

In a News Release dated March 13, 1995, Franklyn R. Wilson and Macgregor N. Robertson, the Bahama court's appointed liquidators of Commodore Electronics Limited and Commodore International Limited, it was announced that they had signed a contract that day for the sale of all Commodore's technology, patents, trademarks, and inventory. The buyer was the German retailer Escom Akitengesellschaft, based in Bochum, Germany. The intellectual property sold included everything necessary to manufacture all Commodore products, including the Commodore Amiga product line. The release went on to state:

"The sale will be subject to approval by both the United States Bankruptcy court for the Southern District of New York and the Supreme Court of the Commonwealth of the Bahamas.

The contract with Escom is subject to the right of the liquidators to solicit higher or better offers. Immediately prior to the court hearings where the Liquidators will seek court approval for the sale, the Liquidators will hold an auction to entertain any higher or better offers for the Commodore assets. The agreement struck with Escom provides for a gross purchase price of US \$5 million, composed of US \$4 million for patents, trademarks, and technology, and US \$1 million for inventory.

The date for the auction has not been fixed. The liquidators expect that the auction will be held in New York around the middle of April, 1995.

Franklyn Wilson, one of the liquidators, said, "The contract with Escom assures that no matter who ends up at the auction buying the Commodore assets, the buyer will be assured of being able to use the Commodore trademark in Germany." Mr. Wilson explained that the right to use the German trademark had been the subject of dispute and litigation with the liquidator appointed in Germany for Commodore's German subsidiary, Commodore Buromaschinen GmbH. Germany has historically been one of Commodore's most valueable markets.

Commodore International is the ultimate parent company of an international network of approximately 40 affiliated manufacturing, sales and holding companies located in The Bahamas, Switzerland, Canada, Norway, Japan, Belgium, Austria, Denmark, the Netherlands, Finland, France, the Phillipines, Portugal, Spain, Sweden, Germany, Australia, the United Kingdom, Italy, and the United States which produced and sold computer-based products under the "Commodore" and "Amiga" brand names. Commodore Electronics is Commodore International's immediate subsidiary. Commodore Electronics formerly had branches in Basel, Switzerland, Hong Kong, the Phillipines and Taiwan. Most of the nearly 40 Commodore subsidiaries are in various stages of the liquidation or winding up process in their respective countries around the world.

Commodore's most important and successful product group had been its line of Amiga computers. The Amiga technology is based on a proprietary chipset unique to Commodore. The patents being sold include the Amiga system design, the Amiga DOS operating system, the software user interface, and multimedia authoring tools.

Since the first Amiga models were sold in September 1985, Commodore has developed and introduced into the marketplace several new generations of

Amiga computers. These include the Commodore Amiga 1200, the Amiga 4000, and the Amiga CD32 personal computers, the most popular Amiga products. The Amiga 1200, a cost competitive computer for the home consumer market, is designed for the desktop PC and video workstation markets. The Amiga 4000's primary professional applications have been video production, image processing, and graphic arts.

The Amiga CD32 is one of Commodore's most popular "game machines", a full interactive CD-ROM multimedia player manufactured for the game console market. Based on high performance 32-bit technology, it was launched in Europe in September, 1993. The Amiga CD32 is Commodore's most recently introduced product.

Approximately four million Amiga computers have been sold worldwide. New generations of Amiga computers were in development by Commodore's engineers at the commencement of the liquidations of the parent companies in the spring of 1994.

Commodore International and its direct subsidiary Commodore Electronics, both chartered pursuant to the International Business Companies Act in the Commonwealth of the Bahamas, have been the subject of liquidation or "winding up" proceedings in the Bahamas since April 29, 1994. Involuntary petitions under the United States Bankruptcy code were also filed against the companies in the United States Bankruptcy court in New York, seeking liquidations under chapter 7 of the Bankruptcy code.

