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Memorandum and IBM publication

Columbine Venture Funds

Paul Delaney

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TW

DP

Duane,

No other comments. I

think it is something you should get involved in but beware of being a free consultant and chewing up

time

Tom 5/8/92

MEMORANDUM

May 4, 1992

TO: General Partners
FROM: Duane Pearsall
SUBJECT: IBM

This will summarize what I have already discussed with Carl and Sherman.

I received a call from Gina Gannon and Ralph Dalebout (924-6626) -- their Niwot, Colorado, facility.

They have been instructed by Walt Price to start a new company to allow IBM to directly market software from outside of IBM.

Walt asked them to contact me as an expert on how to start a new company -- in this case, within IBM. They asked me if I knew of Walt's new activity since he left Denver. You may remember Walt and I were co-chairmen of the Colorado Commission on Productivity.

Apparently Walt is in charge of all IBM software - with revenues of \$10.5 billion per year. Apparently Gina Gannon is the senior person and did most of the talking. They have 1,100 people in the U.S. and 700 others worldwide involved in software manufacturing. They hope to use the purchasing power of IBM and the margins available typically in software to utilize IBM's marketing and sales ability to move products that are not manufactured within IBM. They allowed as how their IBM cost of software was 5% of sales. They believe their influence with their customers will allow them to sell software with a substantial margin. Their problem, as they said "we don't know how to start a company". This is apparently the very early stages of their thinking and wanted to know if our firm would be available or could be commissioned to help them start a new software company within IBM. They are thinking big as at one point Gina suggested they may have to double their sales force.

Unfortunately, Gina is going to be in Copenhagen for six days beginning May 3 and Carl and I will be out of pocket until at least the 18th when I will be back in the office. I have set up a tentative meeting at 1:30 p.m. Tuesday, May 19, at their Boulder offices to explore specifically what their objectives are. I have suggested to them that following that meeting I would regroup with the partners and perhaps other contacts within the industry without divulging the IBM plan and get back to them with our recommendations as to whether or not we could participate effectively and in what form.

I get the impression that this needs to be done inside IBM and if that's the case, we may just be spinning wheels to spend any effort with them.

I would appreciate any thoughts you might have prior to May 19.

May 1, 1992

R. M. Gannon
PRGS-S/W Manufacturing, Plans and Controls
Bldg. 010-2 Mail Zip 010D
303-924-7366 t/1 263-7366
BLDVM3(GANNON)

MEMO TO: Mr. Duane Pearsall
General Partner
Columbine Venture Management, Inc.
Suite 260N
6312 S. Fiddler's Green Circle
Engelwood, Co. 80111

SUBJECT: Exploratory Meeting - Software Manufacturing
Business Review

I want to thank you for agreeing to meet with us on Tuesday, May 19, 1992 from 1:30 to 2:30 P.M. at the Main IBM Site in Boulder concerning our non-IBM software manufacturing business.

I have included a marketing folder which includes materials that describe our business and the services we are offering.

