



DIGITAL EQUIPMENT CORPORATION

Russell A. Gullotti
Vice President

Digital Drive
Merrimack, New Hampshire
03054-9501

February 3, 1994

Mr. Charles Johnston
President, Philips LMS
4425 Arrow West Drive
Colorado Springs, Colorado 80907-3489

Dear Charlie:

Thanks very much for spending time with me last week.

Your suggestions as to how Digital might improve itself were delivered constructively and I found them to be very helpful. I appreciate your openness and candor. Digital can only benefit by such direct communications.

I also thank you for sharing your company's direction with me. As committed, I have asked Charlie Christ to try and find the time to meet with you on his next visit to Colorado Springs. As you know, whether or not he does this will be something for Charlie to decide.

As a result of learning more about your business, I'm convinced that you really should visit John Donovan at a future Cambridge Technology Group meeting. I believe Donovan is very capable of expressing the problems you have in a way that would give you confidence that solutions can, in fact, be found much quicker than you might suspect. Tony Mercado will work with you to see if this can be scheduled.

After our conversation, I'm sure that Digital can "re-earn its stripes" with you. The investments that we've been making seem to me to be directly aimed at resolving the problems that you face with Philips LMS. It is Tony Mercado's job to show you just how we can help. I'm convinced that we can.

Thanks again for spending the time with me. I thoroughly enjoyed our visit.

Sincerely,

Russ Gullotti
President Americas Area

CC: Tony Mercado

Printed by RUSS GULLOTTI @MKO

- ① Total Volume — ?
- ② Do we compute w/ Storage services?
- ③ Team/units failure?
- ④ Can you X on Alpha?
- ⑤ Real reason he'll see me? (see me on their storage?) talk to Christ.

INTEROFFICE MEMORANDUM

Doc. No: 067689
 Date: 25-Jan-1994 10:51pm EST
 From: Tony Mercado @DVO
 MERCADO.TONY AT A1 at DV
 Dept: SALES / COMMERCIAL
 Tel No: 303-649-3425 / FAX 303-6

TO: RUSS GULLOTTI @MKO

(GULLOTTI AT A1 at SOLVIT at MK

CC: SHIRLEY ALVERSON

(ALVERSON.SHIRLEY AT A1 at DV78

Subject: RE: NEXT MONDAY'S MEETING with Philips LMS

Andrea,

file

I am attaching some information regarding the Philips LMS and their business. I hope this gives Russ some information to start from. I am having lunch this Friday with the VP of Manufacturing right after the CEO' staff meeting to see if there is more business detail which we can use as well.

I am in the client server training in San Francisco until Wed. but I will be in the office on Thursday. I'd be glad to have a phone conversation if Russ wants to. Please let me know. We will also have a 50 to 55 minute drive down on Monday so we can go over any new information and strategize then as well.

Please advise. I'm looking forward to our customer visit. Thank you for your attention and support.

*This OK - you'll be
 will him Monday & he
 can give you the final
 briefing*

Brown folder please

(yo)

SALES CALL BRIEFING PACKAGE
PREPARED FOR Mr. Russ Gullotti

CALL DATE: < Jan. 31, 1994 >

TIME: <FROM 10 am-TO-11am >

ACCOUNT NAME: < Philips LMS>

CUSTOMER NAME: < Mr. Charles Johnston>

TITLE: < CEO >

ADDRESS: < 4425 Arrowswest Drive >

CITY: < Colorado Springs > STATE: < Colorado >

PHONE: <719-5934215>

DEC ESCORT NAME: < Tony Mercado>

DTN: < 553-3425>

HOME PHONE: < 303-741-1938>

OBJECTIVE OF CALL:

Re establish Executive level communication with the customer's management. Position Digital as a sound long term business partner that can add value to LMS's competitive advantage in their market place.

We want to give the customer the opportunity to give Digital input about our performance and their perceptions of our capabilities.

This must be accomplished if we are to have ongoing access to upper management so that we can influence and be a part of the planning and delivery of any new business solutions, short term and long term.

EXECUTIVE ROLE:

Deliver the key messages that Digital knows and understands the business challenges of a high tech manufacturer such as LMS and that we are the best qualified partner to help LMS achieve and sustain a competitive advantage through the integration of their technical and human resources.

We can help by understanding their business organization and then ensuring that their people have flexible access to necessary tools and information to perform their tasks.