To avoid conflicts between the courts in the Bahamas and the U.S., the Liquidators and Commodore's principal creditors, including Prudential Insurance Company, negotiated a protocol for the conduct of the bankruptcy cases in both the Bahamas and the U.S. The protocol was subject to the approval of the Bankruptcy Court and the Supreme Court of the Bahamas.

The Bankruptcy Court in New York approved the protocol after a hearing on January 20, 1995. The Supreme Court is expected to indicate whether it approves the protocol or not on March 27, 1995.

Commodore International was listed on the New York Stock Exchange until May, 1994.

Interview with Mr. Colin Proudfoot

AC: I'm calling from Amazing Computing magazine. We've received information that Escom in Germany has secured a bid and been accepted by the Trustees of the Commodore liquidation. Is this what you understand also?

AC: Is your group still interested in bidding and securing this property?

AC: Is that anything that you would care to tell our readership on the record about what you plan on doing? Is it true that you have 30 days to submit a new bid?

AC: Is that a closed bid auction or an open bid auction?

AC: Is it a winner take all?

AC: Is that basically your plan?

AC: I also had the information that they would sell it back for the same amount they bought it if someone else gets the property.

AC: Could you elaborate?

Proudfoot: It would be important for us to have all the intellectual property with that dispute.

AC: Have you received any information on what this bidding process is going to be like, when it is going to take place or how it is going to be handled?

Proudfoot: We have received communication from Mr. Wilson, the liquidator, inviting us to the auction with a date and format to be determined.

AC: It was an invitation so there will be a place where everybody has to go or at least be represented.

Proudfoot: Correct.

AC: Do you have any idea how soon that is going to occur?

Proudfoot: No, because what we are going to have to do is get a ratification from the courts in New York for his process and then a ratification from the Bahamian court, then he can hold the auction. So until he has cleared the court processes, I don't think he can set a date.

AC: From your experience with this process, and I know I'm asking you out of turn, do you have any idea, as I'm sure you've explored this before, what the length of time could be on this.

Proudfoot: I've been caught thinking it was going to be next week for the last nine months.

AC: Haven't we all.

Proudfoot: My understanding is that he can clear the court processes in three weeks and then it would take another three weeks to set up the auction.

AC: So, basically six weeks from now we may see some activity.

Proudfoot: Correct.

AC: We also had information that once a bid was accepted, such as the bid from Escom, that by Bahamian law they were under a restriction that within 20-30 days they had to get this process completed. Your six week scenario doesn't fit into that scenario, are we wrong about that?

Proudfoot: I haven't heard anything about that, so I can't comment.

AC: Do your plans for the world market and North American market remain as they did before?

Proudfoot: Yes.

AC: You just need to get the property to know what to do with it?

Proudfoot: Correct.

AC: What is your position there?

Proudfoot: Direct Managing Director.

AC: Is there anything I should have asked?

Proudfoot: I don't think so. We are eager to get this process finished and get the Amiga building business back up and running.

AC: In that regard, isn't the Escom deal good as it puts a cap on it?

Proudfoot: Absolutely. We're very happy that Escom has signed a deal and we're even happier that situation with the German trademarks has been resolved. We're being sensible, we seeing one bid for all the assets.

AC: The bid price that I saw, and you can correct me if I'm wrong, was that they paid \$1.5 million for the trademark and an additional \$6 million for the company, do you know if that is correct?

Proudfoot: I have no information on whether that is correct. The \$1.5 million for the German trademark coincides with what I've been told before. I have no other information on their bid.

AC: Does \$6 million sound like a low number to you? Does it seem like a low number for what this is worth?

Proudfoot: Well, it is worth what someone will pay for it. I've seen what the Escom been is described as and we remain confident that we can go to the auction and win.

AC: The value of the company has to have declined in everybody's eyes at this point from what it was last year.

Proudfoot: Correct.

AC: However, there is no way to know what the year's toll has been on that. As you said it is what someone is willing to pay for it.

