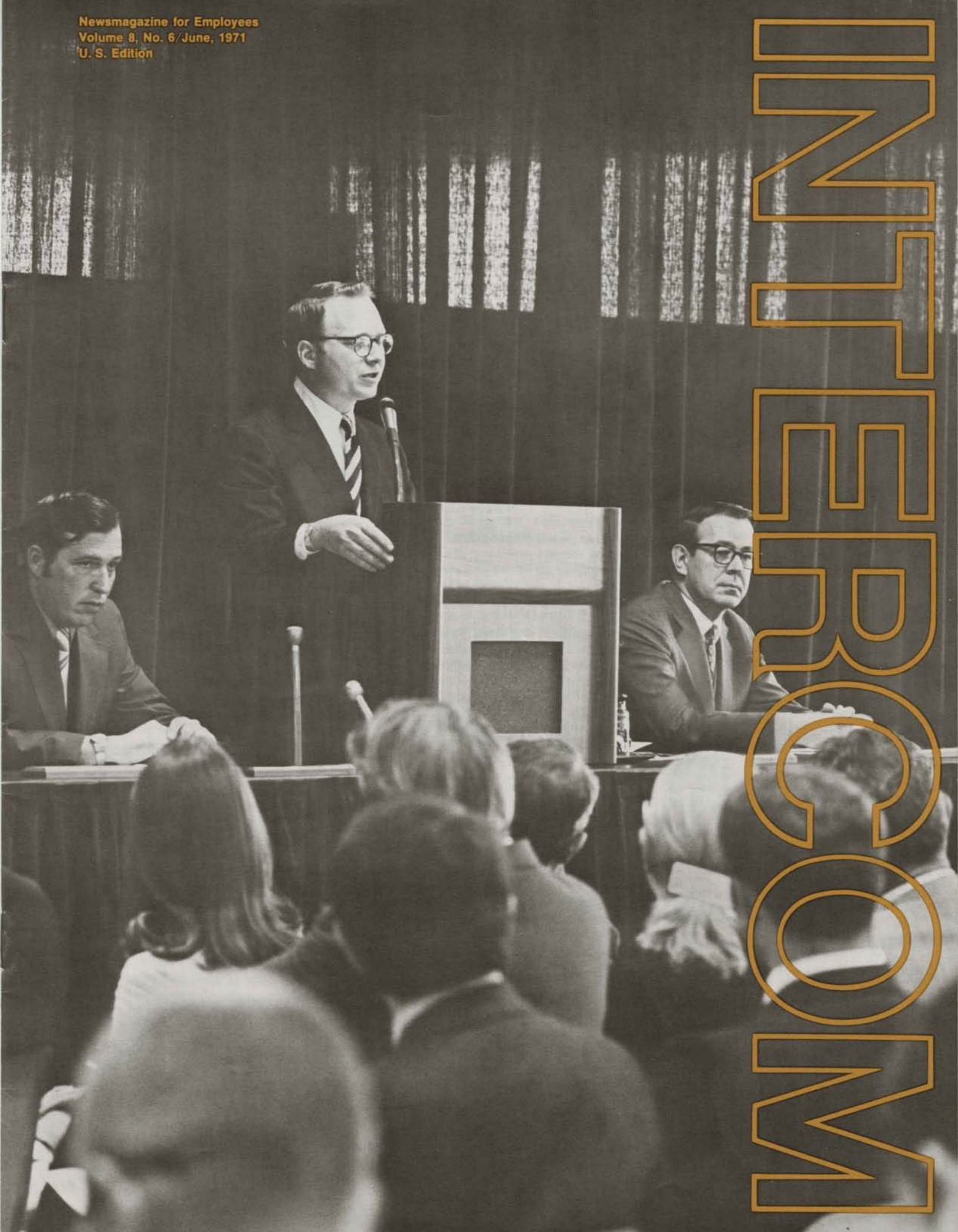


INTRODUCTION



MEG Announces Latest Communications Products

A new generation of communications equipment was ushered in last month when the Equipment Group announced its latest terminals, control unit and modems.

James Guzy, executive vice president and general manager of the Equipment Group, introduced five new terminal models, new terminal features, and a new terminal control unit. "Taken together, this telecommunications package," says Mr. Guzy, "effectively brings computer power to the end-user at a price performance that was unavailable even last year."

The Terminal Control Unit (TCU) supports a full range of communications devices. Memorex also has added a code conversion capability to the Model 1270 TCU (our first terminal controller) that will automatically translate BCB code of USASCII, and vice versa—an important feature for IBM System/360 and System/370 users.

The first 1240 Communication Terminals were installed last year. The 1240 is capable of operating at a print speed of 60 characters-per-second—twice the speed of its nearest competitors.

Here is a summary of the new terminals and their major features:

- The Memorex 1241 is a multipoint version of the earlier 1240. (Multipoint permits more than one terminal to be attached to a leased line, reducing effective communications line costs.)
- The Memorex 1242 is the 1241 with a line buffer. The buffer permits an operator to enter data through the terminal transmitting at 1200 BPS. The buffer can also be used to free the leased line while the operator keys data into the buffer for later transmission.
- In addition to these two terminals, keyboardless models of all Memorex

terminals—the 1250, 1251, and 1252—designed for Receive Only operation—were announced. These RO terminals can be used as inexpensive, low speed line printers.

The telecommunications package includes the new 1271 Terminal Control Unit. It competes directly with the IBM 2701 TCU. Available on the Memorex 1271 are Autocall features for computer generated dialing. This last feature can be used, for example, to automatically communicate data to multiple branch offices.

