

# Shugart out at Seagate

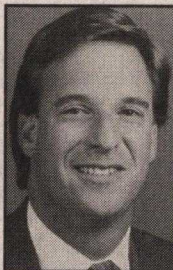
## Company's co-founder fired as chairman, CEO

By **DEBORAH PETIT**  
Sentinel staff writer

✓ SCOTTS VALLEY — Seagate Technology Inc.'s board has fired Chairman and Chief Executive Officer Alan Shugart, who co-founded and built the company into the world's leading independent disk-drive maker.

Shugart, 67, said the board blindsided him on Saturday with a request that he resign. When he refused because board members would not explain their reasons,

they fired him during a special board meeting on Sunday. Shugart's hand-groomed successor, company president and chief operating officer Steven Luczo, 41, has taken over as chief executive officer and was named to the company's board, the company announced



**Steven Luczo**  
New CEO

Tuesday.

The terms of Shugart's separation agreement are not finalized.

In a press release and telephone conference Tuesday, the board explained it had requested Shugart to step down because the company needs "to accelerate the rate of change and we are convinced that Steve has the sense of urgency and leadership skills to rebuild stockholder value."

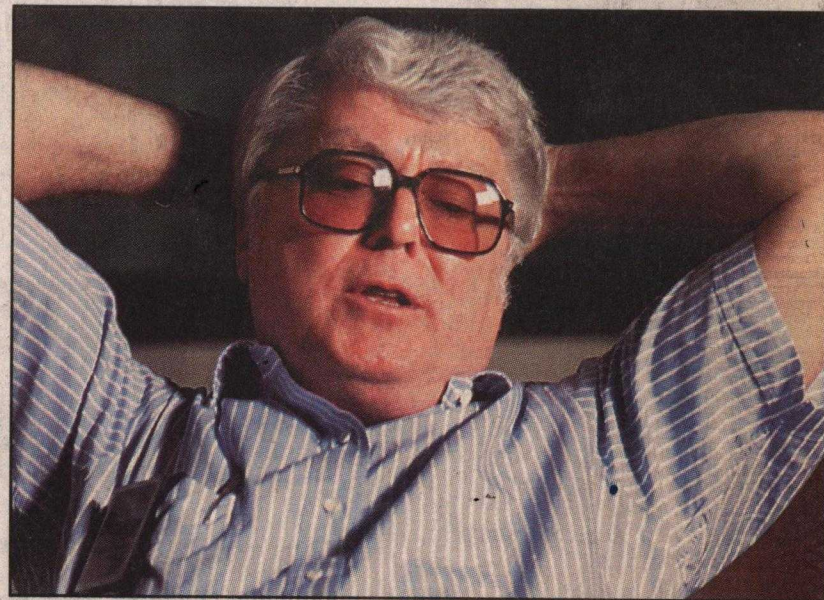
The board expressed sadness in seeing Shugart go and noted that under his leadership "Seagate has be-

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■ *Shugart says news came as a shock — Back page*

come the clear leader in disk drives and components, with the industry's largest market share, highest revenues, broadest product offering and technology ownership in key storage components."

Yet the six outside board members stated they believed Luczo pos-

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Bill Lovejoy/Sentinel file

Seagate CEO Alan Shugart was fired after refusing to resign.



# Seagate

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sesses the "courage and pioneering spirit" needed to improve the company's performance and investor confidence. The company's shares have lost about half their value since August. "We are confident that the best lies ahead and that Steve will be the one to take us there," said board member Lawrence Perlman, who with board member Gary Filler was named to co-chair Seagate's board.

Seagate, like other companies, struggled last year with competitive pressures, price erosion, flat sales in the personal computing market, and economic and currency instability in Asian markets. It laid off 10 percent of its worldwide workforce in January, including 40 from its 840-person Scotts Valley headquarters.

