

History of Smith-Corona Corp. ("the Company") [SCO on NYSE]:
Co. incorporated in 1985 in Delaware. Until 1986, the businesses of the Company were operated by SCM Corporation (in the chemical, paper, food business, as well as the businesses of the Company). On March 31, 1986, SCM Corp. was acquired by Hanson Plc, which thus owned the businesses of the Company through various subsidiaries. The typewriter and word processing operations of the Company were managed as an integrated business within this structure. On Aug. 3, 1989, Hanson Plc reorganized the structure, and the Smith Corona Corporation issued a stock offering for the restructured Company, which combined the electronic typewriter, personal word processor, and office supply businesses under the single parent entity: Smith-Corona Corp. The office supply business is carried on by two wholly-owned subsidiaries: SCM Office Supplies and Histacount Corp. The only other major products of the Company are the portable and compact electronic typewriter lines and the line of personal word processors.

Hanson Plc is a holding co. with HQ in London. It is a highly diversified conglomerate which employs 131,000. (St. & Poor's 90) Hanson Plc owns 46.3% of outstanding stock of Smith-Corona Corp.

Smith-Corona Corp. HQ in New Canaan, Ct. (65 Locust Ave, New Canaan 06840, 203-972-1471, Pres & CEO G. Lee Thompson)

from Smith-Corona Corp. Annual Report & 10K, June 30, 1989:

Net Sales: \$493,077,000 (up 25% from \$393,587,000 in 1988)
Net Income: \$41,994,000 (up from \$38,826,000 in 1988)
Operating Income: \$88.2 million (up 31% from \$67.1 million in 88)
Net Current Assets: \$115,134,000 (up from \$72,292,000 in 1988)
Total Assets: \$246,335,000
Income Taxes: 1989: \$16,294,000;
1988: \$19,717,000;
1987: \$22,087,000; [why are they going down?]

Employment: Smith-Corona Corp. employed 4400 on Mar. 31, 89 (Moody's)
[Standard & Poor's 1990 Register puts the number of employees at 3500]
June 30, 1989: employed approx. 4800 (89 annual rept.)

Unions: Only the Cortland workers are non-unionized!
Manufacturing workers at SCM Office Supplies Inc are represented by United Paperworkers International Union. Histacount's manufacturing workers are represented by CWA- Printing Sector.
The Company's Singapore manufacturing workers are represented by the United Workers of Electronic and Electrical Industries.
management considers its employee relations to be good.

Flexibility:

The company owns or leases space in Cortland, London, Toronto, & Singapore (plus Ct.HQ). No mention of Mexican maquiladoras. Co. owns 422,000 sq. ft. for manufacturing in Cortland, and leases another 208,000 sq. ft. in Cortland for manufacturing & warehousing.

The company leases land in Singapore from the government. Lease expires April 30, 2033. The company says the Singapore site is used primarily for electronic typewriters and personal word processor businesses. The company has "pioneer tax status" in Singapore, and thus pays on taxes on unremitted Singapore earnings.

Business Strategy:

Sales of personal word processors have been steadily increasing (as a % of sales: 2.3% in 1987, 8.9% in 1988, 16.2% in 1989), while sales of portable and compact electronic typewriters have been falling (61.9% in 1987, 56.7% in 1988, 52.6% in 1989).

Foreign sales have also been increasing faster than sales in US:

Net Sales:	1987	1988	1989
U.S.	\$334,981,000	\$381,050,000	\$479,069,000
Foreign	\$47,856,000	\$79,609,000	\$137,896,000

In 1989 Annual Report, Co. stated that it "may increase the number of products that it manufactures abroad in the future." The Co. indicated that "electronic reference products are manufactured by independent contractors in the Far East." The company wants to increase its sales in international markets. It also notes that the typewriter/word processor business is rapidly "maturing" with increasing price competition, which will force it to cut product prices to avoid loss of market share. Thus it is focusing on ways to cut manufacturing costs.

On Sept. 5, 1989, the company unveiled a new product: the PWP 7000LT laptop personal word processor, which sells for \$899 including printer.

In the 1989 Annual Report, the Co. states:

"Today, we are a leading, global manufacturer and supplier of portable and compact electronic typewriters, personal word processors, and related accessories and supplies for use in the home, school & office." The co, claimed that in 1989 it had achieved "increased penetration of world markets."

Layoffs:

Alleging effects of Japanese competition, the company said between 1984-86 it achieved a 50% reduction in worldwide employment and reduced manufacturing costs. (1989 Annual Rept.)

Aug. 11, 1989: company decided to reduce the factory work force by

approximately 450 people at Cortland & Singapore plants. (89 Rept) Mar. 30, 1990 [Moody's Industrial News Reports]: "The Smith-Corona Corp. announced it will realign its current production levels at its Cortland, NY & Singapore manufacturing facilities. This action will result in an additional reduction of approximately 350 employees at Cortland offset by an increase of approximately 300 employees in Singapore."

Lawsuits:

Sept. 12, 1989: Company named defendant in 17 class action suits by shareholders arising from the Aug. 3, 89 stock offering and layoffs announced Aug. 11. Suits allege the company omitted material facts and made untrue statements of material facts relating to company's reduction in workforce levels in Cortland & Singapore. Suits were brought Aug. 15, 89 in US District Courts in District of Connecticut, Southern District of New York, District of Delaware, & Chancery Court of State of Delaware, New Castle County. The Ct. & NY federal actions have been consolidated in US District Court for the District of Connecticut. The co. denies the charges.

The co. is subject to investigations and lawsuits by NYSDEC & USEPA (Environ. Prot. Ag.), regarding cleanup of a closed manufacturing facility and certain waste disposal sites in NY. The co. believes if it has to clean up these sites the costs will not be material. The co. has been named a third party defendant in a 1983 lawsuit by NYS in US District Ct. for Northern District of NY. Suit alleges the co. is liable to clean up 2 waste disposal sites in NY. Mgmt. does not believe it disposed of any waste at these sites & is mounting a "vigorous defense." [J. Dangler--Groton, DEC negotiations about this site. S-C named as a responsible party in Rosen dump--superfund site in Cortland]

The IRS wants to reallocate \$13 million of income from Singapore to US typewriter business for 1983, 84 & 85. Co. is contesting this.

Sept. 8, 1989: Franklin Computer Corp. named co. in a lawsuit in US District Court in NJ about patent/copyright infringement & unfair competition.

Foreign Trade Zone: talked to Tom Heckard, asst. to Boehlert, who got this status for S-C. Purpose of program to allow firms to stay in US with US labor & compete with Japanese, etc. Can import components to Cortland without a tariff, & then either sell finished product (with Cortland "value added") in US or re-export for sale abroad with a lower export tariff. Not sure if this just applies to certain items imported or to whatever co. brings into Cortland (e.g. from Singapore). He will find out & let me know. Heckard: 202-225-3665 or (800-235-2525/Utica), 1127 Longworth Bldg. DC20515
Heckard said this is the only fed. assistance S-C has received except for normal tax rebates.