common and the effects on several fetuses could be determined at one time.

The females were exposed to marijuana smoke daily on days 6-15 of gestation, the period when most organs are being formed. One puff of smoke was delivered each minute, for periods of 4, 8 or 12 minutes. These doses were considered to be the equivalents of human consumption by fairly heavy smokers.

Two control groups were set up for comparison. One received marijuana from which the THC and other cannabinoids had been removed. The other, although placed in the smoking machine, did not have any exposure to smoke at all.

The result was substantially greater fetal deaths in the rodents exposed to marijuana with THC than in the control animals. With the death of the fetus, the body began to resorb the fetal tissue, apparently encouraged by the marijuana. (Although fetal resorption is known in human beings, it appeared that in the experimental animals the resorbtion of the embroyos was caused by the exposure to the smoke, a mechanism not yet understood by the researchers.)

All in all, it now seems certain that the smoking of marijuana is considerably more than harmless recreation.

It is very likely contributing to accidents, absenteeism and operational errors in your facility.

In short, Tijuana gold is extracting gold from the southeast corner of your P&L.

Don C. Hoefler's



BOX 2343, SANTA CLARA, CA 95051 .

with Manager's Casebook

JECTS WITH MANAGER'S CASEBOOK



BOX 2343, SANTA CLARA, CALIFORNIA 95051 Telephone: 408-373-6688

SILICON VALLEY March 17 1979 ST. PADDY'S DAY!

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HE KNEW WHAT HE WANTED. The man whose memory is revered today by Irishmen everywhere--St. Patrick, the Patron Saint of Ireland--spent at least 14 years in Gaul in preparation for his mission of propagating the faith in Ireland.

Semiconductor manufacturers by contrast have traditionally looked ahead scarcely six months in their efforts to propagate their products throughout the world.

The very title of "Director of Planning" has been held in contempt, given to one who has fallen into disfavor and whom management is trying to drive from the company. The title has been empty, and the assignment is to go find another job.

But no more. Not if the company has any smarts at all. With the advent of VLSI, the industry's barnstorming days and flying by the seat of the pants are over. Finished. Dundee.

Any management today which does not give real meaning to its office of planning, with an honest-to-god mission of longterm strategic planning, is flirting with disaster.

THE 180-DAY WONDER IS DEAD. It wasn't so long ago that the sales manager of a growing company could tell his management that if he had an NMOS process, he could sell a lot of custom wafer business. The R&D director would walk away, and a week later return with the desideratum. Soon the design cycle would begin, and before long parts would be going out the door, followed by invoices to stimulate the cash flow.

No more. Today if one wants to come up with a nice EPROM or something in HMOS, and he has never done it before, he is looking at a parallel process development and product development cycle of probably three years. It took Intel longer than that to get onstream with its 8086 microprocessor.

Now what if Intel had been wrong, and the market was not there? That is the scary prospect facing the company which commits a three-year effort to what may be a chimera. Lucky guesses can no longer be relied upon. Even though the most creative managements will continue to employ intuition as part of their decision-making processes, they now must have the backup of a logical rationale. The president must have somebody who has done his homework.

What about you? Is your man still in Conference Room H?

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REPRIEVED. Sales and marketing troops at <u>Zilog</u> breathed a sigh of relief when <u>Bill</u> <u>O'Meara</u> jumped from <u>Fairchild</u> to <u>Synertek</u> (MN, March 3), instead of moving in on them. But I understand that national sales manager <u>Marty Cohen</u>, who is easily spooked, is bolting anyway.

Meanwhile <u>Manny Fernandez</u>, a disciple of <u>Greg Reyes</u> who does not take "no" for an answer, continues to bug Bill to reconsider and come across the Valley to Cupertino.

But I think Manny is wasting his breath, for a couple of reasons: (1) Bill is not a job jumper, having had only two employers in the industry--<u>Texas</u> <u>Instruments</u> followed by that awful decade in which Fairch was being Motorolized; (2) Zilog's emphasis is increasingly on systems, while Bill is strictly a components guy.

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LATERAL PASS. <u>Terry Speizer</u>, regional manager for <u>Mostek</u> in northern California, has moved over to the same job with <u>Rockwell</u>. His former spot with the Texans is still up for grabs.

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MATERIAL? <u>Fairchild</u> stock continues to rise, clearly indicating that some interest is taking a position, and if Fairch continues to nocomment it could be asking for trouble with the Securities and Exchange Commission.

Meanwhile in Phoenix, rumored president-to-be <u>Al</u> <u>Stein</u> is neither confirming nor denying. To us old newshawks, a no-comment almost always means a confirmation.

Back in Mountain View, Fairch is adjusting to last week's mass exodus of key people (MN, March 10) by wholesale distribution of new v.p. stripes and other promotions.

Heading the list of v.p.s is old retainer <u>Andy Procassini</u>, head of worldwide marketing. Andy is the last remaining <u>Hogan</u>'s Hero after pres <u>Wilf Corrigan</u>. Other new v.p.s include <u>Dick Abraham</u>, g.m. of the bipolar LSI group; <u>Ed Browder</u>, g.m. of the IC group; and John Jordan, head of Asia-Latin America sales.

You already know about Hal Mumma as replacement for Bill O'Meara (MN, March 3).

Finally, Bob Blair moves in from Europe as headquarters marketing director.

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SITUATION NORMAL. Returnees from the <u>American Microsystems</u> Pocatello (Id) plant (once predicted by founder <u>Howard</u> <u>Bobb</u> to become the new watch capital of the world) describe it as in "mass disarray." The place is zigzagging and lurching, with duty assignments and projects changing

The plant is run by <u>Bill Baker</u>, aided by <u>Ken Moyle</u>, neither of whom has a heavy track record for management stability. But locals think they are being misguided by upper-middle management in Santa Clara.

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And they doubt that pres Glenn Penisten has any idea what is going on.

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almost daily.

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THE PASSING PARADE. Synertek had its second founder leave the company and the industry this week. Dan Floyd, manufacturing

v.p. for standard products, told pres <u>Bob</u> <u>Schreiner</u> early in the week that he wanted to make a quick and clean break, so as to avoid a lot of handwringing and tearful goodbyes. Hence the notice went up only at 3PM yesterday (16), and Dan was finished at the end of the day.

Loaded up to here with real estate investments, Dan intends to devote his full time to them. (I wonder if he'll be back when the bottom falls out of the bloated California RE market?)

No replacement has been announced for Floyd, as v.p. Ken Yagura is mulling a reorganization which could eliminate the job.

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FLASH! It is 12:25 PM Saturday (17) on the Pacific Coast as I write this, a story which will not become general knowledge even in the Valley until Monday (19).

The board of directors of <u>Monolithic</u> <u>Memories</u> has just adjourned, and the company has a new president, possibly the first financial type to head a semiconductor company in the history of the industry.

Irwin Federman, financial v.p., moves up to president and chief operating officer, while founder-president Zeev Drori becomes board chairman and chief executive officer.

Zeev had recommended Irv to the board last year, but he was overruled in favor of a technical man, a decision which became a bummer when <u>Carm Santoro</u> chickened out after only a few months in the heir-apparent job (MN, Sept. 23 1978, Jan. 13).

Zeev is the first to say that Irv has a more suave personality, and should have less problems in interfacing with the company's employees and the public.

Picking up Irv's old v.p. stripes will probably be his controller, Bill Wall.

(Zeev was the instigator of this move, and I think the real reason he did it was, now that he is a San Franciscan, in the future he will be able to commute the Bayshore at his leisure rather than during the rush-hour crunch.)

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JUST WONDERING. <u>Mike Markkula</u>, who set out to help found <u>Apple Computer</u> after being passed over for the marketing vice presidency at <u>Intel</u> for the second time, will be key speaker at the annual meeting of Electronics Association of California (Marriott Hotel, Santa Clara, March 28).

EAC pres Jim Conway said Mike was invited because "Apple is one of the area's best examples of a well-managed young growth company."

I hope Mike will explain the exceedingly high scrap rework rate at Apple, and how this well-managed company can get along with virtually invisible internal quality assurance.

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A MILLION SAVED IS A MILLION EARNED.

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In December, <u>Intersil</u> agreed to acquire <u>Datel</u>, a privately held maker of

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computer peripherals, in exchange for 1.2 million shares of Inter common. At yesterday's bid of 14-1/8, that would have made the selling price \$16.95 million. But this week the Datel shareholders agreed to accept \$16 million in cash instead. Saving to Intersil: \$950,000.

Like the man says, it takes money to make money.

BUT ON THE OTHER HAND. Although <u>National</u> reported a healthy earnings increase this week, it still has serious problems which it is hard put to conceal.

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During the recent semiannual junket to the Valley of eastern security analysts, following the Nat dog-and-pony show (admission \$25), a Philadelphia analyst was heard to mutter: "You need a lot of faith in companies like National, and this isn't a time for faith. People are scared right now about the future. This company isn't easy to grasp. It's not like <u>Rolm</u> or <u>Four-Phase</u>, which can do one thing and can be fairly easily tracked. National does everything, and so you can't predict where the trouble will come from."

The plethora of help-wanted ads for Nat would leave the impression that the place is swinging, but those job openings are not new, but slots left open by defectors. Among the newcomers is <u>Don Williams</u>, recently out of the <u>Cronus</u> watchery, who takes over quality assurance on the Starplex development system.

And Nat's recent boast about being the first to install 370/158 and 168 addons using 16k RAMs is pure egospeak of a weak sister in the marketplace. The originator of the add-on concept, <u>Intersil (Advanced Memory Systems</u>), runs rings around Nat, both in 16k deliveries and in depth of product line. While Nat has punched out a couple of handmade onesie-twosies, Inter has a family of seven models (138, 148, 158, 168, 3031, 3032 and 3033) in full production, with two or three times the deliveries Nat has made.

Moving on to the <u>Fairchild</u> boondoggle for analysts, afterward the Philadelphia analyst commented again: "Remember what I said about National? Well, it goes double for Fairchild."

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QUOTABLE QUOTE. From the president of one of the Valley growth companies: "We've been thrown out of so many places in the Valley

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and in San Francisco, and told not to come back, that there's only two or three McDonald's we can still go to. Otherwise we have to call for reservations under assumed names and say we're from Memorex."

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SAM JOHNSON'S OBSERVATION.

The Irish are a fair people; they never speak well of one another.

Don O'C

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Price information and sample copy will be furnished in response to letterhead inquiries. The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

BOELECTBONICS **JITH MANAGER'S CASEBOOK**



Telephone: 408-373-6688 BOX 2343, SANTA CLARA, CALIFORNIA 95051

SILICON VALLEY MARCH 24 1979

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Last Saturday's board meeting at Monolithic Memories, THICKENS. which resulted in the election of Irwin Federman as president (MN, March 17), was an emergency meeting resulting from the fact that the company has been operating in the red for five months and the losses have been substantial. This is cause for more than ordinary alarm, considering the present up state of the semiconductor market, and the fact that in the past MMI has had a generally good earnings record in good times and bad.

The second result of the board meeting therefore has been a substantial belt-tightening, first felt yesterday (23) in deep cuts in personnel. There will be more next Friday (31).

The MMI fiscal year comprises 13 4-week accounting periods, and the company is committed to break even in the period which began Monday (19), and to be profitable in the one beginning April 16.

The layoffs, in both production hourly and exempt salaried personnel, total about 300 or 25 per cent, with 180 or 15 per cent going yesterday, and another 120 or 10 per cent to be dropped a week later. Few or none of those dropped will lose as much as a day's pay, however, as personnel departments of other companies moved in to reap the bonanza, and many hires have already been made. -

In a memo to the troops earlier in the week, which A WORD FROM THE PREZ. makes no mention of the impending layoffs, chairmanfounder Zeev Drori in his verbosity and redundancy tells us more than he probably intended to reveal. Titled "Promotions Within the Company," the text of the memo follows:

A company of our size that embarks upon a road of being a \$100 million company within three years (MMI is presently somewhere in the \$32-35 million range .-- Ed.) requires substantial amounts of focusing and cohesiveness within its management. The focusing is particularly important at the present time, when we have yield and efficiency problems in the manufacturing area. Presently our costs are higher than our revenues. We have been on a get-well program for the last five months.

However, on the road ahead we still have to face some obstacles and many challenges. We are all aware of the present difficulties in recruitment in the Bay Area. Unlike most other semiconductor companies, Monolithic Memories' sole wafer fab production is within the Bay Area. Hence we are totally dependent upon the human resources available locally.

(CONTINUED OVERLEAF)

ZOOMING IN ON PROFITS. Reviewing our plans clearly shows that with some additional focusing and commitment, we can quickly

get into profitability, but this will require commitment, dedication and cohesiveness on both the parts of management and employees. It became apparent that focusing should start at the top. Therefore, effective Monday, 19th March 1979, Irwin Federman is promoted to the president and chief operating officer of the company. I will become chairman of the board and chief executive officer.

The change will allow Irwin to focus on all of the internal issues within the company, where my main effort will concentrate mainly on the final executive level, and on the external and investment issues. I am very happy to see Irwin assume the position of president and chief operating officer. He is well deserved of this responsibility. Irwin has been a partner of mine for the last eight years, and I respect his knowledge, ability and dedication. There is no doubt in my mind that most of you will welcome his direct involvement, responsibilities and authority.

Bill Wall is assuming the position of vice president of finance. In the years that Bill Wall has been with the company, he has shown enormous commitment and growth, and is well deserved of his new promotion.

It should be clear to everyone that commitment and performance have their rewards, and are not going unnoticed at MMI. I would like to emphasize that the reward for each and every one of you is right here, and I ask each and every one of you to do your utmost in supporting Invin and the company in achieving our goals.

As I said, this letter says much more to me than it states: (1) Zeev was in a highly emotional state when he dictated it, hardly the condition of a man who was simply carrying out his own master plan; (2) his ego--now legendary--is not so "very happy" as he would have us believe; (3) the clause, "no doubt in my mind that most of you will welcome," clearly shows considerable reservation about the entire transaction; (4) and he is deeply concerned about internal morale, not so much about the presidential announcement as about the layoffs due to follow.

All in all, going out when the company is a loser is simply not Zeev Drori's style.

WHAT NEXT? I have been doing a little "focusing" of my own this week, and what I see is a company being tidied up for a private sale, with a caretaker president in the saddle. I have known Irv Federman for nearly two decades, when he didn't know a semiconductor from a half-assed trainman. I have known him nearly twice as long as I have known Zeev Drori.

In the years since he joined MMI in 1979, he has gained the deserved reputation of being one of the sharpest financial guys in the business--very likely the best. But I never saw him as an entrepreneur, and certainly not a chief executive. My vote is that he is in a holding pattern, pending acquisition of the company.

After missing the last public market for high-technology stocks, MMI for several years has been a merger candidate. It would now be part of Mostek if Zeev had not held out to be the surviving chief executive. More recently, it has been shopped by Gould and Data General, among others. But when losing money in prosperous times, and with a severely cutback budget, MMI can no longer cut the deal it once could. It sounds like Bruce Blakkan and Litronix all over again.

BUT A LITTLE GOOD NEWS.

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The short-term profitability of Monolithic Memories was assured this week, as National's Pierre Lamond

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and <u>Jack Orlove</u> handed Drori and Federman a fat check for earnest money in a know-how deal. Nat becomes a second source, worldwide but non-exclusive, for MMI's LSI family of user-programmable array logic (PAL). Properly programmed, the 15-part set can replace up to 90 per cent of all 54/74 TTL, while reducing chip count by 4:1. Since there is no technology transfer in the Nat-to-MMI direction, MMI will continue to receive income as royalties on Nat sales, in exchange for mask sets, circuit diagrams and technical data. Nat begins with nine of the most popular parts, but will produce all 15 by year-end.

MORE OF THE SAME. <u>Fairchild</u> this week also looked like a company cleaning up its act before being acquired, as <u>Les Hogan</u> "retired" from his non-job as vice-chairman of the board. "In my new role, I will be able to devote more time to professional and technical activities which benefit the industry as a whole," intoned Les, who has been doing exactly that at the rate of 40 major speeches a year, ever since <u>Wilf Corrigan</u> sandbagged him in July 1974.

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The Fairchild publicity department, true to form, jumped from half-truth to big lie in playing the professor offstage. First they lauded him for taking the company from a \$7 million loss to \$41 million profits, blithely ignoring the fact that in his first year he dropped from a \$5 million profit in the first quarter to a \$20 million loss for the year, or that during his whole regime Fairch lost more than in any comparable period in its history.

Then they said he performed this miracle "through major management shifts and intensive research and development," when in fact he later admitted publicly that the management shifts had been a complete mistake, and he virtually destroyed what had been the finest R&D facility in the industry.

Rumors continue that Fairch is cooking up a merger with British <u>General</u> <u>Electric</u>, first predicted here (MN, July 15 1978), with Corrigan going home to Blighty a conquering hero.

Meanwhile the managers whom Corrigan infuriated when he grabbed the lion's share of the bonus pot (MN, March 10), continue to parade out for jobs elsewhere in the Valley. <u>Bill Carrico's job at Zilog</u> is manager of strategic planning. Also from Fairch to Zilog is <u>Travis White</u>, in as materials control manager. <u>Roger Girard</u> becomes v.p. of administration at <u>Atari</u>, where he finally gets that bonus if the company turns, but was greeted this week with the loss of both his facilities manager and the next in line. <u>Tom</u> <u>Simmons</u>, who was manager of sales support at Fairch (order entry, customer service and sales administration), moved over to the same job at <u>Intel</u>, reporting to Jack Carsten.

AND THEN THERE WERE FOUR.

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I erred last week (MN, March 17) in calling Dan Floyd the second departing founder from Synertek.

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He actually was third, I having forgotten about John Sentous leaving last summer. And this week it was No. 4, with Zvi Grinfas, engineering manager for custom circuits, planning a return to his Israel homeland. His replacement is Bill Becker.

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At a farewell luncheon for Zvi on Wednesday (21), somebody hired a nude cake-popper, who was duly photographed in the buff with virtually all members of the Syn top line. Some wives were not amused. RUNNING IN PLACE.

American Microsystems will report first-quarter sales

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in excess of \$20 million, which doesn't look too bad until you realize that a considerable chunk of that comes from subsidiary Millenium Systems, and it falls far short of the \$85 million in ICs alone which pres Glenn Penisten is touting to the analysts. In fact, it looks like AMI is still at just about the same run rate as it was in 1977 and 1978.

REALIGNMENT. Fairchild, which as recently as 1977 was the industry's No. 2 company in ICs, is down to fifth place in the 1979 prog-

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nostications of Integrated Circuit Engineering. As the ICEmen see it, Texas Instruments will continue in first place with \$655 million in IC sales; Motorola No. 2 with \$417 million; Intel No. 3 at \$393 million; National No. 4 at \$315 million; Fairchild No. 5 at \$304 million; Signetics No. 6 at \$245 million; Advanced Micro Devices No. 7 at \$156 million; Mostek No. 8 at \$149 million; RCA No. 9 at \$143 million; and Harris No. 10 at \$98 million.

Says ICE in its new "Status '79" book (\$95): "Unless Fairchild can improve its position in the key areas of MOS technology and microprocessors, it seems unlikely that they could maintain a position among the top contenders in the integrated circuit marketplace. A significant change in production, research and development, modernization of facilities, and better product planning will be required to change Fairchild's prospects."

Or new top management, perhaps?

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LUCKED OUT. Dave O'Brien moves around the corner from one of the worstmanaged companies to one of the best, as he leaves Fairchild CMOS (Exetron) to become engineering v.p. at Precision Monolithics. Dave is not entirely ignorant of linears, having done time with Analog Devices, but PMI pres Earl Rogers is especially impressed with his management style.

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Dave comes aboard a week from Monday (2).

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REBUTTAL. Andy Allison did not care for my implying a cause-and-effect relationship between the arrival of Bob Depweg and his own

departure from Intersil (MN, Feb. 24). Says he: "My resignation was prompted by the events which led up to the reorganization of the Systems division, and not by the arrival of Bob Depweg per se. As a matter of fact I was very impressed with him. I think that if you dig into the history of the non-IBM operation, find out how many marketing managers have given up on it, and take a good look at where the division as a whole stands today, you might have some interesting stories."

Andy is now consulting at 27360 Natoma Rd., Los Altos Hills (Ca) 94022, phone 415-941-6065.

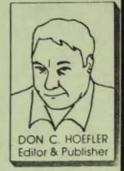
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MURPHY'S TWELFTH LAW. If you observe that there are four possible ways in which a procedure can go wrong and circumvent these, or then a fifth way will probably develop.

