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# FOIA MARKER

**This is not a textual record. This is used as an administrative marker by the George Bush Presidential Library Staff.**

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**Record Group/Collection:** George H.W. Bush Presidential Records  
**Collection/Office of Origin:** Speechwriting, White House Office of  
**Series:** Speech File Backup Files  
**Subseries:** Chron File, 1989-1993

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**OA/ID Number:** 13793  
**Folder ID Number:** 13793-012

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**Folder Title:**  
Cabletron 1/15/92 [OA 7566] [1]

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Stack:	Row:	Section:	Shelf:	Position:
<b>G</b>	<b>26</b>	<b>22</b>	<b>2</b>	<b>4</b>

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**TRANSFER SHEET**  
**BUSH PRESIDENTIAL MATERIALS PROJECT**

COLLECTION Bush Presidential Records  
Office of Speechwriting

ACC.NO: 93-01

The following material was withdrawn from this segment of the collection and transferred to the XXXX AUDIOVISUAL COLLECTION  
                     BOOK COLLECTION                      MUSEUM COLLECTION  
OTHER (SPECIFY: \_\_\_\_\_)

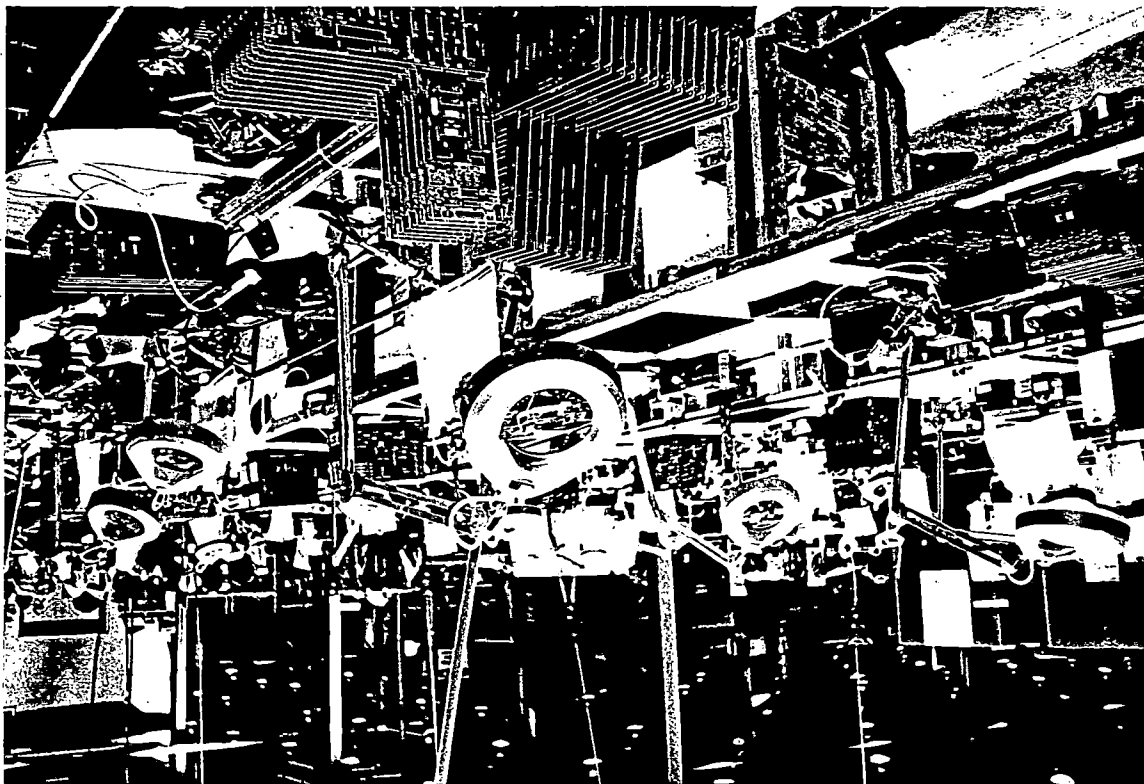
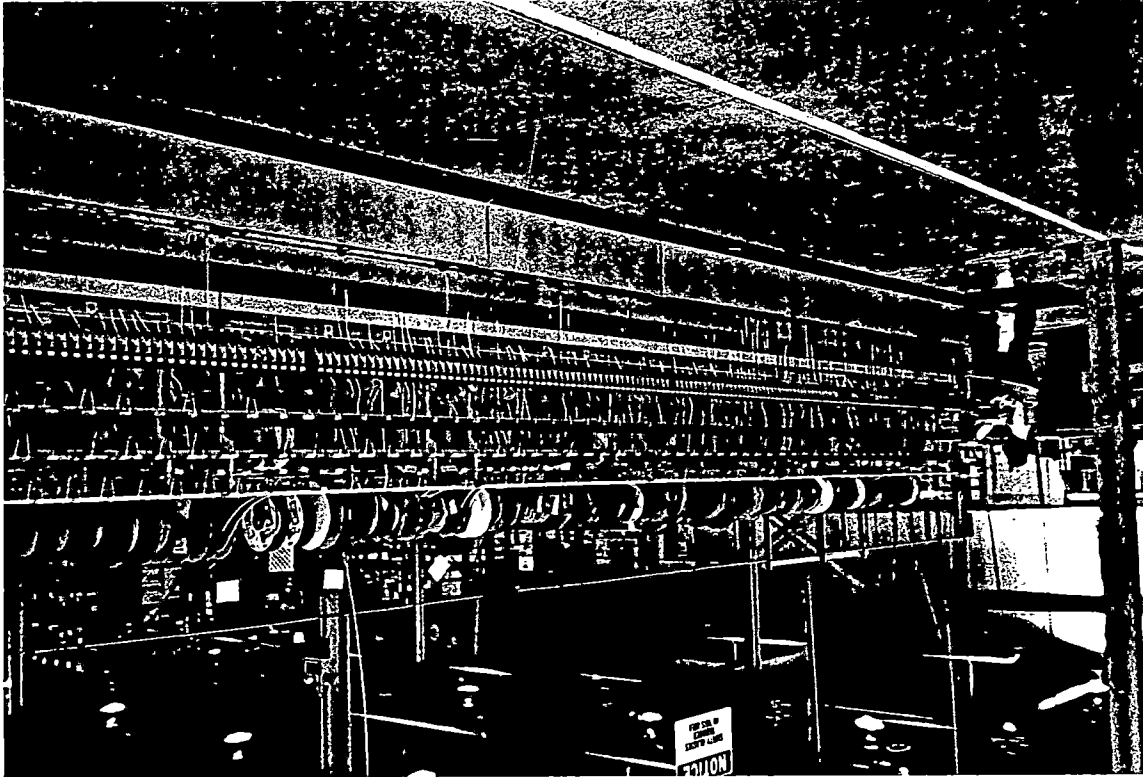
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**DESCRIPTION:**

Two photographs; both of the interior of an electronics factory

SERIES Speech File - Backup	BOX NO. 6
FILE FOLDER TITLE: Cabletron 1/15/92 [OA 7566] [11]	
TRANSFERRED BY: <i>Sam McCune</i>	DATE OF TRANSFER: 2/5/96
RECEIVED BY: <i>Mary Funch</i>	DATE RECEIVED



January 3, 1992

Mr. Rich Myers  
Bush Campaign Headquarters  
20 Bridge Street  
Manchester, NH 03101

Dear Mr. Myers:

As you requested earlier today, I am forwarding information about Cabletron Systems along with several requests for the presidential visit.

Why, you ask, should Mr. Bush want to visit Cabletron? Simply stated, Cabletron is the "American Dream." Only in America could a business start from literally nothing to become the country's fastest growing business operation and a major force within its own respective industry. Allow me to list only a few relevant facts about our company's phenomenal success.

- In 1983, Cabletron's founders, Robert Levine and Craig Benson -- literally neighbors in a small apartment complex -- founded the company in a tiny garage as a reseller of computer cables and connectors. For the first six years of the company's existence both men financed the operation 100 percent through their own means, including savings accounts, house mortgages, etc. To say they took a risk is an understatement, accumulating \$15 million of loan debt on personal net worth of \$200,000. To this day, Cabletron has received no venture capital, holds zero debt and carries \$65 million in cash reserves in its accounts.
- With only 30 employees on board, the company moved to New Hampshire to expand its operations into an old mill building where space was not a concern. There, the company developed a number of patented technologies including a product known as a transceiver. Today, Cabletron is the world's largest supplier of transceivers.
- In 1989, on the heels of a booming new high technology industry known as the local area networking industry, Cabletron opened a brand new 126,000 square foot research and development/manufacturing headquarters promising hundreds of new jobs for the local economy.
- That same year, Cabletron performed its initial public offering on the New York Stock Exchange (NYSE:CS), a feat rarely accomplished because of the

stringent guidelines required by this exchange. To this day, only a limited number of high-technology stocks appear on the New York Stock Exchange.

- In its first full year listed on the New York Stock Exchange, Cabletron was named the #1 performance stock, rising 204 percent. The company's value also increased from \$400,000 to nearly \$1.5 billion today.
- As part of its public offering, Cabletron's founders, recognizing the strength of its organization lie in its people, granted a minimum of 100 shares of stock to each and every employee (over 400) as a thank you for a job well done, and an incentive to keep up the good work. That stock, valued at \$7 per share only twenty months ago, now sells near an all-time high of \$55 per share.
- To the State of New Hampshire, Cabletron has grown from 30 employees in 1985 to 1350 in 1991, 1850 in the United States, and over 2000 worldwide. In 1991, Cabletron brought a \$33 million payroll to the state's economy in addition to representing over three percent of the state's revenues generated by the Business Profits Tax. Cabletron's worldwide sales -- by Wall Street estimates -- are expected to exceed \$275 million for the current fiscal year, up from \$22 million just four years ago.
- In 1991, Cabletron brought more than 500 new jobs to the State of New Hampshire, including 101 manufacturing positions where over 1250 job seekers came to interview.
- Today, Cabletron has 40 domestic sales operations; its corporate headquarters are located in Rochester, New Hampshire beside one of its four U.S.-based manufacturing operations (totalling more than 200,000 square feet)
- **International Sales** -- Key to the company's growth is its ability to penetrate foreign markets. Cabletron has invested heavily in creating seven wholly-owned international subsidiaries and a worldwide direct sales organization. Today, this market represents 28 percent of our overall revenues, with more than 200 employees overseas and 400 U.S.-based jobs directly tied to international business. All export sales products are developed and manufactured in the United States.
- Briefly, the accolades achieved by the employees of this company over the past three years include:
  - 1988** -- Named the nation's 7th fastest growing privately-owned company by Inc. magazine.
  - 1990** -- Named the 2nd "Hottest Growth" Company in America by Business Week magazine
    - Named 2nd in the Forbes magazine Survey of America's "Best Small Companies"
    - Named #1 Socially Responsible Stock by Money magazine
  - 1991** -- Co-founders became first to receive "Co-Entrepreneurs of the Year" by Inc. magazine
    - For the prior year, the company was named the New York Stock Exchange's #1 performance stock

-- Rated #531 in *Business Week's* ranking of "America's 1000 Most Valuable Companies"  
1992 -- Since its founding, has brought eight "industry firsts" to market including the invention of the "smart hub" and "network management"

Clearly it becomes quite obvious that Cabletron *is* the "American Dream" come true. More importantly, our company continues to share a common vision that teamwork is the key to success in business. Nowhere is this more obvious than in the founders efforts to keep everything in perspective with employees. In fact, a recent study showed the typical Japanese CEO earning 16 times his average worker; the average American CEO earning 200 times his workers; but here at Cabletron, our founders earn just over two times the average employee. Yes, they have indeed forged the "American Dream," but remaining competitive is still the bottom line, and key to the company's collective future.

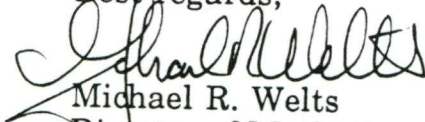
As we discussed, there are several opportunities we would like to explore with the presidential visit. These include the following:

- A 20-minute tour of our manufacturing facilities and an explanation of our networking technologies.
- A 15-minute closed door meeting with senior management.
- A 10-minute closed door meeting with industry trade press to discuss the growing importance of the technology field and the need to maintain competitiveness by manufacturing here in the United States.
- A 10-minute speech to the employees by the president addressing the importance of manufacturing in the United States. This will be led by a company announcement of two new facilities opening this spring in New Hampshire, bringing a projected 200 new blue and white collar jobs to the state.
- A five minute presentation to President Bush of official company jackets for the president and first lady.
- Additionally, we have had numerous requests by national networks for a 5-minute one-on-one interview with the president.

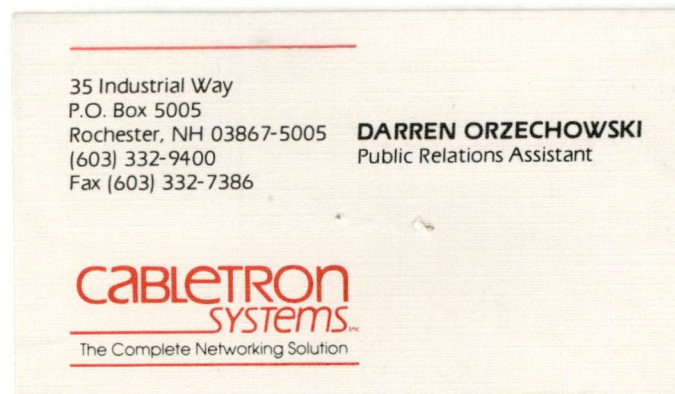
Mr. Myers, as you can see, we have quite an afternoon slated for the presidential visit. We feel honored and privileged by his interest in visiting us and will certainly make every effort to ensure a beneficial press opportunity for him. Quite simply, we base our company's success on the restored pride in America granted by the Reagan/Bush administrations. Prior to their terms, our country lacked in its self-esteem and competitiveness. It is our sincere belief that these two men, through their strength and leadership, have brought back what is good about being an American and have restored faith in the "American Dream." We fully support President Bush in his re-election bid and wish to thank him for the opportunity of success that has allowed Cabletron to become what it is today.

As you will see upon visiting us here, our theme of "Made in America -- Proud to be American" will be prominently displayed with flags and banners throughout the facility. I look forward to meeting with you and your staff in the coming weeks and strongly encourage your comments.

Best regards,

  
Michael R. Welts  
Director of Marketing

enc.



## The 200 Best Small Companies in America

*Cabletron Systems' founders have built a very successful company. But their greatest challenges are still ahead of them.*

# Work in progress

By Ignatius Chithelen

**C**ABLETRON SYSTEMS Inc. was actually started in a garage. That was seven years ago, in Rochester, N.H. Since then, the manufacturer of local area network equipment has grown into a \$105 million (sales) operation that, in fiscal 1990 (ended Feb. 28), earned a remarkable \$22 million. Its two still-young founders are both paper centimillionaires.

And its performance over the past five years—average return on equity of 52%—has landed Cabletron in the number two spot on our list of the 200 Best Small Companies in America.

But as the rise and fall of dozens of high-flying computer companies in the early Eighties instructs, Cabletron's greatest challenge almost certainly lies ahead.

The story starts in March 1983, when Craig Benson, then 28, and Robert Levine, then 25, started the company in Levine's Ashland, Mass. garage. Levine, an independent sales rep who sold wire and cable, had a customer who wanted 1,000 feet of specialized cable for wiring up a computer network.

Levine couldn't convince his supplier to sell him cable in lengths of less than 10,000 feet. Enter his friend and sometime customer Benson, a materials manager at Interlan, a supplier of local area network equipment. (Such networks connect personal computers so they can all share information and printers.) Benson convinced his friend that, among their various contacts, they could quickly unload the other 9,000 feet and double their money in the process.

So they bought 10,000 feet of cable for \$30,000 in trade credit and hauled it to Levine's garage. There, during a lunch break, they cut off a 1,000-foot section to meet the order. They soon found customers for the remaining 9,000 feet of cable—and more. The two lads were in business.

Within a year, with Levine doing the selling and Benson handling the financial side on evenings and weekends (he didn't leave his Interlan job until late 1984), the company had ten part-time employees, mostly cutting and packaging cables. Revenues in the first year were a none-too-promising \$100,000.

From selling wire, the pair quickly moved to installing networks. From there, they began designing and manufacturing equipment for the networks—including the parts that connect the PCs to telephones and to the high-powered computer that manages the data flow.

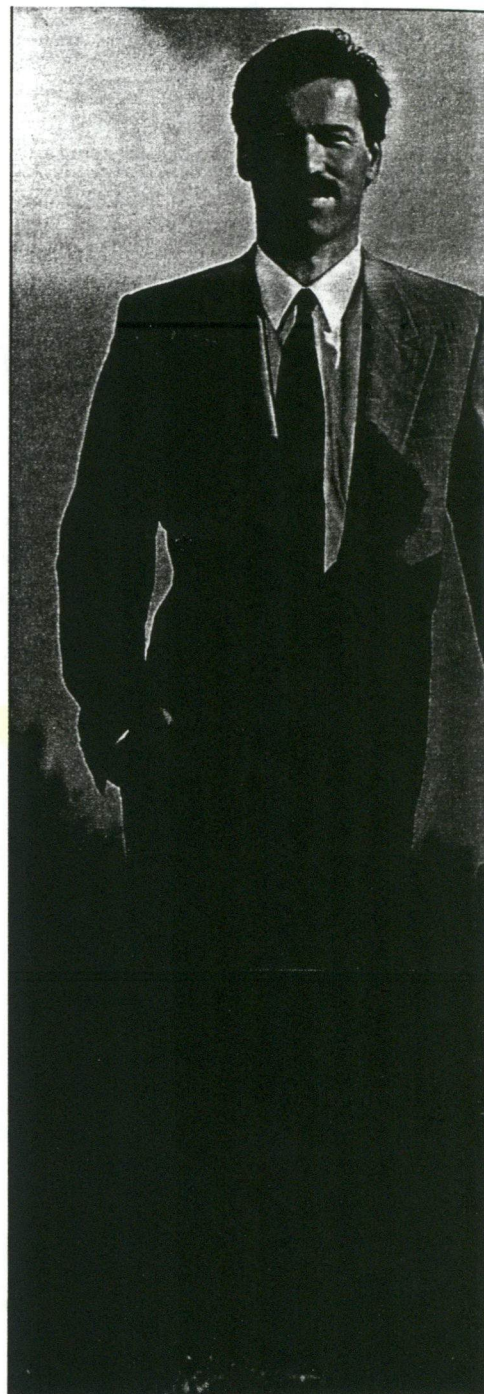
A typical Cabletron contract in the mid-Eighties might have been for cable, installation and equipment. But the most profitable part of the deal was a small box containing a circuit board that controlled information coming into and going out of each of the PCs on the network.

