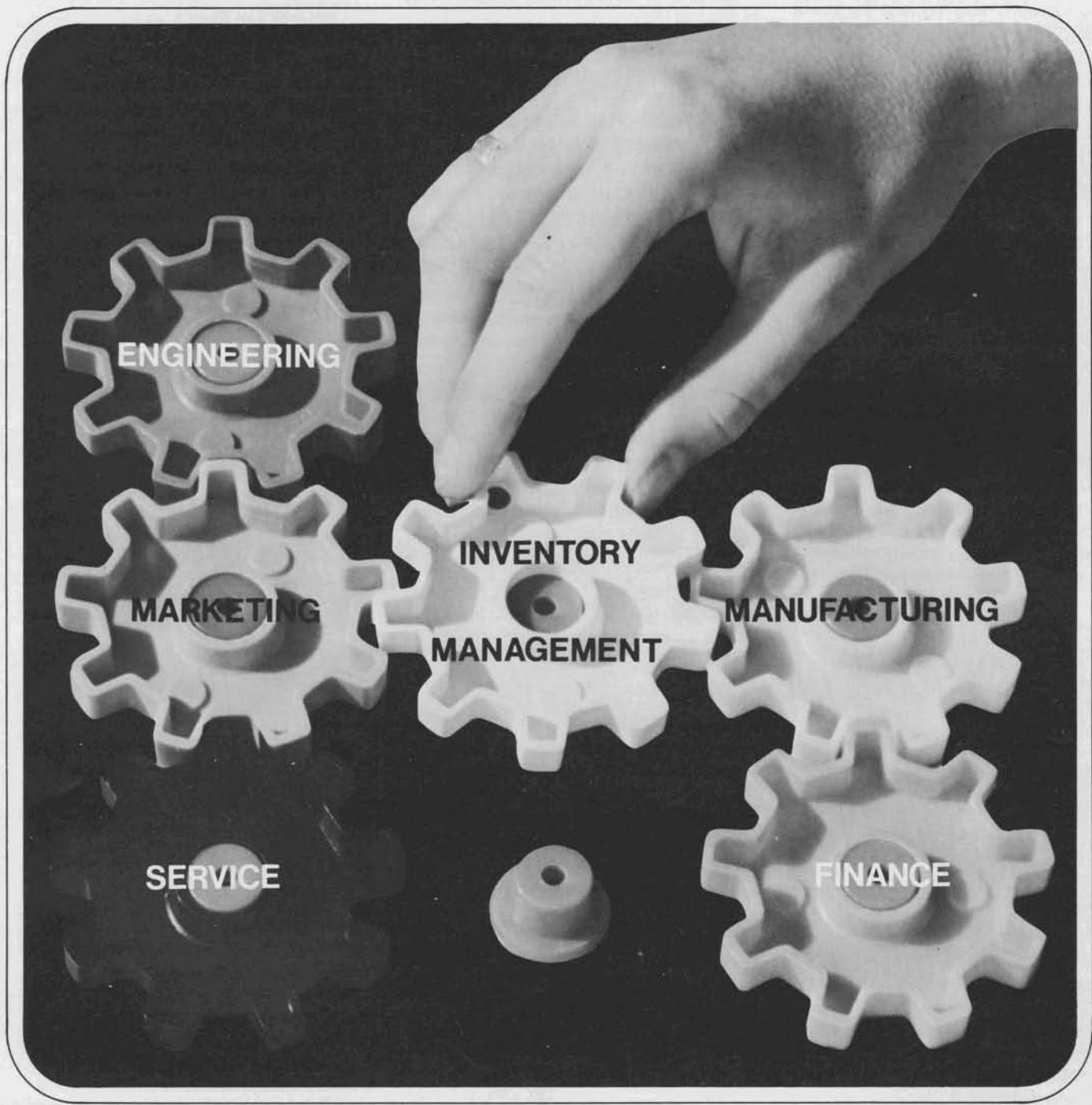


INTERCOM

Newsmagazine for Memorex Employees Worldwide
Volume No. 12 / October, 1975



Revenues Climb 19% in 3rd Quarter

Income Hits \$4.36 Million on Revenues of \$66.9 Million; Employee Actions Contribute to Favorable Performance

Robert C. Wilson, Memorex President and Chief Executive Officer, announced that net income for the third quarter of 1975 was \$4,364,000, including \$1,690,000 extraordinary credit attributable to income tax benefits from utilizing tax loss carryforwards.

