

## Arix Corporation

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*Date Founded: 1982*

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### CORPORATE STRATEGIC DIRECTION

Arete Systems Corporation was founded in 1982. In March 1988, it became a publicly held firm and changed its name to Arix Corporation. Arix designs, manufactures, and markets high-performance UNIX-based multiprocessor computer systems that have the ability to accommodate over 500 users in certain configurations. The systems are used principally for interactive commercial computing applications that require high reliability and user availability, including on-line transaction processing (OLTP); management, office, and manufacturing information processing; and departmental computing.

Total revenue increased 41 percent to \$85.0 million\* in fiscal year 1989, up from \$60.3 million in fiscal 1988. Arix attributes the substantial increase to the growth in demand for products based on the Arix 800 Series. Net income increased to \$5.2 million in fiscal 1989, resulting in a 24.6 percent increase over fiscal year 1988. Arix employs 382 people.

Arix distributes its products primarily through reseller channels. These indirect sales channels include original equipment manufacturers (OEMs), value-added resellers (VARs), and systems integrators. Due to increased acceptance of the UNIX operating system in the international market, Arix is concentrating on strategically positioning itself internationally. Arix has been establishing agreements with international OEMs such as Mannesmann Data Systems (United Kingdom, France, and Spain), Marubeni (Japan), Orion Trading (Europe and the Far East), and Sagem (France). These efforts have resulted in an increase in international sales from representing 8 percent of total revenue in fiscal 1987 to 18 percent in fiscal 1989.

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\*All dollar amounts are in US dollars.

Over the past three years, R&D expenditure has steadily increased, from \$4.9 million in fiscal 1987 to \$10.4 million in fiscal 1989. Arix spends approximately 12 percent of its revenue on R&D activities. These activities generally are focused on both enhancing its existing product offerings and developing new systems based on advanced technologies. During fiscal 1989, Arix aimed its efforts toward increasing system transaction processing speed, improving system reliability, increasing system capability, and reducing system cost.

More detailed information is available in Tables 1 through 3, which appear after "Business Segment Strategic Direction" and present corporate highlights and revenue by region and distribution channel. Table 4, a comprehensive financial statement, is at the end of this profile.

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### BUSINESS SEGMENT STRATEGIC DIRECTION

#### Computer Systems

##### *800 Series Hardware*

Arix's 800 Series of computer systems is based on the Motorola 68020 microprocessor. The 800 Series includes Models 800, 825, 850, and 875, which are offered in a variety of packaged systems. System component modules are also available that allow the user complete flexibility to configure the system for its intended installation. Model 800 can support up to 48 users, up to five intelligent communications processors, and up to two database processors. It possesses 16MB of shared memory, 6.6GB of magnetic disk storage, 6GB of optional optical disk storage, a 150MB 1/4-inch streaming cartridge tape drive, an optional 9-track tape drive, and one or two

32-bit processors running at 12.5 MHz. Model 825 has nearly twice the capability of Model 800. It possesses the same characteristics as Model 800, but it can support up to 80 users and provides 64MB of shared memory. Models 850 and 875 support 128 users, with 64MB of shared memory and three 32-bit processors running at 25 MHz. Both have up to 11 intelligent communications processors, up to four database processors, 10.5GB of magnetic disk storage, and 28GB of optional optical storage. Model 850 comes with a 150MB 1/4-inch streaming cartridge tape drive, whereas Model 875 comes with a 1,600/3,200-bits-per-inch (bpi) 9-track tape drive.

### *System 90 Hardware*

Arix's System 90 Series of systems is for use in intensive applications that require more memory capacity, higher throughput, and access by a greater number of users. The System 90 design is based on the Motorola 68020 and 68030 microprocessors and is characterized by symmetric multiprocessing and a broader system bus, allowing for the products to support up to eight application processors while maintaining a near linear increase in performance for each added processor.

In January 1990, Arix introduced three new models to its System 90 Series product line: Models 90/25, 90/45, and 90/85. Model 90/25 supports 16 to 128 users, offers up to 160MB of memory, and can supply over 5GB of disk storage. Model 90/45 supports from 128 to 256 users, offers up to 416MB of memory, and can supply over 63GB of disk storage. Model 90/85 supports from 256 to 512 users, offers up to 416MB of memory, and provides over 82GB of disk storage. Models 90/25, 90/45, and 90/85 are binary-compatible with the existing System 90 platform. Thus, each can use any application software or communications products currently available to System 90 users.