A network of 80 computers required 80 of these little boxes, at \$250 apiece, or \$20,000. And Cabletron's tiny engineering department designed a box that would not only control information input but would also help technicians diagnose problems with its connection into the network.

Cabletron priced its product 15% below competing products. On the strength of this new product, sales

took off, from \$4 million in 1986 to \$25 million in 1988.

Then, in 1988, the company introduced what it calls a "smart hub," a sophisticated management system for networks. A smart hub might typically monitor 84 PCs on a network, allowing a technician to locate loose wires or faulty computers instantly, rather than searching from computer



*Cabletron Systems' Benson and Levine*  
**Not your typical high-tech nerds.**

to computer for the problem.

This they priced at \$37,000, plus a \$4,400 annual service charge. In fiscal 1990 the hubs accounted for sales of \$60 million, or more than half of Cabletron's revenues.

Levine and Benson hardly fit the nerdy image of high-tech entrepreneurs. Levine, whose weightlifter muscles bulge through his polyester

shirt, likes to talk about being voted least likely to succeed in the class of '76 at Bancroft High School in Worcester, Mass. The son of a wire and cable manufacturer, he scraped through the University of Miami with a 2.1 grade point average, earning a bachelor's degree in business in 1980.

"I frankly tell my customers I'm not a computer whiz," he laughs. "I take one of our engineers with me."

The more button-down Benson is no less irreverent. "I've got a real degree," he chimes in with a smirk after Levine finishes telling his tale of academic woe. (The son of a college professor, Benson holds an M.B.A. from Syracuse.) "I didn't go to some beer-drinking Sunbelt school."

Irreverent or not, their aggressive behavior has allowed them to catch the networking wave and ride it quite capably. Among the company's major customers: Harvard University, Boston University and Shearson Lehman.

"We entered the networking business just as it was about to take off," says Benson. "So you got business whether your service was good or bad." Indeed, since 1985 the market for local area network equipment has grown from \$300 million to an estimated \$7 billion this year.

Service was where Cabletron grabbed its initial toehold. Explains Levine: "When we started in 1983, you couldn't get cable in less than 90 days. We stocked in my garage and shipped it out in 48 hours."

By 1985 they had moved from the garage to New Hampshire, where they could find lower taxes and cheaper labor, and where manufacturing space rented at half the price of comparable space in the Boston area.

Low housing costs also helped attract hardware and software engineers from Route 128's stumbling computer businesses. In the last five years Cabletron's research and development department has grown from 5 engineers to a current 225.

And the company, which had previously focused strictly on the "ethernet" standard for local area networks (65% of the networking market), recently began shipping products for IBM's "token ring" standard, which makes up the other 35% of the networking market.

Being in the right place at the right time with the right product has provided Levine, now 32, and Benson, now 36, with a life not nearly so austere as Benson's office would indicate.

Levine owns 36% of Cabletron's 26 million New York Stock Exchange-listed shares; they're worth nearly \$220 million, on paper. Benson owns 29% of the company, a stake worth over \$170 million. Each also sold over \$20 million worth of stock in the company's \$84 million initial public offering in May 1989.

But debt-free Cabletron, which has seen its stock price rise from 16 to 23 in recent weeks (giving it a market value of nearly \$600 million, or almost 30 times earnings), could run into trouble sustaining its growth. Growth in demand for its computer board product—15% of revenues—is slowing. And Cabletron is still number two in the market, after Mountain Valley, Calif.-based Synoptics, in its hottest product line, the smart hub.

Benson concedes that they were two years behind Synoptics in getting to market with the smart hub but says Cabletron's R&D department has a new product that leapfrogs its rivals' technologies. Still, he admits that no one is really sure what direction the networking market might take next.

And Cabletron's financials point up a few danger signals. Selling costs rose 60% faster than its revenues in the first six months of this year. Inventories, too, at \$33 million, seem high for a company in a rapidly changing market. Might not Cabletron be hit by a sudden fall in demand or by the introduction of new technology?

Levine and Benson think not. "We are like a bakery which doesn't care if there's demand for raspberry crullers or raspberry doughnuts," says Levine, speaking of the company's entry, in September, into the market for token ring network products. "We have the raspberry and the dough, so we can make either."

Levine is counting heavily on their management systems for token ring networks to propel the company's next stage of growth. Thus far the \$800 million market for these boxes has been dominated by IBM.

"We are not engineers, and so we don't get wrapped up in the technology," says Benson. "We make what the market wants and not what our engineers might be interested in."

There's no question that the pair have made a great go of things so far. But now that they've built a \$600 million (market value) company, the real challenge will be to maintain its growth. The Cabletron story is far from over. ■



Brian Smith

# NEW HAMPSHIRE'S EXPORTS (TOP 10 MARKETS - \$Mn)

DESTINATION                      1989                      1990

• CANADA	237	325	←
• GERMANY	46	116	
• U.K.	169	108	
• JAPAN	109	98	←
• NETHERLANDS	48	73	
• FRANCE	40	62	
• PAKISTAN	18	35	
• AUSTRALIA	43	31	←
• KOREA	46	28	←
• ITALY	25	27	
		19	←

#16 → SINGAPORE  
MARKET

WORLD TOTAL                      1,106                      1,210

NO. OF MARKETS (1990)                      107

ASIA TRIP:  
JAPAN → 98  
AUSTRALIA → 31  
KOREA → 28  
SINGAPORE → 19

SOURCE: BUREAU OF THE CENSUS (NHX8900)

January 13, 1992

MEMORANDUM FOR TONY SNOW

FROM: BOB SIMON *BS*

SUBJECT: CABLETRON

See the attached letter from Pinkerton about the importance of exports in New Hampshire.

Speaking with Cabletron today, I uncovered some additional facts:

- o Exports are 28% of revenues
- o Exports to Canada are 12% of revenues.
- o One-third of all employees own stock. (All employees owned stock as of May, 1989, but they have quadrupled the number of employees since then. All employees are encouraged to buy stock and can buy it at a 15% discount.)

**CABLETRON SYSTEMS, INC. \ ROCHESTER, NEW HAMPSHIRE  
WEDNESDAY, JANUARY 15, 1992 \ 2:05 P.M.**

**THANKS, CRAIG AND BOB -- THE TOM SELLECK AND ARNOLD  
SCHWARZENEGGER OF THE HIGH-TECH WORLD. \ \ THANKS  
ALSO, TO GOV. JUDD GREGG FOR TELLING ME ABOUT  
CABLETRON. I'M ALSO PROUD TO BE HERE WITH SEN. BOB  
SMITH AND CONGRESSMAN BILL ZELIFF.**

**THANKS FOR THE TOUR OF THIS TERRIFIC PLANT. I KNOW  
THAT NEW HAMPSHIRE HAS HAD ITS SHARE OF HARD TIMES IN  
THE LAST YEAR.**

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**- 2 -**

**I'VE VISITED NEWINGTON AND EXETER ALREADY TODAY, AND  
I'VE MET WITH A PRETTY GOOD CROSS SECTION OF PEOPLE  
FROM ACROSS THE STATE. THEY HAVEN'T BEEN BASHFUL IN  
LETTING ME KNOW HOW THEY FEEL. \ \**

**BUT YOU'VE CERTAINLY FLOURISHED. CONGRATULATIONS  
ON TODAY'S ANNOUNCEMENT: TWO PLANTS AND ANOTHER 200  
JOBS FOR NEW HAMPSHIRE. THAT'S GREAT NEWS. \ \**

**BUT IT'S NOT SURPRISING. CABLETRON HAS THRIVED THE  
OLD FASHIONED WAY: YOU HAD AN IDEA. YOU TOOK RISKS.**

**YOU WORKED HARD. YOU BELIEVED IN YOUR PRODUCT. AND YOU SUCCEEDED.**

**THE AMERICAN ECONOMY DEPENDS ON FIRMS LIKE CABLETRON -- COMPANIES THAT START SMALL AND GROW BY OFFERING A GOOD PRODUCT AT A GOOD PRICE. IN EIGHT YEARS, CABLETRON HAS GONE FROM A COMPANY IN BOB'S GARAGE TO ONE OF THE FASTEST-GROWING FIRMS IN AMERICA. YOUR SALES HAVE JUMPED 275 THOUSAND PERCENT IN EIGHT YEARS.**

**YOU DON'T HAVE ANY DEBT -- YOU'VE BUILT AN IMPRESSIVE CASH RESERVE. NO WONDER CABLETRON HAS BECOME A REGULAR FEATURE ON THE PAGES OF THE BUSINESS MAGAZINES: FORBES, INC., BUSINESS WEEK, MONEY. I GUESS YOU CAN THINK OF YOURSELVES AS CAPITALIST CENTERFOLDS.**

**AS YOU KNOW, I JUST CAME BACK FROM A LONG TRIP TO AUSTRALIA, SINGAPORE, KOREA AND JAPAN. ON THAT TRIP WE ESTABLISHED A FRAMEWORK FOR MEETING THE SECURITY REQUIREMENTS OF THE POST COLD WAR WORLD, WHILE PROMOTING DEMOCRACY AND OPENING MARKETS.**

**IN JAPAN ALONE WE RESOLVED 49 NON-AUTO STANDARDS PROBLEMS. DURING THE TRIP, WE SIGNED LITERALLY DOZENS OF MARKET-OPENING AGREEMENTS IN THE FOUR COUNTRIES. I TALKED WITH BOB AND CRAIG ABOUT SOME OF THEM EARLIER. LOTS OF BUSINESS LEADERS WHO JOINED ME ON THE TRIP ARE VERY ENTHUSIASTIC ABOUT THE OPPORTUNITIES THESE AGREEMENTS CREATE. THEY KNOW THAT GOOD, COMPETITIVE AMERICAN COMPANIES WON'T STOP AND COMPLAIN. THEY'LL JUMP AT THE CHANCE TO GET NEW BUSINESS.**

**SINCE I TOOK OFFICE, THE COLD WAR HAS DRAWN TO A CLOSE. OUR CHILDREN NO LONGER HAVE TO WORRY ABOUT THE THREAT OF NUCLEAR HOLOCAUST. AMERICAN IDEALS HAVE TRIUMPHED THROUGH THE LONG STRUGGLE FOR FREEDOM. THE UNITED STATES HAS BECOME THE UNDISPUTED LEADER OF THE WORLD.**

**SO WE NOW FACE A NEW KIND OF WORLD -- ONE IN WHICH NATIONS WILL DEFINE THEIR STRENGTH THROUGH INTELLECTUAL AND ECONOMIC COMPETITION.**

- 7 -

HERE, IDEAS AND CONFIDENCE COUNT -- AND COMPANIES LIKE CABLETRON CAN MAKE THEIR MARK.

JUST AS AMERICA LED THE WAY IN WINNING THE COLD WAR, WE'LL ALSO LEAD THE WAY IN SHAPING THIS NEW COMMONWEALTH OF FREEDOM.

NEW HAMPSHIRE HAS TAKEN UP THE CHALLENGE OF COMPETITION. EXPORTS PROVIDE NEARLY 35,000 JOBS IN THE GRANITE STATE, AND YOUR EXPORT BUSINESS GREW BY MORE THAN NINE PERCENT LAST YEAR.

- 8 -

THIS STATE EXPORTED \$1.2 BILLION IN GOODS IN 1991 TO 107 NATIONS. \$176 MILLION OF THAT INVOLVES THE FOUR COUNTRIES I JUST VISITED. WHEN I WENT TO ASIA, I FOUGHT FOR JOBS. I FOUGHT FOR OUR FUTURE.\

BUT THEN, I'VE FOUGHT FOR OPEN MARKETS FOR YEARS. THE U.S.-CANADA FREE TRADE AGREEMENT -- NEGOTIATED BY REPUBLICANS -- HAS PROVED A MAJOR BOON TO NEW HAMPSHIRE, ESPECIALLY ITS HIGH-TECH INDUSTRIES.

**WE'RE PUSHING OTHER AGREEMENTS, LIKE THE NORTH AMERICAN FREE TRADE AGREEMENT AND THE ENTERPRISE FOR THE AMERICAS INITIATIVE, THAT WILL CREATE EVEN GREATER MARKET OPPORTUNITIES FOR YOU.**

**ENGAGEMENT IN THE LARGER WORLD MEANS OPPORTUNITY AND JOBS. THAT SHOULD SEEM OBVIOUS, BUT SOME POLITICIANS SEEM TO BELIEVE THAT AMERICA'S DESTINY IS TO RUN AWAY FROM THE REST OF THE WORLD.**

**PROTECTIONISM IS DEFEATISM BORN OF FANTASY. MOST PEOPLE WHO EMBRACE PROTECTIONISM -- ECONOMIC ISOLATIONISM -- CLING TO A PAST THAT NEVER EXISTED. THEY PINE FOR THE GOOD OLD DAYS -- AND FRET ABOUT THE FUTURE. IT'S TIME TO GIVE THESE CHICKEN LITTLES A WAKE-UP CALL. THE WORLD'S MOVING AHEAD, AND I WILL LEAD AMERICA INTO THE FUTURE THAT AMERICAN WORKERS, AMERICAN SOLDIERS AND AMERICAN IDEALS MADE POSSIBLE.\\**

- 11 -

**ISOLATIONISTS LOOK OUT AT THE WORLD, AND SEE ENEMIES ON EVERY PLOT OF LAND. I LOOK BEYOND OUR BORDERS AND SEE OPPORTUNITIES FOR FUTURE GREATNESS. ISOLATIONISTS LOOK AT AMERICA AND SEE WEAKNESS. I SEE PEOPLE EAGER TO DO THE HARD WORK OF FREEDOM. MY FRIENDS, ISOLATIONISM IS THE MALAISE POLITICS OF THE 1990s -- A ONE-SIZE-FITS-ALL INDICTMENT OF AMERICAN WORKERS AND FAMILIES.**

- 12 -

**WELL, I'VE SEEN THE AMERICAN PEOPLE -- THEIR STRENGTH, THEIR VALUES, THEIR DETERMINATION. I'M CONFIDENT NOT JUST THAT WE'LL MOVE OUT OF THE RECESSION, BUT THAT WE'LL PROSPER AS NEVER BEFORE.**

**AS PRESIDENT, I HAVE ALWAYS TRIED TO BUILD UPON OUR GREATNESS AS A PEOPLE. FROM DAY ONE I HAVE FOUGHT TO BUILD A STRONGER, MORE PROSPEROUS AMERICA.**

**I'VE FOUGHT OVER AND OVER TO LOWER TAXES -- AND I'LL CONTINUE THAT FIGHT.**

**I'VE PUSHED FOR POSITIVE GROWTH INCENTIVES: INVESTMENT IN EDUCATION, INVESTMENT IN RESEARCH AND DEVELOPMENT, INVESTMENT IN INFRASTRUCTURE, INVESTMENT IN TECHNOLOGIES OF THE FUTURE, AND INCENTIVES FOR COMPANIES TO INVEST MORE IN BUILDING THE PRODUCTS AND INNOVATIONS OF THE 21ST CENTURY. I'LL CONTINUE THAT FIGHT.**

**I'VE TRIED TO SLASH AWAY AT REGULATION, WHICH COST THE U.S. ECONOMY NEARLY \$200 BILLION LAST YEAR -- AND I WON'T QUIT.**

**I'VE FOUGHT TO OPEN FOREIGN MARKETS -- AND YOU AIN'T SEEN NOTHING YET. AND I'VE FOUGHT TO MAKE SURE THAT WE LIVE IN A WORLD WHERE WE CAN WORRY ABOUT MARKET SHARES INSTEAD OF NUCLEAR HOLOCAUST.**

**AS NEW HAMPSHIRITES, YOU'LL HEAR LOTS OF ECONOMIC PROPOSALS FROM PEOPLE WHO WANT TO BECOME PRESIDENT. YOU'LL HAVE TO DECIDE WHICH ARE ELECTION-YEAR FLUFF -- AND WHICH WILL AREN'T.**

- 15 -

**I WILL ANNOUNCE THE SPECIFICS OF MY ECONOMIC GROWTH PLAN -- A PLAN FOR NOW AND THE FUTURE -- IN MY STATE OF THE UNION ADDRESS. THAT PLAN, AND ANY OTHER CREDIBLE PLAN, MUST PASS FIVE TESTS:**

**ONE: IT MUST STIMULATE THE INVESTMENT NECESSARY TO CREATE JOBS.**

**TWO: IT MUST STOP THE SLIDE IN REAL-ESTATE VALUES AND INCREASE HOME SALES.**

- 16 -

**THREE: IT MUST GIVE AMERICANS CONFIDENCE THAT THEY WILL BE ABLE TO AFFORD THE COSTS OF RAISING A FAMILY, EDUCATING THEIR CHILDREN, AND OBTAINING HEALTH CARE.**

**FOUR: IT MUST INCREASE AMERICA'S CAPACITY TO COMPETE IN A GLOBAL ECONOMY.**

**AND FIVE: IT MUST CONTROL WASTEFUL GOVERNMENT SPENDING AND BRING THE DEFICIT UNDER CONTROL.**

**SOME POLITICIANS SEEM TO BELIEVE THAT YOU BUILD AN ECONOMY UP BY KNOCKING A PRESIDENT DOWN -- OR BY PASSING A LAW WITH THE WORD, "JOBS," IN THE TITLE.**