Also announced were enhanced capabilities for terminal operations, including two means of controlling vertical forms movement; an optional 10-key pad for hi-speed numeric data entry; optional APL character set with corresponding character set key tops; and record checking to detect errors from the computer or the terminal (Through the Memorex Remote Terminal Analysis Center featured in the March *Intercom*).

"A major catalyst of change is communications technology," says Mr. Guzy. "Communications will be a powerful force for change because it bridges two realities. On the one hand, management requires immense computer systems to reap the economic benefits of centralization. On the other hand, we run our businesses in a decentralized fashion and, in order to make maximum effective use of data processing, we have to distribute information.

"The improvement of communications technology, the increased reliability and speed of communication gear—of terminals, CRTs, COM systems—will enable us to put people on-line. Those who are generating the data and those who are using the data will have access to the computer.

"Communications, by giving a large number of users access to the computer, is one of the contributing factors to growth and change in the data processing industry."

Board Elects New Director



Benno C. Schmidt has been elected to the Memorex Corporation Board of Directors. Mr. Schmidt has been a partner in the New York firm of J. H. Whitney & Co. since 1936 and has served as managing partner since 1964.

His distinguished record in business and the community has earned Mr. Schmidt a listing in *Who's Who in America*. He is on the board of directors of Global Marine Inc., General Signal Corporation, Marine Colloids Inc., Freeport Sulphur Company, Transcontinental Gas Pipe Line Corporation, Pacific Western Industries, Esperance Land and Development Company and Meri Chemical. He has also served as a general legal counsel for the government, in Washington.

His community activities include serving as a trustee of the Memorial Sloan Kettering Cancer Center, Sloan Kettering Institute; a trustee for the Whitney Museum of American Art; and member of the board and chairman of the executive committee for the Memorial Hospital for Cancer and Allied Diseases.

Mr. Schmidt holds an AB and LLB from the University of Texas.

Intercom

A monthly publication for employees of Memorex Corporation
Santa Clara, California 95052
Editor: Gary Williams

ABOUT THE COVER

Santa Clara Mayor Gary Gillmor (left) and Bank of America President A. W. Clausen listen as Company President Laurence Spitters dedicates the San Tomas facilities to the employees of Memorex.

Mr. Spitters Dedicates New Site To the People of Memorex

More than 500 shareholders and friends of the Company were present on Wednesday, May 19, to celebrate Memorex's 10th anniversary, dedicate our San Tomas facilities, and attend an informational meeting for shareholders.

In his opening talk at the dedication, Company President Laurence Spitters welcomed our guests of honor, including A. W. Clausen, president of Bank of America, and Santa Clara's Mayor Gary Gillmor. Mr. Spitters then went on to talk about the Company's history, saying in reflection, "This decade of Memorex growth teaches us that when a motivated organization reaches beyond its grasp, its abilities to stretch its talents and meet exceedingly ambitious goals can't be overestimated. It teaches us that the enterprise and energies, inventiveness and resourcefulness of Memorex people are never to be underestimated."

He continued his tribute to employees, saying, "It's been my extraordinary good fortune to be associated with these people now for ten years and to all of them, on behalf of the shareholders of the Company, I express my hardest esteem and congratulations. As in any sizeable organization, Memorex people differ from one another, but importantly, they share a common characteristic. They are uncommon people . . . On this tenth anniversary then, Memorex Corporation must commit itself to preserve this partnership with employees. What could be more fitting today than to dedicate these fine facilities to all of our employees, uncommon people all."

Mayor Gillmor, who spoke "on behalf of the nearly 100,000 people of Santa Clara," complimented the Company for its progress over the past decade, saying, "I truly believe that Memorex Corporation is a miracle of the sixties. I think the reason is that, like the City bears a personality, the Corporation does, and this is the personality of farsightedness and ambition . . . I'm looking forward in the seventies to working with this organization, and I know we all

hope and pray that the economy is upgraded. But with this facility and this staff, no matter what the turns of the economic system, success will be spelled out for you . . . our number one corporate citizen."

Mr. Clausen spoke on behalf of Bank of America, which has played a major role in financing Memorex's growth since 1961. He said, "Perhaps you can share my perspective when I tell you that ten years ago when I first became aware of Memorex, it consisted entirely of four young men with an idea that they could make and market computer tape better than the competition. In the exciting decade between then and now, that idea has grown into a worldwide company with more than 6,000 employees, occupying two million square feet of business space and operating from 60 U. S. bases and 34 overseas locations . . .

"So you can see, speaking as a banker and reflecting on the Bank of America's close ten-year association with Memorex, I can say with conviction that I am delighted to be here to celebrate this occasion . . .

"Stepping out of the banker's role and into that of a Bay Area citizen, I think we must all respect the economic contribution Memorex has made to our community and our state. The company is today one of the largest in Northern California and has helped the Bay Area earn and maintain its growing reputation as a high technology resource and a center for precision industries . . .

"As you can see here today, Memorex is not only one of the largest corporate landowners in the county, but one of the most responsible in terms of its obligations to the environment. Both the Company and its architects deserve our thanks for the eye-pleasing line and park-like openness of this installation."

(Note: The text of Mr. Spitters' speech to shareholders is not repeated here since it will be separately mailed to employees.)

Enjoying the dedication ceremonies are Mr. Spitters and Mayor Gillmor. The Mayor is reading a congratulatory message from Governor Ronald Reagan. The letter from Governor Reagan and another from M. H. Stans, U. S. Secretary of Commerce, were printed out on a Memorex 1280 Communication Terminal. The other photos are of the shareholders' meeting and displays.