Proudfoot: What I will say is that David and I have spent the last week at Cebit and we have met a large number of people who are very eager to get hold of Amiga products. The support has been tremendous. The demand is still out there. People are telling us they still want Amigas, that it is a very alive brand, and that they still have plans for development of products and applications. We are looking forward to the Amiga coming back onto the market. It has been very positive.

AC: That is good to hear. That is a worldwide demand?

Proudfoot: I would have to say that there were mostly European people at Cebit, but there were Americans there that we talked to.

AC: I was thinking more of Australia and so forth, markets that we have not heard too much from.

Proudfoot: I got a fax in just yesterday from Australia asking us to bring back the Amiga, and that they want more products. We are hearing from around the world. Considering the amount of time that we have been out of circulation as a corporation it is phenomenal.

AC: When I spoke to David the last time, he said that as far as development of new products were concerned, that you would actually have to purchase the company first, check with engineers to see what were still viable options and I guess that is now more important than ever.

Proudfoot: Absolutely.

AC: If you do secure it is there any timetable set aside as to when you can get product back into the mainstream?

Proudfoot: It will take some months after the purchase.

AC: Will we be seeing product in the US and North America as well?

Proudfoot: Yes.

AC: Who is Escom?

Proudfoot: Escom is run by a guy called Mumford Schmidt. They are 10% owned by Siemens-Nixdorf. They have just done a deal with ? in the US with mail order and retail distribution. They have just bought Rumbelows in the UK, a chain of 231 electrical stores. They are either number 1 or number 2 as the fastest growing computer business in Europe.

AC: Are they just in an acquisition mode at the moment?

Proudfoot: They're in an expansion mode at the moment. They've completed a number of deals in the last few months of this scale. Even before that they were growing at 40-50% per year. The turnover is in billions of Deutschmarks.

AC: And they have worldwide interest?

Proudfoot: Yes.

AC: So this is a formidable opponent.

Proudfoot: They manufacture PCs in Germany and they have distribution across Europe. But I'm sure there are some people in the computer industry in Europe that know a lot more about them than I do.

AC: If Escom was to take over, is there a side deal you guys could work out with them is there?

Proudfoot: The answer to that is maybe, I really don't know. We're in competition with Escom, so we can't collude with them before the bidding process as that would not be right. How interested they are in the Amiga as opposed to the Commodore name I don't know. There was speculation that they were interested in the Commodore just for the Commodore name to put on their PCs rather than the Amiga itself. I think that is misleading and they are interested in the Amiga.

AC: There is still a very strong Amiga market over there. My understanding is that the top selling games last Christmas weren't PC or Mac, but were Amiga games.

Proudfoot: Absolutely.

AC: Do they have the ability to do right by the Amiga, the power and the clout to make it work?

Proudfoot: You have to take into account that Helmut Yost? that used to run Commodore Germany works there as does Bernard Tiejnan that ran Commodore Netherlands.

AC: So it should be an interesting horse race.

Proudfoot: Yes.

AC: Thank you for your time. Have a good day.

2nd interview

AC: This is Amazing Computing magazine from the US. We understand that Escom has submitted a bid for the Amiga technology/ assets from the now defunct Commodore company. Could you give us more of a background on Escom?

Mike Nagaa: Escom is a German company. I believe they are the second largest German PC manufacturer. Vobis is the number one company. In the UK they have been very acquisitive the last two or three weeks. They just bought a chain of 231 stores called Rumbelows. This makes them the UK's largest computer retailer. They are partly financed by Siemens-Nixdorf which is a very, very big company. Their worldwide sales were 1.75 billion Deutschmarks last year which is about \$750 million converted depending on the rate.

AC: Is there anything else that you might be of interest?

Mike Nagaa: Well, I presume you have the details of the bid.

AC: Only rough details, as I have not been able to get hold of the liquidator yet.

Mike Nagaa: \$6 million US was their bid.

AC: That's over the \$1.5 million they bid paid for the rights to use the Commodore name in Germany?

