

|  | 3rd Quarter 2001 | 3rd Quarter 2000 | 2nd Quarter 2001 | Nine Months 2001 | Nine Months 2000 |
|--|------------------|------------------|------------------|------------------|------------------|
| Revenues                                       | \$43,641         | \$59,338         | \$50,785         | \$152,499        | \$183,708*       |
| Expenses                                       | 43,018           | 55,467           | 47,978           | 144,918          | 166,224*         |
| After-Tax Profit/Loss                          | 405              | 2,516            | 1,832            | 4,927            | 11,362*          |
| After-Tax Annualized Return on Capital         | 1.1%             | 7.3%             | 5.0%             | 4.5%             | 11.4%            |
| Assets**                                       | 2,680,452        | 2,342,225        | 2,562,618        | 2,680,452*       | 2,342,225        |
| Capital & Subordinations                       | 150,319*         | 139,721          | 146,179          | 150,319*         | 139,721          |
| Commission Revenues                            | 6,092            | 7,415            | 6,658            | 20,215           | 22,868*          |
| Number of Firms Reporting                      | 261              | 273              | 258              | 272              | 284              |
| Number of Profitable Firms                     | 159              | 210              | 171              | 178              | 243              |
| Aggregate Pre-Tax Earnings of Profitable Firms | 2,807            | 4,308            | 3,482            | 10,970           | 18,470           |
| Number of Unprofitable Firms                   | 103              | 63               | 87               | 94               | 42               |
| Aggregate Pre-Tax Earnings of Profitable Firms | (2,183)          | (429)            | (663)            | (3,388)          | (989)            |
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# Sideloading

## Simplifying Device Customization



# Software Installation

## Today - Customer Executed

- **Uploading from CD**
  - Application Program Installation onto PC
- **Uploading from PC**
  - Media Installation from iTunes to Mobile Device
- **Downloading from Network**
  - Network Applications
  - Peer-To-Peer Media

## Tomorrow - Simplified CTO Mfg. Process

- **Sideload - Software installed via Storage**
  - Software Configure-to-Order
  - Applicable to Many Device Types
  - Many Implementation Options



# The Concept of Sideloading

***Sideloading* is a Process Improvement Built on *Subtractive Installation***

**Simple steps allow customization of a machine**

- Pre-build a superset of possible assets,
- Mass duplicate the superset onto a plurality of storage media
- Install Storage into End User Machine During Mfg
- For each device sold, remove those assets not specifically purchased to create the uniquely desired subset for each given device

**Fundamental Principles:**

- Storage is relatively cheap and available
- Erasing a file is much faster than writing a file

# ***Sideload* and *Subtractive Installation* Work Together**

## **BTO Hardware & BTO Software**

**Sideload** puts digital assets into a device using its own storage medium as the transfer method

**+**

**Subtractive Installation** removes unwanted material creating a set of wanted digital assets

**=**

**In combination, they provide Build-To-Order user-specified, customized devices**

# Benefits to the End User Customer

## Significantly Increases Consumer Choice and Convenience

- Music/ Video catalogues pre-loaded. Customer buys only what they want without time consuming download or upload installation processes
- Natural extension to hardware build-to-order by adding software build-to-order
- Makes consumer electronics more personal and user-friendly

# Brand Benefits

- Better Product Differentiation
- New Revenue Stream
- Software Revenues added to existing Sales & Service Revenue
- Improved Sales
- Increased Margins
- Enhanced Market Share
- Higher Customer Satisfaction

# New Adopter Benefits

- Ability to compete on more than Price, Schedule, and Quality
- Deepen Customer Relationships
- New Fees and Revenue Sharing
- New Media Duplication Revenue
- Lower Assembly Costs
- Faster Cycle Times
- Compatible with Current Processes
- Green Energy Savings

# Many Potential Applications

- Personal Computers
- Notebooks
- Desktops
- Servers
- Mobile Phones
- Game Consoles
- Media Players
- DVR/PVRs
- Flat Panel TVs with Storage



# Division of Effort Example

## Content Providers

- Create Software and Digital Content
- Master License Content to Brand Mfg.