The previously released System 90 Series models consist of the 90/40 and the 90/80. Model 90/40 has 160MB of shared memory, 43GB of magnetic disk storage, up to 16 intelligent communications processors, up to eight database processors, one to four

high-performance 25-MHz applications processors, and can support up to 256 users. The Model 90/80 has 416MB of shared memory, 86GB of magnetic disk storage, up to 32 intelligent communications processors, up to 16 database processors, one to eight high-performance 25-MHz applications processors, and can support up to 512 concurrent users.

### *Release 3*

In January 1990, Arix unveiled Release 3 of the OS/90 operating system. Based on the AT&T UNIX System V Release 3.2, it will be one of the industry's first systems that is fully compliant with POSIX 1003.1 and meets level C2 computer system security requirements. Arix has contracted with Mindcraft Inc. to perform the independent certification.

### *Peripherals*

In January 1990, Arix introduced a variety of high-capacity, high-performance on-line storage peripherals. These include two 5.25-inch SCSI Winchester disk drives with capacities of 380 and 760MB; a 650MB, 5.25-inch rewritable optical disk drive; a 780MB, 5.25-inch write-once, read-many (WORM) disk drive; and a 635MB, 5.25-inch CD-ROM.

### *Software*

Arix supplies a variety of internally developed and third-party software for use on its systems. It provides operating system software, database management products, networking software, and third-party applications software. Through its Imix Corporation subsidiary, Arix provides development toolkits for systems integrators and VARs that permit creation of image-management applications on Arix's platforms using either Macintosh or PC workstations.

### *Further Information*

For more information on Arix's business segments, please contact Dataquest's Business Computer Systems Industry Service.

**Table 1**  
**Five-Year Corporate Highlights (Thousands of US Dollars)**

|                        | 1985        | 1986        | 1987        | 1988        | 1989     |
|------------------------|-------------|-------------|-------------|-------------|----------|
| Five-Year Revenue      | \$11,946    | \$30,128    | \$41,536    | \$60,284    | \$84,973 |
| Percent Change         | -           | 152.20      | 37.87       | 45.14       | 40.95    |
| Capital Expenditure    | NA          | NA          | NA          | NA          | NA       |
| Percent of Revenue     | NA          | NA          | NA          | NA          | NA       |
| R&D Expenditure        | \$1,619     | \$2,969     | \$4,865     | \$7,538     | \$10,378 |
| Percent of Revenue     | 13.55       | 9.85        | 11.71       | 12.50       | 12.21    |
| Number of Employees    | 130         | 138         | 211         | 317         | 382      |
| Revenue (\$K)/Employee | \$91.89     | \$218.32    | \$196.85    | \$190.17    | \$222.44 |
| Net Income             | (\$922)     | \$4,917     | \$3,299     | \$4,145     | \$5,163  |
| Percent Change         | -           | 633.30      | (32.91)     | 25.64       | 24.56    |
| 1989 Calendar Year     | Q1          | Q2          | Q3          | Q4          |          |
| Quarterly Revenue      | \$22,449.00 | \$20,127.00 | \$20,178.00 | \$22,219.00 |          |
| Quarterly Profit       | \$1,350.00  | \$1,203.00  | \$1,041.00  | \$1,569.00  |          |

NA = Not available

Source: Arix Corporation  
Annual Reports and Forms 10-K  
Dataquest (1990)

**Table 2**  
**Revenue by Geographic Region (Percent)**

| Region        | 1985 | 1986 | 1987  | 1988  | 1989  |
|---------------|------|------|-------|-------|-------|
| North America | NA   | NA   | 92.00 | 87.00 | 82.00 |
| International | NA   | NA   | 8.00  | 13.00 | 18.00 |

NA = Not available

Source: Arix Corporation  
Annual Reports and Forms 10-K  
Dataquest (1990)

**Table 3**  
**Revenue by Distribution Channel (Percent)**

| Channel        | 1988  | 1989  |
|----------------|-------|-------|
| Direct Sales   | 5.00  | 5.00  |
| Indirect Sales | 95.00 | 95.00 |
| VARs           | NA    | 15.00 |
| OEM (Unisys)   | NA    | 80.00 |

NA = Not available

Source: Dataquest (1990)

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## 1990 SALES OFFICE LOCATIONS