**BUT PROSPERITY DOESN'T COME FROM GIMMICKS. YOU WORK HARD, AND YOU PRODUCE A QUALITY PRODUCT AT A GOOD PRICE. YOU KNOW THAT EVERYONE MUST CARRY THEIR WEIGHT. YOU'RE DOING YOUR PART. GOVERNMENT OUGHT TO DO THE SAME. TAXPAYERS DESERVE TO GET THEIR MONEY'S WORTH FOR THE \$1 TRILLION THEY PAY OUT IN TAXES.**

**I KNOW NEW HAMPSHIRE. I'VE BEEN YOUR NEIGHBOR FOR YEARS. I'VE COME HERE AS A CANDIDATE, AS A VICE PRESIDENT, AND NOW AS A PRESIDENT. I'VE BUNKED AT PEOPLE'S HOUSES, VISITED OLD FRIENDS, WORKED AND PLAYED HERE. I KNOW THAT WE SHARE THE SAME VALUES. WE BELIEVE IN HARD WORK. WE BELIEVE IN FAMILY. WE BELIEVE IN DECENCY. WE BELIEVE IN PATRIOTISM. WE BELIEVE IN ACTION AND STRAIGHT TALK. AND MOST OF ALL, WE BELIEVE IN OURSELVES.**

- 19 -

**SOME OF THE POLITICIANS AROUND HERE HAVE JUST DISCOVERED THE GRANITE STATE. THEY FEEL LIKE STRANGERS IN A STRANGE LAND, AND FRANKLY, SOME OF THEM SOUND LIKE IT. WHEN THEY SHAKE YOUR HANDS, CALL YOU BY YOUR FIRST NAME AND TRY TO SELL YOU AN ECONOMIC PLAN, APPLY YOUR HEALTHY SKEPTICISM. LISTEN CAREFULLY TO MY COMPETITION, AND LISTEN TO WHAT I HAVE TO SAY. I'M COUNTING ON YOU TO SORT OUT FACT FROM FICTION -- AND RHETORIC FROM REALITY.**

- 20 -

**MY FRIENDS, AMERICA CAN'T AFFORD EMPTY-HEADED ELECTION-YEAR HYPE. WE'VE GOT REAL CHALLENGES AHEAD. WE NEED LEADERS WHO WILL MAKE THE TOUGH CHOICES -- AND THE RIGHT CHOICES. WHEN YOU FACE THE CHOICE OF WHO SHALL LEAD, YOU'VE GOT TO DEMAND THE LEADER WHO UNDERSTANDS THE REAL WORLD, WHO UNDERSTANDS BUSINESS AND INTERNATIONAL RELATIONS -- AND WHOSE INSTINCTS AND EXPERIENCE WILL KEEP AMERICA NUMBER ONE.**

- 21 -

I'VE REALLY ENJOYED THIS VISIT. LET ME TELL YOU  
-- WE'LL DO WHATEVER IT TAKES TO KEEP AMERICA THE  
GREATEST ECONOMIC, POLITICAL, MILITARY AND MORAL POWER  
ON EARTH. THANK YOU. MAY GOD BLESS YOU AND THE UNITED  
STATES OF AMERICA.

# # # #

(Snow/Simon)  
CABLETRON  
DRAFT FIVE  
JANUARY 14, 1992

PRESIDENTIAL REMARKS: CABLETRON SYSTEMS, INC.  
ROCHESTER, NEW HAMPSHIRE  
WEDNESDAY, JANUARY 15, 1992  
time  
2:05 P.M.

[Introductory acknowledgments]

[jokes]

First, thanks for the tour of this terrific plant. I know that New Hampshire has had its share of hard times in the last year, but you've certainly flourished.

You've also done it the old fashioned way: You had an idea. You took huge risks. You worked hard. You believed in your product. And you succeeded.

The American economy depends on companies like Cabletron -- companies that start small and grow by offering a good product at a good price. In eight years, you've gone from a gleam in the eyes of Bob Levine and Craig Benson to one of the fastest-growing firms in America. Your sales have jumped 275 thousand percent in eight years -- not bad. You don't have any debt -- you've built an impressive cash reserve. No wonder Cabletron has become a regular feature on the pages of the business magazines: Forbes, Inc., Business Week, Money. I guess you can think of yourselves as capitalist centerfolds. \\

As you know, I just came back from a long trip to Australia, Singapore, Korea and Japan. [joke]

On that trip we established a framework for meeting the security requirements of the post Cold War world, while promoting democracy and opening markets.

In Japan alone we resolved 49 non-auto standards problems, and we signed market opening agreements in 11 different industrial sectors. During the trip, we signed literally dozens of market-opening agreements in the four countries. I talked with Bob and Craig about some of them earlier. Lots of business leaders who joined me on the trip are really enthusiastic about their new opportunities. They know that good, fit American companies won't stop and complain. They'll use those openings to build even greater markets for themselves.

We live in an entirely different world than the one that existed when I took the oath of office. The Cold War has drawn to a close, and we've entered an Age of Competition -- an era in which nations will define their strength in terms of their ideas and economic strength.

On the Asia trip, I began to build the foundations of that new world -- a world of free trade and vigorous competition between entrepreneurs; a world in which companies like Cabletron can make a real difference. Just as America led the way in winning the Cold War, we'll also lead the way in shaping this new commonwealth of freedom.

New Hampshire has taken up the challenge of competition. Exports provide nearly ten percent of the Granite State's jobs. This state exports \$1.2 billion in goods each year -- \$168

170

million of that to the four nations I just visited. The U.S.-Canada Free Trade Agreement -- negotiated by Republicans -- has proved a major boon to New Hampshire, especially its high tech industries. And we're pushing other agreements, like the North American Free Trade Agreement and the Enterprise for the Americas Initiative, that will create even greater market opportunities for you.

Engagement in the larger world means opportunity and jobs. That should seem obvious, but some politicians stumping this state seem to believe that America's destiny is to run away from the rest of the world.

Protectionism is defeatism born of fantasy. Most people who embrace protectionism -- which is really economic isolationism -- cling desperately to a past that never existed. They pine for the good old days -- and fret about the future. It's time to give these Chicken Littles a wake-up call. The world's moving ahead, and I plan to lead America into the future that American workers, American soldiers and American ideals made possible.\\

You've heard some candidates talk about "America first." Well, the cry, "America first" is a call to man the lifeboats -- a nationalized version of "Women and children first."

America First isolationists look out at the world, and see enemies everywhere. I look beyond our borders and see opportunities for future greatness. Isolationists look at America and see weakness. I see people eager to do the hard work of freedom. My friends, isolationism is the malaise politics of

the 1990s -- a one-size-fits-all indictment of American workers and families. That's why America first is a recipe for America last.

I came here four years ago and said: Read my lips. No new taxes. I also said I'd do my best to get runaway federal spending under control.

So in 1990 I asked Congress to cut the growth of federal spending and federal debt.

My negotiators insisted on holding the line on spending and taxes. Democrats said: "Read our lips. We want taxes." They refused to negotiate any spending cuts or spending controls unless we put taxes on the table.

Then came August. Saddam invaded Kuwait and Democrats wanted deeper defense cuts than we'd proposed. Gramm-Rudman restrictions threatened to slash our defense budget at a time when I had decided to send brave men and women to the Gulf.

I made the tough call -- the right call. For all the controversy, the budget deal accomplished some very important things.

We didn't raise personal income-tax rates for most Americans, and we didn't raise the top rates.

We preserved indexation, which meant that no one would be punished by bracket creep. So in spite of the Democrats, your cost-of-living pay increases go to you.

We got tough new enforceable caps on domestic discretionary spending and a pay-as-you-go system to stop the growth of new

entitlement programs. In other words, we got a mechanism for getting spending under control.

That discipline enabled the Federal Reserve to lower interest rates. As a result, people will save \$45 billion this year by refinancing their mortgages. That's \$45 billion in people's pockets and bank accounts.

Now, no Republican President likes to raise taxes. Ronald Reagan sure didn't when he had to. And I hated doing it in 1990. But I'll say now what I said then: The problem in Washington isn't a Republican President. It's a Democratic Congress determined to stop me.

From Day One I have fought to lower taxes -- and I'll continue that fight.

I've pushed for positive incentives for growth: investment in education, investment in research and development, investment in infrastructure, investment in technologies of the future, and incentives for companies to invest more in building the products and innovations of the 21st Century. I'll continue that fight.

I've tried to slash away at regulation, which cost the U.S. economy nearly \$200 billion last year -- and I won't quit. I've fought to open foreign markets -- and you ain't seen nothing yet. And I've fought to make sure that we live in a world where we can worry about market shares instead of nuclear holocaust.

As New Hampshireites, you'll hear lots of economic proposals from people who want to become President. You'll have to decide which are election-year fluff -- and which will work.

Let me propose a four-point, common-sense test for every plan you hear -- including mine.

Point One: Does it make economic sense? Will the plan get the economy moving again and safeguard American jobs?

This point seems obvious, but some people seem to believe that you build an economy up by knocking a President down -- or by passing a law with the word, "jobs" in the title.

You're in the jobs business. You know you need investment to set up a business -- any business. You need sound national economic policies -- low taxes, no unnecessary regulations; good roads, bridges and infrastructure.

Second: Does it make America more competitive?

In the new international marketplace, Americans must meet the demands of foreign competition, and the government must work to open markets so that good American companies can expand their base and create good jobs.

Third point: Does it address your basic concerns: Does it protect what you want protected, promote what you want promoted? A good economic plan should preserve the value of your hard-won assets -- your home, your income, your retirement savings. ✓

It also should enable you to choose affordable housing, good schools for your children, and decent health care for your family.

Point four: Does the plan get Washington's house in order? All over America, companies have abandoned the old ways of doing things. They've devoted themselves to innovation and quality.

Don't you think it's time government caught up? Government must stop living in the past. Government must improve its product quality, get its spending under control, and eliminate programs that don't work or that duplicate other programs. Taxpayers deserve to get their money's worth for the \$1~~000~~<sup>000</sup> trillion they pay out in taxes.

So, to repeat my four-point test: Does it make economic sense? Does it make America more competitive? Does it address your basic concerns? Does it get government's house in order?

When people shake your hands, call you by your first name and try to sell you an economic plan, put them to this test. Listen carefully to my competition, and listen to what I have to say. Frankly, I'm counting on you to sort out fact from fiction -- and rhetoric from reality.

My friends, America can't afford empty-headed election-year hype. We've got real challenges ahead. We need leaders who will make the tough choices -- and the right choices. When you face the choice of who shall lead, you've got to demand the leader who understands the real world, who understands business and international relations -- and whose instincts and experience will keep America Number One.

I've really enjoyed my visit here. Let me tell you -- we're going to do whatever it takes to keep America the greatest economic, political, military and moral power on earth. Thank you. May God bless you and the United States of America.

# # # #

THE WHITE HOUSE  
WASHINGTON

DATE: \_\_\_\_\_

1/12/92

TO:

Bob Simon

FROM:

**JAMES P. PINKERTON**  
Deputy Assistant to the President  
for Policy Planning  
Room 216, OEOB, x6407

FYL

AMERICA FIRST

Mr. Buchanan has been talking a lot about American First and his new nationalism. It should be noted that New Hampshire is the only state in New England with an export surplus so that the vast amount of our industrial workers work for companies who depend on a strong export market. We are truly a free market, low tax, free enterprise, free trade state. For example, the Canadian Free Trade Agreement, which is the antithesis of Mr. Buchanan's philosophy, is a major boon to our computer industry. Prior to this agreement our electronics industry was hit with very significant tariffs as they sold to Canada, while we in New Hampshire were buying raw materials from Canada which had significantly lower tariffs. The reduction of these barriers will be a major plus for New Hampshire manufacturers. In addition, as a state, we are uniquely located physically and with electronics as our base can export to Europe, and our industries are doing just that. Therefore, most New Hampshire employees in the manufacturing industries depend on a strong free trade policy. Also please note that New Hampshire was extremely supportive of your initiatives in Iraq.

**HOMESTAKE MINING:  
GOLD WILL  
SHINE AGAIN**

**THE LEVERAGED  
BUYOUT THAT  
SAVED SAFEWAY**

**WHY WARREN BUFFETT  
THINKS EARNINGS  
REPORTS LIE**

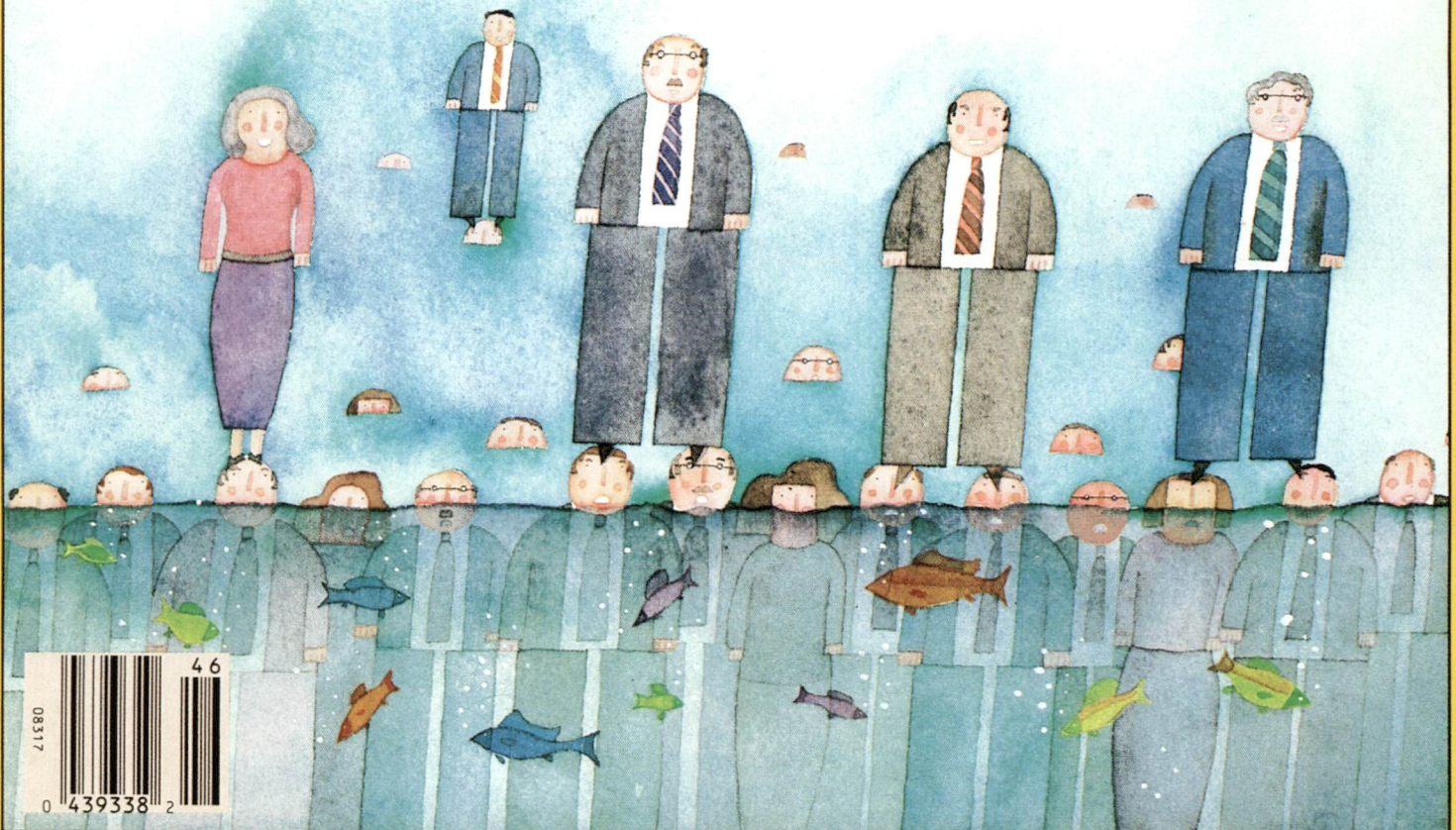
NOVEMBER 12, 1990

FOUR DOLLARS

# Forbes

## THE 200 BEST SMALL COMPANIES IN AMERICA

**HOW THE SMART ONES PLAN TO STAY AFLOAT**



## The 200 Best Small Companies in America

*Cabletron Systems' founders have built a very successful company. But their greatest challenges are still ahead of them.*

# Work in progress

By Ignatius Chithelen

**C**ABLETRON SYSTEMS Inc. was actually started in a garage. That was seven years ago, in Rochester, N.H. Since then, the manufacturer of local area network equipment has grown into a \$105 million (sales) operation that, in fiscal 1990 (ended Feb. 28), earned a remarkable \$22 million. Its two still-young founders are both paper centimillionaires.

And its performance over the past five years—average return on equity of 52%—has landed Cabletron in the number two spot on our list of the 200 Best Small Companies in America.

But as the rise and fall of dozens of high-flying computer companies in the early Eighties instructs, Cabletron's greatest challenge almost certainly lies ahead.

The story starts in March 1983, when Craig Benson, then 28, and Robert Levine, then 25, started the company in Levine's Ashland, Mass. garage. Levine, an independent sales rep who sold wire and cable, had a customer who wanted 1,000 feet of specialized cable for wiring up a computer network.

Levine couldn't convince his supplier to sell him cable in lengths of less than 10,000 feet. Enter his friend and sometime customer Benson, a materials manager at Interlan, a supplier of local area network equipment. (Such networks connect personal computers so they can all share information and printers.) Benson convinced his friend that, among their various contacts, they could quickly unload the other 9,000 feet and double their money in the process.

So they bought 10,000 feet of cable for \$30,000 in trade credit and hauled it to Levine's garage. There, during a lunch break, they cut off a 1,000-foot section to meet the order. They soon found customers for the remaining 9,000 feet of cable—and more. The two lads were in business.