## Brand Manufacturers

- Contract with ODM or EMS to Build Devices
- Contract with Content Providers
- Decide & Offer Content
- Build Master Images
- Provides Subtractive Installation

## ODM or EMS

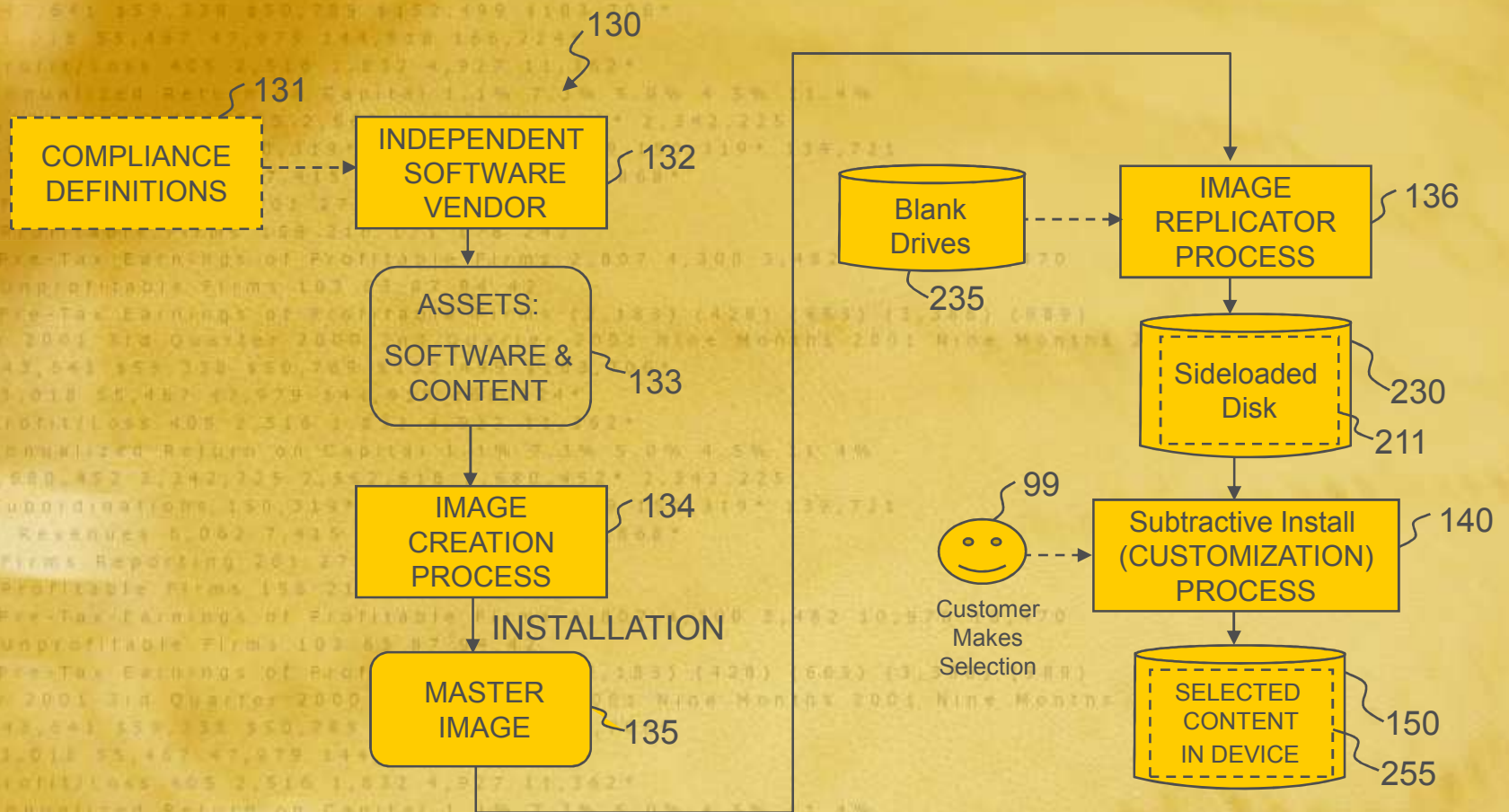
- Contracts to Build Devices
- Mass Duplicates Master Images
- Sideloads Content into Devices during Mfg

## Customer

- Views Content Offered
- Selects Desired Content
- Pays for Selected Content
- Receives Completed Device Loaded with Selected Content

