



Profile: Memorex Activity Groups

MEMOREX

President's Report To Employees

Dear Fellow Employees:

This is the first in a series of columns which from time to time will discuss the significant events and changes in our business and which are to be written by members of Memorex's management. This first column is devoted to a discussion of Memorex's results in 1971, and our outlook for the coming year.

As I wrote in the Letter to Shareholders dated February 25, 1972, which you also received, 1971 was a disappointing year from the standpoint of our financial results.

While overall levels of costs and expenses were maintained at planned levels during 1971, revenues fell far short of plan. This revenue shortfall occurred in rental income for equipment-for-lease, compared to our forecast made early in the year, and our sales of computer tape and broadcast video tape were materially less than planned. The computer tape business also experienced price degradation, aggravated by industry manufacturing overcapacity, to an extent we had not anticipated when our business plan was initially developed for the year. Broadcast video tape suffered from our failure to achieve adequate production yields and consistent quality during 1971, which impacted both saleable production and revenues. These difficulties resulted in a substantial shortfall in operating profit and were the major factors, together with the effect of operating lease accounting for Memorex-ILC leasing business, in Memorex's net loss in 1971.

Our task now is to insure the implementation of our operating plan for 1972, whose primary objective is to restore our profitability. Corporate performance targets are realistic—they are the products of a much better planning process and a better understanding of the dynamics of our business than we possessed last year.

First, we have made a conservative forecast of the volume of business and revenues which we must achieve in 1972. Current levels of operating expenses and employment have been scaled to this conservative forecast.

Second, during 1972 we will effect the transition to our next generation 3670 disc storage system and our soon-to-be announced Memorex computer system. This transition will mean a gradual decline in our manufacturing volume of the existing generation 3660 disc storage system, and, during the second half of the year, the startup and rapid expansion of manufacturing activity for the 3670 and the system products. It is anticipated that we can make this transition smoothly, with no reductions in employment.

Third, we must implement a business strategy for our media business to return it to profitability. This will involve a redirection of media marketing programs towards the segments of the computer tape, video tape, and business products markets which have sufficient volume potential obtainable by Memorex at profitable prices. We will also continue to emphasize the growth of our consumer audio tape business, and capitalize on the market success achieved to date.

Nationwide marketing of Memorex's new cassette audio tapes was successfully established in 1971, although the product's heavy start-up spending added to the company's loss for the year. Effective promotion through television and magazine advertisements produced excellent consumer response, and aggressive selling established extensive distribution. Sales were increased in each quarter of the year, and the Memorex cassette attained a quality-and-premium-price position in this fast growing market of high fidelity enthusiasts. We expect this



consumer product to account for the majority of projected growth of our media sales business during the next few years.

Fourth, we will continue to expand our base of equipment-for-lease, whose rental revenues at year-end 1971 accounted for more than one-half of our total revenues. We will be able to achieve this growth with limited external capital in comparison to the amounts of capital we required in prior years. Increasingly, a significant portion of the growth of our lease base is self-financed, because the internal cash flow from its rental revenues is now substantial.

Fifth, diversification of our equipment business which we have pursued in major new product development programs will culminate with the initial shipments of our Memorex computer system in the second half of 1972. At the end of March, we shall announce the performance specifications, price, and delivery date for our new computer system.

(continued on page 7)

Intercom

A monthly publication by and for the employees of Memorex Corporation
Santa Clara, California 95052

Editor: Dave Williams

ABOUT THE COVER

Planning employee activities for 1972 are the members of the Santa Clara Memorex Activities Group, as MAG boards at major Memorex installations throughout the U.S. work to meet employee interests. Story on page 5

Memorex and Handicapped Both Helped By Hope Workshop

Memorex has awarded several contracts for outside services to a vendor whose profits are measured in terms of human development than in money . . . Hope Workshop of Santa Clara County.