Hundreds of Families Tour MEG, Administration Buildings At First San Tomas Open House



President Meets With Employees

Note: Following is the text of one presentation to employees in Santa Clara by Company President Laurence Spitters. Mr. Spitters spoke to 11 groups over a period of four days in April, and although each presentation varied slightly, the main points he made in this session typify those made at the other meetings.

I have asked for the opportunity to meet with all of the Company's employees to discuss the current status of our business, some of our problems, and the outlook for our business.

As you know, we've had a fantastic year. The Equipment Group's output in 1970 was \$60 million, a fourfold increase over 1969. This volume of equipment shipped, when added to the media products of the company in 1970, of some \$63 million, brought the total company's output to approximately \$122 million.

We look forward to a good year in terms of growth in 1971. The economic conditions of the country are improving, and we see the opportunity for improvement of our media business. In 1972, we should benefit from a number of development programs that are now underway, particularly in the media area. In 1973, we should have the cumulative benefit of what goes on in the Equipment and Media Groups, and in 1973 will come the impact of our systems development in Minneapolis. So, looking ahead over the somewhat more distant future, I can also assure you that we have a very bright future at Memorex.

We are a growing company; we are a progressive company. We are building fine quality equipment. It's being produced economically. We require improvement in our costs, but the fact of the matter is that the value of our equipment more than covers the production costs. So, we are building profits into the economic system of Memorex.

These profits can't be denied by any accounting statements. Accountants, of course, don't determine the results of operations—only operating people are able to do that. But accountants do have the responsibility of reporting financial statements, and the accounting profession has well-stipulated rules. The unfortunate circumstance of Memorex today is that these accounting rules result in financial reports of less than

satisfactory results, whereas the true economic and operating results are eminently satisfactory. And I will get into that subject in a little more depth in a minute or so.

I congratulate the Equipment Group on the tremendous growth it has experienced and on its product introductions. Alan Shugart's development groups have been most productive in the past two years, and certainly in 1970 they have marvelous accomplishments to their credit. The introduction of the Computer Output Microfilm system in April of 1970 was a notable event. It adds an entirely new and different product line to Memorex's business. While the sales of that product in 1970 were distressed by the economic conditions, I am certain that the growth of our COM system sales will accelerate and I am certain that over the long run it will prove to be one of the strongest product lines that we have here.

In the middle of 1970 you may recall the first shipment of our 661, the disc drive controller. This development program was completed several months before its targeted date. Johan Willems, and all of the other people who contributed to that product development effort, deserve the hearty applause of the entire organization. The manufacturing people who were able to introduce the product as rapidly, expeditiously, and as efficiently into production as they did deserve our applause. It was a notable accomplishment.

Late in the year, we introduced into production the 1240 communications terminal printer. This again is a marked improvement in the Company's product base. No longer are we totally dependent upon selling replacement products. In the terminal printer we have a line of products that particularly lends itself to the kinds of computer systems and computer use that is current in the marketplace today. This product, therefore, should contribute measurable amounts to our growth in 1971 and into the future.

One of the notable accomplishments of the Equipment Group in 1970 related to placing in the field what must be the largest marketing, the largest sales and service organization of independent peripheral equipment producers today. Garrett Fitzgibbons, Bill Emmons, and their organizations are to be congratulated for the ninefold increase from the beginning of the year to the end of the year. Training these



people, organizing them, making the customer contacts, developing the customer interest, operating as effectively as they did to develop \$60 million of orders and continuing this effort at a very high rate in 1971 is again a remarkable achievement. We applaud them for that.

One characteristic of Memorex's business is that it is terribly capital intensive. By that I mean if you look at Memorex's financial statement and at our balance sheet, you will observe that we have employed at Memorex over \$200 million of assets and approximately 6,000 employees. So, simple division tells us that over \$30,000 is invested in Memorex for every individual's job.

In the media business, typically, we require a dollar of capital for a dollar of sales. In the equipment business, it is even more capital intensive for the simple reason that our customers don't pay for the products when they receive them—they lease them and they pay for them by rental payments over a period of four or five years. This means that Memorex, were it not for some transaction placed between the end-user customer and ourselves, would be unable to pay our material suppliers and our work force, our taxes and our operating expenses.

"The earnings are economic earnings — they're not to be denied."

And so during 1970 we created such a vehicle—ILC Peripherals Leasing Corporation. This is an independent company. It was initiated by us, organized by us, and we obtained the financing for it. But it is an independent company and it is not controlled by us. We have a minority interest in the leasing company, but—and this is very important—we do have the option to purchase the majority interest as well, and ultimately it would be our intention to make of this leasing company a wholly-owned subsidiary of Memorex.

The leasing company has available to it, over the next three years, \$142 million of capital, of which Memorex's contribution will be \$26.5 million. Financial institutions, which include the country's largest banks—the Bank of America, Chase Manhattan Bank; in this area, Crocker-Citizens Bank, Wells Fargo Bank; First National Bank of Chicago, Prudential Life Insurance Company, Ford Motor Credit Corporation, General Electric Credit Corporation, the Aetna Life Insurance Company—these institutions are contributing \$115.5 million of the leasing company's capital.

Together with our capital contribution and theirs, and with the receipt of rents, the leasing company will pay to Memorex in the years 1970, 1971, 1972, some \$200 million cash for the equipment that we ship to our customers and which are on lease. Obviously, the lease rentals will be paying for the leasing company and the interest costs and other capital charges and some small operating expenses of the leasing company.

The leasing company, on the other hand, pays cash to us as we ship the products to the field, and with this cash we meet all of Memorex's obligations—our material suppliers, our salaries and wages, our taxes and operating expenses. And there results from this transaction a cash residual. And that cash residual tells us that what we are doing is constructive—and what we are doing is building the economic base of our company.