HOT-BUTTONS:

P & L
Reducing cycle times for their products
Improving product margins
Improving cash flow

OTHER CUSTOMER

ATTENDEES: TITLE

OTHER DIGITAL ATTENDEES: TITLE ROLE

(Explain role of any other ATTENDEES.)

ACCOUNT BACKGROUND

DATE: < January 31, 1994>

ACCOUNT NAME: < Philips LMS>

ACCOUNT TYPE: CORP <> NIA <> OTHER <XX>

INDUSTRY:< DMD >

ACCOUNT MANAGER: < Tony Mercado> MAIL STOP: <DVO> DTN: < 553-3425 >

SALES UNIT MANAGER:< Shirley Alverson> MAIL STOP: <DVO> DTN: < 553-3000 >

DISTRICT SALES MANAGER:< Keith Butler> MAIL STOP: <SCA> DTN: <>

HOST REGION: <> HOST DISTRICT: <>

REGIONS WITH ACCOUNT LOCATIONS: CSR <> NER <XX> WSR <XX> EUR <XX>
SSR <XX> FSG <> GIA <XX>

NATURE OF CUSTOMER'S BUSINESS:

LMS develops, manufactures and markets computer storage devices including digital optical storage devices, open reel tape drive storage devices CDROM drives, optical media, cartridge tape drives and spare parts.

They have over 400 accounts world wide. They sell to original equipment manufacturers. Their territory breaks down into Domestic (70%) and international (30%).

they have over 300 employees at this facility which is in a 2 story building encompassing 171,000 sq.ft.

The company maintains branch operations in the following cities;
Domestic - Burlingame, CA.; Lagoon Hills, CA.; Allotment Springs, FL; Eden Parry MN.; Wellesly, MA.; Vienna, VA.; Arlington TX.
International- Eindhoven, The Netherlands; Suresnes, France; Reunheim, Germany; and Oxford England.

FACTORS IMPACTING CUSTOMER'S BUSINESS:

Revenue growth was flat for 1993. They closed the year with minimal growth.

Competition for market share in their product set is getting tougher.

Commodity business requires better cost management and increased distribution channels.

CUSTOMER'S STANDING WITHIN THEIR INDUSTRY:

Philips is a widely diversified holding company. Laser Magnetics is in the top 10 producers of CDROM devices for the general computing and PC market. Sony is their biggest competitor.

DIGITALS STANDING WITHIN CUSTOMER'S BUSINESS:

Digital is the present supplier of the computing platforms which LMS uses to run their manufacturing MRP systems which are from ASK (Manman). We also provide and support their networking and office automation environments.

At one time LMS was a provider of storage products (tapes and CDROMs) to Digital Equipment. There apparently was an issue around quality raised by Digital and we stopped buying product from LMS. These issues and discussions were never communicated early on to the sales organization. The resulting loss of business to LMS from Digital has created hard feelings within the organization towards Digital. The present CEO had just taken over when this occurred. He still has some sour grapes with Digital and we need to try and turn this around.

We also recently (Apr.'93) received a PO to implement new desktop applications for office automation (teamlinks) into the organization. The implementation was a total failure in the eyes of the customer and we have had to credit the initial cost (\$30K) of the project back to the customer. This occurred for various reasons which were the responsibility of both the customer and Digital. Final decision to credit were made after salvage attempts failed in Sept-Oct'93. This situation has created some credibility

issues as to Digital's desktop products and our ability to migrate our installed base in the office automation arena.

The customer has also been evaluating their existing MRP and looking at alternatives. at this time they have decided to delay any decision which slows our revenue potential. ASK has been encouraging them to move toward their new product, Manman X.

COMPETITIVE STANDING WITHIN CUSTOMER'S BUSINESS:

Our main competition presently in LMS is primarily from

1. Outside consultants to manufacturing attempting to help the customer re-evaluate their business requirements. This includes IBM and Andersen.
2. Secondly, from PC/LAN vendors-integrators attempting to control the desktops.

CUSTOMER PERSONAL PROFILE:

Charles D. Johnston born 1943. Has been in this role as CEO since Mid 1992. From 1967-92 he was with North American Philips CORP in New York city and the affiliate companies.

CUSTOMER PERSONAL HOT-BUTTONS:

See Digital's standing in account section above.