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Price information and sample copy will be furnished in response to letterhead inquiries. The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

JEBOELECTBONICS WITH MANAGER'S CASEBOOK



BOX 2343, SANTA CLARA, CALIFORNIA 95051 Telephone: 408-373-6688

SILICON VALLEY MARCH 31 1979

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WHEN IT RAINS, IT POURS. Zilog went through a double trauma this week, as its principal designer resigned to return to

Intel, and its national sales manager faced insurrection among his rep troops.

Having exercised his last remaining stock option, <u>Masatushi</u> <u>Shima</u> signed his letter of resignation on Tuesday (27). And having proposed new contract terms to his reps two weeks ago, national sales manager <u>Marty</u> <u>Cohen</u> this week was faced with virtual boycott of non-signers.

The Zilog reps (some 10-12 in the U.S.) are furious at what they see as a flagrant attempt by Cohen to convert a lousy company-slanted agreement into a totally rotten one, just as they for the first time were about to receive some kind of reasonable return on investment.

The reps feel that all of their efforts up until now were strictly seeding, and that 1979 would be the year they would finally reap some profits. They see Cohen's latest proposal as an overt effort to keep them on a skimmedmilk diet.

The past arrangement was bad enough, they feel. The reps have always had to pay for their literature. They always had to pay half the cost of seminars. They always had to provide free transportation to field application engineers, so the FAEs would not bill back travel expenses to the company. Every member in the rep firm who worked on the Zilog account had to attend all annual sales meetings, at the sole expense of the rep. Each rep had to buy a development kit for \$6000, but the company could recall it on 30 days notice if it needed it for a customer, and this frequently happened.

THAT WAS THE WAY. IT WAS. Only now it's worse. Under Cohen's new demands, there will be three types of accounts: house, key and full-commission. House accounts pay no commission, no matter what services the rep may provide for them. Key accounts pay only 3 per cent commission. Only second- and third-tier accounts pay 5 per cent.

All Exxon customers (Zilog is 80 per cent owned by the former Esso, <u>Standard</u> <u>Oil of New Jersey</u>) become house accounts. All windfalls become house accounts. All heavy-backlog business goes to the house. Designation of shortcommission key accounts is solely at the discretion of the NSM.

If any rep fails to perform adequately on any account--in the sole judgment of the NSM--the rep may lose that account, with no commissions paid. The rep may lose the entire line at any time for any reason, with commissions terminated at once. (CONTINUED OVERLEAF)

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HEADS I WIN, TAILS YOU LOSE. Thus Mr. Cohen is proposing a "contract" which is binding on only one party, a form

of covenant which is generally frowned upon by the courts. So far he has had only two signers, one under protest.

The protester stated in writing that he was signing under duress, that he did not feel he could effectively represent the company in the future, in view of its withholding the anticipated rewards for the rep's nonprofit years of spadework, and in no way could the rep afford to provide the manpower demanded under the terms of the contract.

The holdout reps were told by their area managers at week-end that they could expect registered letters from Cohen warning them that they had but two options: (1) sign by Monday (2nd); or (2) be terminated immediately.

Yesterday (30) I asked one of Zilog's oldest reps what he thought about all this. His answer: "All of the reps are completely up in arms. Of course some of them will be forced to sign, but you can imagine the kind of support and loyalty that Zilog is going to get from them in the future. I am no fan of Marty Cohen. I have busted my ass for that line for so long. He is.an absolute prick to work for."

Relationships between principals and representatives are never benign. But this is the most malignant situation I have ever seen.

DIFFERENT MOS FOR MAS. The loss of Shima must also be a severe blow, as he was Zilog's top designer and one of its first employees. He had primary design responsibility for the company's two key products, the Z-80 logic set and the Z-8000 microprocessor, and earlier at Intel had major responsibility for the 8080 and 8008.

Shima is extremely competent, and he knows it. His designs are solid, and he does what little debugging needs to be done himself. But he is also adept at throwing in red herrings to confuse would-be copyists. All in all, he is a clever and meticulous worker.

He has extremely high integrity, is quiet and unassuming, and has no time for office politics. Hence he has never been enamored of his boss, components g.m. <u>Roger Badertscher</u>, an extremely political animal. Whether Roger's recent move into Mas's building hastened the parting, is not known.

Shima was reportedly returning to Japan to set up a design center for Intel, but actually he is returning only to Santa Clara.

Meanwhile, a recent reorganization at Zilog seems to have eroded Badertscher's power base. Roger, who likes to park his feet on his desk and chew on a toothpick, will in the future have only four people to look down on. Besides <u>Bernard Peuto</u> (who did the architecture on the Z-8000), <u>Jack Taylor</u> and <u>Ron</u> <u>Freeman</u>, there will be interposed a new memory design manager between Roger and the memory design group, all of whom formerly reported directly to him.

This significance of this is that the performance of this group has not been nearly up to the standard of Shima's people (MN, Feb. 10). But it has been an ex-<u>Fairchild</u> clique which Roger has ruled as his personal fiefdom. In the future he will have to go through a middleman.

Close observers on the inside disagree on Badertscher's future in the company. Some say he is being eased out, while others say he is still firmly ensconced. In either case, the Shima departure does him no good. THEY DON'T KNOW NOTHIN'.

Fairchild stock hit a one-year high on Thursday (29), before dropping off 4-point yesterday,

and the company continues to profess befuddlement at the cause of the commotion. The New York Stock Exchange popped the question this week, and got the same old stock answer.

The shares opened at the beginning of the year at 28-5/8, jumped to 37-3/8 by last Friday (23), rose more than a dollar a day Monday-Wednesday, then on Thursday (29) alone it shot up another \$4 to 44-3/8.

Obviously somebody knows something. If Fairchild is really in the dark, then it has to be an unfriendly takeover, which I postulated 15 months ago (MN, Dec. 17 1977). But in the Valley the loudest buzz still is that the suitor is British General Electric.

But as long as we're speculating, I heard yesterday that Fairch has had ongoing negotiations with Ford Motor Co. since last September. Certainly Ford needs a semiconductor source, after the crushing failure of Philco-Ford Microelectronics. For the age of automotive electronics is upon us, as General Motors predicts that in two years it will require 27,000 microprecessors EVERY WORKING DAY. The difference between the two companies is, that while GM has Delco, Ford has nada.

Meanwhile, Motorola's Al Stein tells intimates that he is not a candidate for the Fairchild job, nor does he have any interest in coming to the Valley. That's a little hard to buy, since he once accepted the presidency of Electronic Arrays, until Mr. Moto recruited. And those same intimates say the flat denial is untypical of him, like maybe he protests too much.

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The mind-boggling number of microprocessors required

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FLY ME TO THE MOON.

by General Motors in 1981 (above) reminds us that Semiconductor Industry Association is estimating worldwide shipments of U.S. companies for all semiconductors that year to reach \$6.74 billion, while Arthur D. Little predicts the 1987 market, in the U.S., U.K., France and West Germany alone, to jump to \$40 billion.

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REVERSAL. Yield problems and cost overruns at Mostek will cause firstquarter earnings to be down one-fifth to one-third from a year ago (44 cents). With demand at an all-time high, the 4k RAM is on allocation and the 16k has not been yielding for six months.

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But stiff upper lip, Mos management says the second quarter will be a dandy, with all problems solved. Well, we've all heard that before. Except sometimes it proved to be true.

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QUOTABLE QUOTE.

From Pete McCloskey, Valley Congressman: "Trying to abolish a government agency is like trying to kill a snake with 100 heads. Last year we were successful in abolishing the first government agency in 22 years, when Congress voted to terminate the war-time created Renegotiation Board by March 31st of this year. Now, however, the President has specifically requested Congress to finance the Board's continuation. As of now, we are about 30 votes shy of the necessary 218 majority to forever kill this turkey...it costs American business over \$200 million per year...".

HE'S LEARNING.

required.

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California's Gov. Jerry Brown said in a political speech (does he make any other kind?) last Sunday (25) that many

Valley moguls feel "it is only a matter of five or six years before Japan totally overtakes our semiconductor industry."

That's pretty good, coming from a guy who a year ago didn't know "our semiconductor industry" from a can of brown Shinola.

Faster and stronger wire bonds are promised by the fourth OUICK MUSCLE. generation of ultrasonic bonders produced by UTI, using ferroelectric transducers and a new power supply. The system is said to increase bond strengths to the 9-11g range in one-third the time previously

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Infor Dick Greenan, UTI, 325 No. Mathilda, Sunnyvale (Ca) 94086. Phone (408) 738-3301.

STORM CLOUDS. With more and more economic prognosticators turning bearish (vesterday we learned that the Commerce Department's composite index of leading indicators in February took its biggest tumble

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in six months), the feast-or-famine equipment industry appears headed for lean times again.

"If and when a recession comes, capital expenditures will virtually be stopped," Charles Drexel, president of Tylan, reminded this week. But long-range, Charlie has a cheerful little earful: "In any case the longrange outlook for semiconductors is excellent, and those equipment manufacturers who are prepared for temporary setbacks will do well."

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WHICH PAGE OF EN DO YOU READ? In a recent article on John Lawrence's <u>Silicon Material</u>, the industry fishwrapper describes the company as a "solar cell developer," and twice calls it "a subsidiary of Amoco." In an advertisement on the facing page the company describes its business as converting "rejects into usable wafers," and identifies itself as "a division of Ametek."

In the immortal words of Dorothy Parker, "tonstant weader fwowed up."

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BUY DEAR, LEASE CHEAP. Four-Phase has placed \$10 million in senior notes with four insurance companies, the better to

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facilitate long-term lease contracts. The company also has a \$75 million line of credit, for financing lease deals and accounts receivable, with a group of seven banks.

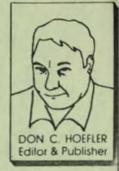
Indra Advani may be regretting that he has promoted his A LOT OF CA-CA. favorite product through a customized California license

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plate. As he drove through an intersection in Los Altos this week with his "RAM RAM " tags, a lady took the hint, ran a red light, and rammed the hell out of him. Her license? "DOODY 1". pon

Price information and sample copy will be furnished in response to letterhead inquiries. The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

BOELECTBONIC WITH MANAGER'S CASEBOOK



BOX 2343, SANTA CLARA, CALIFORNIA 95051 Telephone: 408-373-6688

SILICON VALLEY APRIL 7 1979

Friend=

THE POWER OF THE PENNY DREADFUL.

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Your old windmill-tilter scored a point for the underdog this week, and Zilog

reps are breathing much easier. The moment that parent Exxon lawyers got word of the new "contract" that Zil n.s.m. Marty Cohen was trying to cram down the reps' throats like a Jonestown Kool-Aid cocktail, they ordered a recall faster than a tankful of their product in a stalled Pinto.

It seems that Mr. Cohen concocted this awful document (MN, March 31) without benefit of legal counsel, and he was this week counseled to cease and desist, recall and recant, and otherwise return to the drawing board and woodshed. The new contract will receive the prior blessing of the legal eagles, and will be a lot more comfortable for the reps.

WHERE THERE'S SMOKE.

Fairchild stock was yo-yoing this week, before closing \$5.875 below the peak of last week. A new name entered the ranks of rumored bidders, Gould Battery, which earlier had been shopping Monolithic Memories (MN, March 24). The word on The Street was that Gould was about to make a tender offer for Fairch, and then withdrew--or postponed.

Whichever way it goes, it seems clear that Sir Wilfred of Corrigan is burning his bridges behind him. Not only did he award himself a bonus equal to his salary while the next in line got 5 per cent of that amount (MN, March 10), but he also treated himself to 90,000 shares of Fairch stock for next to nothing, thus garnering another cool one-third of a million.

It has been traditional at Fairch each year to distribute stock bonuses among key employees. This year the distribution was more limited--like one guy got it all. Now Wilfie-back s no longer simply disliked. He is roundly and universally hated. He days not have a single friend in the place.

THE \$100,000 QUESTIONS. When Carm Santoro left American Microsystems for the ultimate presidency of Monolithic Memories, he engaged in some mighty strange if not downright bizarre behavior: he left on the table, unexercised, more than \$100,000 worth of earned AMI stock options.

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This aberration must raise a question or few: 1. Was Carm not leaving the back door open for a hasty retreat back to AMI? 2. Were those stock options not restored to him when he returned to the womb? 3. Would anyone ever again offer him the presidency of anything?

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BACK IN THE SLAMMER.

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R. <u>Peter Gopal</u>, the man accused of stealing <u>Intel</u> trade secrets and offering them to National, has spent a

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couple of weeks in jail for lack of bail. One of his guarantors, a Japanese friend who had put up property for security, withdrew it. The judge would not reduce the bail, and Gopal could not immediately raise the difference, so it was back to the slammer for Peter.

His attorney's motion to quash the indictment on the grounds that it is based on evidence improperly obtained, is now under advisement by the judge. The district attorney, however, seems confident that the case will go to trial.

VENTURE CAPITAL AVAILABLE. Would-be entrepreneurs looking for cash might present their business plans to Xerox Development Corp. Contact there is Dr. Ken Rind, in Stamford (Ct) 06904. Phone 203-329-8711.

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Don't have at Ken with any me-too stuff, however. He is strictly interested in the far-out, such as gallium arsenide, magnetic bubbles and other fringe technologies.

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NO CIGAR. <u>Gus Pfaehler</u>, <u>National</u>'s R&QA honcho, won no brownie points on Monday (2), when he challenged a heavyweight panel at a seminar on very-high-sped ICs. Noting that all of the panel biggies were users, both military and industrial, Gus challenged their competence because no semicon people were represented. Then he went on to say condescendingly that Nat supported the VHSIC program anyway. All in all it was a gross performance that had even the other Natties cringing.

Meanwhile Gus continues to have people problems in-house. Not only did he lose Jim Feldt to Pacific Reliability, and later Dave Perry to Raytheon, but he is soon to learn that still a third will be waving bye-bye.

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LAST OF THE INDIES. <u>Monolithic Memories</u> is definitely on the block, as I surmised earlier (MN, March 24). Brokering the deal is <u>Hambrecht & Quist</u>, San Francisco, which has turned up five live prospects.

Not waiting for the new owners, however, the company is proceeding with plans for an offshore fab facility, probably in the U.K. or Ireland.

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MARKET PENETRATION. Fast-moving <u>Apple Computer</u>--all of whose key executives are out of the semiconductor industry--has pacted a rep deal with <u>Bell & Howell</u>, in which B&H will sell a modified Apple II microcomputer into the education market. That market segment is expected to be worth \$400 million for hardware and \$200 million for software by 1982.

The deal calls for B&H to invest "substantial funds" in software development.

NICE WORK IF YOU CAN GET IT. <u>Intersil</u>, which has recently become one of the most profitable companies in the industry (see

"Manager's Casebook"), last week divvied up \$725,000 in profit-sharing.

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BULLISH BY THE BAY. Valley businessmen are much more optimistic about the

prospects for business and the economy in general than are California businessmen overall. This is clear from a comparison of a regional survey made by <u>American Leasing</u> with a state-wide one made by the state Chamber of Commerce.

To the question, "How's business?" 42 per cent of AL respondents said "excellent," against 29 per cent from CofC. A "good" response came from 47 per cent of AL, 42 per cent of CofC.

As for the rest of the year, 66 per cent of the locals expect business to be better yet, while 31 per cent predict it will be about the same. And most of those who expect business to stay "about the same" are ones who said it is "excellent" already.

Comparing California's economy to that of the rest of the nation, 80 per cent of AL respondents see it as "better than the U.S.," against 50 per cent statewide. An "about the same" response came from only 12 per cent of the locals, against 32 per cent statewide.

Concerning the likelihood of a recession, only 53 per cent of Valley people see it as "probable," against 74 per cent statewide.

Nobody was optimistic about controlling inflation, however. Virtually everybody expects it to go to 8.5 per cent at the very least, as against the goal of the Administration to contain it at 7.25 per cent.

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GOING, GOING. As <u>National's</u> consumer products and mainframe business are virtually down for the count, still another is down to a skeleton, the victim of high costs and low profits. Despite the recent heavy promotion of its "Starplex" system, <u>Mark Levi</u>'s Microcomputer Systems division is a mere shadow of its former self.

THEY JUST KEEPS ROLLIN' ALONG. <u>Intel</u>, already by far the most profitable company in the industry, has done it again. The company yesterday (6) reported first-quarter earnings of of \$15.3 million on sales of \$135.3 million, a record, with earnings up 74 per cent over a year ago and sales up 68 per cent.

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This was despite the fact that the company paid \$86,000 in interest on \$40 million in bank borrowings, the first debt the company has ever had. In 1978 Intel plowed \$104,000 into capital equipment, and will spend \$120,000 this year. (Mostek by comparison spent \$18 million, proportionally just half of Intel's investment.)

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THE COMING SQUEEZE. The need for much greater investment in production equipment is going to drive to the wall small companies which are undercapitalized or lack business strategies, warns <u>Dr. John Salzer</u>, president of <u>Salzer Technology</u>. Most of the increased bite will be found in micrlithographic equipment, he says, notably projection and wafer-stepping printers, x-ray and electron-beam mask makers, and mask inspection equipment.

He tells the story in a \$6000 report, "Trends in Microlithography," available from Auerbach Publishers, 6560 N. Park Drive, Pennsauken (NJ) 08190; 609-662-2070.

ON LINE, MORE OR LESS.

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American Microsystems announced Tuesday (3) that it has begun shipment of the Texas Instruments \$9900

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16-bit microprocessor and S9902 asynchronous communications controller. If it delivers these units the way it delivers V-groove, TI will have what every prime covets: an alternate in name only.

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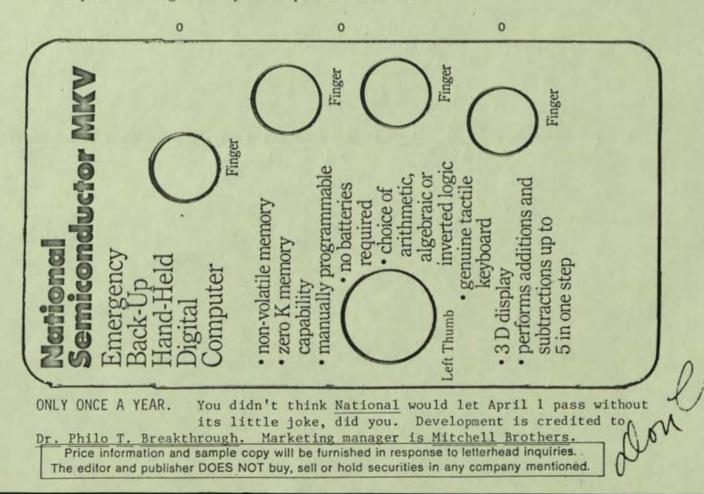
THE WAY TO CATHAY.

Now that Chinese trade and industry are opening up to U.S. companies, you will want to be boning up on that

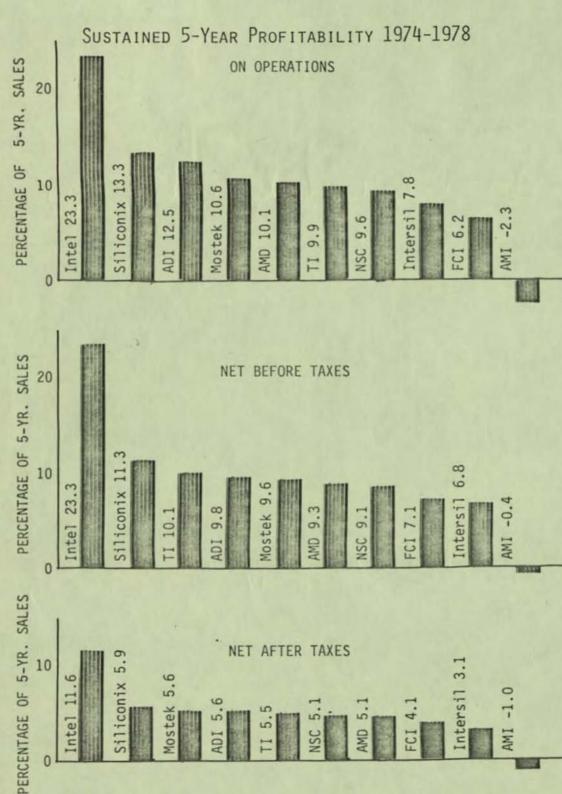
part of the world. A quick cram course is available in publications recently released by the Department of Commerce. Available subjects include "Doing Business with China;" "Basic Data on the Economy of the People's Republic of China;" "Simplified Handbook on Administrative Divisions of the People's Republic of China." Also just released are Central Intelligence Agency reports, including "Directory of Officials of the People's Republic of China;" "China: International Trade, 1976-77;" "China: Political, sociological, economic, military, scientific and technological information." Information from National Technical Information Service, U.S. Department of Commerce, Springfield (Va) 22161. Phone 703-557-4650, Telex 89-9405.