An unfortunate circumstance is that our public auditors have told us that this transaction, or this combination of transactions, cannot be reported as a sale. And, consequently, no earnings which result can be reported in the year in which the transactions take place. They tell us there are earnings but these earnings must be de-

ferred—they cannot be recognized in 1970, when some \$42 million of such transactions took place, or they cannot be recognized in 1971 when substantially twice that volume will take place.

These earnings, however, are not eliminated. The earnings are economic earnings—they're not to be denied. And the accountants, or the accounting profession has a word for these earnings—they are called "deferred earnings," and if you will look at our balance sheet you will see a very large account of deferred earnings. But these are not reported as profits in the current period.

Ultimately, they will be reported—increments, slight amounts of profits are reported every month for every unit of equipment that we ship. And as we ship increasing numbers of equipments, and as the volume of equipments in the field mounts, so too will the monthly increments, the monthly recognition of deferred profits, increase. And ultimately, the monthly or quarterly or annual recognition of these deferred profits becomes so large that we again, for financial statement purposes as well as for economic purposes, will be reporting profits and when this occurs, profit sharing will again be instituted.

Uphappily, profit sharing does not operate during the period of deferment. We have no appeal from this circumstance. This rule is a part of our profit sharing plan which was approved by our shareholders in 1965, and I think it is equitable that we should not participate in profit sharing when we tell our shareholders that their profits are also being deferred. But just as we would reassure our shareholders that their profits have not been eliminated, so I also assure you that your profit sharing is not eliminated; and for every unit of equipment we are shipping today, there will be an ultimate recognition of profit and in that recognition there will be an ultimate recognition of profit sharing.

When the crossover point will occur, we cannot be certain. We are hopeful it will be in the second half of this year. If it doesn't occur in the second half of this year, it certainly will occur in 1972. The year for the whole, will undoubtedly not produce a profit sharing contribution. So, as there was none in 1970, there will be none in 1971. But as our work was most constructive in 1970 and as it continues to be in '71, we do

have a vested interest in the deferred profits and they will ultimately benefit all of us.

Let me tell you what Memorex faces in the future. We will experience an impressive growth because of our media product development; the consumer products business; the micrographics business; the business products division; the systems business which has been launched in Minneapolis and which has proven to be very successful in its first stage of development; and, also, the development of new peripheral equipment here in Santa Clara. All of these areas, together with our International operations, bespeak a fine future for our company.

But that growth and all of its inherent promotional opportunities for our employees and all of its inherent employment stability for our total employment, rests upon the increased infusion of capital into our company. Thirty thousand dollars per individual, \$30,000 per job is what we require to sustain our business. And most of this capital is borrowed and periodically it becomes necessary for us to go back to our creditors, to go back to our lenders, and to demonstrate to them that their loans are good and their loans should be increased because Memorex is a profit-oriented company and their loans are secure. And the insurance company's policyholders are secure. And the bank's depositors are secure by placing their funds in the assets of Memorex.

Obviously, this means that we must present to them a record which is persuasive of the stability of our operations and its profitability. In order to accomplish that, there are many things that we have to do in our operations because we have certain inefficiencies and in certain sections of the business we do have operating losses. These we can't attribute to bookkeeping. These are true operating losses. The correction of these operating difficulties involves increased productivity. It involves cost curtailment. It involves redeploying our people and our resources from the less profitable to the more opportune areas. These are things that we must do in 1971. Perhaps we're a bit late in getting with it. I think we have the extenuating circumstance that in 1970 our mission was to expand maximally—to get as many products out in as little time as we could. But that job is now accomplished. These organizations will grow, but they will grow by a more modest rate than has been true in the past, and so we will have the opportunity to improve our

Question: Will the tape plant be phased out?
Answer: "Categorically, no."

efficiencies, to work cost reductions, to improve our productivity.

Nineteen seventy-one is the year in which Memorex people are going to be required to do more with less. In that respect we are no different from every other business in the computer industry or, for that matter, any other business in our country.

It's important for everyone at Memorex to realize that profit is indispensable to job opportunities, both promotional opportunities and regular employment. And I know from past difficulties that we've had at Memorex and the way in which employment has responded to the challenges of those difficulties, that there is no limit to what Memorex people can do when they are asked to make a maximum effort. We are asking for that kind of maximum effort in 1971 and in fairness to our people, it is necessary that the company reward our outstanding performers. So, for that reason effective May 1 we will be reinstituting the merit plan system which has as its objective the rewarding of each individual based upon the evaluation of his performance by his supervisor. So, I ask all of you to increase your performance, to increase your productivity and to increase your cost savings. This will result in meritorious pay increases for you and large benefits for our company.

What we are doing in 1971 is not different from what we've had to do. In 1968 we had to do this; also in 1965 and at several intervals in the past ten years, as Memorex had to contend with difficult competitive circumstances.

But, nonetheless, in times past when we have had similar periods of difficulty, we worked together as a team, we solved our problems, and we've emerged from those experiences a stronger company—stronger not only because our average abilities have improved, our average output has improved, but much stronger relative to our competition, which has then permitted us to surge forward in terms of increasing market share and gaining a large base of customers. And as we have done so in the past, I am reassured that we are going to do so in our present circumstances.

At this point in time, let me solicit your questions. The difficult questions are usually

those that are pressing upon most employees, so let me suggest that the toughest question that you can put to me is the one that's most welcome.

If 1970 was a bad year for the computer output microfilm industry, why do we believe that 1971 will be better? Could the bad year have been predicted?

