

Edward S. Seaman  
 11519 Arroyo Oaks  
 Los Altos Hills, CA 94024

220,926 Shares

# Memorex Corporation

## Common Stock

(Par Value \$1 Per Share)

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The shares offered hereby are outstanding shares which are being purchased by the Underwriters from certain stockholders. The Company will receive no part of the proceeds from the sale of these shares.

There also are registered under this Registration Statement 97,375 shares of Common Stock held by non-controlling stockholders (see "Principal Holders of Stock" and "Selling Stockholders"), which shares may be sold in whole or in part and from time to time in the over-the-counter market. All present stockholders have agreed not to sell any of their remaining shares for a period of 60 days after the date of this Prospectus without the consent of Smith, Barney & Co. Incorporated. (See "Underwriting").

Prior to this offering, there has been no established public market for the Company's Common Stock. The initial public offering price has been determined through negotiations between the Selling Stockholders and the Underwriters.

	Price to Public	Underwriting Discounts and Commissions <sup>①</sup>	Proceeds to Selling Stockholders <sup>②</sup>
Per Share .....	\$25.00	\$1.60	\$23.40
Total .....	\$5,523,150.00	\$353,481.60	\$5,169,668.40

① With respect to the 97,375 shares which may be sold from time to time by stockholders, it is possible that in such sales the Selling Stockholders may be deemed "underwriters" within the meaning of the Securities Act of 1933, and the difference between the cost of the shares to such persons (see "Selling Stockholders") and the sales prices of such shares may be deemed underwriting commissions within the meaning of the Act.

② Expenses of the offering estimated at \$40,000 will be paid by the Company.

Of the 220,926 shares offered hereby, approximately 18,000 shares are being offered at the public offering price to employees and other persons designated by the Company.

These shares are offered by the Underwriters named herein subject to prior sale when and as delivered and accepted by them and subject to the approval of certain legal matters by counsel. It is expected that delivery of stock certificates will be made on or about March 10, 1965.

# Smith, Barney & Co.

Incorporated

March 3, 1965



*No person has been authorized to give any information or to make any representations other than those contained in this Prospectus in connection with the offer contained herein, and if given or made, such information or representation must not be relied upon as having been authorized by the Company or by any Underwriter. This Prospectus does not constitute an offer to sell or a solicitation of offer to buy by any person in any state to any person to whom it is unlawful to make such offer or solicitation in such state. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof.*

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**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE COMMON STOCK OF THE COMPANY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

Until June 1, 1965 all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

## **THE COMPANY**

Memorex Corporation ("Memorex" or the "Company") designs, develops, manufactures and sells precision magnetic tape. The Company was incorporated February 9, 1961, under the laws of the State of California, and was organized by a group of persons with experience in the magnetic tape recording and chemical processing industries (see "Management"). Principal offices, laboratories, and production facilities are located in Santa Clara, California.

From the Company's incorporation to July 1962, its activities were limited to research of chemical formulations of precision magnetic tape, design of manufacturing processes and testing equipment, and construction of a manufacturing plant. From the latter date to the present, the Company has engaged in the manufacture and marketing of precision magnetic tape and continued in research, design, and development of products and processes.

## **INTRODUCTION**

The Company expects that it will be necessary in the future to make substantial additions to its marketing, administration, research and development activities. These additions, the precise timing of which is largely discretionary with the management, will result in increases of expenses which may be unrelated to the timing or size of sales increases. Such additions and related expenses were minor in the first half of 1964, and, as a consequence, net profits and the ratio of net profits to sales were unusually high during that period. However, sizeable additions were effected in the second half of 1964, especially in the fourth quarter, with resulting increase in expense and reduction in the amount of net profits as well as in the ratio of profits to sales. In 1965, the Company expects to make such additions from time to time at rates faster than sales. As a consequence the Company believes the average ratio of net profits to sales in 1965 will be lower than the average experience in 1964. See "Statement of Income." The Company makes no inference that its past rate of growth will continue.

Reference is made to information contained herein under "Product and Customers" regarding the Company's dependence upon markets in data processing and television industries, and under "Product Prices" regarding a general decline of product prices in recent years. There is no assurance that sales of the Company's product will continue to grow at the historical rates, or that the general decline of prices (see "Product Prices" herein) will not continue in the future with possible adverse effects upon the Company's potential growth and profits. Further, there is no assurance that other companies will not enter the field or that the Company will retain its share of the market. For information regarding certain patent discussions in which the Company is engaged, see "Patents and Trade Secrets".

After the underwritten offering described herein, those buying shares in such offering will have received 220,926 shares of the Company's Common Stock (approximately 22.4%) representing \$574,540 in book value (\$2.60 per share) for which they will have paid \$5,523,150. The founders and officers and directors (including associates) of the Company will realize \$3,163,469 from the sale of shares costing them an aggregate of \$88,608, and will retain approximately 45.6% of the shares of the Company. As stated on the cover page, certain shares retained by the non-controlling selling stockholders may be sold from time to time after the underwritten offering in the over-the-counter market at prices then current.

## **DIVIDEND POLICY**

The Company has not paid or declared any dividends since its organization. It is the Company's policy to retain earnings, since capital requirements are expected to be significant as its business continues to expand. Accordingly, the Company has no present intention to pay cash dividends.

## STATEMENT OF INCOME

The following statement of historical income of the Company for the four years ended December 31, 1964, has been examined by Arthur Andersen & Co., independent public accountants, as set forth in their opinion included elsewhere in this Prospectus. This statement should be read in conjunction with the financial statements and related notes appearing elsewhere in this Prospectus.

	Year Ended December 31,			
	1961 <sup>①</sup> and <sup>②</sup>	1962 <sup>②</sup>	1963 <sup>②</sup>	1964
<b>HISTORICAL STATEMENT OF INCOME:</b>				
Net sales .....	\$ —	\$ 475,340	\$3,486,263	\$8,041,881
Cost of sales .....	—	497,233	2,181,360	4,678,970
Gross profit (loss) .....	\$ —	\$ (21,893)	\$1,304,903	\$3,362,911
Operating expenses—				
Preproduction costs .....	\$ 307,959	\$ 357,118	\$ —	\$ —
Research .....	—	100,356	288,371	451,609
Marketing and advertising .....	—	130,094	365,707	570,966
General and administrative .....	—	38,271	125,806	275,822
	\$ 307,959	\$ 625,839	\$ 779,884	\$1,298,397
Operating income (loss) .....	\$(307,959)	\$(647,732)	\$ 525,019	\$2,064,514
Other expense (income)—				
Interest .....	\$ 6,000	\$ 48,154	\$ 74,204	\$ 118,812
Other .....	—	(2,092)	(3,281)	(15,946)
	\$ 6,000	\$ 46,062	\$ 70,923	\$ 102,866
Net income (loss) before Federal income taxes .....	\$(313,959)	\$(693,794)	\$ 454,096	\$1,961,648
Provision for Federal income taxes .....	—	—	236,000	959,774 <sup>③</sup>
Net income (loss) before Federal income-tax reduction arising from loss carryforward .....	\$(313,959)	\$(693,794)	\$ 218,096	\$1,001,874
Reduction in Federal income taxes arising from carryforward of losses from 1961 and 1962 .....	—	—	236,000	277,000
Net income (loss) (including reduction of Federal income taxes of \$236,000 in 1963, and \$277,000 in 1964)....	\$(313,959)	\$(693,794)	\$ 454,096	\$1,278,874
<b>HISTORICAL NET INCOME (LOSS) PER SHARE:<sup>⑥</sup></b>				
Before Federal income-tax reduction arising from loss carryforward .....	\$(.42)	\$(.85)	\$.23	\$1.04
Including reduction of Federal income taxes arising from loss carryforward .....	\$(.42)	\$(.85)	\$.48	\$1.33
PRO FORMA NET INCOME <sup>④</sup> .....			\$ 254,336	\$1,038,114
PRO FORMA NET INCOME PER SHARE <sup>④⑤</sup> .....			\$ .27	\$1.08

① The statement of income for the year ended December 31, 1961, includes the results of operations of the Company since its inception in February, 1961.