Hope Workshop, a part of Hope for Retarded Children and Adults Inc., is a private, non-profit, United Fund agency which works to rehabilitate mentally retarded and other handicapped adults so they can lead more useful and productive lives, according to Workshop Contract Consultant Jack Fish. The workshop trains its employees to perform various, printing, collating, assembly and packaging chores under the supervision of a trained staff.

"Our rehabilitation program enables us to serve companies such as Memorex by performing services at competitive prices," said Fish. "We try to approximate standard industrial working conditions for our employees to allow them to develop to their full capacities and better adjust to the outside world."

In the program, the handicapped gain confidence and a wide variety of work skills designed to eventually lead them to placement with local industries. Last year, 87% of those in the Workshop program who were recommended for employment with local firms found jobs.

Recent jobs completed by Hope Workshop for Memorex include the assembly and sealing of a direct mailer on our Computer Output Microfilm system and the assembly of magnetic tape reel closures.

"Hope Workshop has done an outstanding job for us," said **Hank Conlan**, manager of marketing programs, in referring to the COM mailer. "They designed their own device to hold each brochure in place as they inserted, aligned and glued the interior portion. This kept the pages from binding or sticking. They did excellent, quality work and gave us an extremely fast turnaround, assembling and inspecting every one of the 10,000 mailers in just three working days."

Hope also performs many other operations for clients. "We also do packaging operations for kits and puzzles, letter shop direct mailings, wood shop construction, machine shop assembly and industrial sewing."

Working with Hope has been good business for companies other than Memorex. "In one

instance, a contractor's computerized test equipment was rejecting what seemed to be a high number of parts produced by their production line," said Fish. "They asked us to make a double check on the parts to verify the accuracy. In the process, we discovered the reason behind the high rejection rate of their parts was bent leads. We went back over one of their 'rejected' batches and found that 90% were good."

Fish said the contractor's job was perhaps "the most satisfying" performed by the Workshop. "In addition to building work skills," he said, "we also work on building our employees' self-esteem and pride in their accomplishments. This was a tangible boost for everyone here."

Employees of the workshop are paid according to Federal and State wage and hour regulations, earning money as a direct result of the work they perform, according to Fish. "That paycheck represents the energy and effort they put into their jobs here, and is a positive symbol of their performance and capabilities."

"Due in part to contracts with companies like Memorex," he said, "we were able to pay 32% of our expenses last year. Although we are partially supported by United Fund, we were glad to be able to earn a good part of our funds as well."



Members of Hope Workshop insert and glue interior pages of a Memorex direct mail piece. The workshop employees are part of a program to rehabilitate handicapped people by providing them with the training and self-confidence necessary to work on their own in industry.

Complimenting Hope Workshop Contract Consultant Jack Fish (r) on a job well done is Hank Conlan, Memorex manager of marketing programs.



What Has Happened To Your Pay Deductions

You probably have noticed your take-home pay has changed for the pay periods after January 16 of this year.

According to **Mike Paradis** in personnel accounting, Santa Clara, this is due primarily to two reasons: changes in the Federal income tax withholding system and the beginning of California State income tax withholding.

On the Federal level, the withholding rates have been adjusted to more closely match your actual tax for the year. The old tax tables for withholding had a tendency to under-estimate the amount for working couples, persons working at more than one job, and people in higher salary levels.

At the same time, the new withholding tables provide methods by which you can reduce your withholding amount, if you are

eligible. One way is to claim a "special withholding allowance," which is equal in amount to an exemption for a dependent. It is designed to benefit those who work for more than one employer, or whose spouse is also employed.

Another reduction in Federal withholding available to you is the liberalization of claiming dependents. It is available to those who expect to have large itemized deductions, allowing them to claim one or more additional exemptions.

For Memorex employees in California, the State withholding tax went into effect this year. According to Paradis, the new California State withholding (marked SIT on the deductions of your pay stub) is designed to offset the annual lump sum payment required at the end of past years. By law, your California withholding is determined by

the number of exemptions claimed on your Federal W-4 form. The State tax is designed to lessen the likelihood of a year-end lump sum State tax payment.