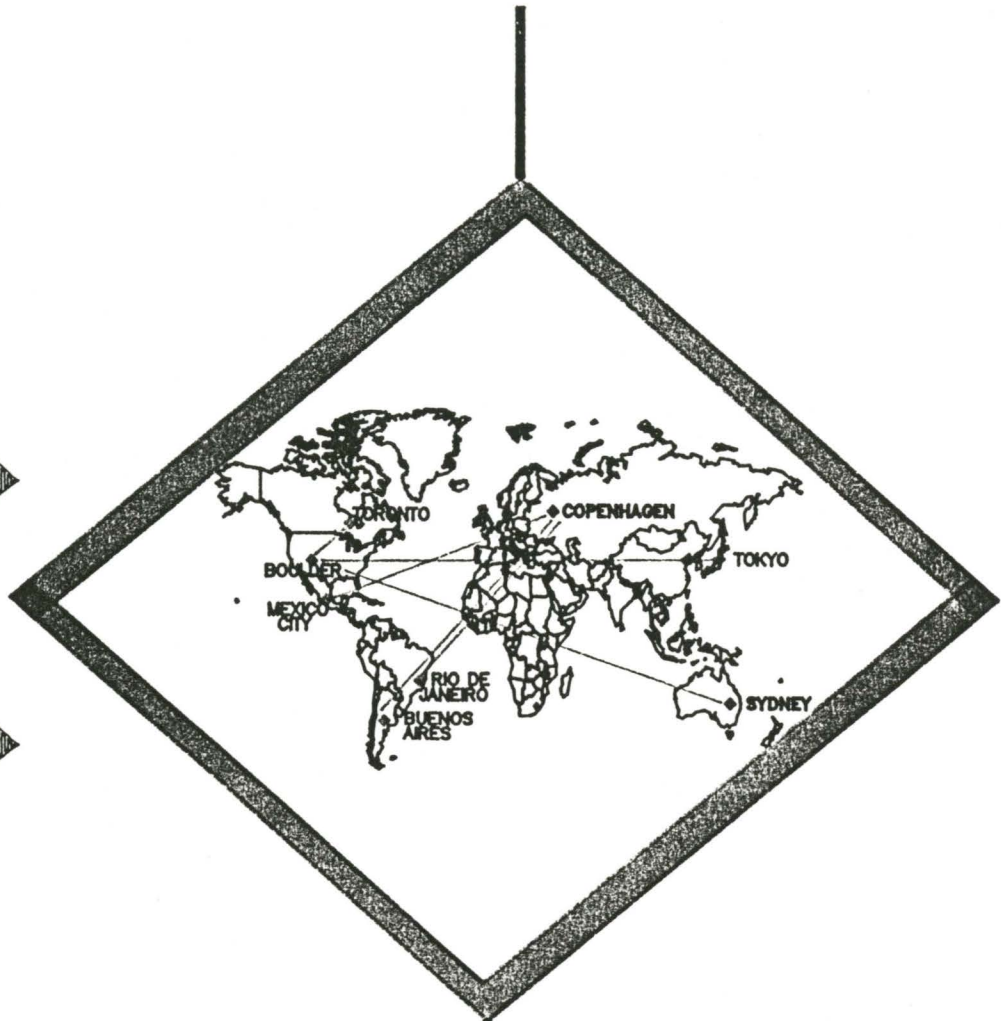
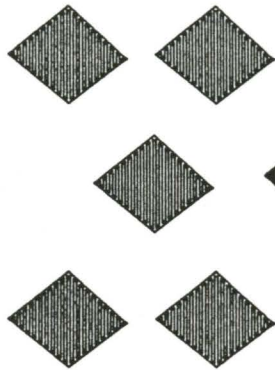
We are looking forward to meeting with you on May 19.