② The Company previously had followed the practice of reflecting the Federal income-tax benefits arising from operating losses in the period of the related loss; in 1964, pursuant to the requirements of the Securities and Exchange Commission, such benefits were allocated to the periods in which realized, and the statement of income has been restated retroactively to give effect to this change in accounting procedure. Previously reported net income, therefore, has been increased (decreased) as follows: 1961—\$(163,000); 1962—\$(350,000); 1963—\$236,000.

③ The provision for Federal income taxes for 1964 includes deferred taxes of \$114,000 resulting from use of the straight-line method of depreciation for book purposes and the declining-balance method for tax purposes.

The accumulated investment tax credit has been used to reduce accrued Federal income taxes otherwise payable on income for 1964. The charge equivalent to such credit has been classified in the statement of income as additional depreciation. This

*(Notes continued on following page.)*

## CAPITALIZATION

The capitalization of the Company on December 31, 1964, was as follows:

	Authorized	Outstanding
6% Secured Bank Loan due 1974 <sup>Ⓐ</sup> .....	\$500,000	\$475,128
5¾% Term Bank Loan due 1967 <sup>Ⓑ</sup> .....	750,000	750,000
Revolving Credit Agreement <sup>Ⓒ</sup> .....	—	—
Common Stock (\$1 Par Value) <sup>Ⓓ</sup> .....	5,000,000 shares	977,106 shares <sup>Ⓔ</sup>

- Ⓐ The Secured Bank Loan is secured by deed of trust on land and buildings (see "Properties"), and is payable in equal monthly installments of \$5,555, including interest (see Note 5 to Financial Statements).
- Ⓑ The Term Bank Loan is payable in variable installments to March 31, 1967, and provides for the maintenance of certain minimum amounts of working capital and stockholders' interest (see Note 5 to Financial Statements).
- Ⓒ The Company has an agreement with the Bank of America N. T. & S. A. which provides that the Company may borrow at an interest rate of 5½% per annum additional amounts not to exceed 90% of accounts receivable up to \$2,500,000. At December 31, 1964, the Company had made no borrowing under the agreement.
- Ⓓ A total of 49,410 shares of the Company's Common Stock was reserved for issuance upon exercise of options under the Company's Stock Option Plan. See note <sup>Ⓔ</sup> below.
- Ⓔ In the period from December 31, 1964 to February 19, 1965, an aggregate of 9,097 shares of Common Stock were issued upon exercise of employees stock options. Accordingly, a total of 986,203 shares of Common Stock was outstanding on February 19, 1965, and a total of 40,313 shares were reserved for issuance upon exercise of employees stock options.

*(Notes continued from preceding page.)*

classification results in an increase of \$40,226 in the provision for depreciation included in cost of sales, and corresponding reductions in income before taxes and in the provision for Federal income taxes, with no change in net income. The investment tax credit will be reflected in income in the form of reduced charges for depreciation over the lives of the purchased equipment giving rise to the credit.

- ④ The 6% Convertible Subordinated Promissory Notes in the principal amount of \$1,208,000 previously outstanding were converted on December 26, 1964, into 382,650 shares of the Company's common stock (after reflecting the thirty-for-one stock split approved by the stockholders and effected on December 31, 1964).

Pro forma net income has been computed by adjusting historical net income to reflect:

- a. A reduction of \$36,240 in both 1963 and 1964 representing the interest (net of applicable Federal income taxes) on the promissory notes converted in 1964; this reduction represents the increase in net income which would have resulted had the promissory notes been originally issued as common stock.
  - b. The elimination of the nonrecurring effect of the Federal income-tax benefit amounting to \$236,000 in 1963 and \$277,000 in 1964 arising from the carryforward of losses from 1961 and 1962.
- ⑤ Net income (loss) per share has been computed on the basis of the average number of shares outstanding during each period, and gives effect retroactively to the conversion of the promissory notes and the thirty-for-one stock split in 1964. The average number of shares outstanding on this basis was as follows:

	Number of Shares
1961.....	750,000
1962.....	817,770
1963.....	955,650
1964.....	964,050

- ⑥ The Company's Board of Directors on December 11, 1964, approved an employee profit sharing plan effective January 1, 1965. The plan provides, subject to certain minimum income requirements, that the Company will contribute to the Employees' Profit Sharing Trust 10% of its income before Federal income taxes. The company previously did not have an employee profit sharing plan.

For discussion regarding product prices see "Product Prices" herein.

## DESCRIPTION OF BUSINESS

### Product and Customers

Memorex's sole product is precision magnetic tape. Precision magnetic tape consists of a chemical formulation of magnetic oxide, polymer resins, solvents and other raw materials which are processed and coated upon a continuous web of film base material. The product's precision character results from the precise requirements of the formulation, the intricacy of manufacturing processes, the high degree of quality control exercised, and the electronic and physical specifications of the end-product.

Precision magnetic tape is used in mass data recording, storage, and reproduction by computers and other digital and analog data systems. It is also used in closed circuit and commercial television installations for the recording and reproduction of television pictures and sound. Precision magnetic tape does not encompass audio or sound recording tape, which is a non-precision product involving an industry of considerably less technology, personnel, and physical facilities.

The Company's product is a "supply" item which is typically sold when customers acquire data processing and recording equipment or television recording equipment, expand the scope of usage of such equipment, or replace their existing libraries of tape because of wear or technological obsolescence. Thus demand for precision tape is measured by the growth of installations and degree of utilization of computers and other data recording systems, as well as stabilized by the continuing requirements of established users.

Although no reliable industry statistics are available the Company estimates that the current annual rate of industry sales of precision tape is about \$100 million. Growth of the industry in the last decade has been relatively high and has reflected the increasing use of magnetic tape recording equipment in the computer, instrumentation and television markets. There is no assurance that such growth will continue at the rates of recent years.

In 1964 Memorex's sales for use in computers and other digital and analog data recording systems amounted to almost 99% of its total sales volume, and in 1963 all sales were in this category. The Company's sales for use in television recording, which market it first entered in 1964, amounted to approximately 1% of total sales in that year. Of the 1964 sales, 48% were sales to civilian, space, and defense agencies of the United States Government, 5% to manufacturers of digital and analog data processing equipment, and 47% to several hundred industrial and commercial businesses, banks, insurance companies, educational and scientific institutions. In 1963 the breakdown was 43%, 5% and 52%, respectively. Future sales to government customers could be adversely affected by any substantial general curtailment of spending for space and defense activities. Government contracts are subject to cancellation at the convenience of the government and pursuant to the renegotiation laws may be subject to renegotiation and/or price redetermination.

Included in the Company's sales to government agencies were sales under competitively bid supply contracts to the National Aeronautics and Space Administration (NASA) which amounted to 19% of total sales in 1964 and to 19% in the year 1963. In the period from June 30, 1964 through December 1964 the Company had no contract to supply NASA for any specific volume of product, but supplied NASA from time to time on an individual purchase order basis. Upon expiration of the Company's supply contracts with NASA in 1964, sales of at least comparable volume were developed from other sources. In January of 1965 the Company again entered into a competitively bid supply contract with NASA for approximately \$650,000 of its product to be delivered during the year. No single customer, other than NASA, accounted for more than 6.5% of total sales in 1963 and 3.5% in 1964.

At December 31, 1964, the Company's backlog of unfilled orders was approximately \$625,000, compared with \$470,000 a year earlier. Orders received are normally cancellable without significant penalty to customers, but the incidence of cancellations has been negligible. Most users of precision tape tend to order supplies for relatively short term usage. Others contract with suppliers to provide annual requirements to obtain volume

price discounts and place orders for deliveries from time to time against the contracts. Extended future commitments are not common in the industry because, among other reasons, customers are assured delivery of their requirements within days after orders are placed. Hence, the Company's backlog of unfilled orders at any given time does not reflect the total amount of immediate future business which it may expect to enjoy.