This compares to net income of \$513,000 in the same quarter of 1974 on a comparable reporting basis. There were no extraordinary items in the same 1974 period, although approximately \$900,000 was credited to 1974 results because of a reversal of interest expense that had been charged to second quarter operations.

Total revenues for the third quarter of this year were \$66,991,000, which represents a 19 per cent increase over 1974 third quarter revenues of \$56,174,000. Revenues for the nine months totaled \$194,236,000 compared to \$158,058,000 for the first nine months of last year, an improvement of 23 per cent.

Net income for the first nine months of 1975 was \$12,163,000 including extraordinary credits of \$7,146,000. The extraordinary credits consist of a \$2,031,000 net of tax gain on purchase of \$6,955,000 of the Company's 5 1/4 percent Convertible Subordinated Debentures, and \$5,115,000 of income tax benefits from utilizing tax loss carryforwards, including \$1,875,000 related to the gain on purchase of the Debentures. The net loss for the same period of 1974 was \$6,439,000 on a comparable reporting basis.

Wilson said that the outright sale of equipment and the conversion of leased equipment to sale continued to contribute significantly to revenue growth and to the improved profit and cash performance. He also cited cost improvement actions throughout the Company and declining interest costs as significant factors.

The president said that the Company's cash and short-term investments were \$29.1 million as of September 30, 1975, an improvement of \$8.6 million during the quarter. Memorex's indebtedness to senior lenders was reduced by \$16.9 million during the quarter and now aggregates \$127.0 million. The indebtedness was decreased principally by cash payments of \$10,800,000, exchange of \$3,373,000 of senior debt for preferred stock as a result of the Company purchasing \$6,955,000 of its debentures in the second quarter of 1975, and \$2,700,000 from foreign exchange adjustments related to indebtedness.

The president attributes the continued favorable operating performance to the excellent worldwide acceptance of Memorex's products, to the ongoing benefits of the 1974 restructuring of loan agreements and to the actions taken by employees throughout the organization in selling, servicing and making quality products, reducing costs, and managing assets.

Rumph Appointed Vice President for Equipment Products Marketing

Harold H. Rumph has been appointed Vice President-Marketing, Equipment Products Group, announced **Roger W. Johnson**, Vice President and General Manager of the Equipment Products Group.

Rumph will be responsible for market planning, product and business planning, market research, advertising, sales promotion, product sales support and customer service. He reports to Johnson.

At the same time, **George E. Dashiell** was named Vice President-Sales and Service, Equipment Products Group, responsible for directing the Group's sales and field service activities.

Dashiell, who joined Memorex in January of 1974, reports to Johnson.

Rumph previously was Director of Office Information Systems, Product and Business Planning, Xerox Corporation. He also has held various senior marketing and sales management positions with Cincinnati Malacron, Amdahl, RCA and IBM.

He spent three years studying engineering at the University of Texas and then attended the U.S. Naval Academy at Annapolis where, upon graduation in 1953, he entered the Air Force as a pilot. In 1962, Rumph left the service and joined IBM.



Harold H. Rumph

INTERCOM

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Santa Clara, California 95052
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On The Cover:

The cover attempts to illustrate that inventory management is a synchronizing function with each of the Company's key operations to insure that Memorex has enough of what it needs, and not too much of what it doesn't need in order to provide good customer service. (See story on page 4.)

Marketing Organizations Enhance Sales, Service Training Programs

New additions to the product line, the entry into third party maintenance business and increasing sales have brought about the need for enhanced training programs and the addition of people to the Company's marketing organizations.

