

STORAGE FILES FOR CHAPTER 11

By ANDREW POLLACK

The Storage Technology Corporation, a one-time computer industry highflier, filed for bankruptcy protection yesterday, the victim of increased aggressiveness by the International Business Machines Corporation, and of its own mistakes.

The Louisville, Colo., manufacturer of data storage devices for large computers said it had decided that its "best alternative" was to seek reorganization under Chapter 11 of the Bankruptcy Code. In Chapter 11, Storage will be allowed to reorganize, while its creditors are held temporarily at bay.

The company also said that it now expects to report a loss of at least \$60 million for the third quarter, and is considering additional write-offs. Previously, the company said it had expected only a \$20 million loss.

Sources close to the company said Storage Technology, with the help of Goldman, Sachs & Company, is discussing a significant infusion of capital, in the range of \$100 million, with a leading commercial bank.

The failure of Storage Technology - which once had annual sales of \$1 billion - follows by one month the announcement by the Control Data Corporation that it was pulling out of the business of supplying disk data storage devices for I.B.M. mainframe computers. That leaves only one American company, the Memorex division of the Burroughs Corporation, still in the business, and that company has had production problems as well. Two Japanese companies, Fujitsu and Hitachi, also compete in the business.

The bankruptcy filing of Storage Technology might make customers more reluctant to buy from I.B.M. competitors, for fear they might not last.

'An Avalanche Effect'

"It's going to have an avalanche effect," said Robert T. Fertig, president of Enterprise Information Systems, a Greenwich, Conn., consulting firm. "I think it's a shame. There's a need for competition in this area."

Storage had been negotiating with eight revolving credit providers, led by Citibank, to extend its loan agreements, following an Oct. 8 announcement that it expected to lose money in the third quarter instead of breaking even, as it had earlier predicted. The loss would put it in violation of its credit pacts.

Analysts had expected the banks to work something out and not force the company into reorganization. But creditors were beginning to press for payment. Last week, the Dresdner Bank of West Germany and the First National Bank of Atlanta, which were not members of the creditors group, filed suit against Storage for defaulting on loans. It seemed that other banks might break rank and also sue.

A source close to Storage said that the company decided to take its chances in Chapter 11, apparently confident that some new funding would become available.

Another blow occurred last week when a deal to sell the company's semiconductor plant to the Plessey Company fell through.

Stockholder Suits

The company is also being sued by stockholders, who claimed they had been misled by company predictions of profitability by the end of 1984. The company's stock, which sold for \$10.50 before the October announcement of the impending loss, closed yesterday at \$2.625, down \$1.375.

Analysts speculated that Jesse I. Aweida, the chairman and chief executive, is in danger of losing his job. However, sources indicated Mr. Aweida is likely to stay for the present. The company, however, has already said it is looking for a new president and chief operating officer, a position now held by Mr. Aweida's brother, Naim.

Analysts also said that it is likely that some companies would try to acquire the company, or parts of it. The American Telephone and Telegraph Company has been the subject of the most rumors. Analysts said that Fujitsu or Hitachi, or even office equipment supplier Wang Laboratories, may be interested in at least pieces of Storage. But the Storage spokesman, Gordon L. Swartzfager, said he knew of no suitors.

An Aggressive I.B.M.

Storage's woes are partly a result of I.B.M.'s aggressive price-cutting, which have made it hard for data-storage competitors to undersell it as they once did. I.B.M. also developed an intricate new disk-drive technology that all its competitors, including Storage, have had difficulty in matching.

But Storage Technology is also a victim of its own grand ambitions. The company, founded in 1969 by Mr. Aweida, a former I.B.M. official, grew rapidly through the 1970's. But the company tried to advance into too many new areas at once. It failed in virtually all of them.