R. M. Gannon
Manager, Plans and Controls

RMG:red

ATTACHMENT

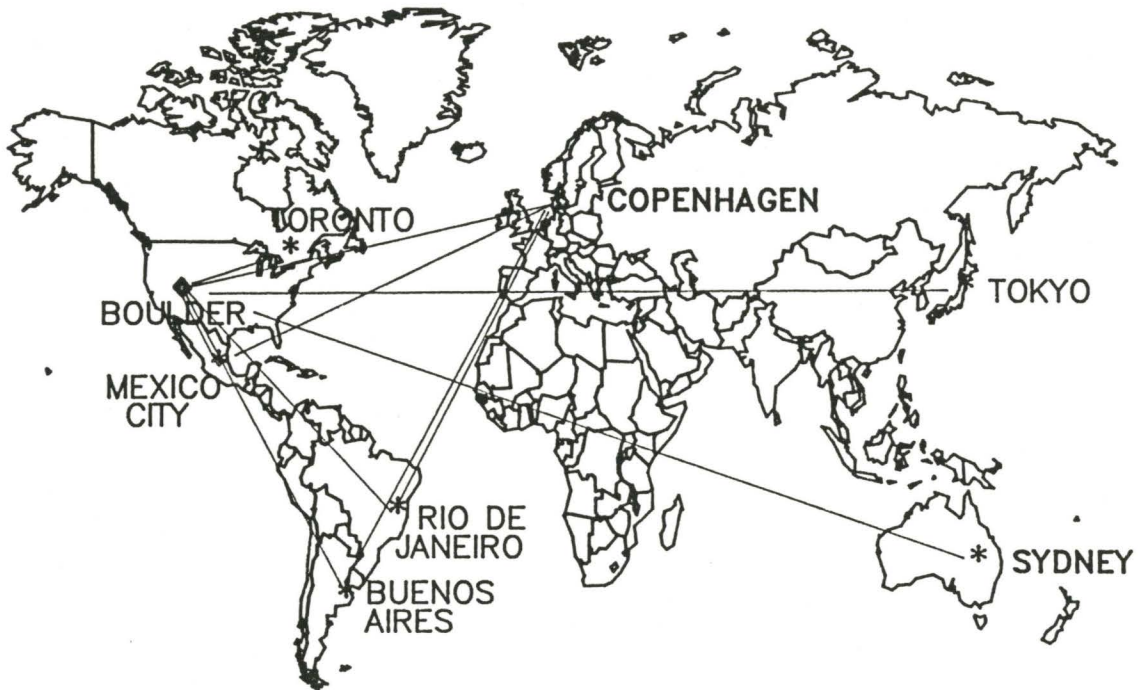


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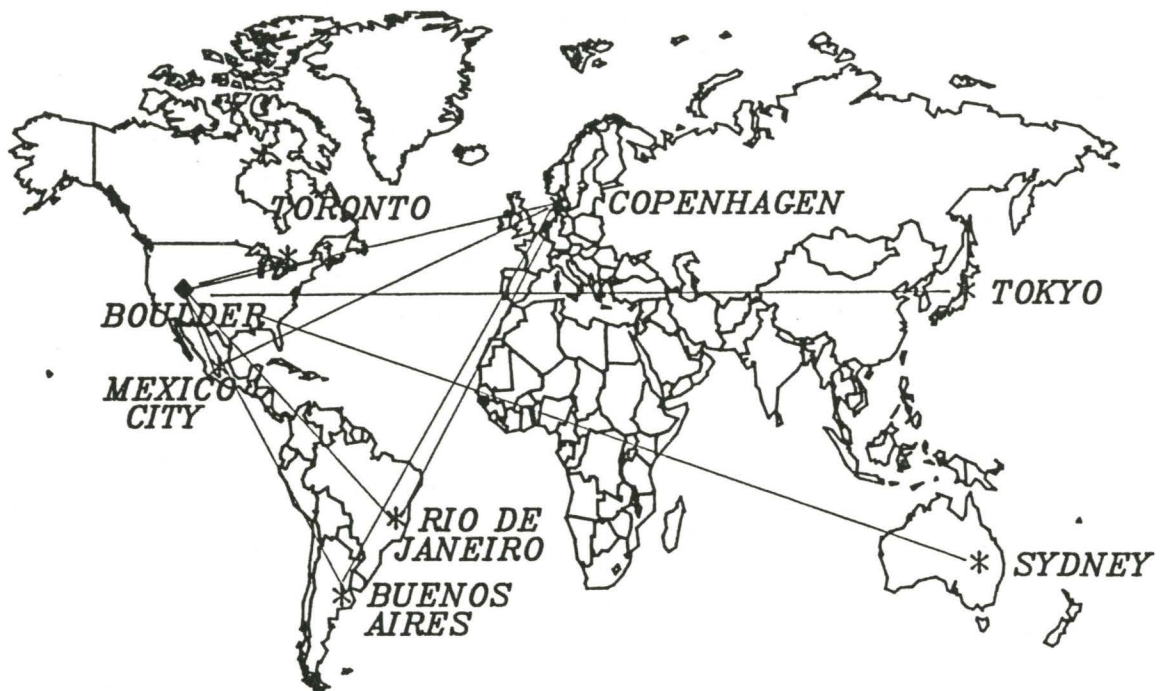