### **Marketing Activities**

In the United States Memorex markets its product primarily through its own direct sales organization. Sales engineers with experience in precision tape applications are located in New York, Washington, D.C., Atlanta, Chicago, Dallas, Los Angeles, and San Francisco. Liaison between customers and quality control and product development personnel in Santa Clara is also performed by the Company's Customer Technical Service organization composed of engineers and scientists.

International marketing activities were organized by the Company in the latter half of 1964, and will be expanded in 1965. To date the volume of international sales has been negligible. The Company's product is currently being sold by Memorex Precision Products, Ltd., a wholly-owned subsidiary, in the United Kingdom and in Continental Europe, and by independent distributors in Canada, Australia, and Japan.

### **Product Prices**

The Company's practice is to sell at list prices which are published from time to time for the different widths, lengths, and packaging configurations of its product, as well as for the different levels of quality control testing certified to the user. Deviations from list prices are made in special cases of large quantity orders or in the bidding and negotiation of supply contracts.

In 1964 and in immediate prior years, unit prices in precision magnetic tape markets have generally declined. Notwithstanding this industry trend, Memorex has succeeded in selling an increasing proportion of higher priced configurations of its product line, so that the average unit price it has received during 1963 and 1964 has not materially declined. The Company can make no meaningful representation regarding the future course of industry price levels or its ability to cope with possible adverse price trends. It believes that its opportunity to command relatively high unit prices, such as it has enjoyed to date, will be dependent upon the future success of its product improvement and research activities.

### **Competition**

The precision tape manufacturing industry in the United States is comprised of seven major companies each of whose annual production is estimated to exceed one million dollars and several small companies whose aggregate output approximates that amount. The absence of reliable statistics makes it difficult to state Memorex's relative position, but the Company believes that its current volume of precision tape production is substantially exceeded by only one competitor and that two other competitors produce in approximately the same volume as Memorex.

Of the six other major producers in the U. S., three possess substantially greater financial resources, facilities and personnel than the Company. There are no foreign manufacturers of precision magnetic tape in significant volume.

Memorex has not sold its product to IBM, whose purchases of precision tape for resale to users of its systems establish it as the tape industry's largest customer, as well as the principal seller of tape to computer users. The Company has no statistical or other basis which would enable it to make a meaningful statement regarding the extent to which users of IBM systems are also supplied by Memorex or other tape manufacturers and distributors. Tape customers commonly operate data processing equipment of more than one system maker and information is not readily available regarding the specific use of their tape purchases. The Com-

pany's product is compatible for use on substantially all of the major makes and types of digital and analog recording and computing systems in general use.

Magnetic tape recording devices for mass-data storage enjoy economic advantages relative to some kinds of other devices and technical advantages relative to others. These economic and technical advantages include, among others, a relatively (to all other storage devices useable for the same purposes) low cost per bit of data stored, ability to record data over a wide frequency spectrum, the reuseable and relatively durable characteristics of tape, sequential recording of data which naturally occurs in sequential modes, and ease in transporting tape-recorded data between recording installations and between installations in libraries. Relatively long random access time, which results from sequential recording, and the relatively large size of magnetic tape reels, in some instances represent disadvantages. Technological obsolescence of existing precision tape products will result in part from advances in magnetic tape recording technology and consequent requirements for new and improved precision tape products. Although the rate of technological development in the design of the memory devices has been rapid in recent years, the Company is aware of no development which threatens to supersede the general use of precision magnetic tape for mass-data storage. There is no assurance that technological advances in memory devices of computers and other data processing systems will not negate the present applications and advantages of magnetic tape.

### **Research Activities**

Memorex engages in an extensive research and development program which is intended to maintain and improve the technological position of existing products and to develop new products. Activities include development of new chemical formulations, investigations in the use of alternate raw materials, and modifications in design of manufacturing processes and equipment. These activities involve the work of polymer chemists, physicists, chemical process engineers, electrical and mechanical engineers, and tape recording specialists. There are 27 of these employees devoting their full time to research and development and there are 12 employees devoting not less than three-fourths of their time to these research and development activities.

A substantial portion of the Company's preproduction costs of 1961 and 1962, which totaled \$665,000, were expended in these activities. In the period of actual production and sales from July 1, 1962 to December 31, 1964, research and development expenses totaled approximately \$840,000. While the ratio of these expenses to sales has varied from time to time, reflecting sales volume changes, the average ratio during such period has been 7%. See "Statement of Income" for expenditures by periods.

The Company has never received any government financial support for its research and development activities. All of its chemical formulations, process designs, and manufacturing equipment designs have been developed solely at Memorex's expense.

### **Patents and Trade Secrets**

Memorex owns copyrights and trademarks, and has industrial trade secrets. It does not own any patents related to its products, processes or equipment, and to date Memorex has not made a practice of applying for patents covering its basic products and processes. The policy is based upon the assumption, commonly held in the chemical processing industries, that frequently an invention is more securely protected by retaining a multiplicity of trade secrets and by avoiding the technical disclosures required in patent applications. However Memorex expects to file patent applications on those processes and products for which patent protection is believed to afford greater security than would be afforded by trade secret protection. There is no assurance that such applications will result in the issuance of patents. In not making a practice of applying for patents, the Company, as does any company in a similar position, runs the risk of having to litigate the question of ownership of an invention in the event that another party secures or already possesses a patent on a similar invention. To avoid the loss of ownership of inventions through oversight of conflicting claims and to reduce the risk of

infringing patents of others, the Company attempts to keep current on disclosures made in patent and other scientific publications.

In September of 1964 Ampex Corporation, a competing producer of magnetic tape, advised the Company that a patent had recently been issued to the competitor covering a magnetic tape formulation which is of a type similar to that presently used by Memorex; the competitor further advised the Company of its willingness to license the patent to the Company. The Company referred the competitor's letter to its patent counsel who, after investigation, advised the Company that in their opinion the claims of the patent are invalid and unenforceable. At no time has the competitor charged the Company with infringement or threatened litigation. Were a charge of infringement to be made at some future date and in subsequent litigation the patent were to be held valid and infringed, the Company's position would be that of any concern which has infringed a valid patent. The liability of an infringer in such a situation would approximate a sum (which may be substantial) equal to a reasonable royalty rate on sales made by the infringer from the date of the issuance of the patent to the date infringement ceased, and in addition the infringer might be enjoined from further infringement of the patent. The Company does not believe that such injunctive relief would seriously impair its future operations because it possesses formulations of other types which can be substituted for the formulation currently being used.

### **Manufacturing Operations**

Substantially all raw materials and components used in the Company's production are generally available from multiple sources. An exception to the foregoing is the Company's dependency upon E. I. duPont de Nemours, Inc., for its raw material supply of Mylar\* polyester base film. While other film base materials are not wholly acceptable substitutes, the Company does not consider this dependency to be materially disadvantageous because it is generally shared by other precision tape manufacturers.

Manufacturing operations consist of complex processing of chemical raw materials, precise coating and drying of continuous webs or wide rolls of base film, precise slitting of webs to narrow widths, and quality control testing of intermediate and finished products. Operations are conducted in a white-room environment from which airborne particles have been removed to avoid contamination of production, similar to the manufacturing environments of the pharmaceutical industry.

Essentially all processing techniques, manufacturing and testing equipment, as well as the Company's plant facilities, have been designed by Memorex engineers for its special purpose use. Equipment is continuously maintained to assure production of a uniformly high quality level, so that the Company believes technological obsolescence rather than wear and tear will be largely responsible for actual depreciation.