# General Process Flow

FIG. 1C



# Sideloaded PC Example

■ Preload

■ Shrinkwrap applications

■ Corporate applications

■ Music, Movies, Television, Games

■ Customize

■ At Manufacturer

■ At Store

■ At Home

# Example of Mobile Phone

- Preload Ring Tones, Games, Applications, Music

- Customize During Handset Activation by Network Provider

# Example of Game Console

- Preload Games
- Customize
- At Store
- At Home on Start-up

# Example of Media Player

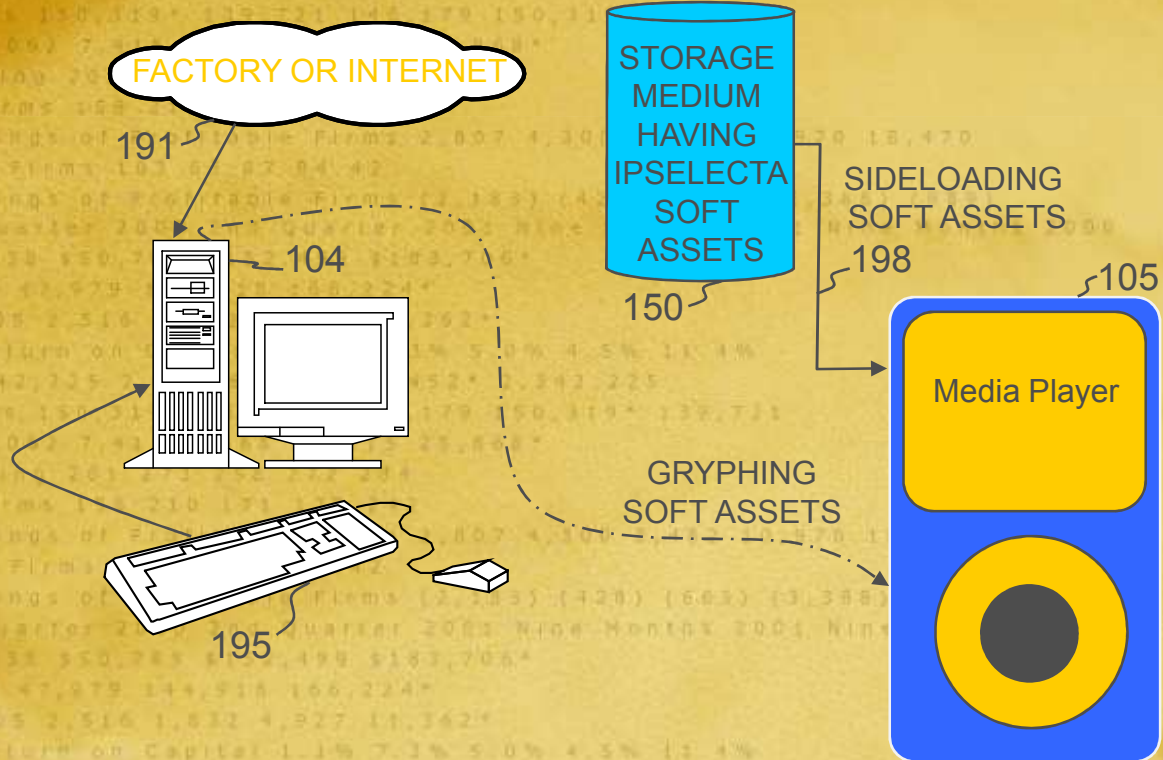
- Preload Music, Radio Podcasts, TV Series, Movies
- Customize
  - At Manufacturer
  - At Store
  - At Home



# Process Flow

## Media Player

FIG. 1B



# Cost Analysis and Benefit

## Example:

- Cost to Sideload a 300GB drive: 25¢ per unit.
- Inherent inventory per device: 300GB holds 900 substantial software programs, 100,000 mp3 tracks, or 1000 books.
- Value density: 300GB holds \$180,000 of software, \$100,000 of music, \$25,000 of books.
- Assume additional sales of 5 programs per device at \$40 each at a 40% gross margin.
- Delta profit on 10 million unit run rate: \$800 million annually



# Software Configure-to-Order

The Future:

A New Consumer Electronic Device  
Delivered without Customized  
Software will be like a Scheduled  
Airline Flight taking off without  
Passengers