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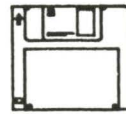
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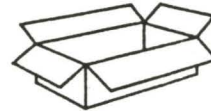
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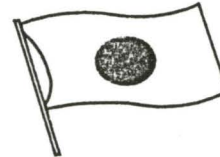
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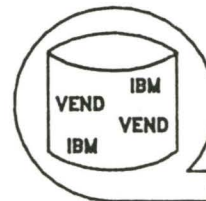
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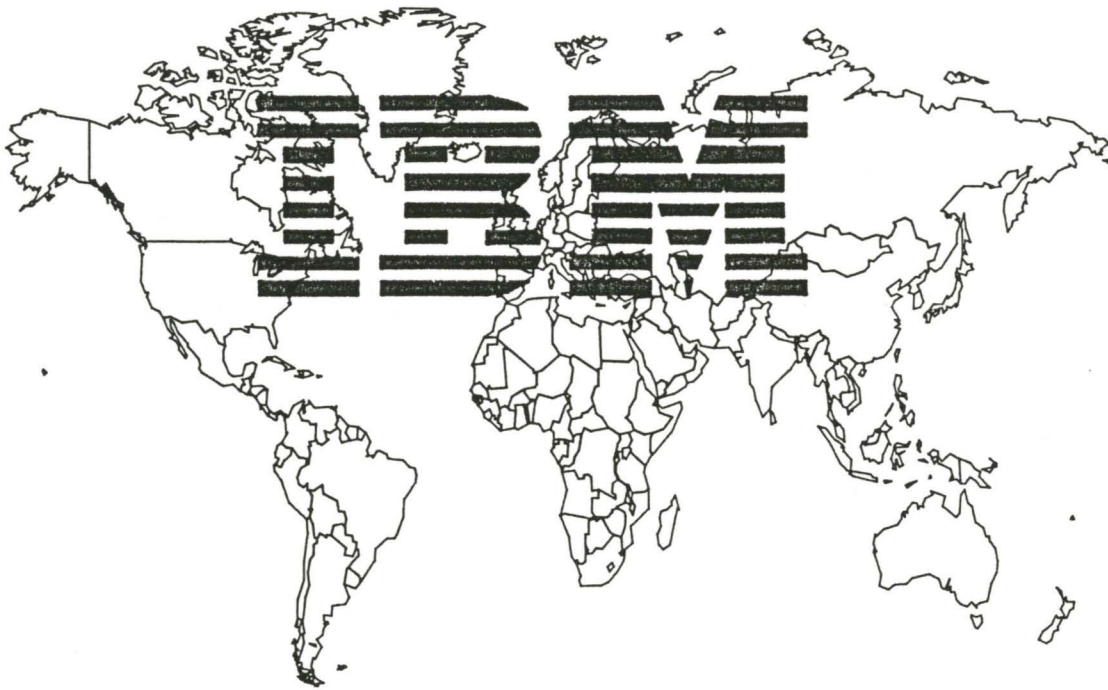
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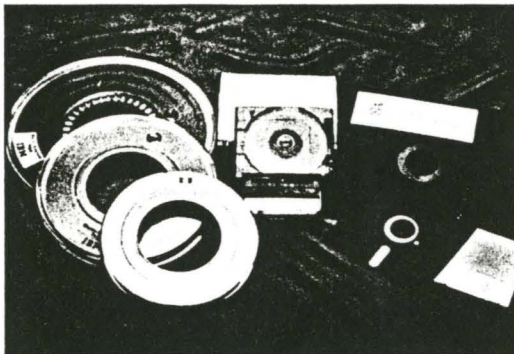
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Software Services

IBM provides custom services for software vendors

IBM recently announced it will provide worldwide software manufacturing and distribution services to information technology vendors and Business Partners. Paul Delaney, manager of worldwide OEM software marketing, Programming Systems, describes the value custom services offer.

What advantages do Business Partners realize utilizing IBM's software manufacturing and distribution?
 Since Cooperative Software Partners and International Alliance Business Partners already utilize custom services from IBM, it is a natural for IBM to fulfill orders sold by IBM as well as package Business Partner solutions with IBM solutions. Also, Business Partners can save money by taking advantage of IBM's software volume capabilities with custom services.



What is IBM's goal in offering original equipment manufacturing services for software?

Our goal is to provide high-quality, cost-effective custom services for partners and independent software vendors to meet their software manufacturing and distribution needs. The emphasis is on total customer satisfaction, price competitiveness, project management and added value for services. We can handle any and all replication, publication, packaging and distribution needs, enabling software vendors to devote their efforts to their primary task – writing, developing and marketing code.

What services will you provide to software vendors?

We now provide the same software manufacturing and distribution services to the outside world that we have provided internal IBM customers for many years.



In addition, software vendors can receive packaged deliveries that maintain their identity. In other words, their company name and logo will appear on the products, and it will be transparent to the end user that IBM performed the manufacturing and distribution services.

Will software vendor customers be required to sign up for a total package deal?

No. Although we offer the full range of services, software vendors can select specific options to meet their needs, such as publications only, media replication or translation services.

