

We must strive to make the buyer appreciate the unique characteristics of TSI that has allowed it to thrive through the turbulent changes in both the economy and especially the advances in computing. If TSI is evaluated using metrics designed for a car wash or a restaurant, then its most valuable assets will be passed over.

I think that we should emphasize the degree to which our AdDept customers are dependent on TSI.

1. There is no commercially available software system that does even a fraction of what AdDept does for them.
2. At each site dozens of people use the system on a daily basis.
3. Most clients budget, pay, and track hundreds of millions of dollars per year in AdDept.
4. At most sites AdDept is closely integrated with the customer's accounting systems.
5. The customers continually ask TSI to enhance the system.
6. Advertising is not the core business of any of our customers. They have no economic incentive to make the huge investment that would be required to replace AdDept.

TSI has other significant assets.

1. TSI's methodology for rapid development of reliable code is without peer.
2. TSI's reputation with its customers is spotless.
3. TSI's support regimen is outstanding.
4. TSI's management has consistently demonstrated the ability to generate profits in good times and bad.
5. TSI's entire staff is intelligent, well-educated, and thoroughly professional.

Some of the things that Len said are just wrong:

1. His concern about customer concentration seems excessive. It is true that the consolidation of retailers has decreased the number of decision-makers, but no one party controls a large percentage of TSI's revenue.
2. The (system i) platform is not "aging."
 - A. Over the years writers in magazines have taken potshots at this system, but its architecture has proven amazingly adaptable. The processors used by the system are the most advanced available.
 - B. It has used 64-bit chips for over a decade. Windows still uses only 32-bit chips. Prior to release X, Macs also used 32-bit chips.
 - C. The database is below the machine instructions, and this architecture gives it far superior performance in database applications like AdDept. No other system can make this claim.
 - D. The operating system is fully object-oriented. Windows is not.
3. There is no trend that we know of toward web-based media management solutions in the retail industry. Maybe ad agencies are big on this, but retailers are most interested in controlling their costs.

Len's comment about the capital requirements for achieving growth at TSI do not take a few things into account.

1. TSI has done very little marketing in the last few years. Winning even one or two new accounts per year would dramatically increase the cash flow.
2. TSI currently has no employees with an orientation toward marketing or growing the business. We are all programmers.
3. An imaginative use of TSI's intellectual property assets could probably generate significant revenues without a huge investment. We have a few ideas about this, but other people may well be able to think of better ones or to help with the execution.
4. The country's foremost experts on the computerized administration of retail advertising work for TSI. Consulting revenues is a potential source of income that has hardly been tapped.
5. The concept of a "butterfly" website that has worked so well with A*N could probably be applied to other areas.
6. There is a strong potential for hosting our customers' AdDept systems. Hosting could provide guaranteed quick revenue to offset the expenses. We have not pursued this because we have no experience in doing so, and we have been busy with what we have.
7. Although converting AdDept from an on-site software system to a web-based service would not be easy, it probably can be done without a huge infusion of cash. TSI has already faced the challenge of keeping its website reliably available to customers.