Within a year, with Levine doing the selling and Benson handling the financial side on evenings and weekends (he didn't leave his Interlan job until late 1984), the company had ten part-time employees, mostly cutting and packaging cables. Revenues in the first year were a none-too-promising \$100,000.

From selling wire, the pair quickly moved to installing networks. From there, they began designing and manufacturing equipment for the networks—including the parts that connect the pcs to telephones and to the high-powered computer that manages the data flow.

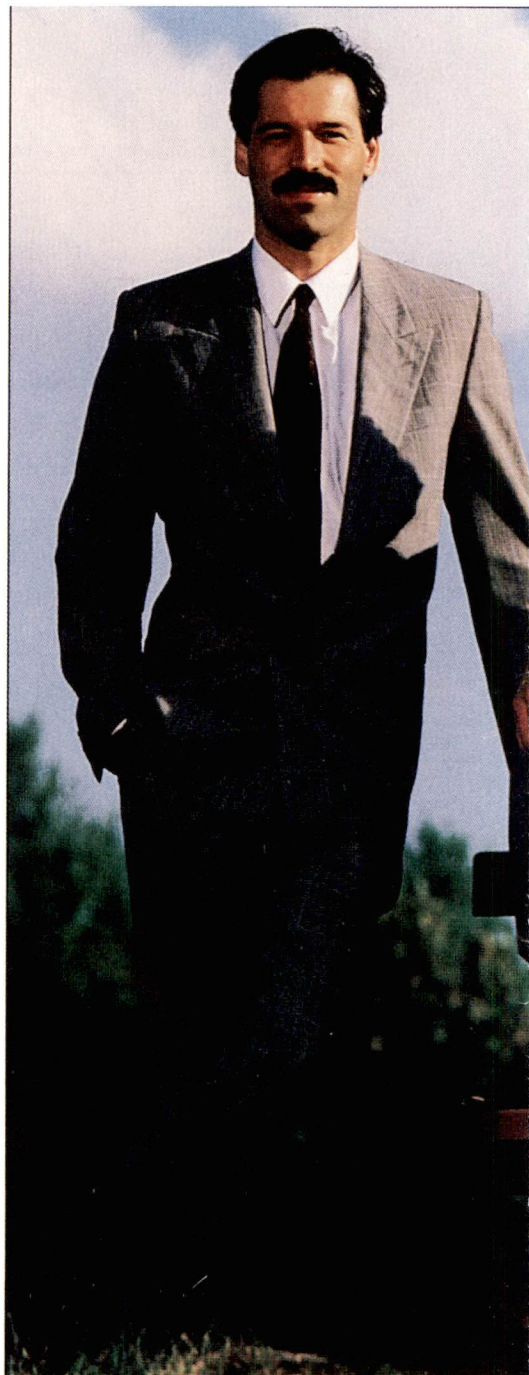
A typical Cabletron contract in the mid-Eighties might have been for cable, installation and equipment. But the most profitable part of the deal was a small box containing a circuit board that controlled information coming into and going out of each of the pcs on the network.

A network of 80 computers required 80 of these little boxes, at \$250 apiece, or \$20,000. And Cabletron's tiny engineering department designed a box that would not only control information input but would also help technicians diagnose problems with its connection into the network.

Cabletron priced its product 15% below competing products. On the strength of this new product, sales

took off, from \$4 million in 1986 to \$25 million in 1988.

Then, in 1988, the company introduced what it calls a "smart hub," a sophisticated management system for networks. A smart hub might typically monitor 84 pcs on a network, allowing a technician to locate loose wires or faulty computers instantly, rather than searching from computer



*Cabletron Systems' Benson and Levine*  
**Not your typical high-tech nerds.**

to computer for the problem.

This they priced at \$37,000, plus a \$4,400 annual service charge. In fiscal 1990 the hubs accounted for sales of \$60 million, or more than half of Cabletron's revenues.

Levine and Benson hardly fit the nerdy image of high-tech entrepreneurs. Levine, whose weightlifter muscles bulge through his polyester



Brian Smith

shirt, likes to talk about being voted least likely to succeed in the class of '76 at Bancroft High School in Worcester, Mass. The son of a wire and cable manufacturer, he scraped through the University of Miami with a 2.1 grade point average, earning a bachelor's degree in business in 1980.

"I frankly tell my customers I'm not a computer whiz," he laughs. "I take one of our engineers with me."

The more button-down Benson is no less irreverent. "I've got a real degree," he chimes in with a smirk after Levine finishes telling his tale of academic woe. (The son of a college professor, Benson holds an M.B.A. from Syracuse.) "I didn't go to some beer-drinking Sunbelt school."

Irreverent or not, their aggressive behavior has allowed them to catch the networking wave and ride it quite capably. Among the company's major customers: Harvard University, Boston University and Shearson Lehman.

"We entered the networking business just as it was about to take off," says Benson. "So you got business whether your service was good or bad." Indeed, since 1985 the market for local area network equipment has grown from \$300 million to an estimated \$7 billion this year.

Service was where Cabletron grabbed its initial toehold. Explains Levine: "When we started in 1983, you couldn't get cable in less than 90 days. We stocked in my garage and shipped it out in 48 hours."

By 1985 they had moved from the garage to New Hampshire, where they could find lower taxes and cheaper labor, and where manufacturing space rented at half the price of comparable space in the Boston area.

Low housing costs also helped attract hardware and software engineers from Route 128's stumbling computer businesses. In the last five years Cabletron's research and development department has grown from 5 engineers to a current 225.

And the company, which had previously focused strictly on the "ethernet" standard for local area networks (65% of the networking market), recently began shipping products for IBM's "token ring" standard, which makes up the other 35% of the networking market.

Being in the right place at the right time with the right product has provided Levine, now 32, and Benson, now 36, with a life not nearly so austere as Benson's office would indicate.

Levine owns 36% of Cabletron's 26 million New York Stock Exchange-listed shares; they're worth nearly \$220 million, on paper. Benson owns 29% of the company, a stake worth over \$170 million. Each also sold over \$20 million worth of stock in the company's \$84 million initial public offering in May 1989.

But debt-free Cabletron, which has seen its stock price rise from 16 to 23 in recent weeks (giving it a market value of nearly \$600 million, or almost 30 times earnings), could run into trouble sustaining its growth. Growth in demand for its computer board product—15% of revenues—is slowing. And Cabletron is still number two in the market, after Mountain Valley, Calif.-based Synoptics, in its hottest product line, the smart hub.

Benson concedes that they were two years behind Synoptics in getting to market with the smart hub but says Cabletron's R&D department has a new product that leapfrogs its rivals' technologies. Still, he admits that no one is really sure what direction the networking market might take next.

And Cabletron's financials point up a few danger signals. Selling costs rose 60% faster than its revenues in the first six months of this year. Inventories, too, at \$33 million, seem high for a company in a rapidly changing market. Might not Cabletron be hit by a sudden fall in demand or by the introduction of new technology?

Levine and Benson think not. "We are like a bakery which doesn't care if there's demand for raspberry crullers or raspberry doughnuts," says Levine, speaking of the company's entry, in September, into the market for token ring network products. "We have the raspberry and the dough, so we can make either."

Levine is counting heavily on their management systems for token ring networks to propel the company's next stage of growth. Thus far the \$800 million market for these boxes has been dominated by IBM.

"We are not engineers, and so we don't get wrapped up in the technology," says Benson. "We make what the market wants and not what our engineers might be interested in."

There's no question that the pair have made a great go of things so far. But now that they've built a \$600 million (market value) company, the real challenge will be to maintain its growth. The Cabletron story is far from over. ■

# The 200 Best Small Companies in America

## What it takes to be the best

Almost 4,300 public U.S. corporations meet our definition of small—latest 12-month sales between \$5 million and \$350 million—but our stringent growth and quality requirements eliminated most of these contenders. We used a five-year time interval to test for consistency of earnings and sales growth. This ensures relatively fast growth today, and a history of above-average growth during the last few years. We eliminated companies that might be on the verge of faltering by requiring earnings growth over the most recent quarter as well as the last four

quarters. Highly leveraged companies—those with more debt than equity, as of the latest fiscal year-end balance sheet—were also dropped, as were companies whose stock prices did poorest relative to the overall market.

Does this mean all the companies on our list will fare well in the future? Of course not. But their recent performance suggests superior management. William O'Neil & Co. in Los Angeles provided most of the data for this table. Earnings estimates come from the Institutional Brokers Estimate System, a service of Lynch, Jones & Ryan.

—Rank— this last year year		Company/business	Return on equity 5-year average	latest 12 mos	5-year EPS growth rate	Latest 12 mos sales profits —(millions)—	Debt/ equity	Quick ratio <sup>1</sup>	Recent stock price	Market value (mil)	Latest 12 mos EPS	12 mos P/E	Est 1990 EPS	
1	■	Melamine Chems specialty chemicals	100%*	25.2%	54%	\$37.8	\$7.6	0%	2.31	8	\$45.6	\$1.39	6.0	\$1.40 <sup>2</sup>
2	■	Cabletron Systems computer network equip & svcs	51.5	40.0	198	134.8	26.9	0	2.38	18	463.2	1.03	17.1	1.22
3	■	BMC Software computer software	50.7	38.9	94	102.0	22.4	0	NA	19	402.4	0.91	20.5	1.14
4	5	Franklin Resources fund management	46.3	40.9	47	282.5	88.6	3	NA	24	952.1	2.26	10.7	2.32
5	■	Digi Intl data communications equip & software	44.7	73.0	146	20.3	4.2	0	2.07	12	46.3	1.10	10.9	1.18
6	4	Tech-Ops Landauer radiation monitoring svcs	43.8	36.2	22	23.8	6.4	2	1.91	25	105.9	1.52	16.4	1.56
7	■	Adobe Systems computer software	43.6	64.6	132	153.2	38.0	1	2.23	19	387.3	1.75	10.7	1.76
8	■	T2 Medical infusion therapy centers	43.4	29.0	74	58.6	12.2	54	1.73	17	239.7	0.99	17.4	1.13
9	■	Sullivan Dental Products dental supplies & equip	38.7	55.0	89	40.8	1.9	4	NA	15	51.3	0.71	20.8	0.72
10	■	Seattle FilmWorks photofinishing svcs	37.0	58.1	42	32.4	1.9	72	1.22	6	11.2	0.99	6.3	1.00
11	9	Intl Dairy Queen Cl A fast-food restaurants	36.6	34.6	26	282.5	26.2	29	1.56	47	431.9	2.85	16.6	2.87
12	29	Lindsay Mfg electrical irrigation sys	35.2	49.6	107	94.5	7.9	0	1.35	15	45.3	2.57	5.7	2.67
13	■	Amer Power Conversion power supply equip	33.6	49.8	189	47.6	7.5	23	2.1	12	128.6	0.70	17.5	0.82
14	■	Forschner Group leisure & recreational prods	33.6	43.1	22	46.6	3.2	99	2.28	5	20.0	0.78	6.7	0.75
15	■	Cisco Systems computer network equip	31.6	20.1	2.62	69.9	13.9	0	1.47	22	267.6	1.00	21.8	1.40 <sup>2</sup>
16	39	American List student mailing lists	30.9	48.9	27	8.2	4.4	0	NA	19	51.8	1.60	11.7	NA

Stock prices as of Oct. 12. \*Figure greater than 100%. NA: Not available or applicable. <sup>1</sup>Current assets less inventories divided by current liabilities. <sup>2</sup>1991 estimate.

Sources: William O'Neil & Co.; Institutional Brokers Estimate System, via Lotus One Source.

(Snow/Simon)  
CABLETRON  
DRAFT THREE  
JANUARY 13, 1992

PRESIDENTIAL REMARKS: CABLETRON SYSTEMS, INC.  
ROCHESTER, NEW HAMPSHIRE  
WEDNESDAY, JANUARY 15, 1992  
?? time

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[jokes]

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*Michael Welts*  
*603-332-9400*

Here's something else I find impressive: ~~Everyone who works~~ *one third of your workers* ~~for Cabletron~~ owns stock. In an age when stockholders of other companies complain about lacking access to the leaders and the

leaders lacking any accountability to shareholders, you work side by side. That's great. It also gives you even greater incentive to be the best.

As you know, I just came back from a long trip to Australia, Singapore, Korea and Japan. [joke]

On that trip we established a framework for meeting the security requirements of the post Cold War world, while promoting democracy and opening markets.

In Japan alone we resolved 49 non-auto standards problems, and we signed market opening agreements in ~~11 different~~ <sup>several large</sup> industrial sectors. During the trip, we signed literally dozens of market-opening agreements in the four countries. I talked with Bob and Craig about some of them earlier. Lots of business leaders who joined me on the trip are really enthusiastic about their new opportunities. They know that good, fit American companies won't stop and complain. They'll use those openings to build even greater markets for themselves.

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winning the Cold War, we'll also lead the way in shaping this new commonwealth of freedom.

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People here understand that engagement in the larger world means opportunity and jobs. You also understand that protectionism really is nothing more than defeatism -- a fear that America can't compete in the new market-oriented world.

Most people who embrace protectionism -- which is really economic isolationism -- put a bear hug around the past. They pine for the good old days -- and fret about the future. Well, it's time to give these Chicken Littles a wake-up call. Like it or not, the world's moving ahead, and we intend to stay in the lead. I'll leave the past to others. I plan to lead America into the future that American workers, American soldiers and American ideals made possible.\\

You've heard some candidates talk about "America first." Well, America First is a sure recipe for America last. Its proponents offer nothing but the stale old politics of malaise. Everywhere, they see signs of weakness. The cry, "America first" is a call to man the lifeboats -- a nationalized version of "Women and children first." Well, I've seen hard times around

N.H.  
Gov's  
office  
see  
file

this country, but I haven't seen weakness. Everywhere, I see people eager to do the hard work of freedom.

That includes me. The economy is my top priority -- always has been. I came to New Hampshire four years ago, and promised to do all I could to keep the nation's economic boom going.

In a little less than two weeks, I'll deliver my State of the Union Address and I'll lay out my plan to get America up to speed. That plan will address our short-term needs, but it also will lay a foundation for long-term leadership in the world marketplace.

As New Hampshirites, you'll hear lots of economic proposals from people who want to become President, and you'll have to decide which are election-year fluff -- and which will get America moving.

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Third point: Does it address your basic concerns: Does it protect what you want protected, promote what you want promoted? A good economic plan should preserve the value of your hard-won assets -- your home, your income, your retirement savings -- rather than letting bad policies nibble away at them.

It also should enable you to choose affordable housing, good schools for your children, and decent health care for your family. No one should have to go broke taking care of these basic necessities.

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see  
file

address your basic concerns? Does it get government's house in order?

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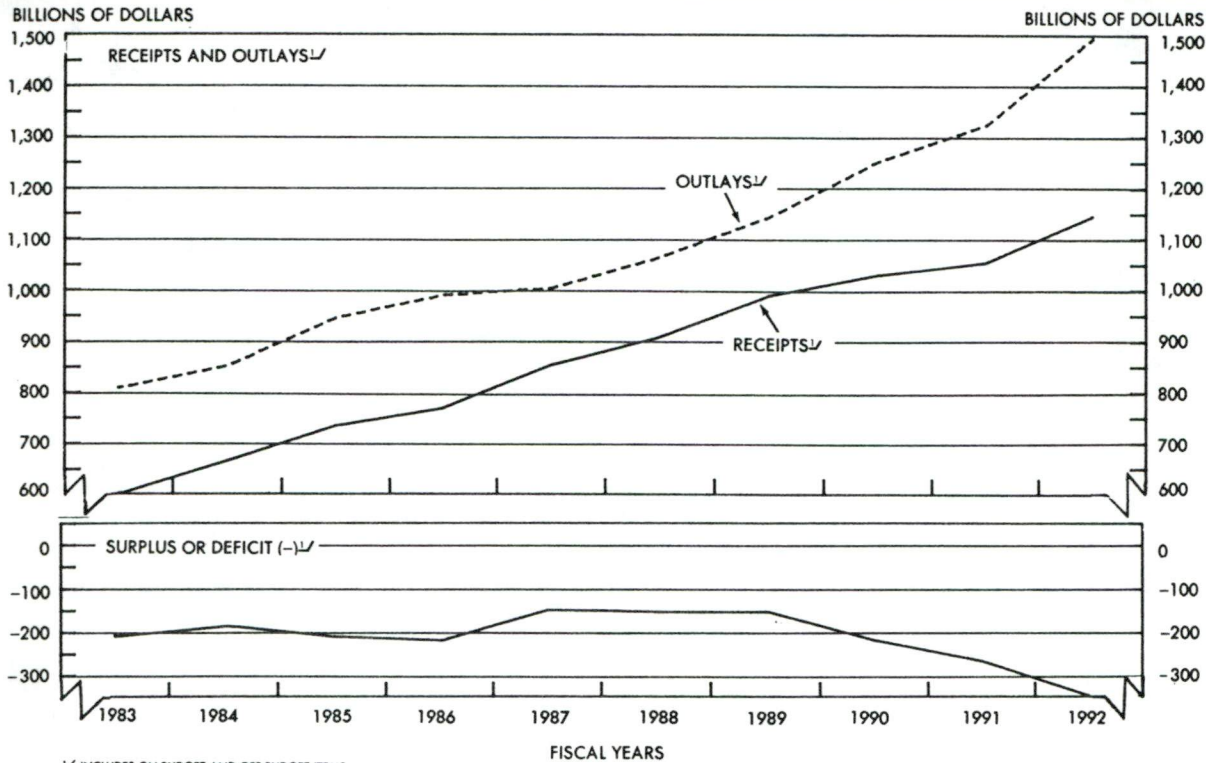
I've really enjoyed my visit here. You really are leading the way to America's future, and you should be proud. Let me tell you -- we're going to do whatever it takes to keep America the greatest economic, political, military and moral power on earth. Thank you. May God bless you and the United States of America.

# # # #

# FEDERAL FINANCE

## FEDERAL RECEIPTS, OUTLAYS, AND DEBT

In the first 2 months of fiscal 1992, there was a deficit of \$81.4 billion, compared with a deficit of \$78.9 billion a year earlier.