The nature of the Company's manufacturing operations, which involve a series of production processes each capable of a different level of output, makes difficult any statement of the percentage of the overall utilization of its plant. In general, throughout 1963 and 1964 operations have been conducted at the maximum level of the process which has limited overall output. The Company has expanded the capacities of the several processes from time to time during the period by equipment and space additions to achieve overall capacity at continuously higher levels. Hence, the overall capacity fully utilized at the end of 1964 was approximately twice the capacity utilized a year earlier. A program of increasing the capacities of processes is being pursued and is expected to continue in 1965 to permit further growth of production. Such increases have required and will continue to require incremental capital investments. The Company has provided to date and expects to continue to provide these investments from internal cash sources, borrowings and lease financing.

### **Properties**

Memorex's principal offices, laboratories and production facilities are located at 1180 Shulman Avenue, Santa Clara, California, 50 miles south of San Francisco.

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\*Registered Trademark.

Substantially all operations are conducted in a modern building of approximately 60,000 square feet situated on a seven acre site. The building is air-conditioned and fully sprinklered and contains extensive specially designed improvements. It was constructed to the Company's specifications in 1962 and was added to during 1963 and 1964. The latter additions allowed the doubling of production and are designed to accommodate further increases in output. Title to the land and building is owned in fee by the Company subject to a loan secured by a deed of trust (see "Capitalization").

In August 1964, the Company contracted to purchase real estate property immediately adjacent to its existing facilities. The purchase, which will be consummated not later than July 1, 1965, will consist of a modern 23,000 square foot office and warehouse building on a 1.3 acre site. The \$195,000 purchase price due upon consummation of the transaction is expected to be provided from internal cash sources, borrowings and lease financing.

The Company's Board of Directors has authorized a program for the construction of a building to house its research and product development center on its Santa Clara plant site. Plans have been approved and are now being prepared for bid by contractors. The building is to be completed in late 1965. It is anticipated that the building will encompass 21,000 square feet of laboratory and office space and will require an investment of approximately \$750,000. Funds for this purchase are expected to be provided from internal cash sources, borrowings and lease financing.

Manufacturing equipment consists of chemical processing, mechanical and electronic equipment, including ultra-sonic film cleaning baths, magnetic oxide dispersing machines, film coating equipment, drying and curing ovens, coating surface treating equipment, film web slitters, and chemical analysis and automated control equipment. Substantially all manufacturing equipment is special purpose in character and designed for the Company's use.

Research, experimental, and quality control equipment consists of chemical and electronic laboratory and test equipment, much of which is specially adapted for precision tape research and development, and diverse magnetic tape recording equipment.

Total fixed assets owned by the Company at December 31, 1964 had an aggregate original cost of \$3,107,000, and cost net of depreciation reserves of \$2,665,000. In addition, the Company leases certain manufacturing and research equipment having an aggregate original cost of \$284,000 under a lease expiring 1968 at a monthly rental of approximately \$6,000.

## **Employees**

At December 31, 1964, the Company employed 306 people. Of this number 116 were hourly-waged production employees, 76 were professional personnel and technicians engaged in engineering, research and other technical activities, 23 were marketing employees, and 91 were other management, administrative, maintenance and clerical employees.

Vacations, holidays and other usual benefits, a life insurance and hospital-medical insurance program are provided for employees at no expense to them. In addition, a Memorex Employees' Profit Sharing Plan has been approved by the shareholders and was instituted as of January 1, 1965. The Plan provides that 10% of the Company's profits before taxes (assuming certain minimum earnings requirements are met) be allocated to employees on the basis of years of service and salary. Funds allocated will be invested by a trustee and paid to employees upon certain conditions of retirement, termination, death or disability. A condition of the Plan is that it must be qualified as tax deductible by the Internal Revenue Service.

None of the Company's employees are covered by collective bargaining agreements. The Company believes its relations with employees to be excellent.

## MANAGEMENT

### Directors and Officers

The directors and officers of the Company are as follows:

Name	
Laurence L. Spitters .....	President, Treasurer and Director
Donald F. Eldridge .....	Vice President and Technical Director, and Director
W. L. Noon .....	Vice President, Manufacturing and Engineering, and Director
Edward S. Seaman .....	Vice President, Sales
Carl A. Anderson .....	Secretary
N. C. O. Brogger .....	Director
Alger Chaney .....	Director
Thomas E. Morris .....	Director
T. Robert Sandberg .....	Director
Fred M. van Eck .....	Director
Dr. Theodore Vermeulen .....	Director

Mr. Spitters has been President and Treasurer of the Company since he participated in its organization in 1961. Prior thereto he was assistant to the President and Assistant Treasurer of Ampex Corporation.

Mr. Eldridge has been Vice President and Technical Director of the Company since he participated in its organization. Prior thereto he was manager of the magnetics department of the corporate research division of Ampex Corporation.

Mr. Noon has been Vice President of the Company with responsibility for manufacturing and engineering since he participated in its organization. Prior thereto he was for a one-year period employed as an applications engineer at Ampex Corporation following ten years of chemical engineering experience with Dow Chemical Company and Cutter Laboratories, Inc.

Mr. Seaman was employed by Memorex in December 1961 and was elected Vice President in August 1963. Prior thereto, Mr. Seaman was for many years a field sales manager of Minnesota Mining and Manufacturing Company.

Mr. Anderson was employed by Memorex in August 1961 as Controller and was elected Secretary in April 1964. Prior thereto, Mr. Anderson was assistant secretary and internal auditor of Ampex Corporation.

During their employment with Ampex Corporation Messrs. Spitters, Eldridge, Noon and Anderson signed contracts which, in part, provided that they would not disclose or use any confidential information learned during their employment. In the cases of Messrs. Spitters, Eldridge and Noon this employment was terminated in 1960, and in the case of Mr. Anderson was terminated in 1961. To the knowledge of all of these individuals these contracts have not been violated. The Company considers that this former employment of Messrs. Spitters, Eldridge, Noon and Anderson does not in any way limit their activity with the Company.

Messrs. Spitters, Noon and Eldridge entered into employment agreements with the Company on March 31, 1961, under which they agreed to serve in such capacities and at such compensation as the Board of Directors may determine for the period ending March 31, 1965. Because the primary objective of the agreements, i.e., assurance of a continuity of management during the formative stages of the Company, is no longer deemed materially important by the Company, it will be the policy of the Company not to enter into similar long term agreements upon their expiration in 1965.

### Remuneration of Directors and Officers

The direct remuneration paid by the Company during its fiscal year ended December 31, 1964, to each officer whose aggregate direct remuneration from the Company exceeded \$30,000, and to all directors and officers as a group, is shown in the following table:

	Capacity In Which Remuneration Was Received	Aggregate Direct Remuneration
Laurence L. Spitters .....	President and Treasurer	\$ 30,000 <sup>①</sup>
Donald F. Eldridge .....	Vice President and Technical Director	\$ 30,000 <sup>①</sup>
W. L. Noon .....	Vice President, Manufacturing and Engineering	\$ 30,000 <sup>①</sup>
Edward S. Seaman .....	Vice President, Sales	\$ 37,500
All Directors and Officers as a group .....		\$146,000

① It has been the policy of the Company's Board of Directors to pay a year-end bonus to these officers based on the Company's financial performance for the year. To date the exact amounts of these bonuses have not been determined, but the Company has accrued an aggregate of \$25,000 to cover such bonuses for the year 1964, and it is anticipated that this accrued amount will be sufficient to cover the bonuses when they are paid.

These Officers will also participate in the Memorex Employees' Profit Sharing Plan discussed under "Employees".

### EMPLOYEE STOCK OPTION PLAN

The Company's Restricted Stock Option Plan was approved by stockholders in 1961. This Plan provides that options may be granted to key employees (other than Messrs. Spitters, Eldridge, and Noon) for the purchase of an aggregate of 75,000 shares of Common Stock, at a price of not less than 100% of fair market value of the shares on the date of grant. No one employee may be granted options aggregating more than 15,000 shares. Employees may exercise their options at the rate of 25% per year beginning one year after the date of grant. Options expire 8 years after issuance, except in the case of exercise by a former employee (30 day-period after termination in which to exercise) or by an employee's estate (one-year period after death in which estate may exercise). However, options granted in 1964 expire 5 years after date of grant. As of February 19, 1965, options for 33,562 shares have been exercised and options for 40,313 shares were outstanding.

