

February 24, 1989

Mr. Rick Gleason  
The Gleason Partnership  
114 Commonwealth Avenue  
Boston, Massachusetts  
02116

Rick,

Your petition that we reconsider a merger with Sigma Design has had a very positive impact on us. It has clearly shown us how strong our end-users think of DataCAD and Microtecture. Let me summarize what I have discussed with you on the telephone:

1. Our #1 priority is not to work on a merger with anyone. Our top priority is to grow the business. That means we intend to show Version 4.0 at the AEC Show. It also means we are continuing to work on OS/2, improvements to DataMERGE, and expansion into the builder's market.
2. We are considering a merger with Sigma Design. However, this is not a do-or-die situation for us. We are a profitable company. Sales improved for us last year 65% over 1987. If a merger does not work out, we have the resources to add adequate financing to continue our growth. So don't let anyone think this is a "must" thing for us.
3. The key question, however, is "How does Microtecture achieve the 'critical mass' it needs to be a dominant force in the market place." From our homework, one cannot get there by just focusing on the architectural market via DOS. We need a broader customer base and several platforms. Thus, the best answer is probably not venture capital. The best answer is to merge with someone where both companies can complement each others' strengths.
4. In my opinion Sigma Design is very similar to us. Their strength is their marketing organization. Our strength is our product development capability and our distribution. Thus, when you put the two organizations together, the desired 'critical' mass is quickly reached. That can only be positive for our end-users and our dealers. It means that the product line will continue to be enhanced. And it also means that product recognition will dramatically increase.

5. Would Sigma encourage the refinement and improvement of DataCAD? Of course...for one reason. Ken Ledeen is a good businessman. He invests where the market tells him to invest. And the market is saying today that DataCAD is probably the most complete and easiest to use CAD product available. You don't "shelve" a product like that. You promote it.
6. Will DataCAD be placed on another platform with more memory? I would hope so. As I mentioned we are not waiting for anyone. We are forcing now for expansion into OS/2. We are also planning to customize a version for the builder's market.
7. I share your concern as to why Sigma Design would ever make a critical comment about Microtecture or its product line. Most of these comments may be pure rumor. I personally believe any company that becomes overly critical of another company's management or product quickly loses its own reputation.

In a nutshell Rick, we are definitely NOT betting the farm on a Sigma Design deal. If it does not happen, we are ready to compete with anyone like tigers. And we are ready to add adequate resources to be the tiger we want to be. On the other hand, I strongly believe that a merger would make the combined company a world class CAD company. And that has to be positive to almost everyone.

I have shared some very confidential information with you. However, you and our end-users are very important to us and deserve this type of feedback. Now I have a favor to ask of you. Will you please relay my thoughts to those user groups who have received your earlier correspondence.

Sincerely,



President and  
Chief Executive Officer