In hindsight, I'd like to think that there must have been signs on the wall that we should have read, but we didn't. In that respect, I suppose we claim only to be more mortal. I think that we did a better job than most of our competitors did, for which I am happy. As I have indicated earlier in the talk, in terms of the total results for the Equipment Group, I am overwhelmed. You people have done an incredible job. Why do we think that 1971 might be better than 1970? The outlook is generally that the economy will improve, perhaps in the last six months. The prime rate was decreased, which is one of the principal indicators of economic activity, yesterday by the Chase Manhattan Bank in New York. The Government economists are predicting improved economic conditions in the second half of this year. I think our own marketing results indicate some improvement. The interest of the computer user for our equipment in 1970 and early 1971 has been a very enthusiastic one. We simply haven't had the budget to procure it. But, as the budget constraints are lifted, it seems to me their interests will come to the fore and we'll have the kind of orders that we think are inherent in the computer industry for our type of product.

With all this diversification, there is a rumor to the effect that the Company will phase out either the tape operation or the disc pack operation. Is there any truth to that?

Categorically, no. It is very important for us to have a vital, profitable growing tape business. Such developments as the Consumer Products Division and all the future that that holds for us would be utterly impossible without the tape business. We have got to carry on this business. The Disc Pack operation is indispensable to Memorex. The next generation of disc file equipment, the hardware, the memories that actually use disc packs, require that we have a program of new development in the disc pack area. The next generation of disc packs

has to be developed and built, and manufactured for the next generation of disc drives.

These are parts of our business that are so integral, that are so much a part of the total operations, that it would be unthinkable to phase them out. It is equally unthinkable that we should carry them on at a loss. I'm sure we'll all agree. So the challenge is obviously to establish that level of business that we can safely sustain over a long period and then so structure our business so that we can carry it on profitably.

We're all wondering about a job bidding system. They have it at the Media Group, and we were wondering if we could get it in MEG?

Yes, we will. That must be a personnel policy that we implement at Memorex. It's only fair that we consider our own people for a particular position before we consider someone from the outside. At the same time, we have to understand that we have a business to carry on here. That means that if a person is employed to do a specific job, he's now trained to do that job, and he's recently come with the Company, it would be foolish on our part to transfer him out of that job as soon as he would like to transfer. So, job bidding must be done with some reservation; it can't be a completely unreserved and unrestrained kind of job bidding program that we pursue.

The second thing is this; we've had such a major buildup in such a short time in the Equipment Group, that all of the processes involved in job bidding, the interviews, the interviews between supervisors, etc., simply couldn't be complied with and yet meet the requirements for the ongoing business. It takes a maturity, it takes some stabilization in an employment situation, before you can institute the job bidding procedures. We are now reaching that point in the Equipment Group and for that reason we are now beginning job bidding. My understanding is that we have had job bidding at least in some portions of the Equipment Group for a number of months now. I can assure you of it being a fundamental tenet of our personnel policies and it will be extended throughout the Company, throughout the Groups.

"I think we can all be very proud of the appearance of these buildings."

If we are concerned with saving money, why didn't we plant grass rather than using sod?

It would have been less expensive. There's just no question about that. I can tell you that management has had its shortcomings in the conduct of our operation. Had we the opportunity to pull the sod up and plant the grass, I can tell you that we would do that today. The contract was let about 18 months ago. And about 18 months ago, we were operating under different circumstances. What we considered doing was having our shareholders' meeting in the middle of April, 1971, out there on the grass.

The people who designed and built these buildings, and our facilities group, came through with remarkable cost savings. I think we can all be very proud of the appearance of these buildings. We can even be more proud of the efficiency and the economy, and the low cost with which these facilities have been built. I'll tell you very specifically what these facilities cost; they averaged a cost of less than \$27 per square foot, and if you know anything about facilities construction, you know that's probably \$10 or \$15 dollars cheaper per square foot than comparable facilities being built on the San Francisco peninsula.

Now we have built here substantially three-quarters of a million square feet, 750,000 square feet. There's no question in my mind that our savings in this facility, through the economy of construction, has been on the order of seven million dollars and I can also tell you that when our facilities people did that and then went on to suggest that we ought to spend a premium of about \$6,000 for sod, I said all right, go ahead and do it. I'm sorry at this time that I did, but that decision was made months ago.

The profit sharing plan has been generally referred to in the past as a retirement program. Are there any plans to modify this or make it a little more stable or secure for

the employees that intend to stay with the Company?

I think there are at least two aspects to that question that I should answer. The first one is yes. When we instituted profit sharing here, we did it with the objective that profit sharing would create a retirement fund for an overwhelming majority of our employees. The average age of all Memorex employees is thirty-two years and six months. The typical employee, therefore, is about thirty years removed from the time of retirement. Now, we thought that it would be more beneficial to our employees to have profit sharing available to them than to use the same funds to purchase an annuity pension for them. We think that over that period of thirty years, for the typical employee, the accumulation of the profit sharing fund would far out-reach the benefit that could be employed for the same amount of money purchasing from an insurance company an annuity.

For the profit sharing funds, we have investment counselors who are responsible to a profit sharing executive committee. It was the determination of the profit sharing executive committee, plus their counselors, that the profit sharing funds should be invested in growth stocks. By definition, a growth stock is a stock that has growth value. But, the important thing that you have to do is not look at it solely on the security basis, but look at what the value of these stocks is going to be over a considerable period of time. In my judgment, the original purpose of the profit sharing fund still holds true today. I think that most employees prefer to have the money contributed by the Company through the profit sharing fund, rather than for the purpose of a pension fund. And, obviously, we are looking here at alternatives, one substituted for the other.