To serve this growth and to maintain high levels of customer service, the Equipment Sales Group has recently developed a new training course for recently hired college graduates and the Field Engineering Group and the Computer Media Marketing Group are upgrading their training courses.

Equipment Sales Education Revitalized

According to **Richard J. Penny**, new Manager for Equipment Sales Education, a new training course has been developed for recently hired college graduates.

The program is divided into three sessions, says Penny. The first session, a six-week classroom course, is devoted to the development and enhancement of personal skills. The second session involves actual field work utilizing the skills acquired during the first session.

"The third session, a product sales training course, is devoted mainly to sales workshops," explained Penny. "The workshops will give the sales reps some

valuable experience dealing with the sales environment, as each student will participate in simulated customer sales situations prepared from actual case histories."

Field Sales Training Enhanced

The Field Engineering's Group training program has been enhanced with the addition of new audio-visual educational materials, such as self study manuals, programmed workbooks and video tapes. According to **Bill Emond**, Field Engineering Education Manager, the most important of these training tools is a new audio cassette/filmstrip sound viewer.

Emond says the production costs of programs developed for the new viewer are significantly lower than the production costs of other types of audio visuals, and the system is a very effective training device.

"Providing the most up-to-date and efficient training methods is important, as more than 300 newly hired and experienced Field Engineers are trained each year at our Education Center in Santa Clara and in the field," explained Emond. "In Santa Clara, students receive classroom instruction plus extensive 'hands-on' training in our laboratories. The laboratory experience

exposes the Field Engineers to the same types of service activities they encounter in the field. New hires also receive training in customer relations, wire wrap and soldering."

Emond added that the students are evaluated on performance rather than a pass or fail basis. "Each student's strengths and weaknesses are noted and discussed with them individually," he said. "This type of evaluation has proven to be both successful and popular with our students."

Media Sales Training Reemphasized

The significant growth of computer media sales over the last two years has necessitated a revision and expansion of the group's sales training program, says **Gary Fisher**, Computer Media National Sales Manager.



Trouble shooting a 3672 Controller at the Field Engineering Education Center in Santa Clara is John Crescenzo of the New York Island Branch Office.

This month, Fisher named **Jay Benedict** to head the program, which will include a comprehensive sales school for new hires, and on-going training for existing sales personnel on a regional and branch office level.

Although in the early planning stages, Benedict says the training program for new hires will include an introductory course on data processing, a description of the Company's product line, and talks given by various members of Memorex's management.

"Stress will be placed on product information and professional salesmanship," says Benedict. "Films and audio cassettes will be circulated to reinforce effective sales techniques throughout the field. In addition, product information seminars and a sales news bulletin are also planned."



Conducting a portion of the six-week Equipment Sales Training Class is guest instructor Bob Laser of Laser Associates, a management training firm.

Effective Management Provides a Proper Balance Between Too Little and Too Much Inventory

Inventory management is an integral part of a company's operation, working hand-in-hand with marketing, manufacturing, engineering, purchasing and finance. It's an essential planning function which optimizes the levels of inventories consistent with customer needs.

Inventory management can often make the difference between the success or failure of a business—and for good reason.

Surplus inventories are often termed the "graveyard" of American business and are thought to be one of the principal causes of business failure. The major reasons why inventories get out of control, and cause businesses to fail, is that they're often considered an unlimited resource, and too little attention is paid to the high costs associated with carrying them.

A primary objective of successful companies is to keep inventories at appropriate levels—and Memorex is no exception. Effective inventory management requires the support of all employees, because everyone has a role maintaining proper inventory levels.

For example, Marketing people identify customer needs, what share of the market will be captured, and how much can be sold at what price. Engineering and Manufacturing, working with Pur-

chasing, determine what types of parts and materials are needed, the volume required and lead times for each item. And Field Engineering determines how many spare parts are needed to maintain good customer service levels. And, of course, the Finance Department participates in this process by determining the impact of production schedules on revenue, cash, profit, and providing investment funds required for inventory acquisition.