The options granted under the Plan are "Restricted Stock Options" within the meaning of IRC Section 421 prior to amendment in 1964. All grants of options have been made by the Board of Directors on the basis of demonstrated and prospective contributions of key employees, as it deemed appropriate from time to time. As of February 19, 1965, options had been granted to 18 key employees. Information relating to the options granted is shown in the following table:

Dates of Grant of Options	Expiration Dates of Options	Option Price Per Share	Number of Shares of Common Stock Called for by Outstanding Options
8- 4-61	8- 4-69	\$ .10	6,563
4-28-62	4-28-70	.20	6,000
10-23-62	10-23-70	.20	750
3-18-63	3-18-71	.50	1,125
8-30-63	8-30-71	3.33	16,875
3-13-64	3-13-69	3.67	3,000
6-26-64	6-26-69	6.67	6,000
			<u>40,313</u>

Options presently held by eligible officers of the Company, as a group, aggregate 6,000 shares of which 750 shares were granted at August 4, 1961, 3,000 shares at April 28, 1962, and 2,250 shares at August 30, 1963. The last two grants represented options granted to Mr. Edward S. Seaman, Vice President. The fair market value of the shares subject to option as of the date of this Prospectus is believed to be coincident with the offering price shown on the cover page hereof.

## PRINCIPAL HOLDERS OF STOCK

Memorex was organized on February 9, 1961 with an authorized capitalization of two series (Series A and Series B) of Common Stock. The founders, Laurence L. Spitters, Donald F. Eldridge, W. L. Noon, and Arnold T. Challman, who may be said to be promoters of the Company, provided the Company's initial capitalization of \$12,500 through the purchase of 12,500 shares (3,125 each) of Series B Common Stock at a price of \$1 per share. Messrs. Spitters, Eldridge, and Noon have served the Company as officers continuously from the time of organization (see "Management"). Mr. Challman was an officer until his resignation from employment in June 1962.

On April 7, 1961, the Company sold in a private sale \$600,000 principal amount 6% Convertible Subordinated Promissory Notes due 1971 at par and 6,500 shares of Series A Common Stock at a price of \$100 per share. On September 12, 1962, the Company sold in a private sale \$608,000 principal amount 6% Convertible Subordinated Promissory Notes due 1972 at par. The 1971 Notes were convertible into shares of Series A Common Stock of the Company at the rate of \$100 principal amount per share and the 1972 Notes at \$90. On August 26, 1964, holders of the Series A Common Stock and 1971 and 1972 Notes exchanged, on a share-for-share and equal principal amount basis, said securities for shares of Series B Common Stock and new 1971 and 1972 Notes convertible into shares of Series B Common Stock at the same respective conversion prices.

The 1971 and 1972 Notes were called for redemption on December 31, 1964. As a consequence, the total principal amounts of both series of Notes were fully converted into an aggregate total of 12,755 shares of Series B Common Stock. Pursuant to an amendment of the Company's Articles of Incorporation on December 31, 1964, all outstanding shares were reclassified into "Common Stock (\$1 par value)" and were split on the basis of 30-for-1. As a result of this amendment the Company currently has an authorized capitalization of 5,000,000 shares of Common Stock (see "Capitalization").

On December 31, 1964 J. H. Whitney & Co., 630 Fifth Avenue, New York, N. Y., a private investment firm of which Mr. Fred M. van Eck, Director of the Company, is general partner, owned beneficially and of record a total of 99,999 shares of the Company's Common Stock, or 10.2% of the outstanding shares. No other person owned more than 10% of the outstanding shares of Common Stock beneficially or of record. The beneficial and record ownership by all officers and directors as a group was 453,261 shares, or 46.4% of the 977,106 shares outstanding. These figures include 99,999 shares owned by J. H. Whitney & Co., and 30,000 shares owned by Baker, Fentress & Company, a private investment firm of which Mr. Alger Chaney, Director of the Company, is Vice President. Not included are 35,544 shares owned by Small Business Enterprises, a Small Business Investment Company which is a subsidiary of the Bank of America N. T. & S. A., of which Mr. N. C. O. Brogger, Director of the Company, is Vice President.

Messrs. Spitters, Eldridge, Noon, Chaney, and van Eck, and Baker, Fentress & Company, Small Business Enterprises, and J. H. Whitney & Co., because of their ownership of stock and positions on the Board of Directors, may be considered to be controlling persons or parents of the Company within the meaning of the Securities Act of 1933. Additionally, Paul L. Fentress and Allstate Insurance Company, for which Alsta & Co. is nominee (see "Selling Stockholders" for their respective holdings) may be considered to be affiliates of the Company within the meaning of the Securities Act of 1933.

## SELLING STOCKHOLDERS

The following table sets forth, as of February 19, 1965, information regarding beneficial and record ownership of shares of the Common Stock of the Company of each stockholder a portion of whose shares may be offered from time to time hereby, the number of shares each Selling Stockholder has agreed to sell in the underwritten offering set forth in this Prospectus (see "Underwriting"), the total number of shares to be held by each Selling Stockholder after said underwritten offering, and the number of shares being registered hereunder which may be offered from time to time hereby.