SWEETENERS. With labor shortages in the Valley only getting worse, smaller companies are improving employee fringe benefits to attract and keep people. According to a survey by Electronics Association of California, most common improvements are addition of dental plans and liberalization of vacation policy. Now 82 per cent of the small and medium-size companies offer a dental insurance policy, against 50 per cent a year ago, and 90 per cent now offer two weeks vacation after one year of employment, compared with nearly all having a two-year requirement in 1977.

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Now let's back off a bit and take a look at the big picture, the WIDE ANGLE. average of performance for the past five years. When this chart for 1974-78 is compared with the one on the previous page for 1978 only, the first thing which becomes obvious is that all companies did better last year than their



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five-year average, except two: TI remained unchanged, while National was the only one to drop in the rankings. Fairch and AMI were and still are at the bottom of the heap.

Intel, the second youngest company in the group, has clearly dominated them all for the past halfdecade.

The two specialty houses, Siliconix and Analog, stand up nicely, although ADI has slipped in the rankings to make room for Intersil and AMD.

The biggest gainer of all is Intersil, but it must be remembered that its big winner is add-on systems. This leads one to believe that if it ever gets its semiconductor side up to speed, it could give Intel a run for the money.

TI is the big surpriser. Although it is by far the biggest seller in the industry it is outstripped in profitability by Intel by better than 2:1.

As for the two alsorans, the problem of incompetent management is glaring.

WE WILL CONTINUE this fascinating study next week with a comparison of the companies in terms of manufacturing cost and sales and G&A expense, again for 1978 and the five-year term. In subsequent issues we'll be looking at R&D investment, growth rate, turnover of assets, inventories and accounts receivable. Stay tuned.

MEROELECTBOLICS WITH MANAGER'S CASEBOOK



BOX 2343, SANTA CLARA, CALIFORNIA 95051 Telephone: 408-373-6688

SILICON VALLEY APRIL 14 1979

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will be a lot more comfortable for the reps.

INSTANT REPLAY WITH COMMENTARY. The rep agreement at Zilog continues to be the lead story for the third consecutive

week, as the following note landed on my desk a few days ago. It is reproduced in its entirety; something had been stapled to it, but it was removed before it was mailed:

ILICON VALLEY his is pure APRIL 7 1979 you len THE POWER OF THE PENNY DREADFUL. Your old windmill-tilter scored a point for the underdog this week, and Zilog feps are breathing much easier. The moment that parent Exxon lawyers got word of the new "contract" that Zil n.s.m. Marty Cohen was trying to cram down the reps' throats like a Jonestown Kool-Aid cocktail, they ordered a recall faster than a tankful of their product in a stalled Pinto. It seems that Mr. Cohen concocted this awful document (MN, March 31) without benefit of legal counsel, (and he was this week counseled to cease and desist recall and recant, and otherwise return to the drawing board and woodshed. The new contract will receive the prior blessing of the legal eagles, and

NOW AS TO THAT. First, let the record show that I have published <u>Marty</u> <u>Cohen</u>'s total response, without editing of any sort. But since it was a slow Good Friday and slow news week, we can afford some space to deal with the charge that I knowingly publish "pure fiction."

A close examination of Marty's comments fail to disclose any denial of my statement that he attempted to shove a yellow-dog contract down the throats of his representatives.

Nor does he deny that this proposed contract has been recalled.

His only cavil is that I stated he reversed himself after nudging by the parent company, and he also seems to be telling us that he is a law unto himself, reporting to nobody in Zilog or Exxon.

Well, Marty should know that my source for this story is someone very close to (but superior to) him, someone whom I have known closely for years, and

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someone who has provided me with many excellent news leads over the years, without ever misleading me--in short, someone in whom I believe implicitly. So whether Mr. Cohen knows it or not, people in New York were indeed involved in his latest act.

THE FIRST TIME. <u>Marty Cohen's response is somehow reminiscent of when this</u> publication came of age in its 21st issue, November 18 1972, and sounded its first strong editorial criticism. The subject was <u>American</u> <u>Microsystems</u>, and in it I strongly berated founder-president <u>Howard Bobb</u> for letting his company go to seed through his own inattention.

This was not pleasant for me to do, since Howard was and is a good friend, but I felt it needed to be said. Subsequent events--even to this very day-proved me right.

But since MN went through channels at AMI before landing on the president's desk (it still does), I wanted Howard to know firsthand what I was saying about him. So as soon as MN came off the presses, I hand-carried a copy to the guard in his office. It didn't take long on the following Monday for me to hear from him. The conversation went like this:

- B. What are you trying to do to me? I thought you were my friend.
- H. I hope I can still be your friend, Howard, but you do have problems.B. Well, just about everything you said in that article is wrong, you

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- know.
- H. Like what? Tell me. I'll correct them right away.
- B. I don't want to talk about it over the phone.
- H. Then let's get together, and the sooner the better.
- B. Okay. How about meeting me at 5:30 at
- H. I'll be there.

WHAT WAS WRONG. When it came down to cases, Howard agreed with everything I had said (except he didn't concede my comments about his personal lifestyle), but added that he had perceived them two weeks before, and had taken steps to correct them. In fact, they were all corrected.

I need hardly add that a substantial company is not turned in two weeks, and in AMI's case, six and one-half years later it is still far from healthy.

But the point is not I-told-you-so. The point is that I work very hard to bring the truth to my readers, without fear or favoritism. In the Howard Bobb case, I risked losing a very good friend. (It didn't happen, because Howard is too big a man for that. In fact, his most recent words to me were, "I really like you, dammit.") I also continually risk libel suits, the threat which prevents virtually all other publications from telling all they know. (Not that I have never been menaced by nasty letters from lawyers. I have even published some of them.)

My entire credo is my readers' right to know under the First Amendment to the U.S. Constitution. I publish everything I believe to be true and of interest to my readers, withholding nothing. If I do make an occasional error (nobody's perfect), I admit it publicly and with humility.

I have trusted (and unpaid) informants throughout the world, whose anonymity I scrupulously protect. But if one innocently misinforms me, and I publish the misinformation, the fault is mine alone, not his. Since I publish everything I know, I keep no files and destroy all notes when a story is completed.

These are merely prudent precautions in parlous times. But I will not be intimidated.

RECRUITING AND RERECRUITING.

George Marr, who has been heading up the 16k RAM program at Advanced Micro Devices (and who

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had previously been at <u>Maruman</u> and <u>American Microsystems</u>), had the inside track on the memory design manager job at <u>Zilog</u> this week (MN, March 31) but at weekend AMD was still trying hard to change his mind.

Meanwhile about a half dozen marketing troops jumped from <u>National</u> to Zilog marketing this week, among them Bill Sweet.

LAW SCHOOL. The lawyer for Peter Gopal--accused of attempting to sell Intel

trade secrets to <u>National</u>--should be happier than his client this week, as the judge in the case dismissed some of the charges. His unique rationale was that the detective who gathered the evidence testified he did not understand the material, and had to rely on Nat and Intel engineers for evaluation. Since this bit of fancy is nowhere to be found in the rules of evidence, the district attorney has filed notice of appeal. So the case grinds on, profiting nobody but the lawyers.

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AND THEN THERE WERE SEVEN. Ken Zerbe, v.p., sec.-treas., and manager of

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corporate staff at <u>American Microsystems</u>, will show up Monday (16) as new financial v.p. at <u>Apple Computer</u>. Ken's is the third face to absent itself from the last AMI annual report (after <u>John Luke</u> and <u>Warren Wheeler</u>), while a fourth (<u>Carm Santoro</u>) left and returned to a different job. Meanwhile at least two other v.p.s are shaky, while the president himself is under the gun from investors (MN, March 10).

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SOME OF OUR BOYS MADE IT.

That fabulous Apple Computer just keeps on rolling along. With nearly all management being ex-

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semiconductor types, the company, which early last year was still in the garage where it was founded, now has four buildings totalling 100,000 sq. ft., will move into a fifth of 40,000 sq. ft. in June, and will start a sixth of 30,000 sq. ft. later this year. <u>Mike Scott</u>, <u>Mike Markkula</u> and <u>Gene Carter</u> had better watch it, or the growing pains could become severe.

JUST WONDERING. The <u>Motorola</u> annual report, usually well in hand by this time of year, is still nowhere to be seen. Anybody around here know howcum?

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SORRY, WRONG NUMBER. When I said <u>Dave Perry</u> was the second to bail out of <u>Gus Pfaehler</u>'s R&QA group at <u>National</u> (after <u>Jim Feldt</u>) (MN, April 7), I was one digit off. I had forgotten the first, <u>Larry Roffelsen</u>, who had come in from <u>ITT Aerospace</u> in Fort Wayne (In), got fed up, and returned there. But Gus still faces a fourth defection.

ROTATING SILICON? Intel is talking to customers on a non-disclosure basis

about something it calls "solid state disk." A boxful of low-performance 16k RAMs which emulates a disk memory, the product is still 3-4 months from the marketplace.

Charlie Keller, who once retired from the high-intensity SECOND TIME AROUND.

lamp business by selling PEK Labs to Varo (then later reacquiring it at a fire sale), is quitting again. He has sold (for cash) Illumination Industries in Sunnyvale to Ultra-Violet Products in San Gabriel (southern California). Will Charlie stay on the sidelines this time, even though he can afford to? I doubt it very much.

(Charlie, incidentally, refused Fairchild stock in payment of trade receivables when both companies were very young, a fact which Bob Noyce still likes to stick to him from time to time.)

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The San Jose Mercury News started LOYALTY ABOVE AND BEYOND THE CALL OF DUTY. a stock-selection contest at the first of the year, pitting a group of brokers and analysts against a few dart throwers in the city room.

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At the end of the first quarter, the dart throwers were ahead.

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Runner-up was Jack Lauderbaugh of Bache Halsey, Stuart Shields, whose portfolio included Four-Phase. On the bottom was Bob Mullin of E. F. Hutton, marketmaker in American Microsystems, which he loyally picked.

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Siltec has in development new crystal growing and slicing IN DEVELOPMENT. methods which promise to cut wafer costs substantially.

With partial funding from Jet Propulsion Laboratory (NASA), Siltec is experimenting with a continuous-growth process which will permit ingots of virtually any size, and thus cut the expendable crucible cost to an insignificant fraction of the total ingot cost. The hooker is that the process has not yet produced semiconductor-grade silicon.

Also in development is a new diamond saw which, instead of cutting wafers 24 mils thick with a 24-mil waste in sawdust, will cut 10 mils thickness and reduce sawdust loss to 6 mils per slice.

Why is NASA/JPL involved? The objective is to cut solar cell costs from the present \$8-\$10 a watt to 50 cents a watt by 1986. But if successful, the project will have tremendous side effects on the semiconductor industry.

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"More bluntly, it was a mess," says the EVERYBODY NEEDS. A SENSE OF HUMOR. current issue of Forbes in describing the

state of affairs at Fairchild a year ago.

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But why the past tense? Says author Kathleen Wiegner: "If Corrigan can handle these problems--and the evidence is that he can--there is every reason to expect that Fairchild's turnaround this time won't be as ephemeral as those of the recent past."

Oh, Kathy! Another howler like that, and you'll be back writing for the comic books. Or is that what Forbes wants to become?

Price information and sample copy will be furnished in response to letterhead inquiries. The editor and publisher DOES NOT buy, sell or hold securities in any company mentioned.

MERS WITH MANAGER'S CASEBOOK



BOX 2343. SANTA CLARA. CALIFORNIA 95051 Telephone: 408-373-6688

SILICON VALLEY APRIL 21 1979

Friend-

CUSTOMER RELATIONS AT THE WHOREHOUSE. The industry's Fallen Woman, Fairchild, has been showing her class again, robbing her own customers while they are in bed with her.

It is Madame Fairch's way of capitalizing on a monopoly position in the LSI tester market, coupled with an accute shortage of tester technicians.

Here's how it works: (1) Customer buys a Fairch Sentry VII (or VIII); (2) Fairch trains two test programmers and two maintenance technicians, employed by customer; (3) Fairch training group gives names of top-ranking students to Fairch recruiters; (4) Fairch recruiters offer jobs to customer personnel; (5) Customer discovers he has been raped.

This is not an invented or isolated case. It has happened repeatedly, and to a number of companies. Cute, huh?

But what do you expect when a guy named <u>Wilfred</u> <u>Corrigan</u> writes the Code of Ethics?

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VARIATIONS ON THE THEME. And while we are on the subject of ethics, <u>National</u> has its own little con game, but the suckers keep coming back for more, like the mooches on a carnival midway.

Nat R&QA honcho <u>Gus Pfaehler</u> has just returned from St. Petersburg (F1), where he informed <u>Honeywell</u> Aerospace that Nat will not be performing according to contract on a major CMOS order.

That is the crucial part of a scenario that goes like this: (1) Customer puts out request for quote; (2) National comes in with lowball price; (3) Customer awards order to Nat, thinking it has snagged a great bargain; (4) Nat reneges on deal, pleading unprofitability; (5) Customer tears up P.O. and tears out hair, swearing never again; (6) On next job, customer again puts out RFQ, Nat again buys the biz with lowball bid, Nat again backs out, etc. etc.

It's a great way to screw the competition (in this case <u>Motorola</u>). The fact that it is also a great way to screw the customer does not seem to faze Charlie Sporck in the slightest, for he has been getting away with it for years.

And that is the irony of the situation. National had just finished jobbing Honeywell Tampa in similar fashion, before sticking the same shaft to St. Pete. But the suckers were warned in advance. Will they never learn?

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There has been a steady stream of bodies from Rancho Bernardo (San Diego) to the Valley in recent weeks, and the intensity is going HEGIRA.

to increase, as there is a flood of resumes making the rounds from the Burroughs Micro-Components Organization.

There has long been unrest at the onetime Garrett facility, originally built with know-how from American Microsystems. The facility is probably the lowestpaying in the U.S., except for Harris in Florida. Job reqs and salary increases exceeding \$25,000 must be referred back to Detroit headquarters, where the bureauracracy massages them for months. Wives and mothers have long regarded the area as a cultural wasteland, and would prefer to raise their children in the lively Bay Area.

But the thing that tore it was a recent reorganization, just enough to get the natives restless enough to break camp. It's a windfall for headhunters and talent-starved Valley companies.

But not to worry. That gang back in my home town will wake up about about the time the joint starts to crumble.

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IT'S OKAY IF YOU LIKE THE DESERT. It appears that Motorola has convinced Al Stein that his best sinecure is right

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where he is. Now included in all the inner councils, at corporate level as well as in Phoenix, Al seems destined to succeed John Welty as v.p. and semiconductor group exec when silver-thatched John rides off into the Arizona sunset three years from now.

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So acute is the shortage of talented bodies that one headhunting agency in Phoenix has fallen to buying resumes at \$100. It's a SHELL GAME. bargain, agency fees being what they are these days. It's also nice pin money

for company recruiters.

But remember Murphy's Law! It's also a wide-open opportunity for a sting. That's what one agency in the Valley has been doing to one agency in Phoenix, which it suspected of purloining its resumes (at \$100 per).

In its most refined form, one Valley agent already happened to have a fake phone listing, originally intended to evade paying for a directory non-list. The agent then wrote a highly attractive--but wholly fictional--resume, under the fake name in the phone book which also gave his real number. Then he floated this irresistable resume into the Phoenix job market, and Bingo! It took exactly three weeks for the suspect agency to respond.

The Valley agent intends to continue this shell game until he has amassed enough evidence for action at law.

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There are definite signs that somebody is planning a semiconductor facility in Carson City (Nv). But the THE ODDS DISFAVOR. president of a company which already headquarters and warehouses there (because of the crazy California inventory tax), tells me it's a dry labor pool.

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Everybody is working the casinos in Reno.

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MISSING LINK.

The two concluding installments of Manager's Casebook "How They Compare" will be inside next week's issue.

DRY HOLES. Poor old Exxon, which is accustomed to coming up empty-handed in some of its oil explorations, is not doing much better with its high-technology ventures in the Valley.

Not only have there been plenty of problems at <u>Zilog</u>, but there is also considerable unrest at <u>Kylex</u>, the outfit that is supposed to be developing a large liquid crystal display. With a total employment of only 35, the company is having a very high personnel turnover, both voluntary and involuntary.

Of the 35 total, about 25 are professionals (many in from <u>Zilog</u>), most of them hired within the past year, many within 4-6 months, and some even in recent weeks. Yet the turnover rate has been at least 25 per cent.

Among the recent departures is operations manager Joe <u>Castellano</u>, one of the founders and a <u>Fairchild</u> veteran. The reward to <u>Peter Ashkin</u> for successfully developing a large CMOS chip, was a pink slip. The same for controller <u>Jim</u> Graber and the market development manager.

The problem seems to be--as in Zilog's case--green management. The Peter Principle strikes again.

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CHANGE OF HEART. As I mentioned, <u>Zilog</u> national sales manager <u>Marty Cohen</u> was contemplating a departure (MN, March 17). He had even gone so far as to arrange an appointment with a headhunter agency. But when my story of his rep contract broke (MN, March 31, April 7, 14), he abruptly cancelled the appointment.

Fearing a tail, maybe?

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CAN OF WORMS. It was supposed to be a promotion of sorts, but when <u>Gus</u> <u>Pfaehler</u> picked up the added responsibility of the military programs group at <u>National</u>, what he got was an addition to his already sizable problems (page 1).

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Known behind his back as "Genial Gus," Pfaehler seems to have serious personality problems and low interpersonal skills. He has especially exacerbated the hides of every single guy in the mil group.

And that problem is not relieved by a touch of pigheadedness. As one former employee in the department explains it: "You have to understand, if you disagree with Genial Gus, it's because you're wrong."

URGE TO MERGE? It appears that two of the Valley think tanks are about to become one. DataQuest, recently acquired by <u>A. C. Nielsen</u>, now is dickering to gobble up <u>Gnostic Concepts</u>.

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Since they both do much the same thing, can we now expect to hear <u>Quantum</u> Science screaming for the antitrust federales?

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GRATITUDE IS A WORD IN THE DICTIONARY. The Korean government is counseling its semiconductor companies to buy

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their process and assembly equipment from suppliers outside the U.S., which has too big a monopoly. Maybe we should hire Tongsun Park.

RIDDLE SOLVED. Perkin-Elmer, which bought an independent design house and moved it to Santa Cruz, just beyond the Valley periphery,

is beginning to show its hand. The company appears to be readying a complete facility in Lake Tahoe (Ca), with key people from the Valley and a deep labor pool at the lake.

At one of California's favorite year-round resorts, P-E should have very few recruiting problems. But where do you go from there for a vacation?

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HELP WANTED. If you are a specialist in high-vacuum technology and like the San Diego area as a place to live, then <u>Micromanipulator</u> wants you. Check with pres <u>Bob</u> <u>Hancock</u>, 1120 Industrial Ave., Escondido (Ca) 92025, phone 714-746-5600.

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ALWAYS GLAD TO BE OF SERVICE. Jim Gallagher, president and chairman of Semiconductor Equipment and Materials Institute, liked my idea of SEMI conferring honors on outstanding industry figures, and so we give you the Grammy--no--Emmy--no--we give you the Semmy Awards!

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The Semmy trophy is a beautiful little transparent plastic ingot, in which are embedded wafers and other colorful goodies. Seven awards will be given at the SEMI dinner or May 23, with the names of the recipients being held in the envelopes please at the CPA firm, Coopers & Lybrand.

Emcee for the occasion will be Dr. Shelly Weinig of Materials Research, former professor and frustrated comedian. Keynoter will be Dr. Les Hogan of Fairchild, another hamburger whose canned speeches are sometimes unintentionally funny. The seven presenters will be: Al Stein of Motorola; L. J. Sevin of Mostek; Chuck Harwood of Signetics; Bernie Vonderschmitt of RCA; Jerry Sanders of Advanced Micro Devices; Gordon Moore of Intel; and Ed Sack of General Instrument.

The dinner will be at the St. Francis Hotel in San Francisco. Tickets are going fast (It's true! Would I lie to you?), but SEMI exec secty Pat Westly still has some left. Contact her at 415-964-5111.

GOING, GOING, ALMOST GONE. We won't have to wait much longer to learn the identity of the purchaser of <u>Monolithic Memories</u>. Pres <u>Zeev Drori</u> has three pursuers breathing hard. All are U.S. companies, although there have been signs of interest from Japan and the U.K.