The improvements made in controlling inventory by all groups has resulted in a continuous reduction in inventories since March of this year, according to **Jack Callahan**, Director of Inventory Management for the Equipment Group, and **Art Fonda**, Director of Materials, Facilities and Distribution for the Computer Media and Consumer and Business Media Groups.

Inventories are usually classified as raw materials, such as chemicals, steel and plastic; components, the parts or sub-assemblies ready for final production; work-in-process, the materials and components being worked on; and finished products, the finished goods carried in the warehouse. In the full expanded view of inventories at Memorex, off-rent products are also considered inventories as they represent a residual value to the Company.

The basic objective in controlling inventories is to maximize customer service, and at the same time, minimize inventory investment. The two directors explained that when inventories are high, cash is tied up which could be used elsewhere in the Company. On the other hand, when inventories run low, readiness to serve customers may suffer due to lack of available products and services.

Without proper controls, changes in inventory levels of one asset will influence the Company's ability to hold inventories of other assets. For example, capital tied up in finished goods cannot be used to purchase new equipment or raw materials.

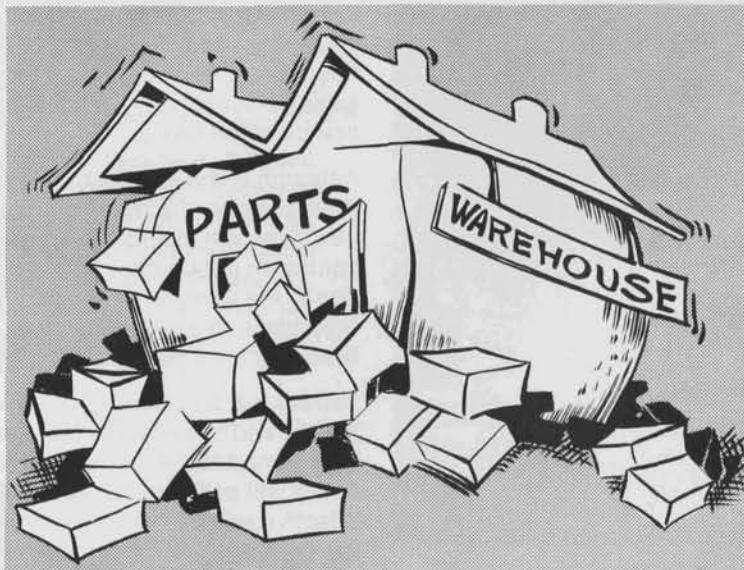
Callahan says it costs Memorex about 30 to 35 cents on the dollar to carry inventories annually. "Therefore, inventories should be considered in the same light as any other investment; a profitable return should be expected," he said. "Reducing inventory not only releases cash for investment in other areas, but also reduces costs as well."

The Inventory Pipeline

From the time materials are acquired to build a product until the time the product is sold is referred to as the inventory pipeline. Since it costs the Company money to carry inventories, a quick running pipeline means less cash is required to run the operation.

A recently developed program instituted by the Equipment Products Group is addressing the importance of inventory pipelines, and promoting improved management of inventory control in 22 separate areas of the plant. Through the efforts of each member of these projects, inventories have declined about 15 per cent over the last six months.

One project, called Controlled Items, under the leadership of Manufacturing Director **Jim Ferenz**, identified 140 items which amount to about 80 per cent of the money spent on inventories in the plant. Ferenz and his six member team, adjusted the levels of high cost items, accelerated the pipeline, and rescheduled lead times. The result was



Surplus inventories are the 'graveyard' of American business.

a reduction in inventory expenditures by about \$200,000 annually.

Another successful program assisting EPG in managing inventories is a new Commodity Materials Analysis (COMMA) System. The new computerized system provides the capability to project parts requirements in a common component line, such as integrated circuits. Other computerized systems include the Lease Base Management System (LBMS) and Manufacturing Control System (MCS).

On a corporate-wide basis, Fonda mentioned that a boon to shortening the inventory pipeline is the new distribution center opening this month near Philadelphia. The Center will serve as a warehouse and parts distribution facility, which will greatly improve customer service on the East Coast.