✓ INCLUDES ON-BUDGET AND OFF-BUDGET ITEMS.

SOURCES: DEPARTMENT OF THE TREASURY AND OFFICE OF MANAGEMENT AND BUDGET

COUNCIL OF ECONOMIC ADVISERS

[Billions of dollars]

Fiscal year or period	Total			On-budget			Off-budget			Gross Federal debt (end of period)	
	Receipts	Outlays	Surplus or deficit (-)	Receipts	Outlays	Surplus or deficit (-)	Receipts	Outlays	Surplus or deficit (-)	Total	Held by the public
1976.....	298.1	371.8	-73.7	231.7	302.2	-70.5	66.4	69.6	-3.2	629.0	477.4
Transition quarter.....	81.2	96.0	-14.7	63.2	76.6	-13.3	18.0	19.4	-1.4	643.6	495.5
1977.....	355.6	409.2	-53.6	278.7	328.5	-49.7	76.8	80.7	-3.9	706.4	549.1
1978.....	399.6	458.7	-59.2	314.2	369.1	-54.9	85.4	89.7	-4.3	776.6	607.1
1979.....	463.3	503.5	-40.2	365.3	403.5	-38.2	98.0	100.0	-2.0	828.9	639.8
1980.....	517.1	590.9	-73.8	403.9	476.6	-72.7	113.2	114.3	-1.1	908.5	709.3
1981.....	599.3	678.2	-78.9	469.1	543.0	-73.9	130.2	135.2	-5.0	994.3	784.8
1982.....	617.8	745.7	-127.9	474.3	594.3	-120.0	143.5	151.4	-7.9	1,136.8	919.2
1983.....	600.6	808.3	-207.8	453.2	661.2	-208.0	147.3	147.1	.2	1,371.2	1,131.0
1984.....	666.5	851.8	-185.3	500.4	686.0	-185.6	166.1	165.8	.3	1,564.1	1,300.0
1985.....	734.1	946.3	-212.3	547.9	769.5	-221.6	186.2	176.8	9.4	1,817.0	1,499.4
1986.....	769.1	990.3	-221.2	568.9	806.8	-237.9	200.2	183.5	16.7	2,120.1	1,736.2
1987.....	854.1	1,003.8	-149.7	640.7	810.0	-169.3	213.4	193.8	19.6	2,345.6	1,888.1
1988.....	909.0	1,064.1	-155.1	667.5	861.4	-193.9	241.5	202.7	38.8	2,600.8	2,050.3
1989.....	990.7	1,144.1	-153.4	727.0	933.2	-206.1	263.7	210.9	52.8	2,867.5	2,190.3
1990.....	1,031.3	1,251.7	-220.4	749.7	1,026.6	-277.0	281.7	225.1	56.6	3,206.3	2,410.4
1991 <sup>1</sup> .....	1,054.3	1,323.0	-268.7	760.4	1,081.3	-320.9	293.9	241.7	52.2	3,598.9	2,687.2
1992 (estimates) <sup>2</sup> .....	1,145.5	1,493.8	-348.3	832.0	1,244.1	-412.1	313.5	249.7	63.8	4,047.9	3,026.9
Cumulative total, first 2 months: <sup>1</sup>											
Fiscal year 1991.....	147.5	226.4	-78.9	102.6	186.1	-83.5	44.9	40.4	4.6	3,298.4	2,484.4
Fiscal year 1992.....	151.3	232.7	-81.4	108.1	190.4	-82.3	43.1	42.3	.9	3,681.2	2,753.5

<sup>1</sup> Data from *Monthly Treasury Statement*.

<sup>2</sup> Estimates from *Mid-Session Review of the Budget*, Office of Management and Budget, July 15, 1991.

NOTE.—Data are from *Budget of the United States Government, Fiscal Year 1992, February 1991*, except as noted.

Sources: Department of the Treasury and Office of Management and Budget.



35 Industrial Way  
 P.O. Box 5005  
 Rochester, NH 03867-5005  
 (603) 332-9400

January 10, 1992

TO: Bob Simon  
 (202) 456-6218

FR: Darren Orzechowski

-----

I made some calls today to confirm the information I sent you was accurate. Upon completion, Cabletron's new distribution and office complex will be a total of 129,500 square feet. The distribution facility (101,500 square feet) is being added to an existing 28,000 square foot office complex that houses Cabletron's finance and purchasing departments. The 28,000 square foot portion of the building is also being renovated.

Call me if you have any questions. (603) 332-9400 Ext. 1282

*Canada revenues 12-15%*

*currently*

*28% reported*

*1/3 own stock*

*all can buy at discount*

# CABLETRON

The  
Complete  
Networking  
Solution

Photocopy-Preservation

IS  
A TAX HIKE  
COMING?

SOFTWARE THAT MAKES A PC ACT LIKE A MAC—AT LAST PAGE 150

# BusinessWeek

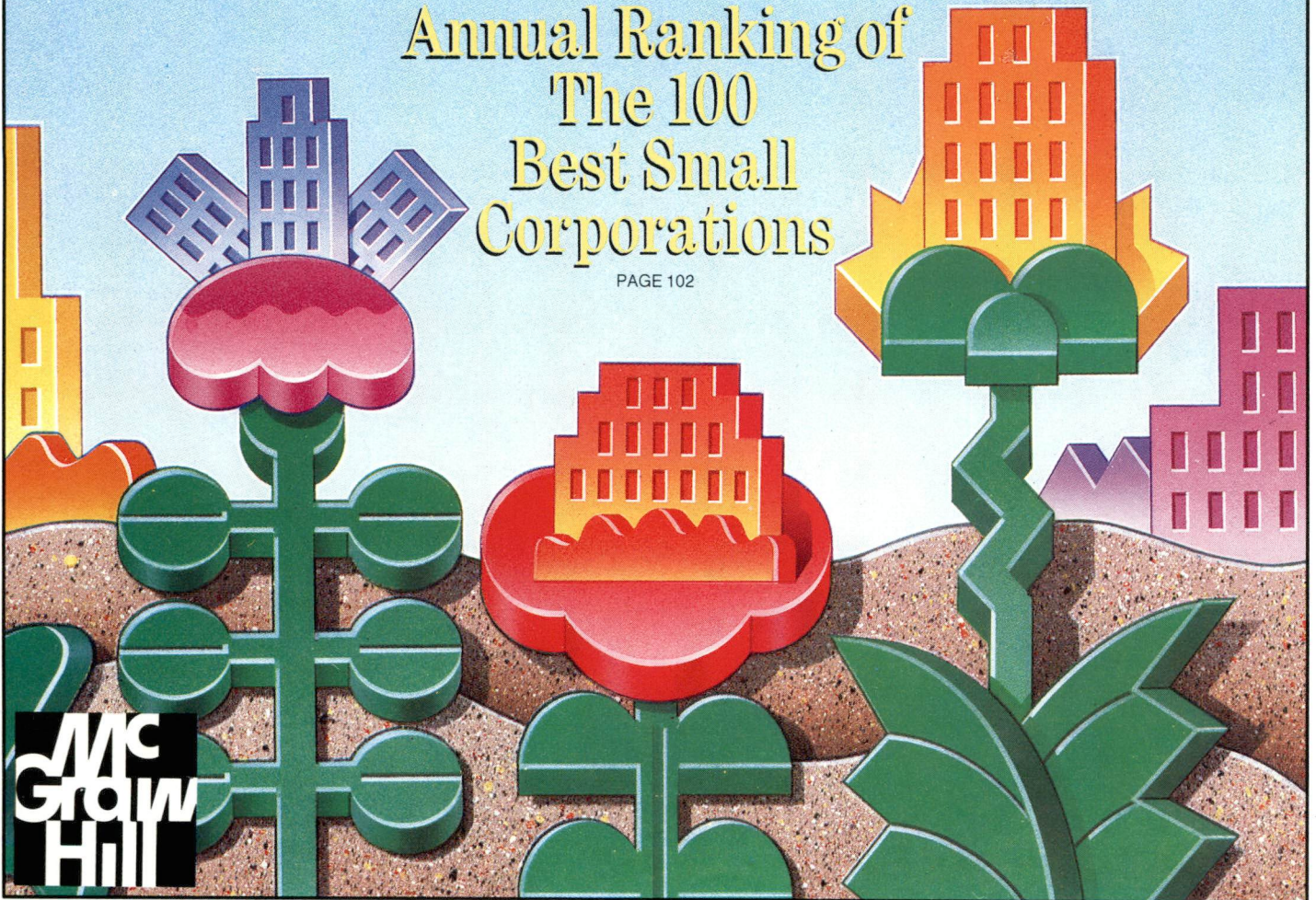
MAY 21, 1990

A MCGRAW-HILL PUBLICATION

# HOT GROWTH COMPANIES

Annual Ranking of  
The 100  
Best Small  
Corporations

PAGE 102



**Mc  
Graw  
Hill**

# HOT GROWTH COMPANIES

HOW THEY'RE MEETING THE CHALLENGES OF THE '90s

**W**ithin the terminally hip art circles of New York and Los Angeles, many gasp at the likes of Martin S. Blinder. He's a ruffled former television producer whose approach to the art business is decidedly declass . Blinder sells original works of Andy Warhol, Robert Mapplethorpe, and others in that temple of crass consumerism—the American shopping mall.

Blinder, 43, founded Martin Lawrence Limited Editions Inc. in 1976. In many ways, he's emblematic of the entrepreneurs whose brainchildren make up BUSINESS WEEK's sixth annual list of Hot Growth Companies. Brash and innovative, he has blown to smithereens the traditional notion that fine art has to be moved through exclusive galleries. Instead, his 43 galleries across 10 states are right next to department stores such as Macy's, and he offers original and limited-edition works ranging from \$500 to \$10,000 to art neophytes and fanciers alike. Blinder's marketing tactics can be indelicate. He furnishes TV game shows such as *Wheel of Fortune* with art prizes in exchange for advertising.

That takes chutzpah. But breaking the rules is often what sets apart the companies on BW's roster. From a universe of more than 3,600 publicly traded companies with sales of less than \$150 million, BW chose the top 100 on the basis of average sales and earnings growth during the last three years. The selection also reflects the three-year average return on invested capital. This innovative crowd is leaving a vapor trail in its path: Average three-year sales growth hit 56.1%, compared with the Standard &

Poor's 400-stock index' 10.4%. Earnings growth for the same period sizzled at 123.8%, against S&P's 18.6%. The group's average return on invested capital was 25.6%, compared with S&P's 11.5%.

Once again, BW's survey also includes a timely peek at the upstarts making their marks on the international scene (page 124). With the opening up of the East bloc, the pending reunification of Germany, and deregulation in the European Community, venture capitalists see business opportunities aplenty.

**'GALLERY IN A BOX.'** In the U.S., the list continues to be dominated by software and other computer-related enterprises, which took 22 slots. But other fields also beckon risk-takers: specialty retailing, restaurants, telecommunications, and home health care. Not all the companies are glamorous or high-tech. Take Fastenal, No. 68 on the BW list. Based in Winona, Minn., Fastenal markets screws—22,000 types of them—through a network of stores in the upper Midwest. Or consider No. 1 Rexhall Industries Inc., a Saugus (Calif.)-based company that's turning a nifty dollar making 37-foot recreational vehicles.

The 'glitzy and the prosaic alike face head-whirling changes during the 1990s. Computer technology is a big one: Sophisticated graphics and number-crunching firepower are coming within financial reach of smaller companies. Blinder, for one, is hell-bent on making quality art more accessible. So, he's spending \$430,000 this year to outfit his galleries with PCs armed with laser videodisks. Soon, customers will be able to scan his inventory on high-resolution color



screens, searching for works by price, style, and artist. "We'll have a massive art gallery in a box," Blinder says.

Other trends are emerging, too. Consider the rise of women entrepreneurs. They're pursuing their dreams and betting it all on startups at one-and-a-half times the rate of men. And regardless of gender, entrepreneurs will be scouring the globe for growth as never before.

The going is also getting tougher for America's 20 million small business owners, though. The expansive 1980s offered fertile soil for a flowering of entrepreneurial activity. Nearly seven out of every 10 new jobs came from companies with fewer than 500 employees, according to the U.S. Small Business Administration. A once modest pool of venture

## FAST COMPANY: SIX WAYS THE HOT 100 STACK UP

### SALES

	Millions of dollars*
<b>CSS INDUSTRIES</b>	\$146.9
<b>SHOREWOOD PACKAGING</b>	137.7
<b>ADOBE SYSTEMS</b>	133.0
<b>STEVENS GRAPHICS</b>	132.2
<b>SUPERIOR TELETEC</b>	130.9

\*Latest four quarters

### EARNINGS

	Millions of dollars*
<b>RAYONIER TIMBERLANDS</b>	\$70.3
<b>ADOBE SYSTEMS</b>	36.9
<b>CABLETRON SYSTEMS</b>	22.5
<b>SANFORD</b>	21.8
<b>SOFTWARE PUBLISHING</b>	19.6

\*Latest four quarters

### MARKET

<b>ADOBE SYSTEMS</b>
<b>TOTAL SYSTEM SERVICES</b>
<b>RAYONIER TIMBERLANDS</b>
<b>BMC SOFTWARE</b>
<b>DIAGNOSTIC PRODUCTS</b>

\*As of Apr. 27

## THE BEST SMALL COMPANIES

To win a position in this table, a company must excel in three ways. The selection process begins by ranking companies according to their three-year results in sales growth, earnings growth, and return on invested capital. The ranks that appear in the table are calculated from these numbers. A company's composite rank is the sum of 0.5 times its rank in return on total capital plus 0.25 times each of its growth ranks.

The companies used in the screening process were selected by Standard & Poor's Compustat Services Inc., which has computerized financial data on 7,700 publicly traded corporations. To qualify, a company must have annual sales of less than \$150 million, a

current market value greater than \$1 million, a current stock price greater than \$1, and be actively traded. Banks, insurers, real estate firms, and utilities are excluded. So are companies with sharp declines in current financial results.

**Sales and earnings** are latest available through the most recent 12 months. Earnings include net income from continuing operations, before gains or losses from extraordinary items. **Growth computations** are calculated using the least-squares method. If results for the earliest year are negative, the average is for two years. **Return on capital** is earnings plus minority interests and tax-adjusted interest expense expressed as a percent of total

debt and equity. For ranking purposes, the maximum allowable annual return on invested capital is 100%. If companies have made substantial accounting restatements, long-term returns may be averaged for two years instead of three years.

**Time periods** vary according to the month of a company's fiscal yearend. Profitability is calculated through the most recent fiscal year. Growth is calculated through the most recent fiscal year.

**Stock price** data are as of Apr. 27, 1990. A ● indicates that a company also appeared in last year's rankings (BW—May 22, 1989). An **alphabetical index** of the companies appears at the end of the table.

COMPANY (STOCK SYMBOL)	CURRENT RESULTS		THREE-YEAR AVERAGES			INVESTMENT DATA			
	SALES \$ MIL	EARNINGS \$ MIL	INCREASE (%)		RETURN ON CAPITAL	STOCK PRICE		P/E RATIO	MARKET VALUE \$ MIL
			SALES	PROFITS		52-WEEK HIGH LOW	RECENT		
1 <b>REXHALL INDUSTRIES</b> (REXL) Saugus, Calif. 805-253-1295 On the road again? Check out their motor homes	39.1	2.3	141.5	204.4	60.0	11—5	8	7	20
2 <b>CABLETRON SYSTEMS</b> (CS) Rochester, N. H. 603-332-9400 Manufacturers of local networking equipment	104.7	22.5	122.6	242.2	50.7	17—7	14	17	378
3 <b>T MEDICAL</b> (TSQM) Roswell, Ga. 404-594-0475 ● Provides intravenous therapy in the home	52.8	10.8	177.1	190.3	45.8	26—12	23	24	295
4 <b>AMERICAN POWER CONVERSION</b> (APCC) Peace Dale, R. I. 401-789-5735 ● Power systems for computers, surge protectors, and file savers	40.6	6.5	139.2	276.8	39.4	31—10	30	16	102
5 <b>CARE GROUP</b> (CARE) Lake Success, N. Y. 516-869-8383 Home health care services for AIDS and cancer patients	9.4	0.8	89.4	144.2	61.8	6—3	5	15	14
6 <b>TSENG LABORATORIES</b> (TSNG) Newtown, Pa. 215-968-0502 ● Gussies up computers with add-on enhancement boards, graphics chip sets	31.1	5.2	94.1	180.1	41.7	7—3	4	15	76
7 <b>DIGI INTERNATIONAL</b> (DGI) Minneapolis 612-922-5016 Data communications for hardware and software	18.0	3.7	113.0	153.4	42.9	12—9	12	11	44
8 <b>ADOBE SYSTEMS</b> (ADBE) Mountain View, Calif. 415-961-4400 ● Sells graphic software for desktop publishers	133.0	36.9	97.8	113.3	46.1	47—14	38	22	773
9 <b>DATAKEY</b> (DKEY) Burnsville, Minn. 612-890-6850 Take it with you! Makers of portable memory cards and memory keys	9.8	2.9	83.8	162.0	25.4	11—7	9	11	29
10 <b>CATALINA LIGHTING</b> (LTG) Miami 305-558-4777 ● Their fixtures light up your life	59.6	2.9	63.3	156.0	30.5	15—6	7	10	35
11 <b>PENTECH INTERNATIONAL</b> (PNTK) Edison, N. J. 201-287-6640 ● Like to draw? Makes crayons and specialty pens	24.0	3.1	78.3	144.5	26.2	6—3	5	18	53
12 <b>LUND INTL. HOLDINGS</b> (LUND) Coon Rapids, Minn. 612-780-2520 Fiberglass accessories for trucks	12.2	2.1	44.0	92.8	53.3	7—4	4	10	20
13 <b>LINDSAY MANUFACTURING</b> (LINZ) Lindsay, Neb. 402-428-2131 Manufactures irrigation equipment	93.8	7.4	28.0	177.8	46.6	34—19	31	9	63
14 <b>YES CLOTHING</b> (YSCO) Los Angeles 213-742-0201 Sportswear for fashion-conscious juniors and men	38.9	2.3	68.4	45.6	56.3	9—6	9	12	33
15 <b>QUICKSILVER</b> (QUIK) Costa Mesa, Calif. 714-645-1395 ● Surf and sporting togs that a little sand couldn't hurt	76.3	7.6	56.5	145.6	28.3	26—12	25	21	153
16 <b>BALLARD MEDICAL PRODUCTS</b> (BMED) Midvale, Utah 801-566-4693 ● From throw-away surgical scrubs to catheters, they've got them	24.8	4.6	56.4	253.9	24.6	23—15	23	28	121
17 <b>HANDEX ENVIRON. RECOVERY</b> (HAND) Morganville, N. J. 201-536-8500 Revive your soil with their remediation techniques	29.7	4.3	79.7	133.3	25.4	21—14	20	22	105
18 <b>SCIENTIFIC TECHNOLOGIES</b> (STIZ) Hayward, Calif. 415-471-9717 Industrial safety products to ease your mind	8.7	1.5	96.0	44.9	39.1	4—3	4	12	18

## Cover Story

more opportunities. "I was better able to use my talents and get noticed in a small company," says Jeanne M. Miller, chief financial officer at Gish Biomedical, who quit a Big Eight accounting firm to join the company four years ago.