Another factor affecting the amount of your paycheck is the number of dependents. Many people claim fewer deductions than they are entitled to, especially if both husband and wife are employed. This results in more money being withheld during a given year and increases the possibility of breaking even or getting a refund at the end of the year.

Whether your paycheck was smaller or larger depends on your particular circumstances . . . exemptions claimed, marital and dependent status, and income level. For more specific information about your particular tax situation, you should contact your personnel accounting office.

Celebrate 10th Anniversary



In photo at right, Rolland H. Gallegos, Q.C. inspector, Tape Plant, was presented with an engraved clock on his 10th anniversary with Memorex by Richard D. Boucher, vice president, during ceremonies held recently.

Congratulating Wayne Elder, a mechanical engineer in Consumer Products, on his 10th anniversary with Memorex is Vice President Robert Jaunich II. Elder was presented with an engraved clock in recognition of his service to the company.



Profile: Memorex Activity Groups



Last year, the Santa Clara Memorex Activities Group spent over \$60,000 in support of employee activities, yet not more than half the Santa Clara employees benefited or were even aware of how the money was spent.

And the program is not unique to Santa Clara, as almost all other MAG boards representing various Memorex locations throughout the United States report the same situation.

According to Santa Clara MAG Coordinator, **Margie Whitnah**, too many people are needlessly missing out on the benefits. "Your local MAG can be as interesting and exciting as you want to make it," she said. "All that is required is participation."

"MAG exists to serve employees," said **Vince Shubat**, Santa Clara manager of per-

sonnel administration. "Membership is automatic with your employment with Memorex. This applies to all major Memorex locations throughout the U. S. Each group is separately funded and every member has an equal vote."

The only trouble is that few people bother to vote. During a recent MAG board election held in Santa Clara, less than 200 employees bothered to mark a ballot.

Participation is the key to having an effective MAG group working for you. "Most people shy away from being a director," said Mrs. Whitnah, "but few people know they can make their ideas and suggestions known as a representative."

Representatives are non-voting assistants to MAG directors, and act as a communications link between a director and the employees he represents. Representatives are appointed by their respective directors, and each director can have as many representatives as necessary to keep their constituents informed.

"A lot of people have the wrong idea of what MAG is and what it does," said **Ed Sutter**, Santa Clara MAG president. "They think MAG is limited to supporting sports events and dances, when actually MAG can support any worthwhile activity that interests employees."

In addition to a number of recreational activities, MAG is also involved in planning

and arranging theater parties, picnics, fashion shows, arranging employee discounts for amusements and merchandise, sending flowers and expressions of sympathy, community services and many other interests.

This year there are several events and activities slated for Santa Clara, with funds already set aside and arrangements made. The sports activities and MAG directors in charge are: golf and volleyball (**Hal Canion**); football, shuffleboard, ping pong and a frisbee tournament (**Doug Smith**); bowling, tennis, and karate (**Tony Van Gestal**); basketball and softball (**Paul Ochoa**); car rally and tennis (**Jim Smith**); fishing trip (**Dick Holdren**); and women's sports (**Margie Whitnah**).

Other activities planned include the Spring and Christmas Dances (**Gerry Sumner**); a summer picnic (**Dick Holden**); blood drives (**Darlene Feack** and **Chuck Linen**); and a theater party to "Fiddler On The Roof" (**Margie Whitnah**).

"MAG groups at other Memorex installations throughout the country are now planning similar events," said Sutter, "but they can't be effective unless they know your ideas. For example, if you didn't like the location or the band at your dances last year, let your directors know about it. That is the only way MAG can work for you . . . if you just take the time to give your director or representative your ideas."

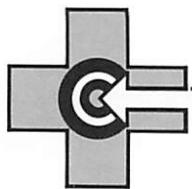
Comdata Elects New MAG Board

The employees of Comdata Corporation, a wholly owned Memorex subsidiary in Santa Ana, California, have elected five new members to the Memorex Activities Group board there.