Name	Number of Shares Owned as of Feb. 19, 1965	Percent of 986,203 Total Shares Outstanding	Number of Shares to Be Sold in the Under-written Offering	Percent of 986,203 Total Shares Outstanding	Total Number of Shares to Be Owned After Under-written Offering	Percent of 986,203 Total Shares Outstanding	Number of Shares to Be Registered Hereby and Which May Later Be Offered Hereunder from Time to Time	Percent of 986,203 Total Shares Outstanding
Alonzo C. Allen .....	8,991	0.9%	341	—%	8,650	0.9%	94	—%
Alsta & Co.* .....	60,000	6.1	30,000	3.0	30,000	3.0	—	—
Carl A. Anderson .....	2,250	.2	—	—	2,250	.2	2,250	.2
Charles Atwood Company* .....	17,775	1.8	4,125	.4	13,650	1.4	9,930	1.0
John P. Austin* .....	4,443	.5	693	.1	3,750	.4	—	—
Albert Baaba .....	1,125	.1	250	—	875	.1	—	.1
Baker, Fentress & Company .....	30,000	3.0	7,500	.8	22,500	2.3	—	—
Brokaw Brothers* .....	6,750	.7	750	.1	6,000	.6	2,250	.2
Carleton F. Bryan .....	7,215	.7	765	.1	6,450	.7	2,700	.3
John M. Bryan .....	10,683	1.1	433	—	10,250	1.0	6,500	.7
Arnold T. Challman .....	93,750	9.5	27,000	2.7	66,750	6.8	—	—
Alger Chaney .....	30,819	3.1	1,169	.1	29,650	3.0	—	—
Jon B. Chaney .....	7,215	.7	265	—	6,950	.7	3,200	.3
United States National Bank of Oregon, Administrator Estate of Truman W. Collins.....	4,443	.5	443	—	4,000	.4	250	—
John P. Day .....	4,443	.5	3,900	.4	543	.1	—	—
John S. Day .....	4,443	.5	693	.1	3,750	.4	—	—
Douglas E. De Tata .....	1,500	.2	60	—	1,440	.1	—	—
Paul Devlin .....	8,886	.9	336	—	8,550	.9	1,050	.1
Donald F. Eldridge .....	93,750	9.5	27,000	2.7	66,750	6.8	—	—
Richard C. Ernst* .....	24,705	2.5	24,705	2.5	—	—	—	—
Paul L. Fentress .....	3,750	.4	150	—	3,600	.4	—	—
Reuben D. Getz .....	4,443	.5	443	—	4,000	.4	250	—
Mr. Harry S. Gould and Mrs. Mary L. Gould .....	4,221	.4	171	—	4,050	.4	339	—
D. James Guzy .....	20,574	2.1	774	.1	19,800	2.0	12,300	1.2
Harold Hinn .....	7,500	.8	1,000	.1	6,500	.7	—	—
Robert Hinn .....	7,500	.8	1,000	.1	6,500	.7	—	—
David H. Holmes .....	3,750	.4	1,500	.2	2,250	.2	—	—
George H. Hunt, Jr. ....	11,172	1.1	472	—	10,700	1.1	2,300	.2
Gerald Kane .....	5,211	.5	211	—	5,000	.5	1,289	.1
Reginald MacArthur .....	3,321	.3	121	—	3,200	.3	389	—
James F. Miller .....	4,443	.5	173	—	4,270	.4	520	—
Thomas E. Morris* .....	15,000	1.5	2,500	.3	12,500	1.3	—	—
W. Lawrence Noon .....	81,750	8.3	27,000	2.7	54,750	5.6	—	—
Samuel C. Register .....	4,800	.5	1,800	.2	3,000	.3	—	.1
Joseph Rogers .....	17,772	1.8	2,772	.3	15,000	1.5	—	—
Edward S. Seaman .....	3,750	.4	—	—	3,750	.4	3,750	.4
Small Business Enterprises, a subsidiary of Bank of America, N. T. & S. A.....	35,544	3.6	5,850	.6	29,694	3.0	—	—
Compan E. Sosland .....	14,298	1.4	466	—	13,832	1.4	6,332	.6
Laurence L. Spitters .....	93,750	9.5	27,000	2.7	66,750	6.8	—	—
William F. Taylor .....	2,250	.2	2,250	.2	—	—	—	—
United Investment Company .....	15,000	1.5	2,000	.2	13,000	1.3	—	—
Fred M. van Eck .....	4,443	.5	173	—	4,270	.4	—	—
Harrison T. Watson .....	3,321	.3	121	—	3,200	.3	389	—
William E. Weiss, Jr. ....	23,772	2.4	872	.1	22,900	2.3	7,900	.8
David D. Williams .....	8,886	.9	1,470	.1	7,416	.8	—	—
Wm. Maxwell Wood .....	5,610	.6	210	.1	5,400	.5	1,650	.2
J. H. Whitney & Co. ....	99,999	10.1	9,999	1.0	90,000	9.1	—	—
Several (nonofficer) employees of the Company .....	38,437	3.9	—	—	38,437	3.9	31,743	3.2
	967,453	98.1%	220,926	22.4%	746,527	75.7%	97,375	9.9%

\*Nominees for an aggregate of 12 beneficial owners.

## **DESCRIPTION OF COMMON STOCK**

The authorized capitalization of the Company consists of 5,000,000 shares of Common Stock (\$1 par value). The holders of the outstanding Common Stock are entitled to receive such dividends as may be declared by the Board of Directors out of any funds of the Company legally available therefor. Each holder is entitled to one vote for each share held and has cumulative voting rights in electing directors. The Common Stock is not redeemable and does not carry conversion rights. The Common Stock carries no pre-emptive rights or other rights to subscribe to additional shares. In the event of any liquidation, dissolution or winding up of the Company, the holders of the Common Stock are entitled to share equally and ratably in the balance, if any, remaining after payment of all debts and liabilities. In the opinion of counsel for the Company the shares of Common Stock being offered hereby are full paid and nonassessable. There is no restriction on the repurchase or redemption of shares by the Company while there is any arrearage in the payment of dividends or sinking fund installments under the Company's indebtedness, however, see footnote 5 to Financial Statements.

The Bank of America N. T. & S. A., San Francisco, is Transfer Agent and Wells Fargo Bank, San Francisco, is Registrar for the Common Stock.

The Company intends to furnish holders of its Common Stock with annual reports containing certified financial statements.

## **LEGAL OPINIONS**

Legal matters in connection with the shares offered hereby will be passed upon for the Company and the Selling Stockholders by Morrison, Foerster, Holloway, Clinton & Clark, Crocker Building, San Francisco California 94104, and for the Underwriters by McCutchen, Doyle, Brown, Trautman & Enersen, 601 California Street, San Francisco, California 94108.

## **EXPERTS**

The balance sheet of the Company as of December 31, 1964, and the related statements of historical income and surplus for the four years then ended which appear in this Prospectus have been examined by Arthur Andersen & Co., independent public accountants, as set forth in their opinion, and have been included herein in reliance upon the authority of such firm as experts in giving such an opinion.

## **UNDERWRITING**

The Underwriters named below, for whom Smith, Barney & Co. Incorporated is acting as Representative, severally have made a firm commitment, subject to certain conditions, to purchase the number of shares set forth opposite their respective names, at the price shown on the cover of this Prospectus. The Underwriters have advised the Company that they may allow a selling concession to certain dealers of 70¢ per share and such dealers may allow a concession of not in excess of 25¢ per share to certain other dealers. After the initial public offering the Representative is authorized to change the offering price and the concession and reallowance to dealers.

The Underwriting Agreement contains reciprocal covenants against liability in certain instances, including liabilities under the Securities Act of 1933.

All present Stockholders have agreed not to sell, without the consent of the Underwriters, any of the 765,277 shares of Common Stock to be owned by them after the underwritten offering made hereby (see "Selling Stockholders") for a period of 60 days from the date of this Prospectus.

The Company has requested the Underwriters to reserve not more than 18,000 shares of the Common Stock offered hereby for sale at the public offering price to persons designated by the Company, principally including

business associates and employees of the Company. The number of shares to be sold to the general public will be reduced to the extent that persons so designated purchase such shares. To facilitate a wide distribution, the Underwriters have agreed to allot not in excess of 200 shares to any one account unless, by such limitation of allotments, they are unable to dispose of the shares promptly.

<u>Underwriter</u>	<u>Address</u>	<u>Number of Shares to be Purchased</u>
Smith, Barney & Co. Incorporated	20 Broad Street New York, N. Y. 10005	52,326
Bache & Co. Incorporated	36 Wall Street New York, N. Y. 10005	4,800
Bacon, Whipple & Co.	135 S. LaSalle Street Chicago, Illinois 60603	3,000
J. Barth & Co.	404 Montgomery Street San Francisco, California 94104	2,000
Bateman, Eichler & Bingham, Incorporated	453 South Spring Street Los Angeles, California 90013	2,000
A. G. Becker & Co. Incorporated	120 South LaSalle Street Chicago, Illinois 60603	4,800
William Blair & Company	135 South LaSalle Street Chicago 3, Illinois	3,000
Alex. Brown & Sons	135 East Baltimore Street Baltimore, Maryland 21202	3,000
Butcher & Sherrerd	1500 Walnut Street Philadelphia, Pa. 19102	2,000
Clark, Dodge & Co. Incorporated	61 Wall Street New York 5, N. Y.	4,800
Courts & Co.	11 Marietta Street, N. W. Atlanta, Georgia 30303	3,000
Davis, Skaggs & Co.	111 Sutter Street San Francisco, California 94104	2,000
Drexel & Co.	1500 Walnut Street Philadelphia, Pa. 19101	4,800
Francis I. duPont, A. C. Allyn, Inc.	One Wall Street New York, N. Y. 10005	4,800
Eastman Dillon, Union Securities & Co.	One Chase Manhattan Plaza New York, N. Y. 10005	9,000
First Southwest Company	Mercantile Bank Building Dallas, Texas 75201	2,000
Hayden, Stone Incorporated	25 Broad Street New York, N. Y. 10004	4,800
Hornblower & Weeks-Hemphill, Noyes	8 Hanover Street New York, N. Y. 10004	9,000
E. F. Hutton & Company Inc.	One Chase Manhattan Plaza New York, N. Y. 10005	4,800
W. E. Hutton & Co.	14 Wall Street New York, N. Y. 10005	4,800
Istel, Lepercq & Co., Inc.	63 Wall Street New York, N. Y. 10005	2,000
Janney, Battles & E. W. Clark, Inc.	1401 Walnut Street Philadelphia 2, Pa.	2,000