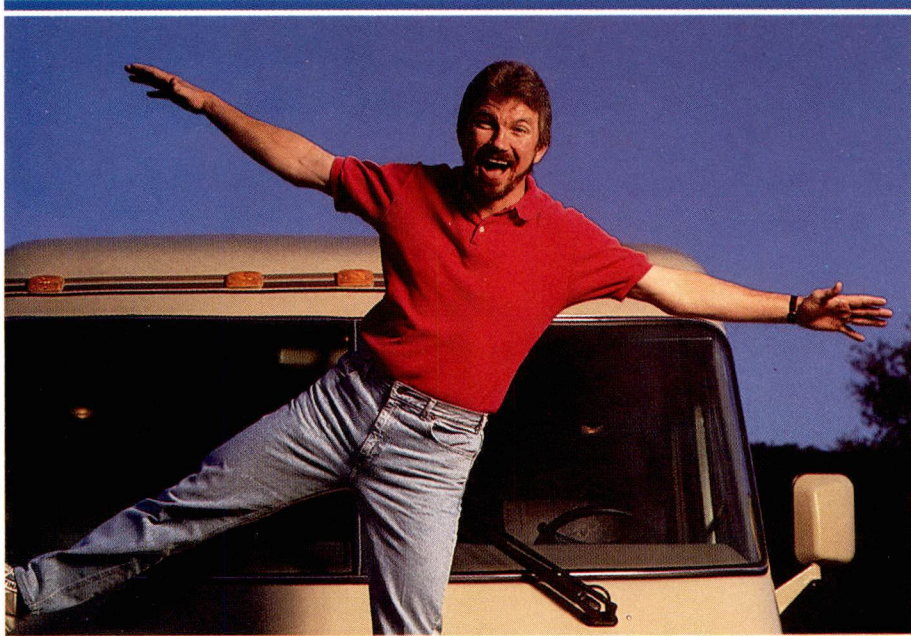
**GRAND MASTER.** Another trend: More and more entrepreneurs will venture into foreign lands for growth. Smaller companies already account for about

25% of exports in manufactured goods. "We're knocking their socks off in Europe," crows Les Crane, chairman of Software Toolworks, based in Chatsworth, Calif. Indeed, its Chessmaster 2100 game is one of the top five programs in Europe, and the software designer recently expanded its reach overseas by acquiring Mindscape Inc., another software concern with distribu-

tion arms in Europe and the Pacific Rim.

Crane, a onetime TV talk-show host, has the boldness that makes BW's Hot Growth Companies so feisty. And why not? For all the challenges, uncertainties, and risks, there's a new world unfolding this decade for those with a good idea and the guts to pursue it.

*By Brian Bremner in New York, with Irene Recio in Miami*



Bill Rex is outmaneuvering rivals with snazzy styling and careful cost-cutting

### REXHALL INDUSTRIES

## THESE RVs ARE DOING WHEELIES OFF DEALERS' LOTS

It was a like a scene from the movie *Tucker*, in which a series of crises batter an entrepreneur who takes on Detroit's big auto makers. Only this time it was William J. Rex, a onetime assembly-line worker, who was taking on the powers in motor homes.

Together with a few friends and his wife Cheryl, Rex took \$150,000 in savings and rented a warehouse in San Fernando, Calif., in 1986. Then, he bought 100 heavy-duty chassis from Ford Motor Co. The race was on to start producing his Airex, a less expensive and sleeker version of the motor homes made by industry leader Fleetwood Enterprises Inc. He overcame one nagging problem after another before a major complication almost did him in. Nine months into production, Rex lost his lease and was given 90 days to cart his half-assembled RVs away. After scrambling around for a new plant site and spending nights and

weekends building offices in the raw space, Rex finally shifted production 15 miles away to Saugus.

The wind has mostly been at Rexhall Industries Inc.'s back ever since. In an industry whose shipments were off by 7% in 1989, Rexhall's sales doubled, to \$34 million. Profits soared by 136%, to \$2.2 million last year, helping win Rexhall the No. 1 spot on the BW list of Hot Growth Companies. Rexhall shows how an entrepreneur can use snazzy styling and a gimlet eye for costs to outmaneuver much bigger rivals. "They've taken the industry by storm," concedes Rex Miner, a vice-president for product development at Winnebago Industries Inc., which lost \$10 million in the first half of fiscal 1990. "Everybody is trying to figure out how they're doing it."

**HOT WHEELS.** Rexhall isn't in the same league as Fleetwood or Winnebago just yet: It makes only six RVs a day. But thanks to a \$6 million public offering last summer, production could increase to about 20 by the end of the year, Rex says. He doesn't have to worry about demand.

"I'll buy as many as they can send me," says Burbank (Calif.) dealer Doc Wilson, one of Rexhall's 80 authorized dealers.

What sells the Airex is its \$35,000 to \$65,000 price. That's \$2,000 to \$5,000 less than competing models. But customers also like the racy styling. The interiors, designed by the 39-year-old Rex and his wife, feature oak cabinets, plush sofas, and swivel chairs. Rex got his idea for the Airex the old-fashioned way: He copied it—mostly from Thor Industries Inc.'s Airstream trailer. "In this industry, we call it R&C: research and copy," he says. But instead of the costly aluminum used in Airstreams, Rex uses fiberglass. To cut still more costs, Rexhall mixes the stuff itself and makes its own doors and furnishings.

**REAL CHASSIS.** Rex got his start putting RVs together for \$2 an hour on an assembly line. Within five years, he managed the plant. He moved on to head another RV company owned by Ford dealer Bert Boeckmann. After Boeckmann sold that business, Rex got him to guarantee payment on the 100 Ford chassis that put him in business. "In this industry, chassis are everything," Rex explains. "Once suppliers saw those 100 chassis, they knew we were for real."

Even after relocating, Rex was forced to contend with fiberglass shortages and a lack of trained workers. But Rex may face more serious roadblocks if the industry's overall health doesn't improve soon. And competitors assert that Rex hasn't built a big nationwide service network, a problem that could catch up with him as his older RVs begin breaking down in far-flung places.

Rex, who controls 52% of Rexhall, says he's not worried. He used the public offering to buy out his

partner and co-founder, Charles A. Hall, and is looking at export deals with Japanese and Italian companies. And with \$4.5 million left from the offering, he says he can weather any slump. Cash in hand, he says, "feels real good." That puts him one up on Preston Tucker.

*By Eric Schine in Saugus, Calif.*

IN AN INDUSTRY  
WHERE  
SHIPMENTS  
SANK 7% LAST  
YEAR, REXHALL  
SALES  
DOUBLED



capital—just \$4.5 billion in 1980—turned into a gusher by the end of the decade, up more than sevenfold, to \$33 billion, says Venture Economics Inc. But now the growth in venture bucks is slowing. And many banks, which had been increasingly willing to lend to startups, are reining in credit—particularly in the Northeast. Small businesses also face other formidable hurdles, such as skyrocketing medical costs and a dearth of skilled labor.

The highfliers that overcome such obstacles can bring investors sweet returns. Take T<sup>2</sup> Medical, a provider of home intravenous therapy and a big beneficiary of the drive to contain health care costs. During the past two years, its stock has more than doubled. Yet hot

growth companies can also run into trouble just as quickly. Consider that only 39 companies from last year's group made the cut this time around. A few, such as TCBY Enterprises, the yogurt chain, simply outgrew the list.

Others, such as Silk Greenhouse Inc., which made the top 10 on last year's list, just unraveled. Troubles started in May at the Tampa-based retailer of silk flowers and quirky items such as hot-pink flamingos. It tried to pull off a 28-store expansion beyond its existing 57 outlets. But several stores didn't open on schedule, and inventory costs soared. Soon a cash crunch hit, and the company had trouble making rent at two of its stores. Silk Greenhouse executives aren't talking and have been slow to release

fourth-quarter numbers. Yet analysts figure the company will report a loss of \$3.7 million on \$99.3 million in sales for the year. Silk Greenhouse has already scaled back its planned store openings by half, to 15 for this year.

**HELPING HANDS.** Running a small business can be hair-raising. But it also offers big rewards, particularly for women. For Kristine Hughes, a housewife in Spanish Fork, Utah, the appeal was flexibility. She launched her herbal remedy and health food company, Nature's Sunshine Products, from her home back in 1972. "The kids would help me label our jars," she says. "I had the best of both worlds." For ambitious women who feel stymied by sex discrimination in larger corporations, smaller outfits may offer

## VALUE

Millions of dollars*
\$773
471
470
422
416

## SALES GROWTH

	Average annual rate*
<b>T<sup>2</sup> MEDICAL</b>	177.1%
<b>NETWORK GENERAL</b>	144.8
<b>REXHALL INDUSTRIES</b>	141.5
<b>AMERICAN POWER CONVERSION</b>	139.2
<b>SOFTWARE TOOLWORKS</b>	130.4

\*Latest three years

## EARNINGS GROWTH

	Average annual rate*
<b>GISH BIOMEDICAL</b>	736.0%
<b>WEITEK</b>	531.9
<b>SERV-TECH</b>	397.9
<b>OREGON METALLURGICAL</b>	379.9
<b>HURCO COMPANIES</b>	279.8

\*Latest three years

## PROFITABILITY

	Average annual rate*
<b>CARE GROUP</b>	61.8%
<b>REXHALL INDUSTRIES</b>	60.0
<b>YES CLOTHING</b>	56.3
<b>NATIONAL MEDIA</b>	54.5
<b>LUND INTERNATIONAL HOLDINGS</b>	53.3

\*Latest three years' return on invested capital

**CABLETRON**  
**SYSTEMS** Inc.  
The Complete Networking Solution™

35 Industrial Way  
P.O. Box 5005  
Rochester, NH 03867-5005  
(603) 332-9400

January 9, 1992

TO: **Bob Simon**  
(202) 456-6218

FR: **Darren Orzechowski**

---

As requested, I've listed details on Cabletron's planned expansion. We won't be releasing plans to the media until the president's expected visit next week.

Cabletron is expanding with two new facilities, a newly renovated 101,500 square foot distribution facility in Rochester, N.H. and a 27,000 square foot building we are leasing in Merrimack, N.H.

- The facility in Merrimack will serve as an engineering facility for development and support of our computer networking hardware and software equipment. Cabletron is holding a job fair to fill positions for Merrimack and our corporate headquarters next Monday and Tuesday.
- The second facility, in Rochester, presently houses our financial and purchasing departments. The addition to the facility will enable Cabletron to consolidate and expand distribution capabilities.

I've enclosed two recent press clippings from the local paper. If you have any questions call me. I can also be paged by dialing 1-800-Skypage and then entering pin #5134873.

*200 new jobs*

# Foster's Daily Democrat

Pages Today 92 32 Page Daily 60 Page Progress 2001

Serving Southeastern New Hampshire and Southern Maine

Year's Daily Democrat, Dover, N.H. Monday Evening, December 23, 1991

ESTABLISHED 1873 118 Year - No. 74

copy and 9700 Monthly Subscription Route Delivered

Star & Co., Inc., Publishers

## New Cabletron building sets stage for new jobs

By GARY ST. LAWRENCE  
Rochester Bureau Chief

ROCHESTER — Exterior construction is complete on Cabletron's new distribution facility, as well as the renovation of another building to serve as home to the company's financial and purchasing departments.

The distribution facility will be housed in a 101,500 square-foot steel frame building at 128 Milton Road, recently completed by the Goguen & White Construction Co., of Nashua. A target completion date of mid-to late March has been set for the facility, which will be home to Cabletron's stock, finished goods storage and distribution, material control and purchasing operations.

Additionally, Cabletron's financial offices were upgraded with renovations to the 28,000 square-foot build-

ing on Ten Rod Road.

Manufacturing Director John Caruso said the new facility will mean jobs for area workers, but not immediately.

"Over time perhaps we'll be creating new jobs," Caruso said. "But for the most part, we will just consolidate departments which are in various locations now. The workers at those locations will come here. As we envision it over the next two years, we could be adding 100 jobs to the material functions areas."

Cabletron Public Relations Specialist Darren Orzechowski said the company's recent growth is a by-product of the economic recession.

"Cabletron has enjoyed a strong growth rate over the past several years," he said. "One of the reasons

☆ **Cabletron**  
Please turn to Page 12

### Cabletron Continued from Tri-City page

for that is that, despite the recession, a lot of companies downsize to stay

alive. Cabletron makes networking computer equipment and our market is the Fortune 1000 companies. One way for those companies to downsize is networking their computers, which is where we come in."

The trend of corporate downsizing in a recession actually helps Cabletron, Orzechowski said, by providing a greater market for their product which creates a chain-reaction of production and job growth.

Cabletron recently announced a new engineering plant to be opened in February to support the development of the company's computer hardware and software product lines. Cabletron's Ten Rod Road plant houses production and manufacturing operations and serves as the corporate world headquarters.

# Foster's Daily Democrat

5¢ Weekly Carrier Home Delivered 57¢ Monthly Motor Route Delivered

Serving Southeastern New Hampshire and Southern Maine

Pages 92 32 Page Daily  
Today 92 60 Page Progress 2001

& Co., Inc., Publishers

Foster's Daily Democrat, Dover, N.H. Tuesday Evening, December 24, 1991

ESTABLISHED 1873 118 Year - No. 74

## Cabletron expands to Merrimack

By GARY ST. LAWRENCE  
Rochester Bureau Chief

### Little effect at Rochester plant

ROCHESTER — Cabletron officials say a new engineering plant the company is building in Merrimack will have little, if any effect, on its operations and employees here other than giving them more work to do.

Cabletron plans to build the new facility, tentatively scheduled to open sometime in February, to house an engineering plant to support development of the company's computer hardware and software product lines.

Cabletron Public Relations As-

stant Darren Orzechowski said the plant is good news for the company and its employees.

"One of the primary reasons we are going to Merrimack is to expand the employment base into which and from which we can draw engineers," Orzechowski said.

"We've already received several resumes from engineers in that area and more are coming in. This may affect some of the engineers

at the Rochester facility only in that they will have to communicate closely with the engineers at the Merrimack facility in product development. But that's about all."

Cabletron's Ten Rod Road plant houses production and manufacturing operations and serves as the corporate world headquarters.

"We're not going to change much in Rochester," Orzechowski said. "This is an expansion plan,

not a restructuring. We manufacture software for network computers. One of our main competitors is Synoptics in Mountain View Calif. We have about 15 products within our product line. The new engineering facility will increase support of our product base as our customer demand grows."

Cabletron has not formally announced the plans for the 27,000-square-foot Merrimack plant, which is to be located at 9 Executive Park Drive.

Orzechowski said Cabletron is glad to be able to offer New Hampshire jobs to New Hampshire residents.

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## BACKGROUND

**Contact:** *Darren Orzechowski*  
*Cabletron Systems, Inc.*  
*(603) 332-9400 Ext. 1282*

### CABLETRON FACT SHEET

CAB 1

<i>Founded</i>	1983
<i>Headquarters</i>	35 Industrial Way Rochester, NH 03867 (603) 332-9400
<i>Charter</i>	Network connectivity between any number of computers, anywhere in the world. LAN and WAN hardware and software products based on Ethernet, Token Ring and FDDI networking standards. Provide sophisticated network management software to enable users to build, troubleshoot and monitor complex network activity.
<i>Differentiation</i>	With the exception of Digital Equipment Corporation, Cabletron is the <i>only</i> LAN vendor that manufactures its own network hardware and software products with complete integrated network management. In addition, Cabletron provides LAN design, installation and support services. This capability is reflected in the company's tagline " <i>The Complete Networking Solution.</i> "
<i>Company Highlights</i>	Founders Craig Benson and S. Robert Levine named National Entrepreneurs of the Year -- <i>Inc. Magazine</i> , Ernst & Young, Merrill Lynch, December 17, 1990.

- more -

**CABLETRON FACT SHEET - 2/**

Cabletron listed as best performing New York Stock Exchange stock in 1990.

Cabletron ranked second in Annual Ranking of "The 200 Best Small Companies in America" -- *Forbes*, November 12, 1990.

Cabletron cited as one of the country's *most socially responsible stocks* by PAX World, a \$95 million mutual fund. PAX World is the nation's oldest mutual fund devoted to ethical investing. Reported in *Money Magazine*, May 1990.

Ranked second in Annual Ranking of "The 100 Best Small Corporations -- Hot Growth Companies," by *Business Week Magazine*, May 21, 1990.

Ranked #1 in annual earnings growth rate among 400 computer companies for the last five years by *Investor's Daily*, April 17, 1990.

#10 U.S. LAN market vendor, Salomon Brothers Report On Telecommunications Equipment, Feb. 12, 1990.