The new board members are **Gary Steele**, president; **Gail Wheatley**, Vice President; **Kathy Green**, activities chairman; **Millie Resto**, treasurer; and **Barbara Bench**, secretary.



Emergency Hotline For Santa Clara Complex



TARGET:SAFETY

Memorex Santa Clara complex offices have a hotline telephone number for quick response to emergency situations.

According to **Ernie Tydell**, security manager, the hotline is in operation 24 hours a day, including Sundays and holidays as a permanent part of Memorex's safety pro-

gram. "The number—7-3333—is a direct line to the guard station," he said. "We have guards on standby at both the San Tomas and Memorex Drive facilities ready to respond to any emergencies."

The number is to be used during any number of emergency situations that occur. "Our guards are trained to quickly respond to virtually any emergency situation," said **Joe De Luca**, safety administrator. "They know exactly how to respond to a fire and how to handle other disturbances or injuries that may occur. Also, they can save valuable time in contacting the appropriate emergency police, fire or medical units."

According to Tydell, the hotline is designed to be used only in the case of emergencies. "The line is reserved only for those calls requiring immediate attention," he said. "Any questions regarding how the system works can be referred to me. For further information about other parts of Memorex's on-going safety program you can contact De Luca."

In the event of an emergency situation, simply dial 7-3333, telling the guard your name and phone extension, the nature and location of the emergency and any corrective action taken. The guard will then notify the proper authorities and direct them to the scene.

Manufacturing Produces 10,000th 660 Disc Drive

The Disc Drive Test area has reached another 10,000 production milestone in the production of disc drives. They recently produced the 10,000th Memorex 660 disc drive just eight months after producing a total of 10,000 of all types of disc drives.

"This achievement," said **Ken Lowe**, manager of final test, "was made possible only through an outstanding team effort of all the Santa Clara manufacturing assembly departments."



Readyng a disc drive symbolic of the 10,000 660's they have produced are (l to r): Mike Janto, lead technician; Joe Booker, manufacturing test manager; Bob David, technician who had worked on the first 660; Ken Lowe, manager of final test, and Oscar Weller, lead technician. The disc drive pictured here is actually number 10,014. The 10,000th 660 was shipped immediately after it was produced.

Marking another 10,000 production milestone are some of the members of the Disc Drive Test group, as they prepare to enjoy cake and coffee in celebration of the event.

President's Report To Employees (cont.)

The market opportunity for Memorex's new system, in conjunction with our terminals and communication control units, is uniquely attractive. Each of these products will aid the computer user to obtain timely and low cost access to central data files from remote locations, which is among the most pressing requirements in data processing. Such on-line data processing networks are projected to increase to one-half of all computer systems installed by the mid-1970's.

Memorex's 1970-71 investment in building our customer base—currently over 2,500 users of Memorex computer equipment—and in establishing our reputation for reliable products and customer service, will facilitate our marketing of new system products. We are confident that many of our customers will implement on-line data processing networks by connecting Memorex's system products and terminals to their IBM System 360 and System 370 computers.

An appraisal of our work in 1971 should acknowledge the many important accomplishments made during the year. These have strengthened our business, improved its outlook for profit in 1972, and enhanced our competitive position.

We have significantly restructured the organization of our company as the nature of our business has materially changed from a sales-oriented media business to predominantly a computer equipment leasing business. The reorganization and the change in the nature of the business compounded our problem of scaling back certain operations because of revenue shortfall. These circumstances necessitated workforce reductions and cost reduction measures throughout the company to minimize our 1971 operating loss, to establish a basis for profitable operations in 1972, and to insure the long term economic viability of Memorex. These difficult actions are now behind us.

We have also successfully adjusted to IBM's price cutting actions in the disc storage business and we have achieved a greater market penetration in that business than we had expected. During 1971 our placements of disc storage systems were twice those of the next leading independent supplier. This record says that we have designed superior products in our development groups, that our manufacturing personnel have performed superbly in building these products, and that our marketing organization has earned its reputation for

excellence in the placement and field support of our products.