The company last week posted a net loss for the fiscal year of \$530 million, with annual revenues of \$6.82 billion, down from \$8.94 billion in the year ended in June 1997. Seagate did report a profitable, turnaround final quarter with revenues of \$1.58 billion, and net income of \$22 million, or \$0.09 per share, boosted in part by stronger than anticipated sales into the high-end market.

The company is attributing that positive quarterly performance to a number of changes implemented during the last year. Luczo was named company president and chief operating officer in September.

"A lot of the operating changes are starting to bear fruit," said Woody Monroy, company director of corporate communications.

Shugart brought Luczo, a former investment banker with Bear, Stearns & Co., into Seagate in 1993. Luczo had established a business relationship with Shugart doing strategic consulting for Seagate. When he left Bear Stearns, Luczo, a Stanford University alum, was a senior managing director and co-head of its global technology division.

Since Luczo's September promotion and the accompanying management realignment, many of the company's executive vice presidents have reported directly to Luczo instead of Shugart. Luczo also has made a number of operating changes with the goal of improving efficiencies and Seagate's time to market with new product lines.

Luczo said investors shouldn't expect to see any radical changes in focus because he and Shugart agreed on overall strategies for Seagate. He

did note his operational style will be different. He also said he will announce "some sort of adjustments to the organization" in the next two to 12 weeks, but did not elaborate. Monroy said Luczo was not referring to layoffs or a reorganization, but a shift of focus in certain areas of the business.

Luczo's top priorities include:

- Improving its sales of hard drives into the desktop personal computer market, an underperforming area. The company recently introduced a hard drive line designed for the growing under-\$1,000 personal computer market.

- Continuing a renewed emphasis on research and development and integrating the company's various design centers, a move that began last year.

- Getting its new drives into the marketplace faster, an area where it has been beaten by Maxtor Corp. and IBM.

Luczo also has said he will sell a minority stake of the company's subsidiary Seagate Software, though an initial public offering.

Luczo concluded the teleconference by thanking Shugart for showing faith in him over the years. "I am indebted to him for the rest of my life."

## Shugart: 'I thought I was really doing a good job'

By **DEBORAH PETTIT**  
Sentinel staff writer

SCOTTS VALLEY — Alan Shugart said the unanimous decision by Seagate Technology Inc.'s board to force him from the company he helped found in 1979 came as a surprise.

Shugart was in his Carmel office Saturday, near his Pebble Beach home, when he got the news from a lawyer representing the company's six outside directors.

"I couldn't get any reasons at all, other than to say it was a time for a change in management," Shugart said in a Tuesday interview. "I thought I was really doing a good job and nobody had told me otherwise. It's an enigma."

Shugart said he refused to resign as a matter of principle and asked the lawyer to convene the board. At a special meeting Sunday, the board fired him. "They fired me as an employee, they fired me as chairman and they fired me as CEO."

Shugart said he spent Tuesday answering telephone calls and reading e-mails coming in from employees. "People were as shocked as I was and they were shocked that I was shocked."

A respected and colorful industry leader, Shugart sits on the boards of three technology companies and said he was contacted by two others Tuesday.

He was on the team at IBM that invented the disk drive and later, at Seagate, pioneered the miniaturization of mainframe hard drives for personal computers.

Shugart said he won't lack for things to do. "Hey, I'll have more time for surfing," he said striking an upbeat tone. Shugart owns a charter airplane company in Monterey, co-owns a Pacific Grove restaurant, has investments in several non-tech companies in Monterey and chairs "Friends of Ernest," a citizen's watchdog group that is focused on finding out how the U.S. government comes up with statistics like the consumer price index.

The group is named after his dog, Ernest, that Shugart ran for Congress in 1996.

Maybe there now is even time for a book tour, as Shugart recently published a book, with a foreword by former Congressman Leon Panetta, called "Ernest Goes to Washington (Well Not Exactly)" that recounts his dog's experiences with the campaign.

"I believe anything you do has got to be fun and it's got to do some good."