The question, however, comes up much too often to dismiss so quickly. We are continually reviewing and studying questions of whether or not there ought to be an election made by our people. Is it preferable and more feasible to have each employee elect

either to participate in a pension program or in the profit sharing program? This subject is being studied and I would suspect that some time during 1971 the answer will be published.

I would like to know why we don't have a dental plan here at Memorex?

This is something we have had under continuous study for at least three years now. There are a couple of things in the past that have precluded our joining a dental plan with our health insurance plan. The first problem was, it was just terribly expensive. You can get a dental plan, but to get a dental plan that doesn't have a lot of deductibles, just becomes, very, very expensive. In terms of some of the other things that we thought that our employees wanted, we did some other things. We have a certain employment cost, which the difference between the price that we receive and the price that we can make our products, permits us, if you will, to pay. And it's a question of how would the employees prefer to receive that. Would they prefer to receive that in terms of direct compensation, in paychecks, in terms of fringe benefits, and what kind of fringe benefits would they prefer to have? At some point in time very probably we will have dental insurance here at Memorex. It's a question of when the insurance companies can get the cost down to a reasonable level and again when the Company is able to afford such things.

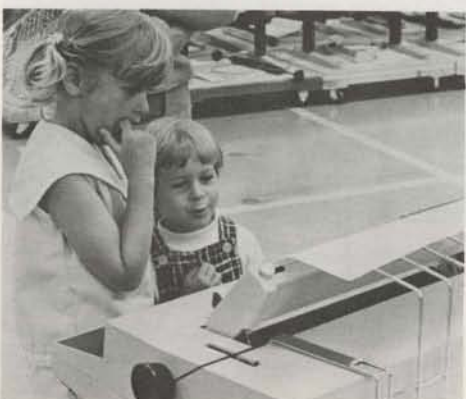
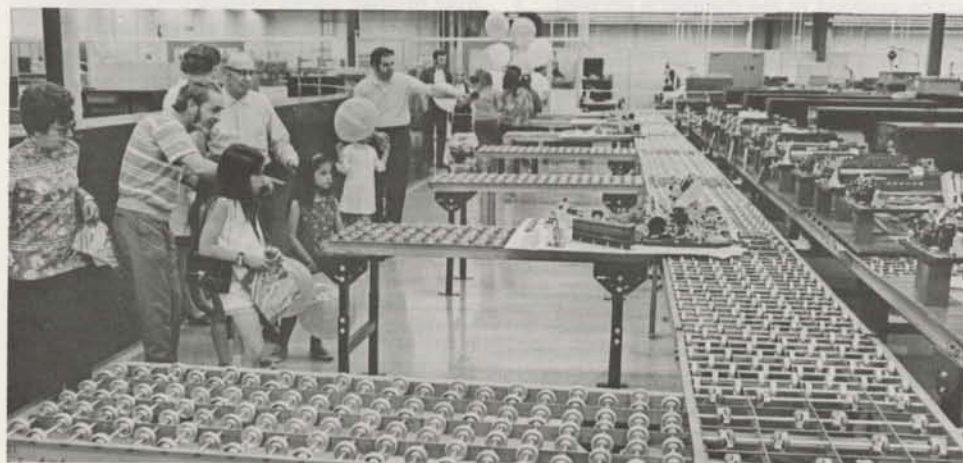
What is the impact of profit deferment on the S&I Plan?

There is no impact on the Savings and Investment Program because of profit deferment.

The foregoing were some of the most frequently asked questions and the answers given by Mr. Spitters at his meetings with employees. Mr. Spitters deferred answers to some questions (credit union, the four-day work-week and others), pending review of studies currently in progress. Results of those studies will be printed in *Intercom* as information becomes available.

Warm, sunny weather greeted hundreds of Memorex families who took advantage of the first San Tomas Open House to tour the facilities. The Administration Building was open for visitors and there were numerous displays in Building 10 and the Employee Center. One of the most popular demonstrations was in the 1240 Terminal Test area,

where Communication Terminals were printing out "Snoopy" designs for the children and not a few adults. The photo in the bottom right corner of this page shows a crowd gathered around the machines, watching as Darlene Johnson tears off another "Snoopy" for an eager youngster.



Our Savings & Investment Plan-- How it Works

The Savings and Investment Plan has been in effect for 18 months, and during this time more than 4,000 employees have used the Plan to purchase nearly 20,000 shares of Memorex Common Stock.

The Company has purchased about 10,000 shares, matching 50¢ for each dollar of member deposits. Most of the Plan members (95 percent) have chosen to invest all their deposits in Memorex Common Stock; the remainder are investing in U.S. Government Securities (Federal Land Bank and Federal Home Loan Bank obligations). For these members also, the Company contribution is invested in Memorex Common Stock.

Deposits and the Purchase of Stock and Securities

Deposits to the Plan are deducted every payday from member paychecks and transferred directly to the Plan Trustee, Bank of America. The deduction is a percentage of gross compensation (base pay before deductions for withholding tax, social security and other items). The Plan member may select the percentage—either 2, 3, 4 or 5 percent—when he enrolls. The transfer of funds to the Trustee occurs when the paychecks become payable. Because most employees are paid twice monthly, the largest transfer of cash to the Trustee is at the beginning and middle of each month. The Company's contribution is payable at the end of each month, and that, too, goes directly to the Trustee.

The Trustee collects the funds and combines both member and Company contributions in a special bank account for this purpose. He purchases Common Stock and U.S. Government Securities according to instructions provided by the Plan's Administrator. Presently, the Trustee purchases a maximum of 300 Common Stock shares every day, as long as cash is available. (He **does not** hold cash for the time when he presumes a "low price" has been reached.)

