Corporate Backgrounder

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MicroSage Computer Systems, Inc.

ML0053A

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Stride Products Division

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Overview

MicroSage Computer Systems, Inc. was founded in 1981 as Sage Computer Technology, a Nevada corporation. Its founders were Rod Coleman, Bill Bonham and Bob Needham, who were previously experienced hardware and software engineers with strong technical backgrounds in the telecommunications industry.

The founders correctly foresaw that IBM's entry into the microcomputer market with a computer based on the Intel 8088 processor created two specific business opportunities. First, it assured credibility for the microcomputer and second, the Motorola 68000 processor offered a further opportunity to produce a more advanced microcomputer. This is the essence of the company's product and market position today: high-performance, low-cost, technical markets.

Facilities

The tax laws, a modern airport, and proximity to Silicon Valley have made the northern Nevada area an ideal location for high-technology companies who wish to relocate to the beautiful Sierra Nevadas, 30 miles northeast of Lake Tahoe.

MicroSage has established its headquarters in Reno with many of these benefits in mind. The company employs a staff of approximately 50 managers and engineers. An additional 23 persons are employed by an unrelated company which manufactures substantially all of the company's products under contract.

Finance

MicroSage, like many other high-technology companies, has financed its growth from internally generated funds, venture capital and bank lines of credit. Over 200 vendors provide products and services and MicroSage enjoys an excellent credit relationship with them all.

MicroSage is a small company by many standards but it has achieved what many of its competitors have failed to accomplish, namely an installed base of over 8,000 multiuser systems having an aggregate market value in excess of US $100,000,000.00

Although the company's revenues have varied over the last 4 years the trends have followed the market closely with the exception of the most recent three quarters, where the company has out-performed the market both in terms of growth and profits. This performance can be attributed in part to close attention to its philosophy of developing new technology to meet the needs of technical markets, and because of the recent introduction of several new and innovative products. This philosophy has kept the company safe and away from the larger IBM-PC market, which has been troubled by low margins and commodity market philosophy.

Management Team

MicroSage's President is Mr. Edward O. Chapin, a senior executive with an established track record in management and high technology. For much of his professional career he held staff management positions in the field of high level weapons technology with companies such as Lockheed, Martin Marietta, and Texas Instruments. In 1981, Mr. Chapin was selected as President of Kinder International, a $100,000,000 a year corporation experiencing serious financial problems. He succeeded in restoring the corporation to profitability which resulted in a buy-out of Kinder at terms very beneficial to the shareholders.

At MicroSage, Mr. Chapin has organized a management team and technical staff which has been sought after by many competitors. By their combined efforts, the company has consistently achieved its objective of delivering advanced computing technology for specialized markets.

Distribution

Domestically, MicroSage products are marketed through a network of approximately 100 VARs and OEMs to end-users. These customers typically remarket Stride products into other specialized markets after combining their proprietary hardware and custom software into a total solution.

Approximately 50 percent of MicroSage's revenues are derived from international operations. Stride products are sold into more than 30 countries through a network of technical distributors. Each distributor is required to offer an indigenous repair and technical support capability as part of their distributorship. As a result, Stride enjoys a significant market share in many foreign countries.

Historical Perspective

Major events in the company's history can be summarized as follows:

1981

- Stride Micro was founded as Sage Computer Technology.
- The Sage II introduced as a powerful 68000-based, single-board microcomputer, one of the first ever developed.
- Products initially directed at Pascal market, software developers and technical VARs.

1982

- Sage IV introduced featuring enhanced performance, advanced hard-disk technology and industry's first multiuser BIOS for the p-System operating environment.
- International market represented 40 percent of total company revenues.

1983

- Sage sales reached $1,000,000/month.
- Products distributed in over 30 countries.
- Development of 2nd generation 68000 product began with June 1984 introduction planned. Product specification included VMEbus architecture, large memory and disk capacities, multi-operating system capability, 68020 upgrade path.
- Early planning began for introduction of UNIX product line.

1984

- Due to trademark conflict, Sage name changed to Stride Micro. Officers, directors, financial relationships remained the same.
- Stride 400 Series introduced, awarded "Product of the Year" by *Computer Products* magazine.
- Stride 400 Series introduced featuring higher performance, capacity, and functionality than other 68000 or Intel designs.
- Marketing emphasis, customer base shifted towards technical markets.

1985

- In-house port of the UNIX operating environment was completed.
- Top UNIX software development group was formed. Many software tools and applications were ported to Stride.