<u>Underwriter</u>	<u>Address</u>	<u>Number of Shares to be Purchased</u>
Johnston, Lemon & Co.	Southern Building Washington, D. C. 20005	3,000
Kenower, MacArthur & Co.	Ford Building Detroit, Michigan 48226	2,000
Kidder, Peabody & Co. Incorporated	20 Exchange Place New York, N. Y. 10005	9,000
Lee Higginson Corporation	20 Broad Street New York 5, N. Y.	4,800
Loewi & Co. Incorporated	225 East Mason Street Milwaukee, Wisconsin 53202	3,000
Irving Lundborg & Co.	310 Sansome Street San Francisco, California 94104	2,000
Merrill, Turben & Co., Inc.	Union Commerce Building Cleveland, Ohio 44114	3,000
Newhard, Cook & Co.	400 Olive Street St. Louis, Missouri 63102	3,000
Paine, Webber, Jackson & Curtis	25 Broad Street New York, N. Y. 10004	9,000
Piper, Jaffray & Hopwood	115 South Seventh Street Minneapolis, Minnesota 55402	3,000
Putnam, Coffin & Burr	6 Central Row Hartford, Connecticut 06103	2,000
Reinholdt & Gardner	400 Locust Street St. Louis 2, Missouri	3,000
Reynolds & Co.	120 Broadway New York, N. Y. 10005	4,800
Schwabacher & Co.	100 Montgomery Street San Francisco, California 94104	3,000
Shearson, Hammill & Co. Incorporated	14 Wall Street New York, N. Y. 10005	4,800
Singer, Deane & Scribner	1045 Union Trust Building Pittsburgh, Pennsylvania 15219	3,000
Stern, Frank, Meyer & Fox	Union Bank Building Los Angeles, California 90014	3,000
Sutro & Co.	460 Montgomery Street San Francisco, California 94104	2,000
Underwood, Neuhaus & Co., Incorporated	724 Travis St. Houston 2, Texas	2,000
Walston & Co., Inc.	74 Wall Street New York, N. Y. 10005	4,800
J. C. Wheat & Co.	1001 East Main Street Richmond, Virginia 23219	3,000
White, Weld & Co. Incorporated	20 Broad Street New York, N. Y. 10005	9,000
	Total .....	<u>220,926</u>

## ADDITIONAL INFORMATION

This Prospectus omits certain information contained in the Registration Statement on file with the Securities and Exchange Commission. The information omitted may be obtained from the Commission's principal office at Washington, D. C., upon payment of the fee prescribed by the rules and regulations of the Commission.

## OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

To MEMOREX CORPORATION:

We have examined the balance sheet of MEMOREX CORPORATION (a California corporation) as of December 31, 1964, and the related statements of historical income (under the caption "Statement of Income") and of common stock and surplus for the four years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Memorex Corporation as of December 31, 1964, and the results of its operations for the four years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the periods after giving retroactive effect to the change in accounting for Federal income-tax benefits as explained in Note 1 to the financial statements.

We have also examined the pro forma adjustments giving effect to the transactions described in Note 4 to the statement of income, and in our opinion such adjustments have been properly applied to historical net income of Memorex Corporation for the two years ended December 31, 1964.

ARTHUR ANDERSEN & Co.

San Francisco, California,  
January 26, 1965.

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# MEMOREX CORPORATION

## BALANCE SHEET December 31, 1964

### Assets

#### CURRENT ASSETS:

Cash .....		\$ 234,135
United States Treasury Bills (face amount \$200,000).....		199,102
Accounts receivable .....		1,159,605
Inventories, at the lower of cost (first-in, first-out) or market (Note 2).....		1,043,105
Prepayments .....		19,173
Total current assets.....		<u>\$2,655,120</u>

#### PROPERTY, PLANT AND EQUIPMENT, at cost (Note 3):

Land .....	\$ 173,812	
Buildings and improvements .....	1,498,593	
Machinery and equipment.....	1,302,324	
Furniture and fixtures.....	132,255	
	<u>\$3,106,984</u>	
Less—Accumulated depreciation and amortization.....	442,251	2,664,733

OTHER ASSETS (Note 6).....		56,953
		<u>\$5,376,806</u>

### Liabilities

#### CURRENT LIABILITIES:

Current portion of notes payable to bank.....		\$ 187,860
Accounts payable .....		622,974
Accrued liabilities—		
Salaries, wages and commissions.....	\$ 54,433	
Federal income taxes.....	566,201	
Other .....	76,373	697,007
Product warranty reserve.....		<u>152,963</u>
Total current liabilities .....		<u>\$1,660,804</u>

DEFERRED FEDERAL INCOME TAXES (Note 4).....		114,000
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#### NOTES PAYABLE TO BANK (Note 5):

6% note secured by deed of trust on a portion of land and buildings, payable to May, 1974, in monthly installments of \$5,555 including interest.....	\$ 475,128	
5¾% unsecured note, payable in variable installments to March 31, 1967.....	750,000	
	<u>\$1,225,128</u>	
Less—Current portion shown above.....	187,860	1,037,268

#### COMMITMENTS (Note 6)

#### STOCKHOLDERS' INTEREST (Notes 5 and 7):

Common stock, par value \$1—		
Authorized—5,000,000 shares		
Outstanding—977,106 shares .....	\$ 977,106	
Paid-in surplus .....	862,411	
Earned surplus .....	725,217	2,564,734
		<u>\$5,376,806</u>

The accompanying notes are an integral part of this balance sheet.

# MEMOREX CORPORATION

## STATEMENTS OF COMMON STOCK AND SURPLUS

For the Four Years Ended December 31, 1964

	Common Stock	Paid-In Surplus	Earned Surplus (Deficit)
BALANCE DECEMBER 31, 1960.....	\$ —	\$ —	\$ —
Net loss for the year (Note 1).....	—	—	(313,959)
Proceeds from sale of common stock .....	19,000	643,500	—
BALANCE DECEMBER 31, 1961.....	\$ 19,000	\$ 643,500	\$ (313,959)
Net loss for the year (Note 1).....	—	—	(693,794)
Proceeds from sale of common stock to employees under stock option plan .....	88	175	—
BALANCE DECEMBER 31, 1962.....	\$ 19,088	\$ 643,675	\$(1,007,753)
Net income for the year (including reduction of Federal income taxes of \$236,000) (Note 1).....	—	—	454,096
Proceeds from sale of common stock to employees under stock option plan .....	50	250	—
BALANCE DECEMBER 31, 1963.....	\$ 19,138	\$ 643,925	\$ (553,657)
Net income for the year (including reduction of Federal income taxes of \$277,000) .....	—	—	1,278,874
Proceeds from sale of common stock to employees under stock option plan .....	678	7,776	—
Conversion of 6% convertible subordinated promissory notes.....	12,754	1,195,246	—
Provision for cost of registering common stock with Securities and Exchange Commission .....	—	(40,000)	—
Paid-in surplus capitalized in connection with thirty-for-one stock split	944,536	(944,536)	—
BALANCE DECEMBER 31, 1964.....	\$977,106	\$ 862,411	\$ 725,217

The accompanying notes are an integral part of these statements.

# MEMOREX CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### 1. Change in Accounting

The Company prior to 1964 followed the practice of reflecting the Federal income-tax benefits arising from operating losses in the period of the related loss; in 1964, pursuant to the requirements of the Securities and Exchange Commission, such benefits were allocated to the periods in which realized, and the statements of income have been restated retroactively to give effect to this change in accounting procedure. Previously reported net income, therefore, has been increased (decreased) as follows: 1961—\$(163,000); 1962—\$(350,000); 1963—\$236,000.

