MERGER FINALIZED

THE merger of The Telex Corporation with a subsidiary of Memorex Telex is complete. Our official new name in the U.S. is Memorex Telex Corporation. Around the globe, the Memorex Telex trade name is now in use.

In January 1988, Memorex completed the purchase of approximately 90 percent of the outstanding Telex Common Stock by means of a tender offer at a price of $62 per share net to the seller in cash.

Each outstanding share of The Telex Corporation, except those shares owned by Memorex and its subsidiaries, will now be exchanged for approximately 10.33 shares of a new issue of Cumulative Redeemable Exchangeable Preferred Stock of Memorex Telex Corporation, having a $6 per share liquidation preference value.

The Preferred Stock will pay dividends at the annual rate of 14 percent and will be subject to mandatory redemption at the end of 12 years. Dividends on the Preferred Stock may be paid in additional shares of Preferred Stock for the first three years.

The Company will use the MEMOREX TELEX trademark for the sale of plug-compatible peripherals throughout the world, while the company's computer supplies products will be sold under the MEMOREX trademark. Telex Communications, Inc.'s products will continue to be sold under the TELEX and other brand names.

RALEIGH MAKES ONE MILLION MARK with the production of this 3270 terminal. The event was celebrated by all the contributors on May 24 with a visit by Corporate Chairman Giorgio Ronchi and several members of the senior management team.

PRESIDENT'S MESSAGE

THE "Big Day" is now history. The Telex Corporation and Memorex are officially merged. The last major step was taken on June 28 when Telex shareholders approved exchanging Memorex preferred stock for all remaining shares of Telex Common Stock. Legal filings were completed on June 29. We are now one company.

Congratulations are in order for all of our employees and outside consultants who have helped bring the merger of our two companies to a successful conclusion. It has been a long and difficult task, but we have succeeded. Please accept my personal thanks for a job very well done.

Now, we must turn to our plans for the future. What kind of future do we have as Memorex Telex? To fully appreciate the extent of our opportunities, consider the adjacent table. The table shows our 14 U.S. equipment businesses in order of their opportunity for annual growth during the next 18 months. The growth percentage reflects a combination of domestic market and market share growth rates.

	Potential Annual % Growth
Rapid Growth Segments:	
Federal Systems – Prime Contracting	25-30
Storage – Advanced Technologies	20-25
OEM – Storage Products	18-22
Brokerage & Leasing	17-21
3270 – Intelligent Networks	16-20
S/3X – Intelligent Networks	16-20
Airline – Intelligent Networks	16-20
Telephony – Voice/Data Networks	14-18
Other Intelligent Networks	13-17
Service – All Products	5-8
Maturing Segments:	
Storage – Older Technologies	4-7
3270 – Non-intelligent Products	3-5
S/3X – Non-intelligent Products	3-5
Airline – Non-intelligent Products	1-3

While one might argue about the specific number shown for any single business segment, our overall opportunities for growth are excellent. Our challenge is not finding opportunities, but professionally addressing the opportunities readily available to us.

George L. Bragg

When you look at the table, you can see that those businesses growing the fastest are associated with intelligent products, networks, voice and data systems, advanced storage technologies, and systems integration. On the other hand, growth in our older technology and non-intelligent products – which today account for the majority of our revenue and profits – is slowing down as these segments mature.

It is clear that we must capture our share of the growth business segments while continuing to obtain as much business and profit as possible from the maturing segments. Fortunately, we have the resources and talents to complete the task in a professional manner.

In my opinion, our future never looked better than it does today. If indeed "history is only the prologue of the future" then we are beginning a very exciting and rewarding first chapter in the history of the new Memorex Telex.