North America—14  
Europe—2  
Asia/Pacific—2  
Japan—1

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## MANUFACTURING LOCATIONS

### *North America*

#### San Jose, California

Assembling and testing components and subassemblies, which are produced by a third-party supplier, and integrating those components and subassemblies into finished systems

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## SUBSIDIARIES

### *North America*

Arix Computer Corporation (United States)  
Imix Corporation (United States)

### *Europe*

Arix GmbH (Germany)  
Arix Ltd. (United Kingdom)

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## ALLIANCES, JOINT VENTURES, AND LICENSING AGREEMENTS

### *1989*

#### Unicorn Systems Company

Arix and Unicorn Systems, a software consulting and development firm made a strategic alliance under which Unicorn will port its UniKix to Arix's hardware. UniKix is a software product that enables customer information control and virtual system access management compatibility in OLTP under UNIX.

#### Phitech Inc.

Arix and Phitech have an agreement to sell computers to the telecommunications industry. Phitech

will develop certain generic switch interface software for Arix's machines and will develop customer-specific solutions on Arix's platforms.

#### Hitachi Ltd.

Arix and Hitachi have a strategic alliance for the development of a next-generation complex-instruction-set computing (CISC) symmetric multiprocessing system using the 680X0 instruction set.

### *1988*

#### Mannesmann Information Systems

The companies have a three-year OEM agreement calling for Mannesmann to purchase Arix's 800 series. Mannesmann will resell the system under its Series 9400 label through its direct sales force and its dealers.

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## MERGERS AND ACQUISITIONS

### *1989*

#### Edgcore Technology

Arix has acquired Edgcore Technology, which designs, manufactures, and markets high-performance UNIX-based and PICK multiprocessor computer systems.

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## KEY OFFICERS

#### Eugene Manno

President and chief executive officer

#### Robert G. Bartizal

President and chief operating officer, Arix Computer Corporation

#### Robert R. Creager

Vice president, Corporate Development; general counsel and secretary

#### Carter C. McCorkle

Vice president and chief financial officer

#### Michael J. Terry

Vice president, Customer Support

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**PRINCIPAL INVESTORS**

Bay Management Company—7.41 percent  
Meriken Noniness Ltd.—6.59 percent

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**FOUNDERS**

Information is not available.

**Table 4**  
**Comprehensive Financial Statement**  
**Fiscal Year Ending June**  
**(Thousands of US Dollars, except Per Share Data)**