*Employees*

The number of people employed by the company has increased from 4 in 1983 to over 1,700 as of September 1991.

*Executives*

Robert Levine, chief executive officer and president; Craig Benson, chief operating officer, chairman and treasurer; David Kirkpatrick, chief financial officer; Christopher Oliver, director of engineering and manufacturing; John Caruso, director of manufacturing; Roger Dev, director of software engineering; Michael Welts, marketing manager.

had  
600  
employees  
in 89

- more -

## CABLETRON FACT SHEET -- 3/

### *Board of Directors*

Levine and Benson represent Cabletron. Paul Duncan, executive vice president, Reebok International, Ltd.; Michael Myerow, partner, Myerow, Resnick & Poirier law firm and Donald McGuinness, chairman of the board of Electronic Designs, Inc. are Cabletron's outside directors.

### *Sales*

Worldwide sales for fiscal year 1991 were \$180.5 million, a 72 percent increase, compared to \$104.7 million in fiscal 1990.

### *Installed Customer Base*

More than 25,000 worldwide customers;  
Over 2 million nodes installed worldwide.

### *Facilities*

62,000 sq. ft. corporate headquarters in  
Rochester, NH opened in June 1991

125,000 sq. ft. research and  
development/manufacturing headquarters  
adjacent to headquarters opened in June  
1989 (includes 50 percent manufacturing  
space).

45,700 sq. ft. manufacturing facility in  
Sanford, Maine

53,000 sq. ft. manufacturing facility in  
Ironton, Ohio

20,900 sq. ft. office facility in Rochester, NH

### *Sales & Service Offices*

Direct sales and technical support offices in  
San Jose, Calif.; Chantilly, Va.; New  
York, N.Y.; Dallas, Texas; Denver, Colo.;  
Edison, NJ; Atlanta, Ga.; Greensboro, NC;  
Rolling Meadows, Ill.; Farmington Hills,  
Mich.; Post Falls, ID; Tampa, Fla.;  
St. Louis, Mo.; Bloomington, Minn. and  
Toronto, Canada.

- more -

## CABLETRON FACT SHEET - 4/

### *Sales Channels*

Ninety percent of revenue is generated by a 91 person direct sales organization backed-up with a 384 person in-house technical sales and support staff. The company's products are also sold through *Sears Business Centers* nationwide.

### *International*

\$47.0 million of FY 1991 sales (26%) were international. Subsidiary established in Dreieich, West Germany in August 1989; new overseas offices opened in Sweden in February 1990, Australia in August, and Spain and France in September 1990. Direct sales and technical support offices in Newbury, England.

### *Key Competitors*

Because of its diverse product line, Cabletron competes at three levels within the LAN industry.

Large computer manufacturing company competitors: Digital Equipment Corporation, Hewlett-Packard and IBM.

Independent LAN vendors:  
3Com Corporation, Interlan and Ungermann-Bass, Inc.

LAN device vendors: Chipcom, David Systems and SynOptics Communications.

### *Fiscal Year*

Cabletron's fiscal year begins March 1 and ends February 28.

### *Sales Revenues & Net Income*

Fiscal Year 1991 sales: \$180.5 million  
Fiscal Year 1991 net income: \$35.9 million

Fiscal Year 1990 sales: \$104.7 million  
Fiscal Year 1990 net income: \$22.3 million

Fiscal Year 1989 sales: \$54.8 million  
Fiscal Year 1989 net income: \$11.8 million

- more -

*and profits  
Sales have tripled  
in 2 years*

## CABLETRON FACT SHEET -- 5/

### *Public Corporation*

Cabletron went public in May 1989 on the New York Stock Exchange and is listed under the symbol "CS."

### *Compounded Financial Performance Since 1986*

Cabletron has reported a compounded 66 percent revenue growth and 91 percent earnings growth since 1986.

### *Total Assets*

\$154.3 million as of February 28, 1991.

### *Cash Balance*

\$60.5 million as of February 28, 1991.

### *Market Capitalization*

As of July 12, 1991 Cabletron's market capitalization was approximately \$1.2 billion.

### *% of Shares Owned By Cabletron Management*

53.0 percent

### *Research And Development Investment*

Cabletron invests approximately 7.4 percent of revenue in R&D (as of 2/28/91).

### *Products*

Cabletron manufactures one of the industry's broadest LAN connectivity product lines. This includes sophisticated network management software; network interconnection equipment; bridges; repeaters; transceivers; diagnostic test instruments; and transmission media, components and accessories.

All Cabletron products and services are based on its *Integrated Network Architecture* (INA). INA is a concept that lets customers build and manage a global, distributed network of interconnected LANs using products that transparently work together, regardless of the chosen media type or network standard.

- more -

## CABLETRON FACT SHEET - 6/

Cabletron has three cornerstone network management technologies, the Multi Media Access Center (MMAC) and Remote LANVIEW (DOS) network management and SPECTRUM (UNIX) Advanced Management System. The MMAC is a hardware-based, completely modular approach to total network integration supporting both LANs and WANs on unshielded twisted pair, IBM data, fiber optic, thick or thin Ethernet and AUI cabling. Remote LANVIEW is a sophisticated network control and management software product (DOS/Unix) that enables a network administrator to monitor and control each network connection and diagnose network problems.

In October 1990, Cabletron introduced SPECTRUM™ -- a next generation network management system that provides monitoring and control of multi-vendor networks, supporting a variety of network topologies and views. The company's Unix-based platform is based on its newly developed artificial intelligence *Inductive Modeling Technology*, which allows a single executive control server to deduce, correct and report problems to any number of SPECTRUM consoles.

### *Customers & Markets*

Cabletron markets its products to Original Equipment Manufacturers (OEMs) and end users.

End user customers include 80 of the top 100 U.S. companies, as listed in the 1990 *Fortune* magazine "Fortune 500." These include financial institutions, federal and state agencies, industrial and manufacturing companies and academic institutions.

-more-

**CABLETRON FACT SHEET - 7/**

Largest OEM customers include:  
AT&T; Sun Microsystems; Phillips N.V.;  
Prime Computer; Data General.

In fiscal 1991, no single customer  
represented more than 4 percent of  
Cabletron's net sales.

###

## BACKGROUND

**Contact:** *Darren Orzechowski*  
*Cabletron Systems, Inc.*  
*(603) 332-9400 Ext. 1282*

**CABLETRON: FROM CABLE TO NETWORK MANAGEMENT,      CAB 2**  
**A COMPANY TRANSFORMED**

Cabletron Systems, Inc. is one of the fastest growing and most profitable local area network (LAN) companies. It is also one of the computer industry's best examples of dramatic corporate metamorphosis.

Since its founding in 1983, Cabletron has undergone a dramatic transformation from a manufacturer of Ethernet cable assemblies and reseller of network hardware products to a leading supplier of standards-based network management and connectivity solutions.

Headquartered in Rochester, New Hampshire -- about 85 miles north of Boston -- the New York Stock Exchange listed Cabletron has reported 60 percent compounded revenue growth and 90 percent compounded earnings growth since 1986. Most of this growth occurred after Cabletron relocated operations from Ashland, Massachusetts in 1986.

Cabletron's financial achievements have been fueled, in part, by a marketplace that has rapidly adopted the company's broad and innovative network management solutions. This market acceptance is dramatized by the large number of "nodes" (computers and devices connected to a LAN) Cabletron has connected around the world to date, over two million.

- more -

## **CABLETRON COMPANY OVERVIEW -- 2/**

### **The Complete Networking Solution**

Several attributes set Cabletron apart from its many other LAN industry competitors. Perhaps the greatest differentiator is its *complete approach to network management and connectivity*. Cabletron is one of only two LAN companies that designs, manufactures, markets, installs and supports a broad range of network management products (including software, interconnection products, diagnostic test instruments) and services.

With the exception of Digital Equipment Corporation (DEC), LAN hardware companies do not provide LAN design, installation and support services. Conversely, LAN design and installation firms do not manufacture their own hardware and software products.

But Cabletron, like DEC, not only builds its own products -- assuring control over quality -- it designs, installs and maintains networks. Over 1,500 employees provide ongoing design, installation and support to Cabletron customers daily.

Cabletron's thorough approach to connectivity -- reflected in the company's tagline "*The Complete Networking Solution*" -- has given the company tremendous insight into the LAN marketplace. Because it has such continuing, frequent contact with LAN users, Cabletron is able to quickly gauge and react to changes in customer needs.

This insight has prompted Cabletron to develop many innovative LAN connectivity solutions. One example is Remote LANVIEW<sup>®</sup>, the first Ethernet network control and management software with diagnostic capabilities. *Cabletron's Multi Media Access Center* (MMAC) pioneered the first completely modular approach to total network integration, no matter what type of LAN or interconnection media. Yet another example is

- more -

## **CABLETRON COMPANY OVERVIEW -- 3/**

Cabletron's decision to build and ship the industry's first products supporting the emerging 10BASE-T standard. Latest has been the development of SPECTRUM, the first protocol independent multivendor network management system developed on the concept of artificial intelligence (AI). *In every case, Cabletron developed innovative products, not for the sake of innovation, but because the marketplace needed it.*

### **A Major Corporate Transformation**

Cabletron has undergone a dramatic transformation from a hardware-oriented, interconnect component/board oriented company, to one offering total network management systems solutions. This change is documented by the company's product revenue shift.

In fiscal year 1987, 53 percent of Cabletron's total sales revenue was derived from cable assemblies and components. Two years later, this product line had reduced to only 17 percent of total revenue. In fiscal year 1991, these original products were reduced to less than 9 percent of total revenue.

Cabletron's diversification into more sophisticated hardware and software LAN solutions fueled Cabletron's rapid growth over the past two years. Two cornerstone products -- both announced in 1988 -- made this possible. The first product, LANVIEW-NCM, later named Remote LANVIEW, is a powerful three-tiered software-based LAN management system. It was the first such solution offered in a form that directly connects groups of individual users to a network.

Joining LANVIEW-NCM that same year was the Multi Media Access Center (MMAC), a family of modular network products that permit the use of unshielded twisted pair telephone-type wire, shielded twisted pair IBM-

-more-

## **CABLETRON COMPANY OVERVIEW -- 4/**

type wire, optical fiber and coaxial cabling in a single 10 Mbps Ethernet network. The MMAC allows users to select the medium or media best suited to their own network needs, including previously installed cabling or wiring. Today, the MMAC is a single integration source for Ethernet, Token Ring (4/16 Mbps) and FDDI (100 Mbps) networks.

The foundation of Cabletron's networking product family is its *Integrated Network Architecture* (INA). The INA includes all of Cabletron's standards-based products and services necessary to build and manage a global, distributed platform of interconnected local area networks (LANs).

Cabletron's emergence as a standards-based network management leader was enhanced again in 1989 with the introduction of Remote LANVIEW/Windows. This product added a graphical user interface to LANVIEW-NCM, making it possible to control the network in a more accessible, user-friendly manner.

This metamorphosis of Cabletron from a hardware/interconnect company to a network management market leader will continue with the introduction of several cutting-edge systems and solutions. These new products will include advanced network management capabilities, sophisticated bridges and more products adhering to Token Ring and other emerging standards, like FDDI. The company is also investing more than \$2 million into manufacturing capabilities to produce surface mount technology on its board-related products. The strategy will enable the company to integrate greater amounts of technology on-board versus the discreet solutions presently being used.

Cabletron's commitment to provide customers with the most advanced network management capabilities was recently enforced with the introduction of SPECTRUM™ -- a next generation protocol independent

-more-

## **CABLETRON COMPANY OVERVIEW -- 5/**

network management platform. Cabletron's Unix-based product utilizes the X-Windows graphical environment to deliver network administrators an extremely flexible method of managing every device on the network, including non-intelligent equipment.

Cabletron has combined three components to power SPECTRUM; an object oriented database, artificial intelligence component, and a client-server database model. The object-oriented database models components on the network -- transforming every device into a combination of data and intelligence. Today, SPECTRUM remains the most advanced network management platform available on the network.

### **Company Highlights**

In addition to its dramatic financial success and acceptance by the LAN marketplace, Cabletron has experienced several other major milestones over the past two years.

In May 1989, the company went public on The New York Stock Exchange. Typically, companies first go public on the Over The Counter (OTC) or NASDAQ exchanges and then work for several years to meet the stringent financial performance criteria of the New York Stock Exchange.

Cabletron's initial public offering was managed by Merrill Lynch Capital Markets and Salomon Brothers, Inc.

On June 19, 1989, Cabletron moved into a new headquarters facility in Rochester, NH. The 125,000 square foot building houses the company's engineering, research and development, and manufacturing operations.

Since the opening of its corporate headquarters, Cabletron has seen continued expansion. In June of 1991, the company opened its new sales,

-more-

## **CABLETRON COMPANY OVERVIEW -- 6/**

administration and corporate headquarters complex located directly adjacent to the company's research and development headquarters.

The company has also experienced a major transformation at the international level. In fiscal year 1987, the international marketplace generated nominal revenues. One year later, net sales to customers outside the United States was approximately \$639,000. In fiscal year 1989, the international revenue stream exploded to approximately \$7,644,000. This growth continued in fiscal year 1990, as Cabletron saw its overseas revenues more than triple to \$23.2 million. In fiscal year 1991, the company continued to penetrate the burgeoning international marketplace, recording \$47.0 million in sales. Analysts predict that export sales will continue to grow as foreign markets gain access to Cabletron's innovative, price-competitive solutions.

# # #

## BACKGROUND

*Contact:* **Darren Orzechowski**  
**Cabletron Systems, Inc.**  
**(603) 332-9400**

### CABLETRON MANAGEMENT PROFILES

CAB 11

#### **S. Robert Levine**

*Title:* President and Chief Executive Officer; founded Cabletron in 1983.

*Previous Employment:* For a four-year period before founding Cabletron, Levine was an independent manufacturer's representative in New England and Canada for such companies as Hercules Corporation and Insilco Corporation, manufacturers of cable, power supplies and other electronic products.

#### **Craig R. Benson**

*Title:* Chairman, Chief Operating Officer and Treasurer.

*Previous Employment:* From November 1981 to November 1984, Benson was employed as a materials manager by Interlan, now a division of Micom Systems, Inc. Before Interlan, Benson was a materials control supervisor, and later a financial inventory analyst for Teradyne, Inc., a manufacturer of automatic and electronic test equipment.

#### **Christopher Oliver**

*Title:* Director of Engineering and Manufacturing. Chief hardware architect at Cabletron.

*Previous Employment:* From August 1981 to February 1985, Oliver was employed by Interlan, where he held positions as a production manager, manager of new products introduction and quality assurance manager. He is a member of the IEEE.

-more-

## **CABLETRON MANAGEMENT -- 2/**

### **Roger Dev**

*Title:* Director of Software Development.

*Previous Employment:* Before joining Cabletron in 1989, Dev was systems architect and director of Wang Laboratories' Communication Systems Development division. Earlier, Dev was a senior development engineer at Nixdorf Computer Corporation; an engineering supervisor at Datatrol, Inc.; and a systems engineer at the U.S. Air Force Geophysics Lab.

### **David Kirkpatrick**

*Title:* Chief Financial Officer.

*Previous Employment:* Before joining Cabletron in 1990, Kirkpatrick was vice president, finance and chief financial officer with Zenith Data Systems, a micro computer division of the \$1.5 billion Zenith Electronics Corporation.

### **John Caruso**

*Title:* Director of Manufacturing.

*Previous Employment:* Caruso assumed his role at Cabletron in 1990 after serving as plant manager, director of technology and corporate quality, and director of manufacturing for Data General Corporation.

### **Michael D. Harvey**

*Title:* Assistant Director of Engineering.

*Previous Employment:* Before joining Cabletron in 1987, Harvey was a senior engineer for Raytheon Company. Prior to Raytheon, he was a senior engineer for British Aerospace. Harvey is a member of the IEEE.

### **Michael R. Welts**

*Title:* Marketing Manager.

*Previous Employment:* Before joining Cabletron in 1989, Welts was employed by Fiscal & Monetary Services, Inc., as director of marketing. Before that, he was manager of advertising and public relations for the Ingersoll Milling Machine Company, a manufacturer of flexible automation systems.

-more-

**CABLETRON MANAGEMENT -- 3/**

**John T. Branowski**

*Title:* Director of Corporate Sales.

*Previous Employment:* Before coming to Cabletron in 1985, Branowski was employed by Interlan in materials management.

**Kenneth Levine**

*Title:* Director of Corporate Accounts.

*Employment:* Joined Cabletron in 1985 as a salesman and became Director of Government Sales in July 1987. Became Director of Corporate Accounts in February of 1991.

**Thomas E. Morey**

*Title:* Director of Sales, Western Region.

*Previous Employment:* Before joining Cabletron in 1985, Morey was employed as the national sales manager of Montrose Products Company, a manufacturer of cable.

**Gregory D. Demund**

*Title:* Business Development Manager

*Previous Employment:* Before joining Cabletron in 1990, Demund was employed with Interlan.

# # #

# LAN TIMES

APRIL 15, 1991

McGraw-Hill's INFORMATION SOURCE FOR NETWORK MANAGERS

VOL. 8, ISSUE 8

## Cabletron Isn't a 'Wannabe' Any More

*Hot products and impressive financials have company 'looking good'*

BY LAURA DIDIO

ROCHESTER, N.H.—It used to be that Cabletron Systems Inc. literally chased reporters to get a smidgen of publicity. It used to be that Cabletron had to content itself with being an also-ran to archrival Synoptics Inc. when it came to marketing and selling LAN users on its intelligent wiring hubs. It used to be that Cabletron got beat out on a lot of business because it didn't have a high enough profile. It used to be that

Cabletron's steep growth ramp is continuing unabated.

During the first nine months of fiscal 1991, Cabletron has already posted sales of \$126.1 million, well ahead of the total take in fiscal 1990. Analysts predict that sales for the entire year should easily top the \$150 million mark.

On Jan. 2, the company reported that earnings in the third quarter 1991 increased

in December, which netted the company \$35 million in capital. Wall Street now values the company at anywhere from \$600 to \$800 million, depending on whose numbers are quoted.