### 2. Inventories

Inventories used in determining cost of sales for the three years ended December 31, 1964, priced at the lower of cost (first-in, first-out) or market, were as follows:

	December 31,		
	1962	1963	1964
Raw materials .....	\$111,671	\$203,057	\$ 565,159
Work in process .....	14,770	31,949	50,510
Finished goods .....	41,620	153,907	427,436
Total.....	<u>\$168,061</u>	<u>\$388,913</u>	<u>\$1,043,105</u>

The Company was organized in February, 1961. However, production of magnetic tape did not commence until 1962, and, accordingly, the Company had no inventories as of December 31, 1961.

### 3. Depreciation and Amortization Policy

The Company follows the policy of providing for depreciation by charges to income based upon acquisition cost (net of the investment credit allowed under the Revenue Act of 1962 on certain equipment) and estimated useful lives of individual items of property applied on a straight-line basis. The ranges of annual depreciation rates used during the four years ended December 31, 1964, were as follows:

Classification	Rates
Buildings and improvements .....	3% to 6 $\frac{2}{3}$ %
Machinery and equipment.....	10% to 33%
Furniture and fixtures.....	6 $\frac{2}{3}$ % to 33%
Leasehold improvements .....	Life of leases

In addition, it is the Company's policy to charge depreciation equivalent to the investment credit to income in the year the related property is acquired. The amount of the investment credit is not material to the accompanying financial statements.

Maintenance and repairs are charged to expense as incurred. The cost of renewals or betterments that increase the useful value of the property is capitalized in the appropriate asset account, and such cost is depreciated over the estimated remaining useful life of the property.

The net gain or loss on items of property retired or otherwise disposed of is credited or charged to income and the asset cost and related accumulated depreciation is removed from the accounts.

### 4. Federal Income Taxes

The Company uses the straight-line method in computing depreciation for book purposes but uses the declining-balance method for income tax purposes. As a result, \$114,000 of income taxes otherwise payable have been deferred; however, such amount has been charged to income and credited to Deferred Federal Income Taxes in the accompanying financial statements. This credit will be reflected in income in future years when income taxes payable increase as a result of using these tax deductive currently.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 5. Notes Payable to Bank

The loan agreement for the 5¾% unsecured note of \$750,000 payable to bank provides, among other things, certain restrictions with respect to the retirement of common stock, sale of assets, creation of liens on assets, leasing of properties, and mergers. Under the terms of the loan agreement, the Company has agreed (1) to maintain minimum working capital of at least \$500,000 until June 30, 1965, \$750,000 between June 30, 1965 and June 30, 1966, and \$1,000,000 thereafter, and (2) maintain stockholders' interest of at least \$1,800,000.

The aggregate maturities of the 6% and 5¾% notes payable to bank for the five years subsequent to December 31, 1964, are as follows:

Due During the Year Ending December 31	Amount
1965.....	\$187,860
1966.....	415,260
1967.....	267,660
1968.....	45,060
1969.....	<u>48,060</u>

### 6. Commitments

The Company leases certain of its equipment and its district sales offices under long-term lease contracts which expire at various dates through 1968. Aggregate rentals remaining under such lease contracts were \$276,500 at December 31, 1964. The amount due within one year from that date was \$84,630.

The Company has commitments for the acquisition of certain land and a building adjacent to its existing manufacturing facilities. The aggregate purchase price for these properties is approximately \$195,000, including \$40,000 which has been deposited in escrow at December 31, 1964, and is reflected in other assets in the accompanying balance sheet.

### 7. Stock Options

The Company's Restricted Stock Option Plan was approved by the shareholders in 1961. The plan provides, among other things, that options may be issued to key employees for the purchase of an aggregate of 75,000 shares of the Company's \$1 par value common stock at a price of not less than 100% of the market value of the shares as determined by the Board of Directors at the dates the options are granted. Options granted are exercisable at one-fourth of the total shares each year on a cumulative basis, commencing one year after date of grant. Options granted during 1964 expire five years after date of grant and those granted prior to 1964 expire eight years after date of grant.

At December 31, 1964, stock options were outstanding under this plan as follows:

Year of Grant	Shares	Option Price	
		Range — Per Share	In Total
1961 .....	11,085	\$.10	\$ 1,108.50
1962 .....	7,500	.20	1,500.00
1963 .....	21,825	.50 to 3.33	69,493.50
1964 .....	9,000	3.67 to 6.67	51,000.00
Total at December 31, 1964.....	<u>49,410</u>		<u>\$123,102.00</u>

Stock options became exercisable during the period, as set forth below:

Year exercisable	Shares	Option Price		Fair Value	
		Range — Per Share	In Total	Range — Per Share	In Total
1962 .....	6,843.75	\$.10	\$ 684.38	\$.20	\$ 1,368.75
1963 .....	10,218.75	.10 to .20	1,359.37	2.20 to 3.33	30,214.69
1964 .....	16,218.75	.10 to 3.33	20,296.87	3.67 to 6.67	100,304.06
Total at December 31, 1964.....	<u>33,281.25</u>		<u>\$ 22,340.62</u>		<u>\$131,887.50</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

During the period, options were exercised as follows:

Year Exercised	Shares	Option Price		Fair Value	
		Range — Per Share	In Total	Range — Per Share	In Total
1962 .....	2,625	\$ .10	\$ 262.50	\$ .20	\$ 525.00
1963 .....	1,500	.20	300.00	3.50	5,250.00
1964 .....	20,340	.10 to 3.33	8,454.00	6.67 to 20.00	336,817.50
Total at December 31, 1964.....	24,465		\$ 9,016.50		\$342,592.50

The Company's stock is closely held and no quoted market values are available; accordingly, the fair values per share and in total at the dates exercisable and at the dates exercised have been computed based on averages of values determined by the Board of Directors during the respective years. The Company records the net proceeds from the sale of stock at the time the options are exercised; no charges are recognized in the income account with respect to such options at any time.

### 8. Supplementary Profit and Loss Information

Classification	Charged to Profit and Loss		
	Cost of Sales	Operating Expenses	Total
<b>YEAR ENDED DECEMBER 31, 1961:</b>			
Maintenance and repairs .....	\$ —	\$ —	\$ —
Depreciation and amortization.....	—	27,952	27,952
Taxes—			
Payroll .....	—	4,745	4,745
Property .....	—	943	943
California franchise .....	—	100	100
Rent .....	—	4,244	4,244
<b>YEAR ENDED DECEMBER 31, 1962:</b>			
Maintenance and repairs .....	12,840	3,064	15,904
Depreciation and amortization.....	31,520	61,678	93,198
Taxes—			
Payroll .....	14,665	3,047	17,712
Property .....	5,877	2,727	8,604
California franchise .....	—	100	100
Rent .....	17,694	29,960	47,654
<b>YEAR ENDED DECEMBER 31, 1963:</b>			
Maintenance and repairs .....	30,709	2,278	32,987
Depreciation and amortization.....	81,823	59,503	141,326
Taxes—			
Payroll .....	26,226	11,669	37,895
Property .....	15,504	5,366	20,870
California franchise .....	—	100	100
Rent .....	71,916	41,695	113,611
<b>YEAR ENDED DECEMBER 31, 1964:</b>			
Maintenance and repairs .....	47,646	4,039	51,685
Depreciation and amortization.....	176,591	74,996	251,587
Taxes—			
Payroll .....	57,630	21,316	78,946
Property .....	26,637	9,213	35,850
California franchise .....	—	20,517	20,517
Rent .....	66,927	50,071	116,998

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220,926 Shares

**Memorex Corporation**

**Common Stock**

(Par Value \$1 Per Share)

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**PROSPECTUS**

March 3, 1965

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**Smith, Barney & Co.**  
Incorporated

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