| <b>Balance Sheet</b>                              | <b>1985</b>       | <b>1986</b>       | <b>1987</b>       | <b>1988</b>       | <b>1989</b>       |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Current Assets                              | NA                | NA                | \$21,225.0        | \$29,696.0        | \$44,754.0        |
| Cash  | NA                | NA                | 7,898.0           | 8,633.0           | 19,916.0          |
| Receivables                                       | NA                | NA                | 4,014.0           | 4,470.0           | 6,278.0           |
| Inventory   | NA                | NA                | 8,191.0           | 14,892.0          | 15,815.0          |
| Other Current Assets                              | NA                | NA                | 1,122.0           | 1,701.0           | 2,745.0           |
| Net Property, Plants                              | NA                | NA                | \$2,131.0         | \$3,251.0         | \$5,656.0         |
| Other Assets                                      | NA                | NA                | \$567.0           | \$875.0           | \$2,684.0         |
| <b>Total Assets</b>                               | <b>\$14,748.0</b> | <b>\$19,328.0</b> | <b>\$23,923.0</b> | <b>\$33,822.0</b> | <b>\$53,094.0</b> |
| Total Current Liabilities                         | NA                | NA                | \$3,386.0         | \$8,683.0         | \$9,174.0         |
| Long-Term Debt                                    | NA                | NA                | NA                | NA                | NA                |
| Other Liabilities                                 | NA                | NA                | \$1,036.0         | \$1,294.0         | \$1,192.0         |
| <b>Total Liabilities</b>                          | <b>\$3,668.0</b>  | <b>\$3,259.0</b>  | <b>\$4,422.0</b>  | <b>\$9,977.0</b>  | <b>\$10,366.0</b> |
| Total Shareholders' Equity                        | \$11,080.0        | \$16,069.0        | \$19,501.0        | \$23,845.0        | \$42,728.0        |
| Converted Preferred Stock                         | NA                | NA                | 15,183.0          | 15,183.0          | NA                |
| Common Stock                                      | NA                | NA                | 404.0             | 924.0             | 29,697.0          |
| Other Equity                                      | NA                | NA                | (119.0)           | (440.0)           | (310.0)           |
| Retained Earnings                                 | NA                | NA                | 4,033.0           | 8,178.0           | 13,341.0          |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>\$14,748.0</b> | <b>\$19,328.0</b> | <b>\$23,923.0</b> | <b>\$33,822.0</b> | <b>\$53,094.0</b> |
| <b>Income Statement</b>                           | <b>1985</b>       | <b>1986</b>       | <b>1987</b>       | <b>1988</b>       | <b>1989</b>       |
| Revenue   | \$11,946.0        | \$30,128.0        | \$41,536.0        | \$60,284.0        | \$84,973.0        |
| US Revenue  | NA                | NA                | 38,213.1          | 52,447.1          | 69,677.9          |
| Non-US Revenue                                    | NA                | NA                | 3,322.9           | 7,836.9           | 15,295.1          |
| Cost of Sales                                     | \$8,082.0         | \$17,830.0        | \$22,454.0        | \$33,921.0        | \$50,558.0        |
| R&D Expense                                       | \$1,619.0         | \$2,969.0         | \$4,865.0         | \$7,538.0         | \$10,378.0        |
| SG&A Expense                                      | \$3,433.0         | \$4,889.0         | \$9,082.0         | \$13,384.0        | \$18,058.0        |
| Capital Expense                                   | NA                | NA                | NA                | NA                | NA                |
| Pretax Income                                     | (\$922.0)         | \$3,073.0         | \$3,299.0         | \$5,908.0         | \$7,359.0         |
| Pretax Margin (%)                                 | (7.72)            | 10.20             | 7.94              | 9.80              | 8.66              |
| Effective Tax Rate (%)                            | NA                | NA                | NA                | NA                | NA                |
| Net Income  | (\$922.0)         | \$4,917.0         | \$3,299.0         | \$4,145.0         | \$5,163.0         |
| Shares Outstanding, Thousands                     | 4,759.0           | 5,711.0           | 5,887.0           | 5,804.0           | 7,171.0           |
| <b>Per Share Data</b>                             |                   |                   |                   |                   |                   |
| Earnings  | (\$0.19)          | \$0.86            | \$0.56            | \$0.71            | \$0.72            |
| Dividend  | NA                | NA                | NA                | NA                | NA                |
| Book Value  | \$2.33            | \$2.81            | \$3.31            | \$4.11            | \$5.96            |

**Table 4 (Continued)**  
**Comprehensive Financial Statement**  
**Fiscal Year Ending June**  
**(Thousands of US Dollars, except Per Share Data)**

| <b>Key Financial Ratios</b>    | <b>1985</b> | <b>1986</b> | <b>1987</b> | <b>1988</b> | <b>1989</b> |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| <i>Liquidity</i>               |             |             |             |             |             |
| Current (Times)                | NA          | NA          | 6.27        | 3.42        | 4.88        |
| Quick (Times)                  | NA          | NA          | 3.85        | 1.70        | 3.15        |
| Fixed Assets/Equity (%)        | NA          | NA          | 10.93       | 13.63       | 13.24       |
| Current Liabilities/Equity (%) | NA          | NA          | 17.36       | 36.41       | 21.47       |
| Total Liabilities/Equity (%)   | 33.10       | 20.28       | 22.68       | 41.84       | 24.26       |
| <i>Profitability (%)</i>       |             |             |             |             |             |
| Return on Assets               | -           | 28.86       | 15.26       | 14.36       | 11.88       |
| Return on Equity               | -           | 36.22       | 18.55       | 19.13       | 15.51       |
| Profit Margin                  | (7.72)      | 16.32       | 7.94        | 6.88        | 6.08        |
| <i>Other Key Ratios</i>        |             |             |             |             |             |
| R&D Spending % of Revenue      | 13.55       | 9.85        | 11.71       | 12.50       | 12.21       |
| Capital Spending % of Revenue  | NA          | NA          | NA          | NA          | NA          |
| Employees                      | 130         | 138         | 211         | 317         | 382         |
| Revenue (\$K)/Employee         | \$91.89     | \$218.32    | \$196.85    | \$190.17    | \$222.44    |
| Capital Spending % of Assets   | NA          | NA          | NA          | NA          | NA          |

NA = Not available

Source: Arix Corporation  
Annual Reports and Forms 10-K  
Dataquest (1990)