MEMOREX TELEX

COMBINED INTELLIGENT SYSTEMS

PRODUCT LINE
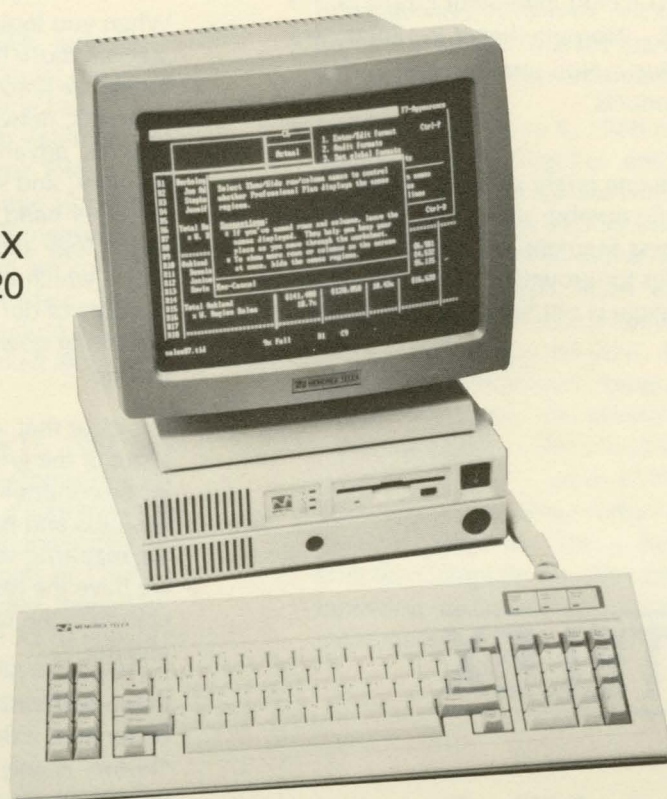
**MEMOREX TELEX
7040**

**MEMOREX TELEX
7045**

**MEMOREX TELEX
7020**

2

O N June 21, Memorex Telex announced its combined Intelligent Systems product line, the 7000 Series at PC Expo in New York City. This offering includes six workstations, a variety of applications and communications software, and a complement of connectivity products.

"The Memorex Telex Intelligent Systems products offer a comprehensive selection of high-quality systems and feature options from a single, reliable source," said Alfred T. Mockett, executive vice president of U.S. Sales and Service for the company. "The power and performance of the 7000 Series translate to better productivity and cost-savings for our users."

The newly-combined product line includes six Intelligent Workstations ranging on the low end from an 8088-based system to a 80386-based high-performance desktop system. The workstations offering includes the following:

7005 – an 8088-based XT compatible (TM) entry-level workstation;

7010 – an 80286-based diskless workstation with full microcomputer functionality;

7020 – an 80286-based workstation ideal for local or wide area networking environments;

7040 – an 80286-based, highly integrated personal workstation;

7045 – a powerful 80286-based workstation; and,

7065 – an 80386-based workstation with a small footprint and low profile that offers high-speed, 32-bit processing.

7000 Series Software

The Company also provides a full selection of software including operating systems, applications, and connectivity for the 7000 Series products. From 3270 emulation to high resolution mainframe graphics and file transfer, the 7000 Series products interface with both local and wide area network applications.

In keeping with the Memorex Telex commitment to the System/3X and Airline market, System/3X and Airline Link Control Protocol options are included in the complete offering of Memorex Telex communications features.

Graphics and Adapter Options

Memorex Telex offers a variety of video display and adapter options – monochrome, EGA, and VGA – with superior resolution and graphics capabilities. The Memorex Telex Intelligent Systems also can be configured with the user's choice of an 84-key, 101-key, or 122-key keyboard. All keyboards come in nine different language character sets.

A LOOK AT
EDUCATION AND TRAINING

FROM courses and consultations to the production of audio-visual shows and custom-designed seminars, the Education and Training arm of the Company puts muscle into the learning experience.

For customers and employees alike, the department has become a much-used resource. The group develops four different kinds of courses — all dependent on product philosophy, technical complexity, and cost effectiveness. The course types include self study, field administered, class/lab, and Training Alert (instruction materials are developed to support a product that closely resembles one already in existence).

Technical Training

An adjunct to the Education and Training operation is the Technical Training department. This group provides skills training in the use and repair of marketed and serviced systems and equipment.

Their biggest "customer" is the Company's field service organization in the U.S. Sales, systems engineers and our external customers are other major users.

With 17 instructors and two training centers — one in Tulsa, the other in Santa Clara, CA — this group is kept very busy. The Tulsa Center conducts classes to support Telephony, 3270-type devices, Airlines, local area networks, and System 36/38 products. The Santa Clara Center supports training for the Large System devices such as mainframe—tape and disk drives, mass storage, and line printers.

Both education and training functions are coordinated with our other in-house training resources for sales training, management development and library programs to maximize the training dollars available. Take advantage of these programs. ▫

Combined 3270 Product Line Rolled Out

JUNE 3, Memorex Telex unveiled its 3270 product range of 21 models, including 10 display stations, five printers, six control units and an IBM-compatible Token-Ring Gateway, to expand its 3270 offerings.

"In keeping with the Memorex Telex commitment to provide full 3270 network support, we now offer a complete array of display terminals, printers and control units," said Alfred T. Mockett, executive vice president of U.S. Sales and Service for the company. "This announcement expands the current product line and provides the features and functions users need to make their businesses as productive and cost-efficient as possible," Mockett said.