Since the Company's contribution is combined with member deposits, there is no real distinction in ownership among the shares purchased. The price paid for member shares is the same paid for those the Company buys with its contribution. Of course, when the investments are accounted for at the end of each month, the shares are divided on the ledger books between member and Company-purchased.

In practice, all members in the Plan during a specific month pay the same price per share of Common Stock, even if less than one full share is purchased. The Plan is organized so that every time a share is purchased, each member becomes a part-owner in that share. His ownership is proportional to the ratio of his deposits for the month to the total of funds available for stock purchase. Small as his ownership may be, that fraction of a share multiplied by the number of shares purchased during the month produces the number of shares which will be credited to the member's account. The advantage to this method of stock purchase is that each member realizes an average of all the stock purchase prices for a month. This is beneficial to members especially during periods when the Common Stock price is fluctuating widely.

All the Common Stock purchased by the Trust is handled on the New York Stock Exchange by brokers selected by the Trustee. At the time the broker's bill is paid, the Trustee receives certificates of stock ownership. The Common Stock (both for member-owned and Company-funded accounts) is registered in the name of the Savings and Investment Trust and held in custody for Plan members.

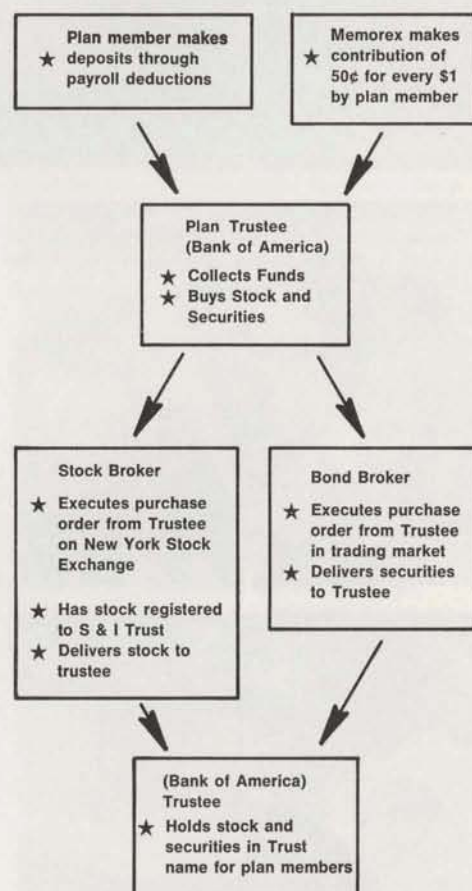
U.S. Government Securities are also purchased by the Trustee from brokers. Because the deposits for this type of investment are much smaller than those for Common Stock, the purchase of bonds, which must be made in \$10,000 amounts, occurs less frequently. Like Common Stock, the securities are held by the Trustee as custodian for member accounts.

At the end of each three-month period, members receive computer-prepared statements of their accounts in the Trust. The cost of the shares is based on the average price per share for each of the three months and the amount deposited during that time. The difference between the contribution amount and the present market value results from the change in the stock price on the New York Stock Exchange since the purchase dates. Although the market value of the investment may change, the equivalent shares of Common Stock purchased for any period remain constant.

Distribution to Plan Members from the Trust

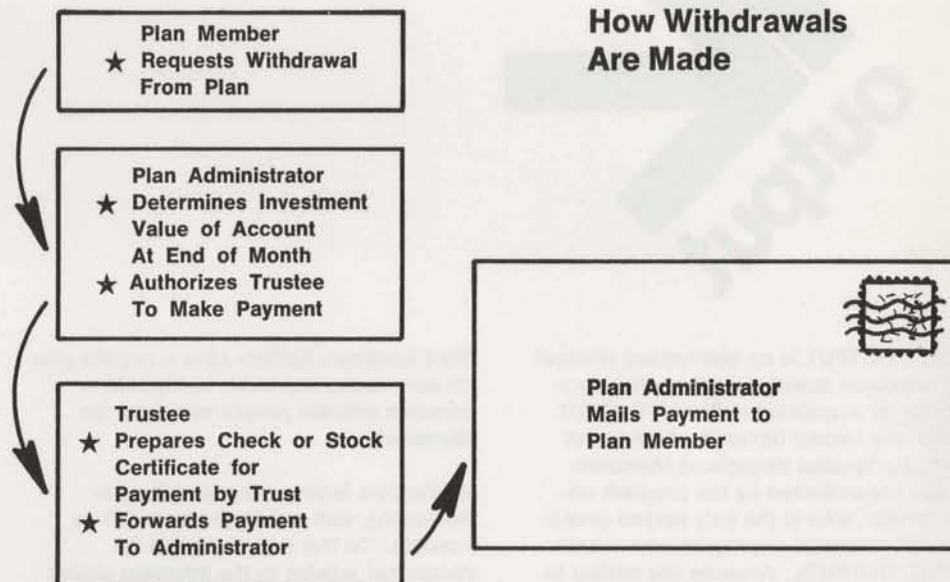
The Plan is a long-range investment program designed to provide financial resources for retirement. A large part of its attractiveness lies in the matching Memorex contributions, but vesting of those contributions has been structured so that member investments remain in the Trust for a number of years. Although declining stock prices from time to time may appear discouraging, it is expected that over the long run the member will benefit from the cumulative vesting of Company contributions and capital appreciation on member and Company-purchased investments. (Continued next page)

How Stock and Securities Are Bought



While the Plan is oriented to long-range investments, a member may periodically have to withdraw his own funds, or suspend deposits to the Plan, or both, because of unforeseen circumstances. When a member withdraws for non-hardship reasons, he receives payment from the Trust based on the last monthly valuation. He also loses rights to the pro-rata Company investments which would have been vested to him at some future date. (Forfeited amounts after the year of contribution are reallocated to remaining members.) If the member receives cash in place of Common Stock, he also gives up the chance for further price appreciation. These factors can make participation in the Plan for speculative reasons unrewarding. (In cases where financial hardship exists, a member may withdraw his funds without forfeiting the Company investments.)