Says Fonda, "The pipeline will be more effective since products and parts will be sold and placed on lease directly from the center, rather than Santa Clara, thus reducing inventories in transit." He said a reconditioning program for equipment products is planned in the near future at the Center in addition to the reconditioning program in Santa Clara, which allows products to be placed on lease at a faster rate since they will not have to be shipped back and forth from Santa Clara.

All in all, inventory management plays a key role in improving the Company's profitability by insuring that it has enough of what it needs, and not too much of what it doesn't need.

United Way Fund Raising Campaign Draws to a Close

United Way solicitors are now completing coverage of the Company's departments and, at press time, early returns indicate good employee response. This year's fund raising goal is \$54,000, a 20 per cent increase over last year.

In a letter to all employees, Memorex President **Robert C. Wilson** said, "Working together on this worthwhile campaign will give us the opportunity to help others, and it will also be an expression of our ability to act as a company in a voluntary way."

The United Way (formerly the United Fund in Santa Clara County) is a non-profit organization which raises money for agencies providing a broad-based program of human care services.

Comdata Marks Tenth Year



This month marks the 10th anniversary of Comdata, a Memorex division which produces precision plastic and metal components, such as computer tape reels.

Comdata was formed on Oct. 18, 1965 to produce precision metal rests for Memorex instrumentation recording tape, which contributed greatly to the NASA Space Program. In the first few years of operation, Comdata's production increased rapidly due to the large demand for Memorex's magnetic tape.

In 1968, Comdata diversified its product line by assembling plastic components such as hubs and flanges, which it purchased, into tape reels, and a year later began a pilot operation in plastic injection molding.

Early in 1970, the division moved out of its leased facilities in Los Angeles, and

relocated in a new, modern facility in Irvine, which doubled the size of the operation. Later that same year, Comdata began selling its products to OEM customers. OEM sales now represent a significant part of Comdata's annual revenue.

The expanded, automated operation in Irvine allowed Comdata to continue to diversify its product line with the addition of such products as components for computer, audio and video tape, disc packs, cartridges, micrographic cassettes and other related items.

Today, Comdata manufactures more than 150 different precision plastic and metal products at an annual production rate of 50 million units, making it a leading component supplier in a growing market throughout the world.

Promotions

David Barker to Senior Production Test Technician

Gail Craig to Accounting Clerk A

Robert Dimenna to Systems Engineer

Bonnie Freezy to Associate Accountant

Saralyn Frisch to Receiving Inspector B

Donald Friss to Regional Sales Manager (Western Region)

Darrel Golden to Slitter Operator B

Charles Groat to Manufacturing Manager

Armando Guajardo to Accounting Specialist B

Raymond Iida to Department Supervisor—Financial Operations

Deborah Jelen to Field Communications Coordinator

Gail Jones to Data Processing Center Clerk A

M. Nile Jones to Supervisor—Accounts Payable

Michael Marquez to Buyer

Jerry McSpadden to Sales

Representative (Houston, Texas)

Joyce Mitchell to Secretary A

Ronald O'Toole to Associate Asset Control Analyst

Barbara Parsons to Order Correspondent B

Rodney Pattillo to Field Support Branch Manager (Houston, Texas)

Lynda Pickering to Supervisor—Field Asset Tracking

Howard Rathbun to Product Marketing Manager (COM)

Kirby Root to Manager Software/Technician

Agnes Sturms to Accounting Clerk B

Marilyn Swift to Word Processing Center Coordinator

William Williams to Manager—Engineering Section

Kenneth Wilson to Accountant

George Wong to Field Support Engineer (Santa Clara)

Patricia Yount to Personnel Clerk B

News in Brief

Eau Claire Participates in Industrial Exposition

The Company's printed circuit board plant in Eau Claire, Wisconsin, participated in an industrial exposition in that city's downtown mall last month. Displayed were printed circuit boards, consumer, professional, and word processing products.