Even better, in terms of the long-term financial outlook, is the fact that Cabletron has no debt, according to Chairman Craig Benson.

"Our balance sheet is absolutely clean, and, as of the end of 1990, we have \$21 million in cash and equivalents in our account," he told *LAN TIMES*. What a difference a year makes; in January 1990 the stock was mired at about \$9 a share and floundering.

Cabletron has also shone on the product side during the last 12 months. The company continually increased the features and functionality of its existing Multi Media Access Center (MMAC) intelligent wiring hub and inked numerous technology and reseller agreements. Among the most notable was a pact with Sears Business Centers to resell Cabletron's entire line of products at its 59 outlets across the country.

But by far the most prominent announcement was Cabletron's unveiling last fall of its high-priced (around \$50,000) Unix-based Spectrum network management system based on artificial intelligence. That product, which ships this month, won the company new respect and enabled them to distance themselves from Synoptics' shadow.

At the same time, Cabletron's line of transceivers (the company claims it is the world's largest OEM supplier of transceivers), adapters, and even the old staple—network cabling—continue to sell well.

On the strength of its strong product sales, Cabletron executives told *LAN TIMES*, the firm now boasts an installed



**A GOOD BALANCE.** Cabletron's Benson (left) and Levine say their modus operandi hasn't changed much since they were splicing cable in their homes.

nearly every move Cabletron made was a reaction to something Synoptics did.

Not anymore.

Those are now the "good old days" at Cabletron.

In fiscal 1990, Cabletron racked up \$105 million in revenue (all of it direct sales), with earnings of \$22 million. The first three quarters of fiscal 1991 indicate that

a whopping 71 percent to \$9.4 million, compared with \$5.5 million recorded in the same period a year earlier. Similarly, sales soared a record 80 percent to \$48.2 million, vs. \$26.8 million posted in the same quarter a year earlier.

Those financials have sent the stock soaring; at press time, it was hovering at around \$42, due in large part to a public offering

JAN. 1991

THE MAGAZINE FOR  
GROWING COMPANIES

# Inc.<sup>®</sup>

## ENTREPRENEUR OF THE YEAR AWARDS

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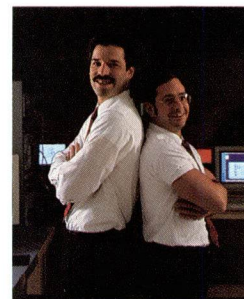
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# The Entrepreneur of the Year



BY JOSHUA HYATT

The national Entrepreneur of the Year judges gathered in September to make this year's final selections. Seated, from left to right, are **James McManus**, founder and chairman, Marketing Corp. of America, an advertising, market-research, and consulting firm based in Westport, Conn.; **F. Kenneth Iverson**, chairman and CEO, Nucor Corp., a steel and steel-products manufacturer headquartered in Charlotte, N.C.; **Paula George**, founder & CEO, The SoftAd Group, an interactive advertising, sales, and marketing agency based in Sausalito, Calif.; and **B. Thomas Golisano**, founder and president, Paychex Inc., a payroll processing company in Rochester, N.Y. Standing, from left to right, are **Donald Burr**, founder, People Express Airlines Inc.; **Harry V. Quadracci**, founder and president, Quad/Graphics Inc., a printer in Pewaukee, Wis.; **Bernard A. Goldhirsh**, founder and chairman, *Inc.* magazine; **James Koch**, founder and CEO, The Boston Beer Co., a brewing company based in Boston; and **Dan Garner**, national director of entrepreneurial services, Ernst & Young. □

IT FELT LIKE THE START OF A NEW SCHOOL YEAR. ON A CRISP FALL DAY, INC.'S NINE NATIONAL Entrepreneur of the Year judges convened in the conference room of a Boston hotel. All looked fit and tanned, and each carried a clean pad of paper and a sharpened pencil.

Clearly, these students came to learn from one another. Early on, they decided on a format that tested their persuasive skills; instead of dryly nominating their top three candidates, they opted for going category by category, making impassioned pleas for their top choices. And they employed any rhetorical devices they could muster.

"Why get on the *Titanic* when the *QEII* is on the next dock?" implored one judge, sensing that the group was drifting away from his candidate. There was even an old-fashioned filibuster. "I'm sorry, did I go on too long?" asked one judge, observing the others in a collective state of catatonia.

The group followed its instincts—wherever they led. Among the issues: Can you be an entrepreneur only if you started the business? Is there a crucial distinction between an entrepreneur and a manager? One judge even dragged out the dictionary's definition of *entrepreneur*. "Who cares what the formal definition says?" complained another. "Does this person really represent what we want?"

Not that such abstract questions always dominated. There was plenty of deal making. One judge, after watching a favorite candidate sink, muttered to a neighbor, "You pulled out on me." There was even a hint of voting irregularities. "Are you from Chicago?" asked one judge of another who accidentally voted twice.

Cabletron Systems Inc.—which the judges applauded for its fast growth and its quick decision making—began its rise back in June, when the company was given a regional award. It was one of 281 companies honored regionally—selected from more than 2,600 applicants. The process had started with a four-page application and a follow-up due-diligence visit by Ernst & Young professionals.

Each region had its own judges, which were selected by the joint sponsors—*Inc.*, Ernst & Young, and Merrill Lynch. From there, *Inc.*'s senior editorial staff reviewed the applications of all the regional winners and chose the 11 honorable mentions and the 17 finalists.

The nine national judges were selected by *Inc.* and charged with choosing winners in four categories: Master Entrepreneur, Turnaround Entrepreneur, Emerging Entrepreneur, and Supporter of Entrepreneurship. They also chose—of course—the Entrepreneur of the Year.



## Stock Fads Fade as Investors Return to the Basics for 1991 Earnings and Products Regain Importance

By CRAIG TORRES

Staff Reporter of THE WALL STREET JOURNAL

If 1990 is pointing to the way of the future, this year may be one of the best ever for the back-to-basics investor.

Gone is the country-fund fad, the buy-out mania and the super-growth stock craze. Fundamental-style investing is in fashion again in the stock market.

The 1990 winner's circle is perhaps the most unusual group of stocks in three years: None is in Standard & Poor's 500 Stock Index. Nine of the top 10—all except Foxboro—did well because the companies are leaders in their field, management is strong, and earnings are expected to grow substantially.

### Classic Niche Companies

Cabletron Systems and EMC Corp. are classic niche companies benefiting from trends in the computer industry. Cabletron makes a key trouble-shooting part, known as an intelligent hub, that monitors signals of computers in a network. "Local area" networks are a hot trend in computing these days.

Don Rode, analyst at SoundView Financial Group Inc., continues to recommend the stock, citing Cabletron's strong position in the trend of linking computers.

EMC makes computer parts that allow companies to speed up their machines and hold more information. Also, the company is leading a new revolution in disk technology.

"When people have a budget crunch, they look for increased performance, but they want to do it at a lower cost," says EMC Chairman Richard J. Egan. "That's why we are going to have a good year.

Both companies typify the new kind of growth stock emerging in today's market, which is highly sensitive to earnings performance. What's valuable today is the company that can grow faster than the economy through strong demand for unique products. Investors are shunning companies that are boosting earnings through financial transactions; even the value of well-known brand names, which underpins so many growth stocks, is being questioned these days.

### Unique Trends

"We are returning to an environment

different than the past 20 years; growth will not be fueled by excessive debt creation," says Ellen Harris, who oversees some \$16 billion as chief investment officer for PaineWebber's domestic mutual funds. Most likely, the economy, and many corporations, will enter a period of slow growth without the engine of deficit spending or aggressive bank lending, she says. The big winners in the stock market this year are likely to be companies whose earnings are benefiting from unique trends that put them outside of the economic cycle.

"Why did strong companies do reasonably well" in 1990? asks Ms. Harris. "Because we've run out of fads." This year will be characterized by "back-to-basics" investing, she thinks.

This may be the year when a significant number of money managers begin to beat the indexes because earnings on the S&P 500 should be "relatively punk," Ms. Harris says.

L.E. Myers is another example of a company that finds itself in a growth cycle while the overall economy is slowing. Myers erects transmission towers and lines that shuttle electricity across states or to the city next door. For the past few years, utilities were spending more money on developing power plants than they were on shipping energy. Myers, only a few years ago, was on the brink of bankruptcy. But now that the trend has switched, the company is poised for better earnings growth.

"We are at the onset of what many in our industry believe will be a long transmission and distribution cycle" in electrical energy; says Charles Brennan, chairman. Normally, these cycles last for five or 10 years. Investors appreciate Mr. Brennan's putting his own money on the line: He became the company's largest shareholder in early 1990.

### Hidden Treasures

Many of 1990's losing stocks are mainly financial or real estate issues, but there were some outstanding performers in these groups, too. A case in point is Clayton Homes, which at first glance seems to be a stock that few investors would want to own. The company makes, sells and helps finance purchases of mobile homes. Most

of the buyers are middle-income families. Lately, about half of Clayton's earnings come from fees made on its mortgage business, says Anne F. Carlisle, who follows the company for Equitable Securities Corp. in Nashville, Tenn.

Clayton doesn't particularly dominate its market. Ms. Carlisle says the company's success is related to its management, which keeps close tabs on mortgage borrowers, and on other aspects of its business. She is still recommending the stock, expecting earnings growth of about 20% this year.

But debt finance and real estate will continue to be dangerous for many companies this year, predicts Chriss Street of Seidler Amdec Securities Inc. The trends found on the losers' list aren't likely to change. "By the end of this year, you will see established companies who have good operating earnings facing bankruptcy because they won't be able to roll their debt over," says Mr. Street. His candidates are some insurance concerns, and perhaps a defense contractor or two.

"There is no longer a greater fool" to come along and refinance debt-laden companies, he says. For 1991, he is predicting another major financial collapse. Look for that around March or April of this year, he says, which happens to be the months many companies filed for bankruptcy protection last year.

### Once-Burned Investors

If the stock market is truly turning back to basics, says Paul D. Ehrlichman, vice president at Brandywine Asset Management, shares of a big consumer growth stock or two may have a spot on the 1991 losers' list. Many of these stocks are excessively expensive, he contends.

"The market is returning to fundamentals because people were burned. And they will get burned [again] in the highly valued growth stocks" this year, he predicts. Investors will begin to shun these stocks when they begin to realize that growth rates are mature. Some consumer non-cyclical companies have very strong product and brand franchises, but they must spend millions of dollars on advertising to protect their leadership, Mr. Ehrlichman says. Also, these companies will find it difficult

to pass on price increases to consumers, he suspects.

Mr. Ehrlichman concedes that consumer growth stocks are bucking his prediction today. "Asking someone to sell Merck or Coke is like asking them to sell their child," he says. Even his value-investing colleagues, he says, are hoarding a few big growth names in their portfolios to boost returns.

Michael Painchaud, principal at the stock research firm Market Profile Theorems in Seattle, says the market is still focusing on earnings. But he detects a new conservatism among investors that could, if it takes hold, result in dumping growth stocks with high price-earnings ratios.

Investors "are not comfortable with the economic environment and they will hide under the turtle shell," he says.

## Big Board's 10 Best Performers

COMMON STOCK	CLOSING PRICE	CHANGE FROM '89	COMMENTS
Cabletron Systems	28 1/2	204.0%	Company makes a key component that facilitates linking computers in so-called local area networks
U.S. Surgical	71 3/8	160.7	Medical products company hit on a major innovation for less invasive surgery; more new products expected
Signal Apparel	10 1/2	147.1	New management and marketing concepts built investor confidence, though the company posted a third-quarter loss
EMC Corp.	8	146.2	Profit growth comes from products that help users squeeze more productivity from existing computer systems
Foxboro Co.	51 7/8	126.8	Only takeover stock in winner's circle; acquired by Siebe PLC, a British engineering concern, for \$52 a share in June
L.E. Myers Group	15 1/8	124.1	Near bankruptcy a few years ago, electric line specialist benefits from utilities' move toward energy distribution
Oregon Steel Mills	24	97.9	West Coast expansion of natural gas pipelines brought big contracts to Portland-based company
Clayton Homes	13 3/4	96.4	Mobile home maker's conservative credit posture lured investors despite fears of credit crunch
International Rectifier	11	91.3	Semiconductor maker won a patent infringement suit, helping secure leading position in electrical components market
Fabri-Centers of America	25 3/4	87.3	Specialty retailer benefited from enlarging its fabric stores and housewares shops, and moving into mall locations

## Big Board's 10 Worst Performers

Amdura	3/32	-98.4%	An acquisition nudged the company into a cash crunch, and it filed for bankruptcy in April
Prime Motor Inns	13/32	-98.3	Falling property values, a hotel-room glut, and too much debt sent the second-largest U.S. hotel chain into bankruptcy
AmBase	5/16	-97.4	Financial services concern found itself with too much debt and too little cash, trying to sell businesses to stay solvent
Monarch Capital	9/16	-96.7	Real estate charges put this insurance and financial services concern in violation of loan covenants
United Merchants	1/16	-96.3	Heavy debt load caused a cash squeeze and forced this apparel concern into bankruptcy
Major Group	1/8	-95.5	Florida-based real estate development concern took hefty charges to reorganize operations
Far West Financial	11/32	-94.7	Souring junk bond and real estate portfolios saddled the California thrift with big losses
Leisure Technology	1/8	-94.6	Los Angeles-based developer ran into cash shortage when housing markets deteriorated
Ames Department Stores	9/16	-94.6	Suppliers balked when this junk debt-heavy retailer ran into a cash squeeze; it filed for bankruptcy in April
General Development	9/16	-94.2	Big Florida developer filed for bankruptcy in April; four former executives face criminal charges

### OTC Best Performers

COMMON STOCK	CLOSING PRICE	% CHANGE
Lifeline Systems	18 1/4	386.7%
Samna Corp.	18 1/2	289.5
B.I. Inc.	11 1/2	283.3
Cabot Medical	9 3/4	262.9

### OTC Worst Performers

Phoenix Medical Tech.	1/16	-98.6%
Landmark Com. Bancorp.	1/16	-98.5
Silk Greenhouse	1/8	-98.4
Empire Financial	3/32	-98.4

### Amex Best Performers

COMMON STOCK	CLOSING PRICE	% CHANGE
OEA Inc.	39 3/4	162.8%
Schult Homes	4 3/8	94.4
Thermo Cardiosystems	13 3/4	91.0
Incstar Corp.	5 1/4	88.4

### Amex Worst Performers

Price Communications	3/16	-96.9%
First Conn. Small Bus.	1/2	-96.8
Balfour Maclaine	1/4	-96.5
Firstcorp Inc.	1/8	-95.0

Note: Excludes stocks whose 1989 closing price was below \$2. OTC stocks from Nasdaq National Market System



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# Cabletron connects with growth

By Beth Belton  
USA TODAY

## COMPANY SPOTLIGHT

A DAILY LOOK AT A COMPANY, INDUSTRY OR MARKET TREND

Computer companies have been among the most aggressive in laying off workers and cutting other costs during the recession.

But Rochester, N.H.-based **Cabletron Systems** has a different story. It recently reported record quarterly earnings. Business is so good that Cabletron has been hiring some of the 11,000 workers laid off since 1989 at the computer company just up Route 128: **Wang Laboratories**, based in Lowell, Mass.

Since June, Cabletron has increased its staff by 300. The company plans to hire another would bring its employee total to 1,700 vs. 600 when it went public two years ago.

Cabletron shares have soared 128% to \$36½ since their mid-October low of \$16. In 1990, the stock ranked tops

on the New York Stock Exchange, rising 204%.

There's more. Last year *Forbes* ranked Cabletron No. 2 on its annual list of the 200 best small companies. *Money* magazine named Cabletron the most socially-responsible stock to own. *Inc.* named Cabletron's co-founders entrepreneurs of the year.

The past year was so good that analysts say Cabletron's main obstacle is managing its growth. "This is a very entrepreneurial company riding a tremendous wave," notes Tom Ericksen, analyst at Wessels, Arnold & Henderson.

How far has Cabletron come? On April 16, the company reported fourth-quarter earnings per share of 40 cents, vs. 23 cents a year ago. Revenue rose 81% to \$54.4 million.

Since 1983, the company's average annual revenue growth has been a spectacular 271%.

Behind this success story is Cabletron's main business: computer networking. Rigging computers so they can interact, or talk to each other, accounts for more than 50% of Cabletron's revenue. The rest comes from software and maintenance products for network systems and selling cables for high-speed transmission of computerized data, where Cabletron competes against such giants as **IBM Corp.** and **Digital Equipment Corp.**

The two market leaders in networking are **SynOptics Communications**, an over-the-counter stock that gets nearly all its revenue from networking equipment sales, and Cabletron. There's plenty room for

## Riding the growth wave

Cabletron Sys. (CS) <sup>1</sup>	'89	'90	'91	'92 est.
Revenue (millions)	\$54.8	\$104.7	\$180.5	\$270.0
Net income (millions)	\$12.1	\$22.5	\$35.9	\$48.9
Earnings per share	\$0.48	\$0.87	\$1.35	\$1.76
Hq: Rochester, N.H.	Exch: NYSE	Employees: 1,400		
Div./yld.: nil	P-E: 27	Shares: 27.78 million		
52-week high/low: \$44 / \$13½    Wed. price: \$36½, +¾				

Earnings estimates: analysts' consensus (Zacks Investment Research); revenue estimate: Tucker, Anthony Inc.; P-E based on trailing 12-mo. earnings  
Source: USA TODAY research    1 - for fiscal years ending Feb. 28

two in this fast-growing field, experts say.

"Less than 30% of the existing personal computers out there have been networked," says Cabletron chief executive Robert Levine. "Eighty percent of the Fortune 100 companies are our customers, but what about the other Fortune 10,000?"

Analysts also cite torrid growth in international sales, up 124% in the recent quarter. Needham & Co. analyst Paul Johnson rates Cabletron a buy. But he cautions, "In technology companies, the world changes quickly. What's going on today might not be important in a year."

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