Payments are made in cash or stock. To issue a check or stock certificate, the Trustee must receive written instructions from the member (withdrawal form obtainable from Personnel Departments) indicating how much is to be withdrawn and how the payment is to be made. Cash payments are



made from cash on-hand, and Common Stock by means of certificate transfers to the name of the member. Because the account valuations are made only at the end of the month, it generally takes several weeks before payments are processed.

Further information on how the Plan works is contained in the Plan handbook. Questions unanswered by the handbook should be directed to your supervisor.



One ten-year man congratulates another, as Company President Laurence Spitters (right) shakes the hand of Eric Daniel. Eric, who is technical director in the Consumer Products Division, holds an engraved clock presented

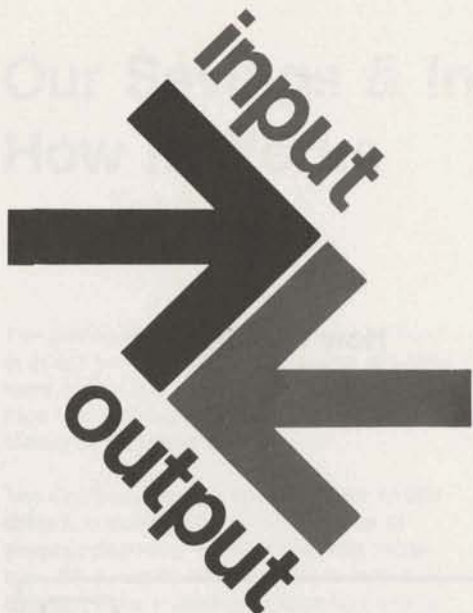
to him as his ten-year service award. Eric joined Memorex on April 16, 1961, and is the second employee to reach his ten-year anniversary; Mr. Spitters became the first on February 9.

In Memoriam

Bill Brock, manager of Metals Engineering for Comdata, passed away on Wednesday, April 28, after a lengthy illness. Bill started with Comdata as a mechanical engineer in mid-1969. He is survived by his wife Kay, and five children.

Frans Von Ende, a senior mechanical technician in MEG Maintenance, died on Thursday, April 29. Frans first came to Memorex in August, 1969. He is survived by his wife, Tilly, and three children.

Herrill McDowell, a machinist in MEG Research and Development, passed away on Saturday, May 1. Herrill, who joined Memorex in March of 1969, was 59.



INPUT/OUTPUT is an anonymous channel for employee questions, comments, complaints, or suggestions. INPUT/OUTPUT forms and locked boxes in which to put them are located throughout Memorex. Forms are collected by the program administrator, who is the only person ever to see the names of employees who submit INPUT/OUTPUTs. Answers are mailed to employees' homes, and questions of general interest are selected for publication, unless the author requests otherwise.

If you can't locate an INPUT/OUTPUT Box, you can obtain forms from your Personnel Office.

Does Memorex have a policy of mandatory retirement? If so, what is the age for this compulsory retirement? Should an employee intend to retire earlier than the established retirement age, what determines the official status of the early retirement as vesting for Savings and Investment or Profit Sharing may be involved?

We do not yet have a formal written retirement policy, although three employees have retired at the normal retirement age of 65. The entire subject, including early retirement and its relationship to the vesting of Savings and Investment and Profit Sharing benefits, currently is under review by the Company. We plan to formalize a retirement policy and communicate it to all employees by the end of 1971.

In addition, we currently are recommending an amendment to both the Profit Sharing and Savings and Investment plans which anticipates various retirement alternatives. The amendment provides that an employee will fully vest when he terminates his membership by normal retirement. Normal retirement means retirement upon reaching age 65, or at an earlier age if such earlier age is in accordance with the regular, announced retirement program of the Company.

Does Laurence Spitters have a regular plan for communicating either by Update or Intercom with the people who work for Memorex?

Mr. Spitters is very interested in communicating with employees as much as possible. To this end, there will be occasional articles in the **Intercom** similar to the one on pages two and three of the February issue and on the pages of this issue.

In addition, from time to time we will have president/employee meetings—like the ones which were held for Santa Clara area employees in April—where Mr. Spitters can exchange information directly with employees.

Can we get a cross-walk on Memorex Drive, in the vicinity of the mail room?

The City Traffic Engineer surveyed the intersection on the morning of April 6. As a result, your request was approved and the cross-walk was painted April 8. We believe, as you suggested in your Input/-Output, that this precaution will cause drivers to slow down when they see the cross-walk, and possibly prevent a serious accident.

There are various small areas between the ends of parking rows and aisles that are large enough to accommodate small cars. I have a small car and have been told I can't park there even though it does not obstruct traffic. Why?

A small car parked at the end of a parking lot aisle is often exposed to passing vehicles and is, therefore, considered a hazard to the parked car as well as to traffic. We have also noted on many occasions small cars have been parked in such a way as to obstruct the orderly flow of traffic. Therefore, we've found it necessary to insist that cars be parked only in designated places.

Note: Beginning with this issue, to assist in cost reductions Intercom will be distributed to employees at each Memorex location.