MMI is back in the black, meanwhile, having digested its \$12 million capital equipment budget over the past two years, resulting in its being the only bipolar facility processing 4-in. wafers with projection mask aligners.

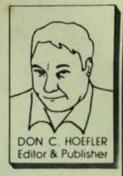
Booking rate is now almost \$6 million in each 4-week period.

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DONNY'S DICTUM. When any high technology reaches its ultimate level of advancement, it becomes indistinguishable from Black Magic, and its practicioners from Witch Doctors.

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MICROELECTBONICS WITH MANAGER'S CASEBOOK



BOX 2343. SANTA CLARA, CALIFORNIA 95051 Telephone: 408-373-6688

SILICON VALLEY APRIL 28 1979

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ASSAULT FROM BATTERY. Gould Inc., the old-line zinc-carbon battery house in Rolling Meadows (II), dropped the other shoe (MN, April 7) on Thursday (26) and made a pass at the silicon business, with a tender offer of nearly \$300 million for Fairchild.

The management of Fairchild (sales \$383 million) characterized the move by Gould (sales \$1.8 billion) as an "unsolicited merger proposal." Actually it is an unfriendly takeover--more or less.

Since both <u>Wilf Corrigan</u> and his flack <u>Fred Hoar</u> have been denying any knowledge of this impending action (although they had plenty through the grapevine), one must believe that there were no formal talks, or Wilf and Fred would be liable to any Fairch stockholders who sold and thereby lost money.

Now that the lid is off Pandora's Box, we can see Wilf publicly resisting the Gould move (but not too strenuously), while privately he is soliciting a friendlier takeover (also not too strenuously).

It seems perfectly clear from the way in which Corrigan has feathered his nest with cash, stock and options (MN, March 10, April 7), that he has seen this move coming, and it also seems clear from the Fairch board's approval of Wilf's greedy grab, that it too is ready for a sale.

But it will pay lip service to doing battle, mainly to get the offer increased. Thus it has engaged the investment house of <u>Salomon</u> <u>Brothers</u> for financial counsel, the New York law firm of <u>Wachtel</u>, <u>Litton</u>, <u>Rosen & Katz</u> for legal counsel, and the prestigious Hill & Knowlton for public relations counsel.

Not the largest PR house in the business, H&K is the classiest, and the most accomplished in the fields of corporate and financial PR. Ironically, the semi-retired former manager of the San Francisco office of H&K is Fred Hoar's predecessor, <u>Jim Moore</u>, a carryover from the <u>Sherman Fairchild</u> days, and among the first to be housecleaned by the insurgent Les Hogan.

So what happens after all the skirmishing? I make it that Gould will offer \$60 and walk away with it at that price. I feel certain that the 12 per cent shares controlled by <u>Walter Burke</u> and the <u>Sherman Fairchild Foundation</u> would gladly go at that price, as would the other 3 per cent sprinkled among other Fairchild directors. I know that the 7.5 per cent in the <u>Capital Group</u> fund in Los Angeles (controlled by ex-Faircher <u>Jim Martin</u>) can be had for that price. With all of the blocks voting "aye," the individual shareholders are sure to go along, with \$60 being a 16 per cent runup even over yesterday's inflated close of 51-3/4. (CONTINUED OVERLEAF)

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WHAT'S IT ALL ABOUT, WILFIE? Even at \$60 a share, Gould gets a bargain, buying up Fairchild for less than one year's

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sales volume. Of course there is still the exquisite problem of turning a respectable profit after those Planar royalties evaporate next year.

Gould stated on Thursday that it has "no plans to change the nature of Fairchild's operation, the location of its headquarters and principal facilities, or the composition of its management," in the usual canned crappola of the new-broom-that-won't-sweep-clean.

Since Gould made no effort at a friendly takeover, it is clear there is no Corrigan in their future. I have been saying for months that he would be out of Fairch by the end of the year, and now you'd better listen to me.

But weep no tears for Wilfie, as our dislike for him is matched by his dislike for us. After many unsuccessful attempts to emigrate to the U.S. from Blighty ' he finally made it to Transitron, where he discovered that he and his fellow British brain-drain expatriates were being paid less than their U.S. county . parts. His initial piss-off at the Bakalar brothers soon grew to a nation ide chip on the shoulder. He then vowed to outdo the Robber Barons, and he ind it.

Don't go away mad, Wilf. But please go away

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HISTORY REPEATING? My long-held dictum that Fairchild is the first industry bellwether to signal a downturn seems to be declaring in spades this time. How about Fairch, with a monopoly position in an important segment of the capital-goods industry, diving into the tank?

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Fairch, whose Sentry VII-VIII has been the only LSI tester in town, on which it has been heavily backlogged and quoting deliveries of more than a year away, has seen new bookings plummet this month. Test Systems division had been forecasting sales of \$17 million for the second quarter, but with the period one-third gone bookings are only around \$300,000.

This prompted national sales manager Dick Noren on Monday (23) to issue a memo to all domestic sales managers on the subject of "second-quarter expenses":

"This division has been instructed by corporate to increase profits by a significant amount in the second quarter.

"Because of the above, it will be necessary to restrict all unnecessary expenses. The following steps will be taken immediately:

"All unnecessary travel will be eliminated. Lunch and dinner expenses will be curtailed. If a lunch or dinner is necessary, please restrict the restaurant to one that is reasonable.

"All new office facilities will be reviewed in detail by this office prior to any expense commitment.

"All open personnel requisitions are frozen, pending review by this office.

"Please curtail telephone calls to only those necessary, and try to limit them to a reasonable length.

"In general, please review your expenses and ask your personnel to be conscious of their expenses.

(CONTINUED FOLLOWING "MANAGER'S CASEBOOK")

"The intent of the above is to limit spending while not repeat NOT affecting bookings.

"I expect everyone in the field to use good business judgment while expending funds. I expect each area sales manager to personally contact each of his people, to ask them to watch their spend rate.

"Please do everything that you can to help the division meet and exceed our new second-quarter goals."

Got it, chief. Don't travel, don't eat, don't improve the office, don't hire, don't talk too long on the telephone, and don't repeat DON'T cut bookings.

But after that April deluge I gotta feeling we gotta do more than water our martinis.

FULL SPEED ASIDE. The long-overdue Motorola annual report surfaced this week, indicating situation static. Semiconductor sales

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were up 23.3 per cent in 1978, poorer than the industry average of 25.7 per cent. Worse yet, sales to other of Mr. Moto's divisions were up a mere 0.3 per cent.

Here are some percentages and ratios you can crank into the current "Manager's Casebook" series on How They Compare: Profit on operations 11.2; Net before taxes 9.9; Net after taxes 5.6; Manufacturing cost 56.4; Selling and administrative expense 24.7; Five-year compound growth rate 12.9; R&D expenses 6.0; Total asset turnover 1.53; Inventory 17.3; Accounts receivable 64.3.

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HIND TIT. National, which has always treated its inherited plant in Danbury (Ct) as a poor relative, cut the umbilical last week on some 300 of the poor souls in it, including many professionals.

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BEARS WATCHING. Now that <u>National</u> is preparing to get into bed in a joint venture with the French, it will be interesting to see if <u>Charlie Sporck</u> approaches this deal with his customary cavalier regard for contracts and contempt for foreigners. For the French have low tolerance for the double-cross; you might even say they are downright poor losers.

I wonder if the French asked the Italians at SGS what they think of Charlie.

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DISENCHANTED. Two countries have sent emissaries to the Valley in recent weeks, looking for a better leg up in the industry, after earlier tries have had results ranging from dubious to lousy.

One is the U.K., which as I have said is far from overjoyed with either its Inmos startup or the GEC-Fairchild joint venture.

At the same time Israel is looking for a new deal, having soured on its onetime relationship with Nanon-Nitron.

All in all, our relationships with offshore interests could most charitably be described by the title of the stage play which hit Broadway in June of 1944: "Slightly Scandalous." COASTWISE. Another company is planning to soar over the Santa Cruz Mountains which separate the Valley from the Pacific Ocean, and join Intel

on the northern edge of Monterey Bay. But while Intel does only assembly there, Synertek (Honeywell) plans a full facility, from fab to final test.

To that end the company has an option to purchase 22 acres of land in the city of Santa Cruz, is satisfied concerning soil conditions, and has tentative approval of the city council. The land also falls under the jurisdiction of the state Coastal Commission, which has not yet rendered a decision.

Neither body will make a final decision without seeing final plans, however, so Syn will have to invest some \$25-30,000 up front just to get a yea or nay. This it is in the process of doing (unless of course the CCC dings the project at the first go-round).

EVERYBODY'S DOING IT. When Bob Noyce and Gordon Moore were at Fairchild, they used to go bananas at the constant premature announcements of new products coming out of <u>Texas Instruments</u>. Now they have apparently decided that if you can't lick 'em, join 'em.

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Landing on editors desks across the nation this week was a press packet including a 5-page release, a 9-page backgrounder including two tables and two diagrams, and an 8x10 glossy photograph. All of which can be boiled down to the following:

FOR IMMEDIATE RELEASE

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INTEL MAGNETICS ANNOUNCES

ONE-MEGABIT BUBBLE MEMORY

SANTA CLARA, CA-April 24, 1979-Intel Magnetics, a

subsidiary of Intel Corporation, today announced the world's

first commercially available megabit (million-bit) memory

device--the Intel^R Magnetics 7110, a 1,048,576-bit Magnetic

Bubble Memory.

Intel Magnetics 3 7110 prototype kit is approximately \$2,000. Deliveries will

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begin this Fall

BOLINGER'S RIPOSTE (MN, APRIL 21).

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When any high technology reaches its ultimate level of advancement, it becomes yesterday's

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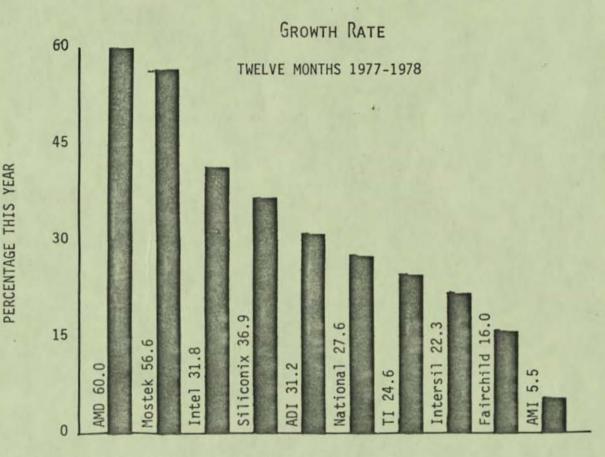
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MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 495-3 SUBJECT: HOW THEY COMPARE



60 FIVE YEARS COMPOUNDED (BASE 1973) 45 30 38.2 8.7 15 18. 12. 3 43.4 25. Siliconix Fairchild 24.6 4 Intersil National 14.9 6.7 52 Mostek Intel AMI AMD ADI 0

AVERAGE PERCENTAGE PER YEAR

HOW IMPORTANT?

During the steep climb of his company in its early years, one industry wag used to declare, "Progress is our Only Product." I always thought this was a beautiful perspective of the philosophy of growth for its own sake.

Nonetheless, growth is crucial to some people, notably <u>Jerry Sanders</u> of <u>Advanced Micro Devices</u>, who makes no bones about wanting to become the next industry giant, and the charts clearly show he is making in happen to an increasing degree.

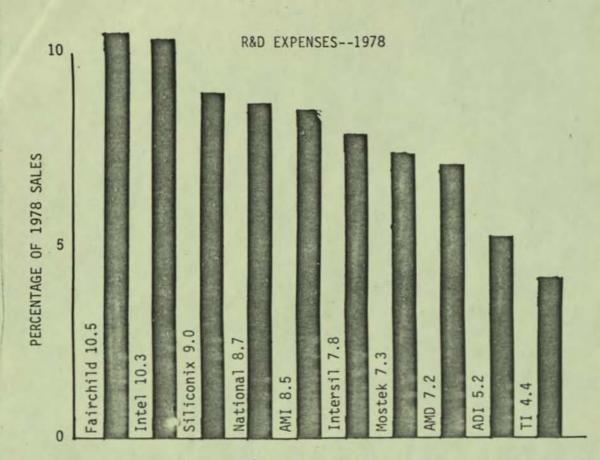
Intel takes its growth in stride, a to the manner born.

Most companies spee ded up their growth last year, the execeptions being Inte <u>National</u> and little <u>AMI</u>. Biggest gainer were <u>Mostek</u> and <u>Sil</u> conix, the latter showing the obvious effects of the arr val of <u>Art Fury</u>.

But when you consi the starting advan tage of those Damn Texans, it's still case of Big-Bigger BIGGEST.

(OVER)

RESEARCH AND DEVELOPMENT INVESTMENT



R&D EXPENSES--1974-1978 10 PERCENTAGE OF FIVE-YEAR SALES 5 7.8 10. 4 3 8 8 7.0 Fairchild Siliconix 9.1 Vational ntersil 7.4 6.3 0.6 4.3 Mostek Intel AMD ADI AMI 0

APPLES AND ORANGES.

Although the Federal Accounting Standards Board has tightened up on R&D bookkeeping, there are still enough differences in techniques to make one-on-one comparisons virtually impossible. There is stil plenty of accounting gamesmanship.

The big startler at the left, which proves the point, is Fairchild's R&D lead over Intel. When one considers that Les Hogan decimated the Fairch R&D organization more than a decade ago, and one looks at Intel's vastly greater product innovation, one must ask where Fairch R&D dollars really go, and what is the return on investment. I mean, have you heard anything out of Fairch since Isoplanar and CCD, lo these many moons ago?

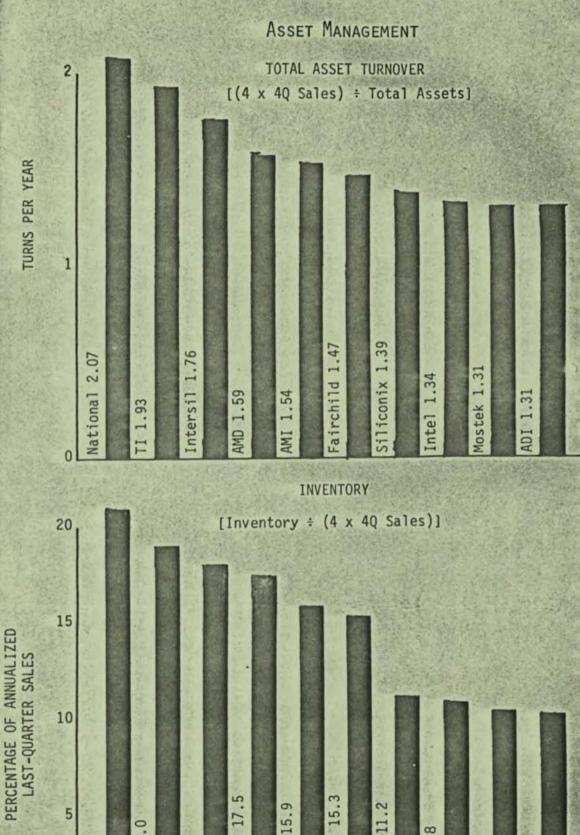
The high number at <u>Siliconix</u> is to be expected for a specialty house, which makes the low number at <u>ADI</u> all the more surprising. Again there is probably a difference in accounting methods.

The <u>National</u> number is probably high. A pet saying there for product that fails to pass QA is "product returned to R&D status," which means the NG stuff is charged back to R&D.

The <u>TI</u> figure is also deceiving. On the one hand it nets out all R&D reimbursed under Government contract. On the other, its "total technical effort" is closer to 20 per cent of sales.

MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 495-4 SUBJECT: HOW THEY COMPARE



Fairchild

Intersil

National

10.

Intel

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10.

AMD

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10.

Siliconix

18.

AMI

19.

Mostek

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ADI

NE PLUS ULTRA. After

all the bottom-bottom lines have bottomed, and all the ratios have been ratiocinated and rationalized, the truly sophisticated managers, analysts and investors know that where it's really at is called

This is where we separate the men from the boys, where we discover how well the manager has deployed his resources to the benefit of the enterprise.

return on investment.

Any capital investment should be made to improve production and/or productivity, and should result in increased sales and/or decreased costs.

This calls for a new ball game, in which the old street-fighters, <u>TI</u> and <u>National</u> return to the fore, while glamor-boys like <u>Intel</u> and <u>Mostek</u> fall to the rear.

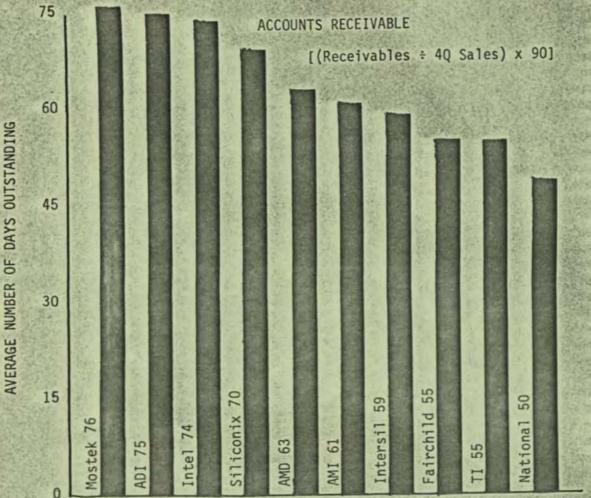
INVENTORIES which tie up company funds on warehouse shelves must be adequate to serve immediate customer needs, and no more.

Since the product mix of linear and specialty houses is much more complex than digital and custom houses, the high ratio for ADI and Siliconix here is unavoidable.

But the high numbers exhibited here by Mostek and AMI are intolerable.

(OVER)

ASSET MANAGEMENT



THE FINAL RATIO, of sales

to trade receivables, is usually called "receivables turnover," stated in the number of days money is owed by customers. Ideally it should be in real time, and we have done the next best thing here by extrapolating the fourt quarter for the year.

When deliquency becomes excessive, not only do receivables tend to freeze, but this also decreases working capital, necessitates borrowing, and decreases the ratio of net worth to debt.

The perfect example here is <u>Intel</u>, which for the first time last year had to go to the banks. Presumably we will now see its ratio drop rapidly.

One reason for TI

being able to hold down average deliquencies is its heavy percentage of government contracts and associated progress payments. Arch-enemy <u>Charlie Sporck</u> does it at <u>National</u> by adroit manipulation of Other People's Money. While snubbing up his receivables to a scant 50 days, he manages to elasticize his payables to probably the longest stretch-out in the industry. If ever his creditors and debtors formed a United Front...

AND THE EPILOGUE. We have examined these ten key companies, using 17 criteria derived from their own sworn data. Not all of these criteria are of equal weight, and some might argue that the company which spends the least on R&D should get the highest rather than the lowest rating.

Now we have done an unweighted average of their performance as compared to their fellows, simply calculating their ordinal positions in each of the 17 charts. No matter how you may refine these statistics, it seems eminently clear that Intel is the Leading Light of this industry by a wide margin, having achieved 8 out of a possible 17 firsts, twice that of the nearest competitor, National.

Here is the rundown: (1) Intel; (2) Siliconix; (3) Advanced Micro Devices; (4) National; (5)Intersil; (6) Texas Instruments; (7) Mostek; (8) Analog Devices; (9) Fairchild; (10) American Microsystems.

Go ahead. Weight the averages. Massage the numbers. I hope you have as much fun doing it as I have had in bringing the study to you this far.

And thanks again, Secret Source, wherever you are.

WHAT'S IT ALL ABOUT, WILFIE? Even at \$60 a share, Gould gets a bargain, buying up Fairchild for less than one year's

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sales volume. Of course there is still the exquisite problem of turning a respectable profit after those Planar royalties evaporate next year.

Gould stated on Thursday that it has "no plans to change the nature of Fairchild's operation, the location of its headquarters and principal facilities, or the composition of its management," in the usual canned crappola of the new-broom-that-won't-sweep-clean.

Since Gould made no effort at a friendly takeover, it is clear there is no Corrigan in their future. I have been saying for months that he would be out of Fairch by the end of the year, and now you'd better listen to me.

But weep no tears for Wilfie, as our dislike for him is matched by his dislike for us. After many unsuccessful attempts to emigrate to the U.S. from Blightv he finally made it to Transitron, where he discovered that he and his fellow British brain-drain expatriates were being paid less than their U.S. county parts. His initial piss-off at the Bakalar brothers soon grew to a nation ide chip on the shoulder. He then vowed to outdo the Robber Barons, and he ind it.