Among the newly combined product line are the 1191 A/B/D/E Basic Function Monochrome Displays, the 1091C/1092C Basic Function Color Displays, the 1192 C/D/F/G Enhanced Function Displays, the 1210-1/2 Matrix Printers, the 1387/A High Speed Matrix Printer, the 1815-1/2 Laser Printers, the 1374-5XR and 4XR Control Units, and the IBM-compatible Token-Ring Gateway.

Memorex Telex displays range from the basic function monochrome and color displays to enhanced function displays with a wide range of features and a complete selection of screen sizes to accommodate a greater variety of user applications. "All of the displays are ergonomically designed and customer installable," Mockett said.

Providing a combination of functions and features, Memorex Telex printers are specifically designed to meet a broad range of user needs and 3270 network office applications. Features include advanced paper-handling capability for both continuous forms and cut sheet paper, high-speed printing and superior print quality. All Memorex Telex printers offer compact designs and user-friendly operation.

The Memorex Telex 1374-4XR and 5XR Control Units supplement the current line of IBM 3174 and 3274 compatible control units with a combination of high-speed communications and more coax ports in a small cabinet. "Unique features on the 1374-4XR and 5XR Control Units," Mockett said, "include network options such as ASCII support, flexible multiplexing and network management. In addition, Memorex Telex controllers offer Token-Ring Gateway, providing users with the latest technology," he said.

According to George L. Bragg, "The successful merging of Memorex Telex has created a $2.2 billion company, whose worldwide 3270 network business has captured 23 percent of the market and represents over $850 million in annual revenues." ▫

3

TCI Lands
LUFTHANSA DEAL

THE Civil/Industrial/Military (CIM) division of Telex Communications, Inc. (TCI) has been flying high since its initial sale of a Log Antenna System to Lufthansa Airlines.

According to Clyde Blyleven, CIM product line manager, the 100-foot, 14,000-pound 5000 System Antenna was installed last year and feedback on its performance has been excellent. With a contract value of about $50,000, the antenna was originally intended to provide the international airline with safety and security in the air. Blyleven said, "What Lufthansa didn't know was how much flight downtime the antenna would eliminate."

The immense antenna system installed at Rhinemain Airport in Frankfurt, West Germany, is a fixed station, long-range system — ideal for communication with international flights thousands of miles from destination.

TCI was quick to see the opportunity with Lufthansa. Blyleven presented the equipment and arranged for the sale and installation by Rockwell International.

Rockwell officials report that the system has reduced aircraft downtime by as much as 30 percent. When an aircraft has a need for minor maintenance upon landing, the pilot can radio in the requests hours before landing, allowing ground crews to stand ready to fulfill the requests and get the plane back up in the air quickly.

Now that the good report is back, Telex is eyeing the sky for future sales of the 5000 System to airlines in the Middle East and the United States.

Telex has been involved in the CIM antenna field for over 30 years. In 1978, the operation purchased Hy-Gain Electronics Corporation, manufacturers of the antenna system. The production plant is located in Lincoln, Nebraska.

US News**briefs**

- **ELECTRONIC MANUFACTURING,** June 1988 issue carried a three-page article bylined by two of the Company's Raleigh employees — Steve Curtis and Phil Douglas. "Optimizing the In-Circuit Test Process" is the title of their cooperative effort. Good work, gentlemen!

- **INFORMATION WEEK,** June 13, 1988 issue held a special report on "IBM's Children: Some Lead, Others Follow," with statements by Bob Bodnar, Memorex Telex's Marketing Director of Large Storage Systems. He noted, with measured understatement, "We are competing every day for market share. The strategy is to manufacture a technically superior product at a lower price."

- **DATAMATION,** June 15, 1988 issue carried comments by industry captains regarding the peripherals marketplace. Included in the article were several statements by Giorgio Ronchi: ". . . This year, there will be more demand for 3270 networks to be compatible with other networks, and the increased ease of networking will expand the market for intelligent workstations."

- **MIS WEEK,** June 13, 1988 issue reported on Memorex Telex's combined product strategy for the 3270 market and our offering of a total of 19 displays, printers, control units and gateways. Memorex Telex has an estimated U.S. market share of 23 percent in this environment.

- **INFOWORLD,** June 6, 1988 issue noted Computer Supplies' entry into the XT-compatible market with the MRX 1020 listed at $1,799 (including a 20-megabyte hard disk drive and support for CGA, MDA, and Hercules monochrome graphics, but not including a monitor). Available through Memorex Computer Supplies, Milpitas, an optional CGA-compatible color monitor can be added at a list price of $399. Shipments of the new product will begin in September. This is the first time the Computer Supplies has marketed microcomputers to the mass market.