A strong and sizeable leasing business has been established, and a unique \$200 million lease financing company, Independent Leasing Corporation, has been established at Memorex's initiative and has been made to work as planned. Finally, the non-productive work we were compelled to perform during 1971 as a result of the issues relating to lease accounting and the IBM litigation is now behind us, because these issues have been satisfactorily resolved.

In summary, our disappointing financial results in 1971 must be regarded in the perspective of those substantial accomplishments during the year in which every Memorex employee can take pride. These accomplishments will yield large advantages to Memorex in 1972 and the years to come, and your hard work which produced them merits the respect and congratulations of our customers and shareholders.

Sincerely,

Laurence L. Spitters
Laurence L. Spitters
President

In Memoriam

Irma Paguaga, an inspector at Comdata, died on January 4 as the result of a traffic accident. Employed at Comdata since May, 1968, she is survived by her husband and six children. She was a native of San Salvador.

INTERCOM COM COM-LINE

This month marks the beginning of a new communications channel designed specifically for all Memorex employees. The new column is officially called COM-LINE.

Here is what it means to you.

COM-LINE will publicly answer any and all responsible questions you have regarding the company, its policies and practices every month in a straightforward manner. Thus, COM-LINE will serve as a direct line between you and the management of Memorex.

Here's how it works.

The first step is to ask the questions you have on your mind . . . anything of interest to you and other employees that is concerned with the operation of Memorex.

To participate in COM-LINE, simply write or type your questions and send it via inter-office mail to Editor, INTERCOM, mail stop 12-33. There is no need to identify yourself. Your question, along with an authoritative and complete answer will then be published in a succeeding issue. If you have any questions, you can call the Editor at 7-2200.

The results.

The objective of COM-LINE is to give you another means of communicating with management . . . a means of making your thoughts and questions known and a means of getting a direct, authoritative response.

Here's what we mean.

I've heard there are more layoffs pending. Is there any truth to these rumors?

No more layoffs are presently expected, and it is hoped that general workforce reductions will not be necessary again.

As competitive and economic conditions change, it is likely that certain Memorex programs will be reduced and others expanded. Hopefully, we can meet these changing requirements through inter-department transfers and normal attrition. Obviously, no one can predict market conditions with certainty, but management believes that, if the improving trend in the economy continues, no overall reduction in employment will be needed.

We are actively pursuing all reasonable methods to insure our return to profitability, and have implemented cost reduction programs in all areas. Thoughtful participation by all of us in these efforts will definitely help reduce any necessity for further layoffs.

Golf—Watch the bulletin boards for upcoming tournaments. MAG Men's Golf Club, which is open to all Memorex men, will be sponsoring many events—including two day tournaments at Spyglass in Monterey and also in Reno. Call **Ralph Buchta** at 7-3074 or **Ken Lowe** at 7-3772 for further information.

Shuffleboard—The shuffleboard courts near the San Tomas Cafeteria will be open March 6. The equipment cabinet will be unlocked from 11:00 a.m. to 1:00 p.m. daily for anyone wishing to play.

Spring Dance—Saturday, April 20 is the MAG Spring Dance featuring a luau theme. There will be Hawaiian entertainment, a dance contest, prizes, hors d'oeuvres, plus rock and standard band music.

Summer Picnics—Blackberry Farm is the site for our company picnics on July 22 and August 12. Plans are being made so that

functionally related departments can be in the same areas and plan their own activities. Employee committees are needed to plan children's and adult activities, softball games, horseshoes, golf, volleyball and anything else your department wants. Please call **Margie Whitnah** if you want to help.

Car Rally Club—**Jim Smith** is organizing a car rally club and will be taking sign-ups at 7-0961.

Aikido—A class in Aikido, an oriental form of self defense, may be starting soon provided there is enough interest. Sign-ups are being taken by **Margie Whitnah**.

Softball—**Ed Horn** is starting a Slow Pitch Santa Clara "C" league. Call him to sign up at 7-2181.