Don't go away mad, Wilf. But please go away

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HISTORY REPEATING? My long-held dictum that Fairchild is the first industry bellwether to signal a downturn seems to be declaring in spades this time. How about Fairch, with a monopoly position in an important segment of the capital-goods industry, diving into the tank?

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Fairch, whose Sentry VII-VIII has been the only LSI tester in town, on which it has been heavily backlogged and quoting deliveries of more than a year away, has seen new bookings plummet this month. Test Systems division had been forecasting sales of \$17 million for the second quarter, but with the period one-third gone bookings are only around \$300,000.

This prompted national sales manager Dick Noren on Monday (23) to issue a memo to all domestic sales managers on the subject of "second-quarter expenses":

"This division has been instructed by corporate to increase profits by a significant amount in the second quarter.

"Because of the above, it will be necessary to restrict all unnecessary expenses. The following steps will be taken immediately:

"All unnecessary travel will be eliminated. Lunch and dinner expenses will be curtailed. If a lunch or dinner is necessary, please restrict the restaurant to one that is reasonable.

"All new office facilities will be reviewed in detail by this office prior to any expense commitment.

"All open personnel requisitions are frozen, pending review by this office.

"Please curtail telephone calls to only those necessary, and try to limit them to a reasonable length.

"In general, please review your expenses and ask your personnel to be conscious of their expenses.

(CONTINUED FOLLOWING "MANAGER'S CASEBOOK")



BOX 2343, SANTA CLARA, CALIFORNIA 95051 . TELEPHONE: 408-373-6688

SILICON VALLEY MAY 26 1979

Friend-

YOU CAN'T LICK 'EM... <u>Signetics</u>, which was slow getting into MOS, with efforts which have repeatedly failed, which has

therefore been slow in getting parent <u>Philips</u> into MOS, and is retreading its MOS facility for bipolar memories (MN, May 5), may find itself out of the MOS business altogether.

Spies tell me Philips is looking at means of taking over <u>Mostek</u>. That should raise some eyebrows at <u>Sprague</u>, which once had a bipolar know-how deal with Sig, and was one of the principal backers of Mos.

WHISTLING PAST THE GRAVEYARD. Dr. Dick Petritz, onetime R&D director at Texas Instruments, later the arranger of the

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Mostek deal, and now up to his ears in the British <u>Inmos</u>, says he needs no additional capital at this time, but when he does he is confident the British government will come through with it. Wrong on both counts.

Dick, who got Inmos under way with \$50 million of British taxpayer money funded through the National Enterprise Board, has already applied for an additional \$50 million through NEB. And he hasn't a prayer of getting it.

For NEB, which had earmarked \$1.6 billion for semiconductor investment in the UK, is a lame-duck agency whose remaining funds will be returned to the British treasury. This comes from no less than the newly-elected prime minister herself, Margaret Thatcher.

When asked if she intended to permit <u>Sir</u> <u>Leslie</u> <u>Murphy</u> to remain as head of the NEB, the PM said there was no reason to remove him, since his only remaining function is to shut it down. And her ultraconservative minister of industry, <u>Sir Keith Joseph</u>, has stated that industry should delve into the private sector-banks, primarily--rather than look to the government for funding. The hooker in that proposition is the fact that British banks don't know from Shinola about venture capital.

The result is that Dick will have to pedal and peddle fast to get his secondtier financing, for the well at the Exchequer is about to run dry. This turn of events will probably not cause a ripple in the <u>Fairchild-General Electric</u> joint venture, a \$27 million deal in which NEB was to have put up \$12 million.

GEC now holds some \$1.5 billion in cash reserves, so picking up the difference will hardly be more than a bookkeeping transaction.

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NO SALE. Semiconductor Equipment and Materials Institute had a highly successful convention this week, a ho-hum awards dinner, and a strikeout at an attempt to name a new executive director.

A selection committee presented the board of directors with a slate of three candidates: executive secretary <u>Pat Westly</u>, ex-president <u>Phil Gregory</u>, and a third-party outsider (male). The board's message to the committee: go back and do some more homework.

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BUT WHAT'LL THEY DO WITH THE HORSE? A white knight in shining armor on a glistening steed came crashing out of the woodwork last weekend to sweep away the <u>Fairchild</u> maiden at \$66 a share, even as rejected suitor Gould was offering \$70.

Fairchild stock immediately shot up \$7.25, but the shares of the "winner," Schlumberger, took a \$3.13 dunking on heavy turnover.

The Gould offer, as previously, was limited to cash for only 41 per cent of the Fairchild shares, with the remaining 59 per cent to be exchanged for a new issue of Gould preferred. Gould pressed for an immediate answer, saying that this and all other offers would be rescinded as of 9AM Monday (21). Gould did not specify in what time zone the deadline would take effect.

It didn't matter. The Fairch directors couldn't move fast enough to say yes to Schlumberger ("Schloom-ber-zhay"), while ignoring Gould.

A multi-national, with headquarters in New York, London and Calgary, Schlumberger primarily services the oil drilling industry, but is no stranger to electronics. Its previous takeovers include EMR, <u>Weston Instruments</u> (which earlier had picked up Heathkits) and <u>Sangamo Electric</u>. It also owns 14 per cent of <u>Unitrode</u> (which it saved from a takeover by Dynamics Corp. of America.

So Schlumberger pays \$363 million for an uninspiring company, while the company president, <u>Wilf Corrigan</u>, walks away a multimillionaire. And walk away he will, for despite the standard disclaimer of this exceedingly well-managed company, Schlumberger will not sit idle while Fairch continues to spin wheels.

MUSICAL NAMES. It began with <u>Intel</u>, which was supposed to be a contraction of "integrated electronics." Then along came <u>Integrated</u> <u>Electronics</u>, which later changed its name to <u>Integrated Microsystems</u>. Now comes another Integrated Electronics, in Orange (Ca), changing its moniker

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to Integrated Electronic Products.

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The tack-on, says n.s.m. Dianne Burton, "will avoid all possible confusion with other companies using the 'IE' abbreviation."

Wanna bet, Dianne?

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A LONG TIME COMING. Jim Diller has moved up in <u>National</u>'s Consumer Products (formerly Novus) division, from director of operations to

general manager, replacing v.p. Fred Bialek, who has been filling the slot pro tem. This is the first permanent appointment since pres <u>Charlie Sporck</u> scragged <u>Gene Landrum</u> three years ago and took the job himself. Bialek cited the division's "growth and vitality." Honest Injun, that's what he said. HOUSE HUNTING. National's new home in Arizona will be Tucson, not in the

Phoenix area as I reported last week. In the south of the state, Nat should find a full labor pool, especially of Indians and chicanos. Nat is also scouting the Pacific northwest, including Portland, Seattle and Vancouver.

Also shopping the northwest is <u>Siltec</u>, which is eyeing Tacoma (Wa) and Salem (Or). The Oregon town will get the nod if Sil can convince the Oregon Economic Commission to pungle up \$8.4 million from revenue bonds, which would more than half pay for a \$15 million facility. With estimated 850 employment, the state would be buying jobs at nearly \$10,000 a copy.

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GET RICH QUICK. A fast scam is operating out of Maude Ave. in Sunnyvale (Ca), grossing \$1 million a month, and most of it margin. This gold mine is a non-stocking distributor, selling only <u>Texas</u> <u>Instruments</u> parts, delivering fast fast fast at prices high high high.

Tagged as a "minority" business (some say black, some say chicano), <u>United</u> <u>Components</u> is actually run by <u>Jim George</u> and <u>Bob Waller</u>, two former TI regional managers, with the minority party usually out to lunch.

The boys specialize in greasing the TI pipelines for yesterday deliveries, and brokering parts at out-of-sight prices, at least double and often a multiple of 10X.

How long this high-rolling game can go on is anybody's guess, but if I were Jim or Bob, I think I would carefully inspect under the hood of my car before switching on ignition current. For competitors are furious, and TI is getting a lot of negative feedback from customers.

Meanwhile UCI is expanding into Portland, Seattle and Albuquerque, the latter two "offices" being in hotel rooms.

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DEPT. OF CLARIFICATION. I have been chided by a Constant Reader for in "Manager's Casebook" No. 495-4 using the term "Return on Investment" in connection with "Total Asset Turnover," since RoI derives from bottom-line profits while TAT relates to sales. I know this, of course, and should not have taken the literary license.

If I "do it right," says CR, the lineup will look pretty much the same as the others, with Intel on top again: (1) <u>Intel;</u> (2) <u>Intersil;</u> (3) <u>Advanced Micro</u> <u>Devices;</u> (4) <u>Texas Instruments;</u> (5) <u>National;</u> (6) <u>Mostek;</u> (7) <u>Fairchild;</u> (8) American Microsystems.

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QUOTABLE QUOTE. From Kenji Tamiya, executive v.p., Sony Corp. of America:

"In many ways, I believe, Japanese and Americans are very different. But the difference between us can lead to new insights. The experience of working at Sony has convinced me that we have much to offer each other, and that together we can accomplish common goals that might lie beyond the reach of either of us alone. Together we can steer a course through the rapid social, economic and technological changes the future will bring. And combining the strengths of East and West, we can both continue to prosper."

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BOOTSTRAPING. That customer confidence is returning to The Comeback Kid,

Western Digital, is evidenced by WD's rapidly growing backlog. In July of last year it was a mere \$300,000. In October, \$1.7 million; January, \$4.2 million; and now, \$6.8 million.

This is what WD calls its "hard" backlog. In addition there is a "soft" backlog of another \$12 million, for a total of nearly \$19 million.

Congrats again to pres Chuck Missler and his dedicated bunch of guys and gals.

LATE SPLIT. <u>Motorola</u> has finally spun off a separate sales and engineering group for the systems market under <u>Tom</u> <u>Beaver</u>, former intracompany and automotive marketing manager.

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Tom's product responsibilities include subsystems (power supplies, relays, I/O modules); memory systems (add-ins for minis and micros); micromodules (microprocessors, memories and peripherals); development systems; and components (which will also be handled by the components sales group as well).

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UPCOMING MEETINGS. June 19. "Innovative Approaches to Executive Compensation." Electronics Association of California. Cabaña Hyatt House, Palo Alto (Ca), 9AM-5PM. \$100 members, \$135 nonmembers. <u>Sherril LaRocca</u>, EAC, 408-735-7440.

June 22. "Semiconductor Silicon--A Technical Analysis." Semiconductor Industry Association. Terman Engineering Center, Stanford University. 8AM-4PM. \$95 members, \$125 nonmembers. Tom Hinkelman, SIA, 408-255-3522.

June 24-28. "66th Annual Technical Conference and Exhibit of Industrial Finishing." American Electroplaters' Society. Peachtree Plaza, Atlanta (Ga). <u>Sylvia</u> Baxley, AES, 305-647-1197.

June 11. "Business Opportunities for High-Technology Companies in China." American Electronics Association. Rickey's Hyatt House, Palo Alto (Ca), 7:30AM-5PM. \$95 members, \$165 nonmembers. AEA, 415-327-9300.

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BOOK NOTE. Comprehensive listing of nearly 200,000 semiconductor devices by type number, product class and manufacturer. Includes logotype directory of more than 200 logos. "Master Type Locater," 606 pp, \$34.50. D.A.T.A. Inc., Box 602, Pine Brook (NJ) 07058. Phone David Valentino, 201-227-3740.

"Advances in Solid State Physics, Vol. XIX." Papers on solid state research and semiconductor physics, delivered at spring meeting of solid state division of German Physical Society, Munster, March 12-16 1979. 400 pp, \$50. <u>Heyden & Son</u>, 247 So. 41st St., Philadelphia (Pa) 19104. Phone Gary Glenn, 215-382-6673.

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PRESS RELEASE I NEVER FINISHED READING. Paramus, N.J. May 15--The Dewey Electronics Corporation (OTC), manufacturers of snowmaking machinery and military electronics, reported...

Good grief! I thought they were the same thing!

don t,

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SILICON VALLEY MAY 19 1979

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HARBINGER? What is behind the sudden rise in <u>American Microsystems</u> stock? Although the shares closed off 1/8 point yesterday (18), the price has jumped about 30 per cent in the past two weeks, some days even bucking a down market.

This uncharacteristic behavior has to be an indicator of insider trading, by traders who know that a takeover offer is in the wind. It is well known that the <u>Robert Bosch GmbH/Borg-Warner</u> combination, which owns 25 per cent of the company and is prohibited by contract from buying more, has been sitting in the wings waiting for AMI to fall in the tank.

AMI hasn't gone that far. In fact it has gone noplace at all, and the minority owners may have decided that the management is sufficiently embarrassed that now is a time for the bailout, with all former bets off.

Texas Instruments, which has long been shopping the Valley, with a particular eye on AMI, is probably not a buyer candidate, unless Bosch/Borg would retreat, for TI has no interest in partners, not even minority ones.

One thing is certain: that AMI stock price is not sailing on new business or anticipation of earnings.

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CLOSE A DEAL OR CLOSE THE DOORS. What is left of <u>Nitron</u> has been quietly put on the block, as predicted here (MN, Sept. 30 1978). The problem is, what's left of Nitron isn't much. Those highlytouted deals with Israel and Ireland are long since dead, with a fair amount of bitterness on both sides. The facility was earlier rejected by several companies hungry for additional capacity, which is why <u>McDonnell Douglas</u> had to settle for <u>Nanon</u> as the buyer in the first place. Now Nanon is merely a shell, and Nitron is fast becoming the same.

FREE MILEAGE. If you want to get to the Semicon show next week, but your gas gauge is pegging on zero, hop the free bus being offered by <u>Semi-Alloys</u>. It will be leaving from in front of the Wagon Wheel in Mountain View every two hours, going directly to the fairgrounds in San Mateo. For schedule information call 408-739-2451.

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SOFT LANDING. It has been going on for a month now, so we can say that the

order cycle for the industry peaked in the first quarter and is now on a downer. That's the bad news. The good news is that you and I will hardly feel it.

Orders are dropping. Double orders are being cancelled. Delivery times are shortening. Products are reappearing on distributor shelves. Scarce products such as Schottky TTL, EPROMs and memories are suddenly much more available.

But this will not be a replay of 1974. Remember that each industry recession has been a year later, starting with 1967, then 1970, then 1974, and now 1979. Customer inventories are much lower. Backlogs are still extremely healthy. Market demand is still outstripping capacity, although this gap will close for a while. And while OEM orders have sagged, distributor orders have not yet. When they do, that will signal the beginning of the crunch.

The point is that the industry will continue to be capacity-limited for years, such that the summer of 1979 will be historically no more than a glitch. While the book-to-bill ratio may slip below unity in the summer doldrums, the denominator will remain healthy because of heavy backlogs.

In the 1974 debacle, orders nosedived 50 per cent over the year. This year the drop may be as little as 10 per cent, and probably not more than 20 per cent. And before year-end, the trend should be back up again.

That is the scenario as envisioned by all the industry leaders I have talked to. But they all hedge with the proviso, "barring a real depression." 0

NOW HEAR THIS. But that depression may be on its way--and if you are old enough to remember the last one 40-50 years ago, you are not much younger than me, pal. It is certainly on its way if you believe in business cycles.

Get yourself a copy of "Cycles, The Mysterious Forces That Trigger Events," and turn to pp. 191-196. There you will find cyclical charts of leading economic indicators, some starting back in the 18th century, of cycles of 5.91, 8, 9.2, 9.6 and 18.2 years.

The preponderance of those that fall into a coincident trough in 1980 will scare hell out of you.

ADDENDUM.

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Some readers have thought I might have included in the recent "Manager's Casebook" No. 495 series, a chart on return on stockholders' equity. Well, I don't have room for another chart, but here are the RoE standings (before taxes) of the same ten companies:

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(1) Intel, 42.2; (2) Intersil, 38.9; (3) National, 34.5; (4) Advanced Micro Devices and Analog Devices, 31.9; (5) Texas Instruments, 30.4; (6) Mostek, 26.4; (7) Motorola, 26.4; (8) Fairchild, 19.7; (9) American Microsystems, 9.3.

Not all observers like this ratio, however, because too much depends on a pair of independent variables: how successful a given company has been as a seller of stock, and what is its debt/equity ratio. Thus it may not be a good way of comparing company performances, and a high RoE may not necessarily be a good thing.

Installment 495-3 had a typographical error, incidentally. Intel's 1977-78 growth rate should appear as 41.8, not 31.8.

LETTER TO THE EDITOR.

"Manager's Casebook" No. 496, which was intended as a slightly tongue-in-cheek encomium to secretaries, was

taken quite seriously by one lady. I quote her response verbatim, except for naming her, her boss or her employer.

Dear Don:

I make it a habit to peruse your newsheet every week when it comes in my office. to the attention of (my boss, southwest regional manager for my company). And I was pleased to see your article on secretaries. They are the unsung heroines of this industry and are seldom given credit for all they do, except in some cases where the credit is given in a condescending and paternalistic manner.

A good secretary can be a life-saver to a busy executive, and a bad one can be the bane of his/her existence, and can royally screw up the efficient flow of business. I hate to think how many asses I've saved in my two years with (my company) (though I must state for the record that [my boss's] hasn't been among the endangered posteriors).

And you're right: a secretary frequently knows where all the bodies are buried. A little more credit and money are usually due to a secretary who's worth her salt (meaning they generally don't get paid enough, but this is an old refrain to [my boss]).

Once again, thanks for your article. I hope the powers-that-be pay attention to it.

A very ballsy lady, if I may employ the term. She wrote on company stationery, named names and signed the letter. But I can keep a secret too, sweetheart.

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ALPHABET SOUP. And speaking of names, is <u>Signetics</u> planning'a new monicker? What I hear is <u>SSM</u>, whatever that means. I remember SMS (Signetics Memory Systems, a total loser) and this is worse.

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Say not so, Chuck. You already have one of the most distinctive handles in the biz.

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THERE'S ONE BORN EVERY MINUTE. Guess who is the latest to get gulled by good old Jerry Schaflander, our favorite solar power

con man, who has fleeced investors, vendors, employees and consultants all over the country. None other than the hard-headed <u>Howard Ruff</u>, publisher of the hard-money "Ruff Times." Says Howie:

"This could be the end of the energy crisis. Dr. Gerald M. Schaflander, the head of Solar-Hydrogen Develompent Co., has developed a method of using solar energy cells to generate electricity to separate the hydrogen from water. The hydrogen is then converted from a gas into a liquid hydride, which acts, pours and burns just like gasoline...They have developed a breakthrough method of mass-producing solar cells...They are ready to go now and there probably will be franchising centers around the country...Incidentally, actors Jack Nicholson and Paul Newman are also involved with the project...they have made the mistake of jousting with Washington. They were denied even the privilege of making a competitive bid for adapting government vehicles and providing the fuel... Washington has not given them the time of day...I'm really impressed."

And that is why this subscriber to "The Ruff Times" throws it away unread.

FLIGHT TO THE PHOENIX.

National is the latest to join the rush to Motorolaland. A site in the Phoenix area has been selected

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and the deal is being closed. Looks like groundbreaking within 90 days. Could this plant receive the same fate as the Salt Lake City factory in 1975? Nah, impossible (see page 2).

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THE ICEMAN COMETH. John Shea, who started turning on Integrated Circuit Engineering on the west coast four years ago, after unspectacular performances by two predecessors, has moved up another step in class.

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Most recently marketing-sales v.p. for the ICE company, John now heads the new Government Services division. The new unit will provide government-industry consulting and liaison, technical and facility evaluations, QA counsel, market and procurement studies, contract negotiations and business plans.

I have not seen John D. for six months, and at last viewing he was vying with Earl Steiker for the industry title of Mr. 5x5. Slimmer or not, he hangs out at 100 No. Winchester Blvd., Santa Clara (Ca) 95050, phone 408-248-1843.

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SASHIMI ON A WAFER. Honcho <u>Tor</u> <u>Lund</u> and component standards engineer <u>Arne</u> <u>Jackson</u>, both of <u>Intel</u>'s Commercial Systems division, spent all last week in Japan.

Subject: alternate source of 16k RAMs?

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When Charlie Sporck does that, it's called Trading with the Enemy.

BIGGEST LITTLE CITY IN THE WORLD.

Tony Halekakis, longtime vet in rep and distribution in the Valley, and onetime

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president of <u>Harper Time</u>, is moving to Divorcetown, Reno (Ne). He will be heading the new <u>Elrepco</u> office there (address and phone still undetermined), with additional personnel expected to come aboard soon.

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Elrepco is looking for a replacement for Tony, plus possibly another rep as well. If interested, check Frank Lonergan at 349 lst St., Los Altos (Ca) 94022, phone 415-941-4990.