NARM Scholarships Offered

Company employees and their children who are either high school seniors or graduates planning to enter college may apply for \$1,000 to \$4,000 scholarships, being offered by the National Association of Recording Merchandisers (NARM). Memorex is a NARM member through the Consumer and Business Media Group. Scholarship winners will be selected on the basis of academic achievement, ability and financial need. All applications are reviewed and winners selected by the NARM scholarship committee. Children of Memorex officers and directors are not eligible to compete for NARM scholarships. To obtain application forms, call **Richard Silton**, 7-1153. NARM must receive applications by October 31, 1975.

Bob Booth to Manage EPG Sales Promotion

Robert G. Booth has been named to manage sales promotion for the Equipment Products Group. Booth was formerly Product Planning Manager for the 3670 Disc Drive products. He's now responsible for coordinating trade journal advertising, trade shows and seminars, sales literature, and internal sales contests. Booth joined Memorex in 1971 as a Systems Engineer.

Media Products Displayed at COMPUTECH '75 in Taiwan

The Company's full line of computer media products was displayed at the first Computers and Related Equipment Exhibition (COMPUTECH '75) held in Taiwan last month. The event was staged at the new U.S. Trade Center in Taipei. According to **Phil Davis**, Director of Administration for the Americas and Asia Group, the government of Taiwan is directing an industrial development program which will require an increase in computer and related equipment over the next several years, totalling about \$14 million.

'Parrot' Reduces Time to Interface Disc Drives With Small 370 Computers

The use of a device called "Parrot" is reducing the time required to interface Memorex disc drives with small 370 computers when the network does not include the Company's 3672 controller. Prior to the development of the "Parrot," micro diagnostics testing could not be performed as quickly in systems not including the 3672 controller. Now the "Parrot," which is attached to selected 3673 controllers, enables field engineers to run full micro diagnostics formerly executed by the 3672.



Installing the new 'Parrot' on a 3673 Controller is Bill Emmett, Test Technician.

Jones Appointed to Key Position Within Finance

Glenn C. Jones has been appointed Manager of Consolidations and Reporting, announced **Edward J. Phillippe**, Vice President and Controller. Jones was formerly a senior auditor with Haskins and Sells in San Francisco. He earned a Bachelor of Science Degree from the University of Illinois and a Masters Degree in Business Administration from Golden Gate University, and is a certified public accountant.

Jim Tatsukawa Appointed Manager, OEM Engineering

J. Y. "Jim" Tatsukawa has been named to the newly created position of Manager, OEM Engineering. He reports to **A. Keith Plant**, Director for OEM (original equipment manufacturers) Division. Plant said the creation of the new management position within OEM is intended to provide an engineering resource dedicated specifically to the rapidly growing OEM sector of the information processing industry. Tatsukawa has an extensive background in the computer peripherals and OEM engineering fields. Prior to joining Memorex, Tatsukawa was with the ISS/Division of Sperry Univac, Cupertino. Over a period of five years with that company, beginning in 1969, he held various engineering management positions of increasing responsibility. His last position was as Manager for OEM Engineering, with support responsibilities for disc drives within the OEM customer base.



Prior to joining Univac, Tatsukawa was with Fairchild Semiconductor Company and FMC Corporation. He earned a Bachelor of Science Degree from San Jose State University in 1961.

John Morgan Named Western Media Regional Sales Manager

John L. Morgan has been appointed Computer Media Western Regional Sales Manager, announced **Gary E. Fisher**, National Sales Manager. Morgan's most recent position was District Media Sales Manager, Minneapolis. Morgan joined Memorex in 1969 as a Media Sales Rep in Omaha and, in 1971, transferred to the Equipment Products Group. In 1972, Morgan left Memorex to form an audio-visual products company. He later sold the company to Telex Corporation and rejoined Memorex in March of 1974.

Homes Built on Steep Slopes

Creative Employee Enjoys Constructive Hobby of Designing and Building Redwood Pole Houses

Designing and building 4,000 square foot homes on steep mountain slopes, without severely impacting the environment, is a formidable task for the most experienced architectural and structural engineers—but for **Chuck Levdar** it's an enjoyable weekend hobby.