1986

- Introduction of Stride 400/68020 product line, 68020 upgrade option, and H-SMD high-performance disk subsystem increasing throughput 300-500 percent.
- Marketing and R & D defined new multi-processing VMEbus design concept for mid 1987 introduction.
- R & D expanded 50 percent and began development effort on multi-processing 68020 architecture.
- Manufacturing license agreements signed with the governments of India, Argentina and Indonesia. Major OEM agreements take Stride into CAD/CAM, Voice Recognition markets.

1987

- Stride Micro establishes wholly owned subsidiary MicroSage Computer Systems, Inc., with objective of consolidating operations and focusing marketing efforts behind a stronger company and management team.
- UNIX product line grows to over 50 percent of total company revenues, where two years ago the product did not exist.
- MicroSage schedules June introduction of multiprocessing 68020 system.

Stride Marketing Philosophy

MicroSage is not an application developer. As a *systems* developer it supports the efforts of its customers who have a vertical market product and a specialized expertise. These customers require an unusual amount of pre- and post-product development support from their systems vendor.

MicroSage has therefore concentrated its efforts on the design, development and support of operating systems, systems software, compilers, program development and cross-development tools, as well as assisting customers with the implementation and use of these products.

Research and Development Overview

MicroSage has established a worldwide reputation and expertise in the 68000, 68010, 68020, VMEbus, p-System and UNIX marketplaces. According to benchmark tests, the Stride 68010-based UNIX system is ranked as one of the fastest in the world, and faster than some 68020 UNIX systems. Its UNIX based multi-processing architecture is sure to offer performance capabilites not offered by the competition, even at prices costing much more.

Compared to the competition, which "over-engineers" and adds unnecessary costs and complexity to its products, the Stride R&D team has demonstrated a unique ability to develop single-board computers which are extremely fast, reliable and low-cost, and which have an excellent overall system design, both in terms of hardware and software. As a result, the company's products are highly respected in the technical community, and are viewed as being cost-effective, very powerful and having high throughput.

The R&D team coordinates its development work with the marketing department. Working together, a number of important technical designs and unique products have been developed according to a set of "rules" which have served the company well:

- Long-term strategy is low-cost, highly configurable multi-processing environments.

- Systems are designed with attention to speed, performance, reliability, serviceability and cost.

- Single-board CPU concept which is intended to integrate the technical requirements of 90 percent of targeted customers.

- VMEbus for adding specialization and proprietary or OEM technology.

- NCR Tower XP compatibility.

- A systems approach with attention to "value-engineering."

- On-board, socketed options.

- Unusually large RAM and disk capacities.

- Open company, open architecture; customer contact.

Credentials

MicroSage has succeeded in part because of support from its customer base. A few of our valued customers are listed below.

- BOEING AEROSPACE CORP. - Realtime process control of airframe alignment during manufacturing process.

- NATKIN - Number one commercial builder in the USA for Computer Aided Engineering environment.

- EMDE - Number four commercial builder in the USA for Computer Aided Engineering environment.

- ATHLETE'S FOOT - Largest retail chain of sporting goods stores in USA for inventory control.

- U.S. ARMY - National security classified.

- U.S. NAVY (12TH FLEET) - Software development and instructional purposes.

- FLORIDA DEPARTMENT OF EDUCATION - Office Automation for entire Florida school system.

- U.S. DEPARTMENT OF AGRICULTURE - Economic analysis of agricultural data for trend forecasting.

- SIEMENS - Voice recognition, factory automation, software development.

- HONEYWELL - Laser scanning system for inventory and manufacturing control system.

- TICKETRON - Largest concert ticket distributor in USA - Data acquisition, automated telephone response.

- RESEARCH DEPARTMENT (Utrecht, Holland) - Vehicle registration system.

- UNIVERSITY OF STOCKHOLM, DEPARTMENT OF METEOROLOGY - Process control.

- FORD MOTOR (Germany) - Quality control monitoring system.

- ZEISS (Germany) - Voice command system for surgical microscopes.

- US DEPT. OF IMMIGRATION AND NATURALIZATION - Automated inquiry and audio response system.

- NORTHERN TELECOM - Automated inquiry and audio response system.

- ICL (United Kingdom) - OCCAM language development system for transputer based environment.

- BRITISH AEROSPACE - Fuel management testing system for aircraft under manufacture.

- BOVUS HOMES LTD. (United Kingdom) - Fourth largest housing developer in the U.K. for office automation system.

- THE BENTLEY ENGINEERING COMPANY LTD. - Computer aided textile manufacturing system.

- DUPONT - Chemical refinery simulation system.

And many others including Union Carbide Corp., Harvard University, EF Hutton Life, NASA, General Electric Space Center, and RCA Astro Electronics.