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GO EAST, YOUNG MAN. Don Edwards, longtime semiconductor headhunter with Personnel <u>Resource</u> in Phoenix, finished there on Tuesday (15) and will be returning to the east coast, as a personnel consultant with the <u>Digital Equip</u>ment facility in Westboro (Ma).

Don was tiring of the warm-bodies-on-commission business, and also likes the Bay State educational advantages for his wife, an RN who is proceeding on her doctorate.

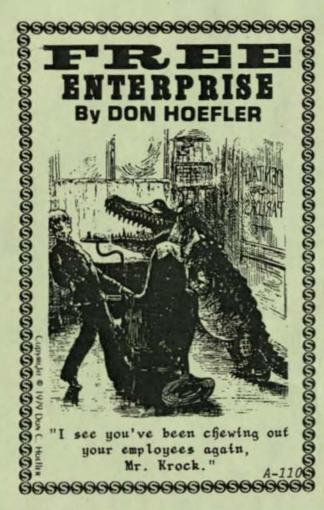
Give him time for the cross-country hegira befor you try calling him at 617-366-8981.

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ENIGMA. <u>Intel</u>'s bubble memory group can't decide whether their motto should be "He who controls magnetism controls the world" (Dick Tracy 1947), or "I'm Forever Blowing Bubbles." (Say, who is Bubbles, anyway?)

MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 498 SUBJECT: FUN AND GAMES IN SEMI-LAND



T=(S-U)/F. And don't you ever forget it. There is an equation

for everything, and this one happens to be for employee turnover. Admittedly, turnover is almost unknown in this industry, but you never know when a tidbit of this kind may come in handy.

It's easy. To figure the turnover percentage T, you simply subtract the unavoidable separations U from the total separations S, and divide the resultant by the total work force F in hundreds.

Then you take that number, put a per cent sign % after it, bundle it up and send it off to the Bureau of Labor Statistics. Don't forget to send carbon copies to NLRB, OSHA, SBA, CSC, FMCS, ICC, and the Postal Rate Commission.

After that, file and forget it, because it is history.

Some IR people of my acquaintance fool around with other ratios, such as "separation rate," "stable force," "continuance rate" and "labor flux," but let me tell you that this net labor turnover rate is all that you need to know--and more than you want to.

IN MORE PEDESTRIAN INDUSTRIES, the unavoidable separations U are usually regarded as being due to death, marriage or

pregnancy. (If the work force is all-male, the latter is statistically insignificant.) In high-technology industries, however, where sophistication runs rampant, there is still another U cause known coloquially as "better offer."

Sometimes "better offer" is offset by "better counteroffer." If "better counteroffer" is not countered by "better better offer," the point becomes moot, non-U and non-S, and the game is called on account of darkness.

Which brings me to the point of this essay. Every IR manager worth his salt knows that money is not uppermost in the minds of employees. Wage and salary administrators do not know this. Workers do not know it. But IR managers know it. They are therefore constantly on the prowl to find new ways to keep their employees happy--"maintenance of morale," as we professionals say-ways which are more subtle (i.e., cheaper) than simply handing an employee a pay increase. He'll just go out and spend it anyway.

Thus in the modern school of personnel management were born the twin concepts of "employee motivation" and "fringe benefits."

CARROT STICKS. "The only way to get anyone to do anything, is to make him/her want to do it." This truism was first uttered by Queen Isabella. Or possibly it was Simon Legree or Svengali.

In any case, some people use a carrot to achieve this motivation. Others use a stick. Most use both. Or as we in the trade call them, "rewards and penalties." A "reward" can be anything from the employee's picture in the company newspaper to presentation of a gold watch. At all costs, however, one should avoid giving cash or check. It may be good for morale, but it is poor psychology.

A "penalty" can be anything from sending an employee home without pay, to sending an employee home with final pay. The latter action is sometimes known as the "ultimate solution." Since communications is such an important factor in employee morale, some factories such as Fairchild like to announce their ultimate solutions over the public address system. Most of them are executed under armed guard. In all cases, however, all employee personal property is either returned to the employee or confiscated by the company.

Many problems can be solved short of the ultimate solution by a grievance procedure. In the interests of democracy, management can air its grievances in the same manner. Disputes are then settled by a grievance committee made up of highly-trained managers and docile employees. (Docile employees are the best for this, or things can really get out of hand.) All decisions are final. No returns. No refunds.

IT'S ONLY A HOBBY. One of the greatest ways to democratize a company, however, is to form employee-management athletic teams. Time was when Bob Noyce was utility infielder for Fairchild softball, and Fred Bialek-completely out of character--played like it was hardball.

Ah, but that was two decades ago, and we are all longer of tooth and paunchier of gut. Although managers get older, employees never seem to, and now a whole new generation is upon us.

In response to the needs of this new generation, National--always noted for its progressive personnel policies--has now appointed a full time Director of Recreation!

Now this has to be the greatest union-busting idea since company unions and yellow-dog contracts. Keep the employee so busy playing volleyball, he/she has no time or energy left to organize.

I can see it all now, thanks to benevolent Uncle Charlie: National gymnasium; National swimming pool (Olympic length, of course); National tennis, racquetball and volleyball courts; and right over there beyond Lake Lamond: Sporck Stadium (baseball, football, soccer, bullfights and Christians-vrs.-Lions).

The gymnasium will of course be convertible to ice hockey, and adjacent to Bialek Bowling Alley.

For those who prefer quieter indoor sports, there will also be accomodations for chess, checkers, cards, billiards, basket-weaving and stamp-collecting.

But in all fairness, I will not rest until National also has a lady recreation director. She can preside over a bordello to be called "Charlie's Angels."

Now that is what I call employee relations!

Don C. Hoefler's

with Manager's Casebook

BOX 2343, SANTA CLARA, CA 95051 .



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SILICON VALLEY MAY 5 1979

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GLOSSED OVER. It was "Mary Poppins" all the way at the <u>Fairchild</u> annual meeting yesterday, with pres <u>Wilf</u> Corrigan delivering a canned speech loaded with questionable statements, but nobody to question them, nobody to question company performance in the past year, nobody to question Corrigan's looting the treasury for personal gain, nobody to question his recent statements that he had no knowledge from any source concerning a possible takeover by Gould.

The meeting was very lightly attended, with most of the shareholders being trained seals on the company payroll, augmented by a few so-called analysts and so-called journalists.

The only setback Corrigan suffered was the defeat of a proposal to float a new issue of preferred stock, which could have been used to thwart a takeover. If the new issue were to be voted by stockholders friendly to management, they could be an anti-merger voting bloc, or more likely, the stock could be used for a takeover by Fairch, thus making a takeover of Fairch by another to be more indigestible.

In one more bullbleep statement, Corrigan blamed the reversal on the large number of shares in street name, that the company had been "lax in our procedures to get out the vote." The fact is that 80 per cent of the shareholders voted for the slate of directors, while only 44 per cent voted for the stock. It seems clear the stockholders knew precisely what they were doing. What's more, the stock price jumped up more than a dollar when the vote was reported.

Corrigan stated that the board on Thursday had unanimously rejected the <u>Gould</u> takeover proposal, because its new investment banker, <u>Salomon Brothers</u>, <u>deemed</u> the \$54-a-share price to be "inadequate," thus clearly inviting a better offer.

Continuing to pile up the manure, Wilfie added that Fairch legal beagles seriously question "whether Gould's acquisition of Fairchild would violate the antitrust laws." If that is a true statement, than the Fairch lawyers are idiots, for there is no antitrust conflict between the two companies.

Facing serious problems with the Securities and Exchange Commission, and likely class-action stockholder suits for his repeated denials of any knowledge of impending action by Gould, Corrigan decided to take the offensive, questioning "whether Gould's conduct to date in this matter has been in full compliance with the securities laws." Thus in the fine tradition of the best defense being a good offense, Wilf has tried to shift the blame to the other side. But it won't wash. (CONTINUED OVERLEAF)

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SMOKESCREEN.

Corrigan also rattled the saber with the warning that the board had authorized "commencement of litigation", should Gould try an unfriendly takeover, i.e. take an end run directly to the stockholders. More bullbleep. All of this--unanimous rejection, attempted new stock, antitrust accusations, threats of legal action--have one purpose: to improve Fairch's bargaining position with Gould.

For after all the breast beating, does Corrigan really want this deal--at \$60 a share? Just look at the big wads of Fairch stock in his portfolio, do a little simple multiplication, and the question answers itself.

In his first public discussion of the fact that Planar license income disappears at the end of this year, Wilf opined that the loss will be made up by increased sales and profitability. By now the offal was getting to ceiling level, since what he was saying was this: if operating profits in 1980 are better than 1979 by 20 per cent, then actual profits will be flat year-to-year. And when ever in the Corrigan regime did Fairch come remotely close to 20 per cent annual growth? Never (MN, Jan. 20).

With the air now fetid with the smell of horse buns, Corrigan did make a couple of statements which will have to be accepted as factual -- pro tem, at least.

He revealed that last year's settlement with the French Thompson-CSF for infringement of Planar patents paid Fairch \$1.3 million. This was an action brought by former patent counsel Roger Borovoy when T-CSF flatly refused to take a Planar license. Fairch sued and won, T-CSF appealed, then settled out of court on the day before an appeal hearing was scheduled.

Corrigan also said Fairch finally has MOS turned on after years of failure, is converted to 4-in. wafers and doing some 16k business.

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So Wilf took the shareholders' pants down, but it wasn't a total loss.

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DISORDER IN THE COURT. National filed a trade-secrets suit against Zilog

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yesterday, hoping to get out a press release in time to hit the morning papers, but the judge cut them off at the pass. The complaint and all supporting documentation was immediately put under seal by Superior Court Judge Homer Thompson, pending a hearing on May 24.

Nat's hope of trying the case in the newspapers was thwarted by Zilog's invoking a little-used provision in California law which permits the defendant to request 30-day secrecy when a writ of attachment is involved.

Making the case more strange, Nat and Zil just announced a second-source agreement two weeks ago, involving byte-size quasi-static RAMs, with Nat to pick up Zil's 2k x 8 and 4k x 8, and Zil to get Nat's 8k x 8, still in development.

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FORCED GROWTH. Advanced Micro Devices, which has had an average growth rate

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of 52 per cent in the past five years, and 60 per cent in the last year, wants to make it 100 in the fiscal year just beginning. To make it happen, pres Jerry Sanders is offering some handsome inducements.

If the company makes it, there will be a drawing involving all employees who have been on the payroll for the entire year. Third prize: a projection TV set. Second prize: a diesel-powered Cadillac Seville. First prize: \$1000 a month for 20 years.

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YOU CAN'T TELL THE PLAYERS WITHOUT A SCORECARD.

There was a big reorganization at Signetics, complex and

involved, but I'll try to take it a step at a time. The basic moves involved the creation of three senior v.p. slots, dividing <u>Jack Halter</u>'s divisions between Halter and <u>Mike Hackworth</u>, giving v.p. stripes to the division managers, and creating three new staff v.p. positions.

The three senior v.p.s are Halter, Hackworth, and <u>Ken Spitzer</u> (engineering R&D). Reporting to Halter as v.p.s under the new setup are: <u>Franc DeWegger</u> (logic); <u>Steve Sharp</u> (bipolar LSI); Rich Forte (bipolar memory); and <u>Alan King</u> (industry products group). Reporting to King are <u>Ed Sherman</u> (military) and <u>Frank Schneider</u> (automotive).

Moving under Hackworth are: v.p. Jim Byrne (analog); Lionel Kirton (already a v.p., MOS memory); and a v.p. to be named to replace the departed Al Hazan (MOS microprocessors). Hackworth is covering the Hazan job temporarily, and his complement is completed by Rick Ecklund, director of corporate communications.

A surprise comback was made by John Luke, who joined in February as western regional manager (MN, Feb. 10), moves up to general sales manager with v.p. stripes, reporting to pres <u>Chuck Harwood</u>. Also reporting to Harwood as staff v.p.s are the resident headshrinker, <u>Jerry Pieters</u> (management organization development) and Klaus Volkholz (strategic planning).

0 0 0 DOWN THE STREET AND AROUND THE CORNER. <u>Signetics</u>, which was one of the latecomers to MOS, is still going through the agonies. After virtually gutting the former <u>Stewart-Warner</u> to convert it from bipolar to MOS, now the company is going to do it all over again, to make bipolar memories.

CAUSE-AND-EFFECT? Just before <u>Bill Sweet</u> took off from <u>National</u> computer products to <u>Zilog</u> (along with quite a few others), Nat pres <u>Charlie Sporck</u> was personally giving the o.o. to Bill's personal expense account.

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GETTING CLOSE. Yet another company should be onstream next week. Data <u>Conditioning Devices</u> is headed by <u>Dan Dooley</u>, former engineering director of <u>Precision Monolithics</u>, who expects to conclude his financing within the next few days. Since Dan's original business plan was essentially a one-up on PMI, there may be some fireworks when this one gets up to speed.

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GETTING CLOSER. Optimetrix, headed by Karl Johannsmeier, former R&D v.p. at Kasper Instruments, will have its first product onstream this summer. It's a family of wafer steppers with fully automated on-the-die alignment, direct viewing, 0.8µ resolution, and alignment accuracy within ±0.1µ. The company (half owned by <u>Cutler-Hammer</u>) is at 500 Ellis St., Mountain View (Ca) 94043, phone 415-965-4061.

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IN OR OUT? <u>Glenn Penisten</u>, president of <u>American Microsystems</u>, is general campaign chairman for the Santa Clara United Way fundraiser this year. Does this mean AMI will be a donor--or a beneficiary?

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. FOUR OUT, ONE DOWN.

Four firings and a demotion landed at <u>Synertek</u> yesterday, while boss Bob Schreiner was handily out of earshot of the

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moanings. Dropped were <u>Ron Eneken</u>, <u>John Farley</u> (1978 sales man of the year), <u>Jim Bourne</u> (credit manager, onetime customer service manager), and <u>Doug Strabel</u> (purchasing manager). Dropped down from distributor sales manager to salesman is <u>Tom Target</u>.

Canning in some cases was attributed to "disagreement with present management (i.e., marketing-sales v.p. <u>Bill O'Meara</u>) philosophy." Target's demotion was understood to be to make room for a new distributor sales manager, a friend of O'Meara's.

SOMETHING NEW UNDER THE SUN. If you think everything about discrete devices is cast in concrete, look to <u>Kylex</u>, the <u>Exxon</u> subsidiary which is developing large-scale LCDs. To drive those big mothers, Kylex is developing a thin-film transistor.

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OLDTIME NEWCOMER. The Lockheed microelectronics center, which has long been building custom circuits for in-house projects, is entering the merchant market with a mil-spec expandable switch array, starting as a single nine-channel analog switch with a common source. Usable at data rates up to 500 kbits/sec., the unit has no known MTBF, having logged 90,000,000 hours of satellite orbits with no failure to date. Price is of course a little steep: \$500 in 50-100 quantities. Delivery 4-6 weeks.

Inquire <u>E. Ellison</u>, Lockheed MC, Dept. 62-46, Bldg. 151, Box 504, Sunnyvale (Ca) 94086, phone 408-742-2666.

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MONEY GOING BEGGING. The venture capitalists have come back out of the wood-

work, but the entrepreneurs are nowhere to be found. Only one device startup is on the horizon (page 3). Two others are in the EDP area: an intelligent terminal house (out of <u>National</u>) and a minicomputer company (out of Intersil).

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WRONG END OF THE TELESCOPE.

SCOPE. A recent Arthur D. Little report avers that the top ten U.S. electronics companies spend 3.8 per

cent of sales on R&D, while the top ten Japanese firms spend in excess of 5 per cent. Not in this industry, baby. As recently shown here ("Manager's Casebook" No. 495-3, MN April 28), no key company in the semiconductor industry spends less than 4.4 per cent (not including government-sponsored), and some spend more than 10.

The distinction is important, since ADL cites as its key example the Japanese VLSI program, to cost \$925 million in the 1976-1985 time frame. Artie does concede, however, "that American technological advances offer assurance that the U.S. will not be outpaced in the years ahead."

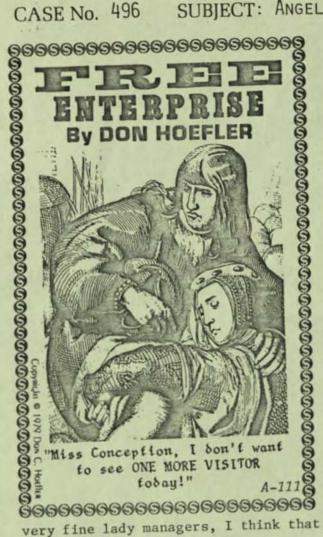
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MURPHY'S NINETEENTH LAW.

If there is a 50 per cent chance of success, there is a 75 per cent chance of failure. And,

MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 496 SUBJECT: ANGEL OF MERCY IN THE EXECUTIVE SUITE



A GREAT SECRETARY does far more for her boss than fend off unwanted callers while soothing his tender nervous system and fragile ego.

National Secretaries Week has come and gone, but I cannot let the event pass without some comment on Secretaries I Have Known.

The secretary is the boss's official greeter, telephone call director, coffeemaker, stenographer, file clerk, typewriter repairperson, housekeeper, office manager, mother-confessor-and keeper of secrets.

Yet in all my rather extensive library of management texts there is scarcely a mention of the secretary as the manager's good right arm.

Now don't put me down as a male chauvinist when I refer to the manager as "he" and the secretary as "she." The sexes could just as well be reversed--but in today's world they seldom are. On second thought, while I have known some

very fine lady managers, I think that most guys I know would be putrid secretaries.

YOU HAVE HEARD THE BUZZPHRASE "management by exception." Who is more a manager by exception than the executive secretary? She is constantly seeing to it that her guy keeps appointments he forgot, doing the things he forgets to do, even making decisions he has been putting off.

As I left my office for the airport some years ago, on my first jet trip, I nonchalantly left on my desk a package which contained the primary reason for the journey. When my secretary discovered it, she simply hopped in a cab and chased after me. She got the airline company to recall the airplane, then taxing for takeoff, dashed through the departure gate and out onto the tarmac to hand the bundle to the stewardess. I had lots of privacy on that trip. No passenger would speak to me for the 3000 miles cross-country, and the stews refused to pour me a drink on the grounds that I looked shitfaced already.

A secretary can even change your lifestyle. When I first came to California, I drank New York style coffee "regular" (sugar and cream). My secretary, who made good coffee and was proud of it, quickly convinced me that coffee "regular" was as uncouth as a New York taxi driver on a hot day in August, and she adroitly shamed me into drinking the pure stuff--black, no sugar. That was in 1961, and I haven't had a cup of coffee "regular" from that day to this. IN MY SALAD DAYS, when I was still perceptibly moist behind the ears--and

before I had a secretary of my own--I read in one of those how-to-succeed books that the way to a manager's heart was through his secretary. I had applied for a job (in an area where I had no damn business whatever), and knowing the boss was out of town, I requested an interview with his secretary. She graciously received me, in his office, in his chair, at his desk--and I got precisely nowhere.

Later the boss pointed out to me that a guy's secretary is his closest confidant next to his wife, that his secretary even did his banking for him, so what in hell made me think I could pump her for information? P.S.: I did not get the job.

Since there is such a close relationship between boss and secretary, I fought strenuously to prevent a secretary from being assigned to me in a company I was joining. Although we had not yet met, she was aware of my attitude, and had considerable misgivings of her own.

As a showdown was approaching, she was agonizing over the problem one day with Jack Smith, the great columnist of the Los Angeles Times. After hearing all sides of the question (except mine), Smith sagely advised Hazel: "Aw, what the shit, Haze, give it a try."

She did, and I did, and it was was one of the best business relationships I ever had. She was with me on that fateful morning of November 22 1963, when Jack Kennedy was slain. I immediately closed the office and called my wife to meet us for lunch. The three of us spent the afternoon mourning a lot, sobbing a little, cursing the fates, and getting drunk as hell.

THE PRIVATE SECRETARY knows so much that she frequently holds the boss's job in her tender palms. It was Friday afternoon, at the end of National Secretaries Week in 1966, when I walked into one of the industry watering holes to find the place loaded with managers and their secretaries. The guys all had sheepish looks, like the husband who remembers a wedding anniversary in the bare nick of time, and the girls were lighting up the room with a broad expanse of Mona Lisa smiles.

I joined a pair I recognized, for a session of wining and dining and boozing. As the afternoon wore on, the manager's tongue became loosened and he wanted to do something to impress his secretary. So he told her in sotto voce tones that he and she would soon be working for new bosses, as their company was soon to be acquired by a company back East.