Levdar, who manages quality control for audio tape products, has built two homes using redwood extensively. The homes are supported by tall poles, similar to telephone poles, weighing as much as 1,000 pounds. Levdar explained that the unusual pole design allows homes to be built on property where there are small areas of flat ground. He did about 95 per cent of the work on the homes, leaving the roofing, paving and some cabinetry work to contractors.

Levdar and his wife, a child psychologist, live in one of the rustic-looking



Chuck Levdar stands at the entry porch of his second home which he built on large poles weighing as much as 1,000 pounds. At the right of Levdar, an 80-year-old tree grows through a large deck area.

homes and the other is for sale. The couple explained their home building adventure began after they successfully remodeled and rebuilt two homes in Palo Alto. "Both of us decided it would be a lot of fun to build our own home, designed to our own specifications, and living in the mountains was desired by both of us."

The dream home is located on a seven-acre parcel at the 2,000 foot level in Los Altos Hills above the smog and fog, about 24 miles from Memorex in Santa Clara. The U-shaped house has many custom features. It has thick redwood walls, seven sliding glass doors which open to several large outdoor decks, handmade light fixtures, an outdoor heated hot bath, and ten sky lights. Levdar remarked that the home is not yet complete, as he's still designing and finishing some interior fixtures.

The couple's second home is a split-level cabin-like mansion. The first level of the home is surrounded by large 80-year-old oak trees, while the mid and upper-levels overlook the Valley. Levdar mentioned that the large pole house rests on only 300 square feet of level land, yet the living space, garage and deck area amount to 4,775 square feet.

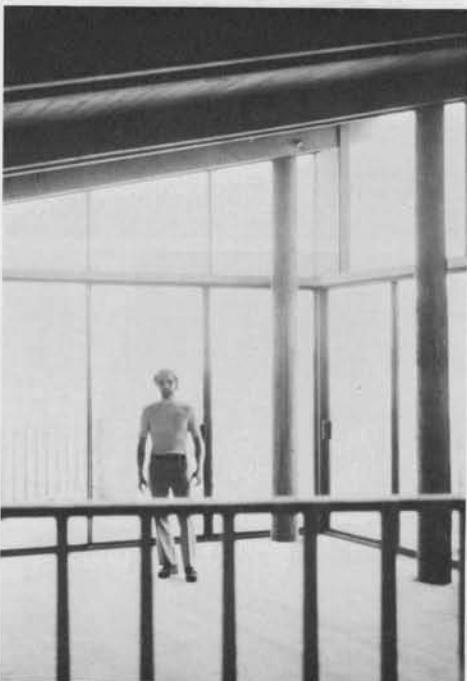
The rambling house includes a number of unusual and beneficial features. For example, several upstairs windows have been built not to look out of, but rather to provide better air circulation during the hot summer months. Another feature is an energy-saving hot water heating system which is thermostatically controlled in each room.

"A major asset of this home," says Mrs. Levdar, "is the spectacular panoramic view of San Francisco which can be seen from the kitchen, dining room, living room, master bedroom, and surrounding deck area. On a clear night you can see the lights spanning the Golden Gate and Oakland Bay Bridges," she said.

Levdar says he enjoyed every minute of building his homes, but admits the adventure was challenging at times.

"I've never had any formal instruction on home construction or design," he said, "although I hold degrees in mechanical and electrical engineering . . . I've learned by doing."

Because he has received tremendous enjoyment and satisfaction from building his pole houses, Levdar has decided that profit was not the major consideration in building his second home. "Most of the profit comes from the satisfaction of knowing that I've designed and built a high-quality, one-of-a-kind home almost entirely by my own efforts."



Large glass areas in the livingroom provide an unobstructed view of the peninsula. Pictured below are redwood kitchen cabinets now nearing completion.



Open House Highlighted with Tours, Craft Fair and Fascinated Children

Families peering at whirring machinery, fascinated children seeing where mommy and daddy works, and smiling clowns passing out multi-colored balloons were among the scenes during open house last month. The three-hour event featured plant tours, a craft fair, the sale of specialty items, and free refreshments.