After a suitable pause, I excused myself for a visit to the sandbox; with a side trip to the telephone, and the takeover story appeared as a bulletin in my newspaper the following Monday morning.

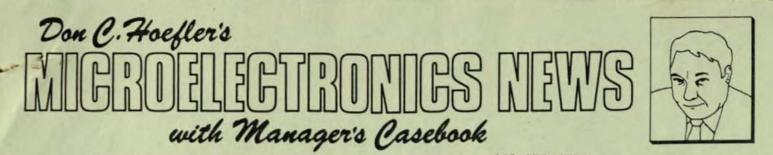
The management of the taken-over company was livid, and would have summarily sacked the source of the leak, could they have found him. But only three of us in the world knew his identity. And she would never tell.

THE INTIMATE NATURE of the manager-secretary relationship can lead to

trouble outside the office. A well-traveled company president's secretary was also his moonlighter, part of the package whenever he changed jobs. The laughing stock of the industry for years, he should have remembered the Yiddish adage, here freely translated: Don't eat your meat where you get your potatoes.

Don C. Hoefler's with Manager's Casebook

BOX 2343, SANTA CLARA, CA 95051 .



BOX 2343, SANTA CLARA, CALIFORNIA 95051 . TELEPHONE: 408-373-6688

SILICON VALLEY JUNE 16 1979

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INCHING CLOSER. The takeover of <u>Intersil</u> is just a matter of time, and the price will be the result of financial maneuvering going on right now. This week the stock bobbled between 16 and 18, ending the week at the lower figure, right where it started. By any rule of evaluation, at that price it is a downright steal.

The likely buyer? Check my prediction of more than two years ago (MN, June 4, 1977) that it would be <u>Northern Telecom Ltd.</u>, the equipment arm of the Canadian <u>Bell</u> system. The picture in the crystal ball remains unchanged.

Remember that NTL picked up 20 per cent of Intersil that year: first, by buying outstanding shares paid to <u>RCA</u> as a lender to predecessor <u>Advanced Memory Systems</u>; second, by buying a new issue of Intersil convertible preferred; third, by buying in the open market.

The professed goal was for NTL to acquire 20 per cent of the company, and at the time president John Lobb said 100 per cent acquisition was "not presently contemplated."

Perhaps not, but my spies tell me NTL never stopped buying, and its holdings now approach 40 per cent. Half of these shares were acquired in the \$10-\$12 range, and probably none for more than \$16.

IT FIGURES. Northern Telecom must have an in-house source for the \$80 million in semiconductors it will be consuming each year. It dropped a bundle in an attempt to set up its own facility in Canada, the ill-fated <u>Microsystems International</u>. Even with the <u>Intel</u> technology, without qualified people it was doomed.

The next step, a U.S. startup under <u>Red Taylor</u> (MN, Jan. 27), has been spinning wheels. The only alternative remaining is acquisition, and there are not many companies available.

Now check it from the viewpoint of <u>Ori Hoch</u>, Intersil president. He inherited a company sick in every way, in add-on memories and even worse in semiconductors. The more easily repairable was the systems division, which quickly turned and climbed steeply under Bob Landee.

But this was a mere holding action. It was a certainty that <u>IBM</u> would not permit AMS to capitalize on its early foot indefinitely. Now with its own flexible slip-in PC boards, it is rapidly closing the gap. (CONTINUED OVERLEAF)

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NO FALLBACK. Clearly the systems operation would have to find a new niche

and a new product line. Other than selling subsystems, it has not done so. For Hoch had his eye on building a salable semiconductor company. The problem there was that, despite several changes in top management in the semiconductor division (<u>Brent Dickson</u>, <u>Larry Regis</u>, <u>Tom Palfi</u>, ex-pres <u>Bob</u> <u>Lloyd</u>, <u>Jim Cunningham</u>), it would not turn. The only alternative was to acquire while there was still time.

This was done in 1976, with the takeover of Intersil. But note that despite the fact that AMS was the surviving company, Intersil was the one that had the credibility, and so Intersil's name and headquarters were retained.

And within a year Northern Telecom owned 20 per cent of the new Intersil, and the new president of NTL, Monson Hayes, had a seat on the Intersil board.

In retrospect it seems inevitable that NTL would take over Inter, as soon as Hoch got his act together.

Last year semiconductor sales exceeded systems sales for the first time (54/46). (The 1977 annual report claimed 55/45, but there was a fudge factor; the true figure was closer to 50/50, with systems being the much more profitable.)

But how does a company that is about to become captive gracefully withdraw from the marketplace? Although AMS used to call its merchant-market operations "OEM," the 1977 annual report stated, "Internix Inc., Spezial Electronics K.G. and Schweber Electronics, each of which is a distributor or foreign sales representative, have been the company's principal integrated circuit sales customers."

Meanwhile key executives in other semiconductor companies--including <u>Advanced</u> <u>Micro Devices</u>, <u>Monolithic Memories</u>, <u>Synertek</u> and others--sensing an impending capital gain, are buying and holding Inter stock. NTL will have to pay more for the last shares, but the overall purchase price will still be a steal.

While the market value of <u>Intel</u> is more than twice annual sales volume, and <u>Fairchild</u> was sold for nearly three times, today's market valuation of Intersil is still less than 1:1 (\$78 million stock vs. \$103 million sales).

So those shares in the marketplace are bound to rise. How much? How about \$25-\$35?

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BIG TIME IN SHORT TIME. India, which first began making transistors for radios in 1973, has since gone through SSI and MSI, and has now earmarked \$10 million to get into the LSI business through a governmentcontrolled facility.

The plan is to concentrate on the domestic market first, with plain vanilla circuits of up to 200 mils on a side. First applications will be watches and calculators, in which there is now a thriving bootleg business. This is being carried on with full knowledge of the government, which winks at it for the moment and even has drawn up quotas and timetables for the smugglers.

When India's semiconductor capability gets up to speed, and the smugglers are driven out of business, the government hopes by then that its industry will have credibility in world markets and that it will be able to begin exporting game chips.

There is already a 7000 sq. ft. facility, but it is understaffed, and the government is searching worldwide for repatriates and other qualified people. The only question remaining is how long it will take civil servants to ingest all those rupees. STATE OF FLUX. The big reorganization at Signetics (MN, May 5) continues to

twist and turn. It is now official that <u>Lionel Kirton</u> is out as head of MOS (MN, May 12). He is replaced by <u>Jim Byrne</u>, who moves over from heading analog. Taking over for Jim is <u>Peter Guest</u>, who had been manufacturing manager under Byrne.

Kirton continues to be seen in the company of key executives of various firms, apparently in preparation for an auction.

MAKE THE MOS OF IT. Signetics, long an also-ran in MOS, appears to be turning to an old master for help. Word out of Europe is that Sig is telling its field troops there that it now has a second source for its DMOS (diffused-channel) line. Salesmen there are referring customers to <u>Semi</u> Processes Inc. in Santa Clara.

Semi Processes!!?? Yes, you remember: the little outfit acquired by <u>Jean Hoerni</u> and <u>Bob Freund</u> (MN, Jan. 13). Freund would neither confirm nor deny the deal yesterday, but I was able to learn from other sources: (1) SPI is adding 16 tubes; (2) is adding a second shift; (3) is doubling space; (4) is doubling people (to 20); (5) has added reps in France, Germany and Japan.

Sig has also been boasting in Europe that it will have VMOS products on line in due time, but a well-placed Sig guy in the Valley tells me he knows of no V-groove work here. Educated guess: that will be Hoerni's baby too.

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WHAT'S HER LINE? <u>Nancy La France</u>, veteran of a number of technical posts at <u>Fairchild</u>, <u>General Micro-electronics</u>, <u>Cartesian</u>, <u>Intel</u>, and head of her own artwork shop, has moved over into the headhunter business.

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The new venture is Dyna-Search, at 920 Saratoga Ave., San Jose. Phone 408-243-8977.

WHERE THERE'S A WILL. As the gasoline shortage--artificial or not--spreads cross-country, Valley companies are responding in a variety of ways, notably in revising work schedules to fewer days of longer hours.

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The idea is not new. <u>Illumination Industries</u> has had a four-day week for years, and <u>Communications Transistor</u> has had a three-day week for nearly as long. Ever since the labor crunch got really tight, <u>National</u> has offered schedules of two to five days.

Electronics Association of California says 15 per cent of its five-day members are considering four-day if the shortage continues. Other steps include increasing auto mileage payments (from 14-15 cents to 17-20 cents); encouraging car pools; greater use of telephone for sales contacts; better coordination of delivery trucks; allowing employees to use company cars; allowing employees to gas up during working hours; and hiring a driver to fill tanks for middle and top managers.

MEA CULPA (II). Another constant reader tells me that 1 lb. of engine thrust is not 1 hp at 360 mph, since 1 hp = 33,000 fpm. Hence the formula is T = (33,000 x 60)/5280 = 375 mph.

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PROPHETIC.

The reason for all this jawboning about mechanics in an electronics publication is my condemnation of the DC-10 ("Manager's Casebook"

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No. 500). But do you know what <u>McDonnell Douglas</u> calls the member that connects the engine pylon's forward bulkhead to the the front wing spar (the part that failed)?

The Tombstone Fitting.

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CERTAINTIES AND UNCERTAINTIES. While we are on the subject of tomb and gloom, how about this quote from Dr. E. L. Anderson

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in "The Upright Spike of '79: Doomsday for America"? "...the United States dollar is ready to collapse not with a whimper but with a bang, probably before the end of 1980...there is nothing that can be done about it...Will "Doomsday" actually happen on October 15 1979, and exactly what will happen? Frankly, we don't know...".

But every economist who is employed by a California bank knows that his state will ride out the storm, largely because of the good health of the electronics industry.

So you pays your money and you takes your choice. But don't forget to get a rain check.

OVERSTATEMENT AND UNDERSTATEMENT. First product of <u>Joe Rizzi</u>'s new company will be not a minicomputer, but really a miniature mainframe. And his semiconductor facility will be a design center only, not a factory (MN, June 2).

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Joe will be taking the wraps off this thing any day now, just as soon as a few loose ends are pulled together. You will learn about it here first.

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FAX IS FACTS. Market researchers trying to track the telecommunications market cannot afford to overlook the facsimile segment, which has been talked about since before semiconductors were invented, but now appears ready to come into its own. The market now breaks down into broadcast and point-to-point.

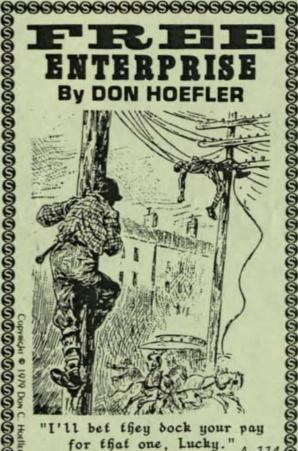
The broadcast part is now known as "electronic news delivery," in which news is piped directly to home computers or TV sets via cable or radio. Newspaper publishers in every major city are taking a close look at END (and running scared). First shot out of the box comes from <u>Telecomputing Corporation of</u> <u>America</u>, which announced at the production management conference of the American Newspaper Publishers Association in Las Vegas that it will soon be sending United Press International copy to subscribers in Washington (DC) and Los Angeles. TCA expects to be installing systems at the rate of 30,000 terminals a month within three years.

Meanwhile <u>Predicasts</u> says three billion messages will move by fax in 1990, compared to 200 million in 1977. They say equipment sales and rentals in 1990 will total \$910 million.

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MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 502 SUBJECT: THERE'S SAFETY IN NUMBERS



A recent item in this journal concerning the hazards of being employed in the semiconductor industry (MN, May 12), elicited a number of responses of the "Dear Sir, You Cur" variety, which in turn inspired the editor to expose a contrary view in this matter. We therefore went directly to an industry leader, probably its leading misanthropist. Following is a verbatim transcript of the interview.

Whip: Good morning, my boy. Come in. Welcome to Indifferent Microsystems. The name is Whipsnade, Larsen E. Hoef: Good morning, Mr. Larceny. I... Whip: Whipsnade! Larsen E. Whipsnade! Of the Dallas Whipsnades. Hoef: Yes sir, Mr. Whipsnade. My name is... Whip: Monicker, donicker, my lad. As the Bard said, "What's in a name?" Yet you do remind me of a fellow I used to know, name of Sousé. Do you mind if I call you Egbert? Hoef: Not at all, sir, if you will answer me a few questions about safety.

Whip: Ah yes, safeties! I remember them well. Haven't used one myself in years, but I seem to recall that those feathered ones were highly effective in some cases. I understand they now come in a choice of colors and...

Hoef: Not safeties, Mr. Whipsnade. Safety. Singular. Whip: ...banana and cherry flavors and--Godfrey Daniel! What's a singular safety?

Hoef: Employee protection, sir. Accident prevention.

Whip: Drat it, man! What do you think I am talking about? We have them in coin machines in the men's room--and the ladies' room. Nothing discriminatory about Indifferent Microsystems, my good fellow.

But accidents can be the forerunners of the smiles of Dame Fortune. If I didn't have an accident, I'd never gotten here. Hoef: I don't think I...

Whip: It was 1974, my boy. The Year of the Tiger. Not a fit beast for man nor semiconductor. I sold this little company a bank of epitaxial reactors, the Mount Pissis of reactors we called them. When the reactors blew up, the poor thing went broke. I rescued it at a sheriff's sale. Rescued it at two cents on the dollar. Can you wonder, therefore, that I have a soft spot in my cockles for the fortuitous misfortune? Putting the poor bastard out of his misery, I call it. I am not a devout man, Egbert, but to me it was a simple act of Christian charity.

Hoef: But you do agree that safety has its place in the company organization? Whip: Of course, of course. I once almost hired a safety engineer until he told me where that place was. Hoef: Which was? Whip: The poltroon wanted to put his office at least two blocks away from the factory. As I reached for the telephone to summon the Mountain View constabulary, the dastard ran off. A good thing for him, too. I'd have knocked him for a row of lib-labs.

Hoef: But truly, Mr. Whipsnade, don't you think it is simply good business to be concerned about the personal welfare of your employees? Whip: Naturally, my good fellow, naturally. You hear all this happy homossasa about the environment, but there is no cleaner air in the world than you will find right here at Indifferent Microsystems. Not even at Lake Titicaca. Hoef: Yes sir, but I understand the finishes on all your employees' cars are mottled from your air scrubbers sprinkling acid droplets over the parking lot. Whip: Now you are catching on, young man! Do you have any idea what a paint job like that would cost at Miracle or Earl Scheib?

Hoef: Well, I do see you are concerned about all those dangerous liquid chemicals and gasses running around inside the plant. I think that idea of your color-coding the pipelines is real nifty.

Whip: Suffering sciatica, those are not color codes, boy. Before the painter started work, he found his way in here to my best gin. When he finished daubing, the ravishing little pineapples on the line loved it, so I agreed to allow it to remain. Especially since several of the supplicants were built like brick chickenhouses. I even invited this gaspipe Gaugin back for another nip or two. Hoef: You mean that you have...

Whip: ... not the slightest notion of the contents of those pretentious cylinders, no.

Hoef: But what about those open vats of acid out there? Does it not give you pause that someone could slip and flail his hands in the tank to break the fall? Whip: Pause that someone should dip paws in acid? Great Caesar's ghost! How could anyone be so intemperate?

Hoef: Well, it is pretty slippery out there.

Whip: They should be wearing galoshes.

Hoef: Do you have problems of women slipping in high heels?

Whip: Where have you been, my man? The little chickadees in this business haven't worn heels since Fairchild was a pup. My problem is that they are all barefooted and pregnant. That is good neither for business nor for my extraconnubial bliss. It takes a good man to dally in the Valley these days, believe me.

Hoef: But at least I do see you have an emergency shower.

Whip: Yes, indeed, yes. It's right outside the cafeteria. Use it every day for the Wet T-Shirt Contest. Does wonders for morale.

Hoef: Mr. Whipsnade, what do you regard as the greatest cause of industrial accidents? Whip: Employees! Eliminate the employees and you eliminate the accidents. That's as obvious as the situation you face when you take the bull by the tail. Hoef: Well, you still have employees, so you must have mishaps. Do you keep accident records? Whip: Course we do. Course we do. Hoef: What do you do with them? Whip: Put 'em in a drawer with all the other files. Flats. Rasps. Rat-tails. Half-round bastards. Did you ever see one of those? Hoef: I don't think so. But with your safety record, Mr. Whipsnade, how can you tell OSHA Don C. Hoefler's that this plant is fail-safe? Whip: Easy. It's safe 'til it fails. Hoef: And what do you think of OSHA? Whip: I'm not given to rash statements, Egbert, but either they go or I go with them. Hoef: Thank you, Mr. Larson E. Whipsnade. with Manager's Casebook

Whip: Any time, my boy. Any time.

Good night, Uncle Claude. Wherever you are.

BOX 2343, SANTA CLARA, CA 95051 .



BOX 2343, SANTA CLARA, CALIFORNIA 95051 . TELEPHONE: 408-373-6688

SILICON VALLEY JUNE 30 1979

Friend=

FISHING EXPEDITION. "Sir, I desperately need your help," said the plaintive but undeniably seductive feminine voice at the other end of the line. It is an appeal no man can resist. "You see, I met this really groovy dude at T.G.I.F. last Friday, and I've lost his name. All I can remember is he works for your company in MOS design engineering. Could you mention the names of your MOS design engineers? I'm sure I'll remember it if I hear it again."

"Harry Balsam?" asked the engineering manager. "Dick Layman? Fred Hoarmaster? I think you've got the wrong company, lady. All my other designers are happily married men."

"I'm from Time magazine. I interviewed one of your MOS design engineers last week, and while my notes are intact for my story, I seem to have mislaid his name. Can you tell me the names of your designers?"

"I'm with Valley Distributors, and I have a bingo card from out of your Dept. 310-that's MOS design, isn't it?--asking for a Conjugal Connectors data book. But the name is smeared. Could you tell me the names of your MOS designers, so I can get this book to the right guy?"

"This is Professor Jackstrop of East Valley College. I'm just putting the finishing touches on a rush research paper, and some of my source material is locked in my secretary's desk, and she's tied up in a gas line. Could you tell me...?"

And so it goes--and has been going for the past six or eight months. These are just some of the dodges employed by headhunters whose own sources have dried up, yet who see fat commissions out there from companies desperate for talent. "If there's a recession out there, you sure can't tell it from the level of recruiting activity," a company president told me yesterday (29). It gets worse and worse every month."

In the old days it was easier. A headhunter could make hay with an employee roster or organization chart. The most famous mine was the Fairchild Blue Book,

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'concocted in a frenzy of intra-company togetherness during the <u>Hogan</u> regime. For every key employee it contained his name, nickname, title, telephone extension, wife's name and nickname, home address and telephone. Unfortunately it did not remain intra-company for long, and soon became the hottest blackmarket item ever known among Valley body-snatchers.

This is the reason that virtually no Valley company publishes an organization chart any more, and house telephone directories give only first initials and phone extensions, and no more. Even so, leaks occur.

One of the recently-acquired companies in the Valley got a request from the IR manager in the parent company, who wanted to see a key-man chart with backup information on potential successors. The president of the subsidiary had each department head make up a single copy of the chart for his organization. The president then personally made a verbal presentation to visiting people from headquarters, following which he destroyed all the originals.

Nevertheless, within 24 hours every single MOS designer named on his departmantal chart received a phone call inside the company from a headhunter outside the company. Since headhunters have standing offers of \$100-\$150 for an organization chart--anybody's organization chart--it seems clear that somebody inside this company got his/her hands on this chart long enough for a pass through the Xerox machine and was suborned for a few pieces of silver.

In many companies, telephone operators are instructed to put through no calls into sensitive areas without the specific name of an individual. No calls by title or department name will be passed.

It's enough to make you think that what this industry needs is a good stiff recession.

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SPEAKING OF RECESSIONS.

Although virtually all economic seers now asure us a recession is inevitable--indeed, we are already in

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it--this industry is yet to feel its impact. While several companies encountered a negative glitch in May, June has bounced back, in some cases to record levels. Since the vacation months of July and August are always slow, it appears that we can't expect an accurate assessment until the September turnup--or lack of it.

<u>Mike Krasko</u> and his staff at <u>Merrill Lynch &c</u> think it will be the latter. Say they: "...the industry cycle is now four and one-half years old, and in our opinion is at its cyclical peak. While we look for a 10-20 per cent decline in the rate of gain of orders from the first- and second-quarter levels to the fourth, we do not believe that it will be comparable to the 50 per cent sequential decline of the 1974 period. We believe that the slowdown will be of relatively short duration, maybe one or two quarters...Underlying usage remains strong, customer inventories are not believed to be excessive, and we do not anticipate the abrupt contraction in industrial production that occurred last cycle."

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MR. MOTO ACQUIRES A PIECE OF THE VALLEY.

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Bernie Aaronson's design house, <u>Pico</u> Designs in Santa Clara, is being

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acquired by <u>Motorola</u>, but by corporate headquarters, not the Semiconductor division. The deal has a built-in time delay, to assure that Bernie and his key staffers will remain aboard until 1982, but by then he should gross \$1 million. But hell, that's peanuts these days, Bernie. There are now 520,000 U.S. millionaires. That's one in every 400--which makes me one in 399. IT COULD BE WORSE. There were long faces among the reps at <u>National</u>'s national sales meeting in Monterey (Ca) last week, as a cut in commissions--the second in five years--became a *fait accompli*.

Typical cuts for metropolitan accounts were 21 per cent, from 3.8 to 3.0 per cent, while suburbans held up a little better, to around 3.5 per cent. The cuts were nationally, across the board, involving all of National's 30+ reps.

Nat's justification is that, while it has always had a weak field force and strong rep force--since the days of <u>Don Valentine</u>--it is now beefing up its field support, while at the same time it has licked most of its quality problems and is delivering a highly reliable product. With less problems and stronger backup, the rationale is that each individual salesman chould be able to handle greater volume, with his take-home equal to or better than it was before.

Nat also promises the independents that it won't tamper again with the present arrangement until company sales reach \$2 billion--and that's at least \$1.2 billion to go. So while there is plenty of grumbling around the watering holes, there is no groundswell revolution in prospect.

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GOING, GOING, BUT NOT GONE. It seems to be only a matter of time before <u>DCA</u> <u>Reliability</u> takes the merger plunge, having three suitors standing in the wings, but don't hold your breath waiting for the nuptials. Although all of the stockholders (mostly employees) are ready and willing to cash in capital gains, pres Mike Economy is slowly and cautiously biding his time.

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Various gambits have been tried by potential takeover artists, including an end run around Mike to try to sew up all the other stockholders, and another with a sell-out contract ready to go--sign here, please, wham, bam, thank you ma'm.

The end run was tried by <u>Sertech</u>, a Massachusetts rep, which nearly cut a deal while Economy was out of town. He was on his way to Florida when he heard about it, made a fast turnaround and was able to convince his fellow stockholders to reconsider. Sertech interest has since cooled down.

Whoever picks up DCA--and whenever--it seems a certainty that Mike and the other shareholders will remain on board for an indefinite period, unlike the situation at <u>Pacific Reliability</u> when <u>Eli Goldfarb</u> sold out to <u>Cutler-Hammer</u> and several non-vested key employees bolted soon thereafter. One key employee lost to DCA, however, is co-founder <u>Sid Wiesner</u>, who has taken early retirement at age 60 and is sitting home living the life of Riley (and he's not even Irish).

FAN MAIL. Dear Mr. Hoefler: Just when I was beginning to believe you were incapable of making an error, you up and did it! I have met many a misanthrope in my day--but a misanthropist??? There's no such animal. A. Secretary.

Don: Your credibility would improve if you would verify a few simple facts before printing. That Northern Telecom holdings in Intersil now approach 40 per cent is not true! Current position is 24 per cent. Anonymous.

Drat! The first time in my life I try to coin a word, and I get caught with my dictionary down. I still think this is a word that should not be pist off. As for NTL-Inter, who knows how much is held in street name? The number I heard last week was 34 per cent. But I'm still betting on NTL for the takeover. STOOLIE FOR THE IRS.

. Fairchilders with key-employee stock options are suddenly

facing some hard facts of life as <u>Schlumberger</u> now calls in those options for cash (MN, June 23). The difference between the option price (\$20 in many cases) and the Schlum tender of \$66 is regarded as ordinary income rather than capital gains, since the optioner cannot hold but must now cash out. What's more, the tax is due instanter. Worse yet, Fairch is required by a cute new wrinkle in the IRS regs to withhold the tax and remit it to Uncle Sammy, paying only the difference (about half, in most cases) to the optioner.

Thus if the taxpayer finds himself a tax shelter between now and the end of the taxable year, Uncle already has his cash and he must file an amended return to try to get all or part of it back. Lots of luck--and *paciencia*.

On the other hand, since Fairch stock was snoozing in the 30s range until <u>Gould</u> and Schlum started a bidding war, you might say that Schlum gave the optioners a free ride on their taxes anyway. Now why are you Mountain Viewers glowering at me like that? Just your Friendly Old Philosopher, that's me.

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INCREDIBLE QUOTE (CONT'D). Supporting my disbelief at the statement of former Fairchild chairman Ros Gilpartic that a cabinet

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member owes his loyalty to my-president-right-or-wrong (MN, June 23), is the federal code of ethics for government service, passed by Congress July 11 1958 (a full decade before the beginning of the Nixon miasma), which states in part: "Any person in Government service should put loyalty to the highest moral principles and to country above loyalty to persons, party or Government department."

Let us make one thing perfectly clear.

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WITHOUT PEOPLE IT'S AN EMPTY BAG. As Intersil looks more and more every day like a company preparing to fall into the arms of an Alma Mater, more and more semiconductor division people are floating

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resumes over the Valley (MN, June 2, 16).

<u>Bob</u> <u>Landee</u>'s systems division is holding fast, but that's the steak and pres Ori Hoch sees more percentage in selling the sizzle.

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IT BEATS ASPARAGUS. <u>Advanced Micro Devices president Jerry Sanders has chosen</u> his topic for the keynote speech of the all-day "Status" seminar of <u>Integrated</u> <u>Circuit Engineering</u> in Palo Alto on Aug. 15: "Semiconductors: Crude Oil of the '80s--Silicon Valley: The Persian Gulf."

Information: John Shea, 408-248-1843.

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MOVING (AGAIN). Frank Burge, the soft-spoken human dynamo who was once marketing director at Fairchild Systems Technology, later west coast

manager of Electronic Products magazine, and most recently account executive at the <u>Regis McKenna</u> ad agency, is starting his own agency, <u>Foote-Burge/Pacific</u>. Frank says for openers he will settle for a semiconductor account, one in computers, another in peripherals, and a leasing house. If I know Frankie, he should have those nailed down in about 20 working days.



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SILICON VALLEY JUNE 23 1979

NOT-SO-SWEET SIXTEEN.

The 16k RAM market is an absolute rat race, with demand sure to outstrip available supplies for another year at

least. The only thing to alleviate it will be full-scale production of the 64k, and that is so far down the road as to be virtually out of sight, 1981 at the very earliest.

Plants are already booking their 1980 output, and anyone not already established as a good customer had better be prepared to remain with 4ks--or go into the black market which will surely surface.

All Japanese manufacturers of the 16k--Nippon Electric, Fujitsu and Hitachi, primarily--are doubling and tripling capacity, and even this will not satisfy the demand.

American firms continue to speak with forked tongue regarding the Japanese. Two of the most adamant anti-Japanese lobbyists--<u>National</u> and <u>Intel</u>--continue to be among the best customers for Japanese RAMs. Intel's <u>Bob Noyce</u> has just returned from Japan, where he tried--with less than smashing success--to get a commitment for 400,000 16k parts a month, both for <u>IBM</u> orders (the forthcoming H series?) and for the company's solid state disk (MN, April 14). Nat's <u>Charlie</u> <u>Sporck</u> won't deign to go to the Land of the Rising Sun himself, but sends <u>Floyd</u> Kvamme instead.

<u>Intersil's Bob Landee</u>, v.p. of the systems division, leaves for Japan tomorrow (24) to line up his 1980 requirements with NEC, Fuji and Hit. He should have little difficulty, however, as he has had good relationships with the Japanese since he began buying 4k parts from NEC several years ago (MN, Feb 3). He began by telling NEC his total requirement, and asking them how much of it they wanted, with the understanding that he does not double-order and that a delivery commitment is a *commitment*.

NEC is prime supplier to Inter, and the vendor promptly reports schedule slippages of as little as 5 days. Next week Landee will be signing firm orders with his three vendors for 100,000 pieces a month by the end of 1979, and 130,000 16k RAMs a month by mid-1980.

Meanwhile, what is happening to Landee's potential captive supplier, Intersil's own 16k capability? It was a case of too little, too late. <u>Roger Smullen</u> could not come close to meeting Landee's requirements, which led to the Japanese connection in the first place. Now Roger has his peddlers getting designed into new sockets while ignoring the home-town market.

(CONTINUED OVERLEAF)

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IT'S A MAD MAD MAD MAD WORLD. Not only do we have companies eagerly buying from Japanese companies at the same time they

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are excoriating them, but in one case we have had a company dumping surplus 16k parts into the scrap market, in the face of the present crunching shortage.

This was National, after its systems operation was reeling from IBM actions six months ago (MN, Jan. 6). The company declared tens of thousands of firstquality 16k RAMs to be excess inventory, and sold them off--cheap.

THEY DOOD IT. National, which last year boasted that it had bested Fairchild in IC sales, now appears to have wrested the No. 3 spot from Fairch in the overall industry stats. Nat's 4Q sales (May 31) were \$200.9 million, a magic number Fairch has yet to see.

While one quarter does not an annum make, Nat's annualized sales would be \$803.6 million, which if it holds up will definitely relegate the Mountain Viewers to fourth place, with Intel closing fast.

Schlumberger has its work cut out for it. Ten years of decay is beginning to show.

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THEY NOT DOIN' IT. Quietly and without fanfare, Fairchild is dropping out of the power transistor business. The move has cued speculation that Fairch will next move out of discretes altogether. No way. Transistors and diodes are the most important scratch-makers Fairch has.

HE DID IT--AGAIN. Schlumberger has decided to render all outstanding Fairchild stock options as exercisible and cashable immediately, regard-

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How did this Limey ever find out about Jesse James?

THE GAME'S NOT OVER. Now that National has a temporary restraining order in its trade-secrets action against Zilog (MN, June 9), it is in Fat City, right? Well, not quite. It appears the Exxon lawyers are about ready to come down with a countersuit, an eventuality Nat's leagle beagles have been fearing ever since Nat started the harassment.

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Nat pres Charlie Sporck avers he is going to pursue this one in the courts. Boy, what a show if he really did! But don't hold your breath.

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TRUE GRIT. Although Nitron has been waiting for the hearse for many months

(MN, Sept. 30 1978, May 19), and pres <u>Sam Nissim</u> has recently been huddling with many prospective buyers, those who know Sam best say it will take a fantastic offer to get him out of the chair. They say he sees himself as just what the shell of a company needs, and he is determined to tough it out.

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ASKING FOR IT. The ouster of <u>Bill Hickey</u> and <u>Golden Gate Enterprises</u> as promoters of Semicon (MN, June 2, 9) was not so much the result of his profiteering as of a double-cross that backfired.

It seems that Billy-boy found a loophole in his relationship with Semiconductor Equipment and Materials Institute, in that predecessor <u>Rich Banks</u> had signed a contract to produce the spring show in San Mateo, but not those in New York, Zurich or Tokyo. Hence within a week after the closing of Semicon in May, Bill was distributing space applications for shows he called "Production Equipment Show," booked for the same dates and same locations as the Semicon shows (except for the Bay Area, where he planned to go into the Cow Palace).

The reaction of the SEMI board was threefold: (1) fire Hickey; (2) move the show production in-house; (3) hire Shirley Pelner from GGE to manage it.

Hickey's reaction to that was to file suit, and on Tuesday (19) he got a temporary restraining order. The matter goes to a hearing July 3.

This guy has a reputation for being friendless, but if he really believes he is going to steal three of the four Semicon shows he must also be a little tetched in the haid.

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INCREDIBLE QUOTE. Roswell Gilpatrick, past chairman of Fairchild, in Sunday's (17) New York Times: "Mr. Halberstam's central point about Mr. McNamara appears to be that the latter put his loyalty to the President above what Mr. Halberstam terms 'a larger loyalty to the truth and to the democratic process.' But under our Constitution any official in the executive branch, who is appointed by the President and confirmed by the Senate, owes his supreme loyalty to the President. Such an official can only escape that loyalty by resigning his office."

It figures. Good old Ros was deputy secretary of defense in the imperial presidency of HRH <u>R. N. Nixon</u>, and while he escaped any splotching from Watergate, it is patently clear that he learned nothing from that reprehensible episode either.

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CREDIBLE QUOTE. Jerry Sanders, president of Advanced Micro Devices, testifying before the U. S. International Trade Commission: "The free enterprise system has never been better exemplified than in the semiconductor industry...Virtually everywhere outside the United States a different situation exists. Other sovereign nations are operating under a different set of ground

"We must be sure that the U.S. semiconductor industry has the opportunity to continue to participate in free and open markets without disruptions and distortions resulting from violations of the rules of international trade."

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THE BEAT GOES ON. Still another shift at Signetics, with Fred Kashkooli moving

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from manager of new product development to manager of MOS technology planning, not reporting to MOS memory v.p. Jim Byrne (MN, June 16), however, but rather to senior v.p. Mike Hackworth.

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EN GARDE. <u>Fairchild</u> management doesn't like to talk about it, but security has been quietly tightened to thwart pilfering. When a company is in the never-never land between announcement of an acquisition and its accomplishment, there is a strong tendency for insecure and frustrated employees to try to walk away with the store.

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MICKEY MOUSE OUTFIT. The <u>American Microsystems</u> VMOUSE was not the only loser at the recent rat race at the National Computer Conference (MN, June 9).

The run through the mystic maze was supposed to be timed electronically with a light beam-photocell, but the one at the starting line failed to operate. The IEEE geniuses at first tried to blame the TV lights, but finally conceded the problem was in their own equipment. Then a couple of old duffers from the days of IRE (AIEE?) came running up with stopwatches--mechanical stopwatches, already!

The first mouse entered couldn't get any traction, causing his designer to retire screaming that he had been jobbed by a change in the playing surface. The second mouse quit two feet beyond the starting line with dead batteries (purchased by his owner only that morning in Times Square). The third mouse hit the first wall, made a hard right turn into the nearest corner and refused to move. Many of the mice were topheavy and capsized.

A few intelligent mice actually negotiated the maze, but they were far outpaced by dumb machines that simply hugged the wall for the entire distance.

Said the IEEE honchos: "We'll have to change the rules next year."

Are there still any philosophers out there who think that computers shall inherit the earth?

IT'S THE CUSTOM. Bert Braddock's custom design shop, Custom MOS (MN, Aug. 26 1978), is now up to nine people, with the recent arrival of Jay Miner, Steve Bishop and Ben Roberts. CMOSI continues to shepherd customer

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concepts from circuit design to prototype (fabricated by custom houses such as AMI, Synertek or Maruman). Production volume may range anywhere from 5000 to 200,000, with most being nearer the upper limit.

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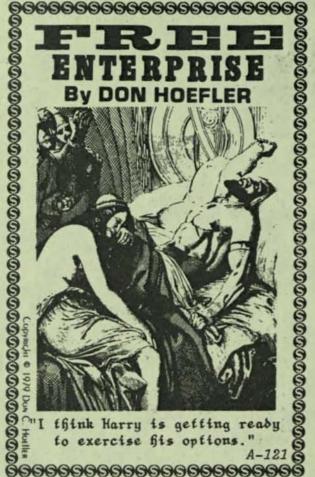
Bert says business is "out of sight," with an average of three inquiries a week. He plans further expansion, and is looking for yet two more designers.

MURPHY'S FOURTEENTH LAW.

W. It is impossible to make anything idiot-proof, because idiots are too ingenious.

MANAGER'S CASEBOOK by Don C. Hoefler

CASE No. 503 SUBJECT: THE DISAPPEARING OPTIONAL ACCESSORY



FAIRCHILD SECURITIES were delisted from the New York Stock Exchange

this week, as Schlumberger prepared to complete its takeover of the company, and the value of key-employee stock options jumped to the difference between the option price and \$66 a share.

Thus the history of Fairchild options had come full circle. For if Fairchild management had recognized the need for an option plan when it was most urgent, there may well have never been a Silicon Valley.

By the early 1960s, only a few years after the founding of Fairchild Semiconductor, it was clear to everyone in the industry--except the benighted top management in New York--that the semiconductor division was becoming the tail that wags the dog, and it and its people were deserving of far better treatment than they were receiving.

For while the eight founders were accorded relatively royal treatment, the subsidiary was being milked without conscience by the fat cats on Long Island--which meant that the second tier of semiconductor management had no shot at capital gains. They were the urchins with their noses pressed against the outer pane of the candy store window while the eight rich kids gambolled inside.

WITH NO INCENTIVE to remain aboard, key people began to leave in droves, beginning the parade of spinouts which culminated in some 40-plus semiconductor companies in the Valley, most of them tracing their origins back to Fairchild. Even some of the Fairchild founders themselves caught the fever, going on to found Amelco-Teledyne, Union Carbide-Solitron, Intersil and Intel.

Still some slow-witted eastern companies failed to get the message, and the lack of stock options was a direct contributor to the downfall of Philco-Ford Microelectronics after it acquired General Micro-electronics. It has retarded the growth of such companies as Nitron (ex-McDonnell Douglas), Raytheon, Signetics (Philips), Amelco (Teledyne), Zilog (Exxon) and Monsanto.

When a GM-e spinout, Electronic Arrays, was about to start up with Sangamo money, the deal came unglued at the last minute because Sangamo, while it was willing to give the founders everything they wanted, could not digest the idea of giving up pieces of the company to recruit key personnel.

It is difficult to see why the concept should be so earth-shaking to seasoned managers, for it was used frequently by cash-short companies during the Great Depression. Montgomery Ward used it to capture Sewell Avery as chairman in 1932, and Marshall Field to get James McKinsey in 1934. Maxwell Motors offered Walter Chrysler a large block of what was to become Chrysler Corp.

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THEY BEG TO DIFFER. The stock option is not to be confused with the employee stock-purchase plan. The former is limited to key em-

ployees, while the latter is open to any qualified employee, including hourlies. The purchase plan offers stock at a small discount (often 15 per cent) from market, while the option plan is fixed, regardless of market. The stock purchase is made as part of a regular thrift plan, usually from wages withheld, while the exerciser of options is strictly limited as to when he can buy, and financing is his own responsibility, even if he must borrow from a bank (or the company itself). The purchaser is usually free to dispose of his shares whenever he wishes (although the company usually urges him to hold), while the option exerciser is usually required to hold for a period of some months, and can usually trade in his employer's shares only at infrequent intervals.

Since the stock purchase plan represents savings of low and middle level employees, it should not be employed with shares which are highly speculative or volatile in price. Shares offered in option plans are frequently both.

Put another way, stock purchase plans are usually offered by solid, established companies, whose shares are in or approaching the blue-chip class. Stock-option plans are most often offered by companies with problems: startups; unable to afford adequate salaries for needed key people; sluggish cash flow; too many receivables; heavily in debt; bankrupt.

The company which offers stock options is usually looking for one or more saviors.

GAMBLERS' ODDS. Besides the speculative nature and volatility of the stock, the stock exerciser is subject to the vagaries of the evershifting tax laws in existence at the time of the exercising, and in the case of an acquisition, to the whim of the acquiring company.

Ever since a personal income tax was first levied in the United States in 1913, profits on transactions in securities have been regarded as anywhere from ordinary income to pure capital gains, with both extremes highly variable. The concept changes virtually every time Congress convenes to write a new "tax reform." The latest change moves back in the liberal direction, cutting the tax rate from 40-50 per cent to 28 per cent. But lord knows what it may be when any given set of options becomes exercisible.

The state of the market renders options highly valuable or worthless. In the 1970-71 recession, National and many other companies had to reprice their options (at a penalty), when the bottom dropped out of the market, turning options to funny money, and many key people took a hike. When Philips took over Signetics in 1975, the tender price was less than that of the outstanding options, which were therefore worthless.

When Philco-Ford acquired General Micro-electronics in 1966, it simply ignored the outstanding GM-e options, turning them to wallpaper overnight. This cavalier attitude led directly to the formation of American Microsystems, Electronic Arrays and Nortec, and ultimately to the demise of Philco-Ford Microelectronics. When Honeywell acquired Synertek last year, the Syn options were made conver-

tible to Honeywell shares at a very attractive rate of exchange. And now all outstanding Fairchild options are immediately exercisible, thence to be tendered for cash to Schlumberger.

So the controversy continues to rage as to whether the stock option is a useful recruiting tool in this year A.D. 1979. But those who engage in argument are drubbing their dillies. For in Silicon Valley, the stock option will soon be an historic curio.



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