Mike Nagaa: Well, actually I didn't know they had done that. Commodore used to be a very big player in Germany.

AC: Part of the information that I have is that if someone else eventually wins the bid, they would sell the name back to them at the same price they paid for it. It seems that they can't retain rights if they don't own the company.

Mike Nagaa: Yes, Escom is expanding and in the UK it has been overnight.

AC: Up to this point they've only been interested in PCs, but you do know that Helmut Yost who used to run Commodore Germany now works for them?

Mike Nagaa: I wasn't aware of that, but Commodore used to be big in Germany not just with Amigas but with PCs too. In the UK they were never big on the PC side only the Amiga side.

AC: I think the UK had a good Hong Kong source for lower priced PCs.

Mike Nagaa: Yes, they did.

AC: Well, I thank you for your time.

CEI

Alex Armor interview

AC: Where are you as far as the bidding process?

Alex: We are waiting for the contract to be signed with Escom. It has not been signed as of 3/15/95 but we believe it will be signed. It is just a matter of transit between Europe and the States. We have a clear understanding of what the contract acquires and we are prepared to bid on the contract.

AC: My understanding is that \$1.5 million has already been paid for the rights to license Commodore's name in Germany.

Alex: That is correct. Actually it is \$1.4 million.

AC: Have you been notified as to how this is going to be handled?

Alex: Upon the contract being executed, we will be given copies of the contracts. At that point in time we can proceed to a New York meeting, which will probably take 30-45 days to schedule. At that time an auction process will start.

AC: It will all take place on that day?

Alex: Yes, it will all take place on that day.

AC: Whoever walks out of there at the end owns the company?

Alex: That is correct.

AC: Do you have to put your money up on that day?

Alex: Yes.

AC: What is your position as CEI in this process?

Alex: We still have the same goal which we have always had which is to acquire the assets of Commodore and we are prepared to go forth in the bidding for these assets. I can also tell you that in the past we have had discussions with Escom and if we acquire the assets we are obviously willing to work with them, as we are also willing to work with the UK group.

AC: So, you have to wait until you get a contract in hand. How long do you think that will be?

Alex: We would expect to have a contract by the middle of next week (Approximately March 22, 1995).

AC: Have you already been made familiar with what the contract basically contains?

Alex: The general terms of the contract, yes.

AC: Was this offered to you to rebid?

Alex: No, it was not offered to rebid. What was decided was that in order to get the process moved from ground zero was to get someone to sign a contract, it did not matter whom, so that the bidding process for the assets could move forward, instead of having people trying to out-contract each other.

AC: Escom's name has come up before and when I called them they said that they were not interested. Do you feel that the only reason they got back into it was to retain the rights to the Commodore name in Germany?

Alex: Escom has always expressed that having the Commodore trademark was their main objective when it comes to purchasing the assets of Commodore.

AC: So, this is no secret.

Alex: That is correct.

AC: On another note, there is a Washington group that keeps coming up. Do you have any information on who these people are?

Alex: Yes, I do. There were a group of investors that were working for us out of the Seattle, Washington area.

AC: So this is an arm of your group?

Alex: This is one of a multitude of different investors that we have been working with.

AC: Did you attend Cebit?

Alex: Yes, I did.

AC: What were you trying to accomplish there?

Alex: I met with a number of distributors at Cebit and I also wanted to see the current state of the technology.

AC: What were your impressions?

Alex: Our uphill battle has become more of an uphill battle than first anticipated. As a general rule the PCs can do all the Amiga can and the price is definitely being reduced. Some of the machines are much more powerful than we can offer currently. There is still a significant market that will buy our machines and as our machines improve, technologically, I think they will become more attractive but I still see a major uphill battle.

AC: With today's knowledge how long do you anticipate it would take, after the acquisition of the company, to get machines into the marketplace?

Alex: The problem that we are facing is this, we can get the existing product line back into the marketplace as there is a major demand for it. But to get any technologically advanced product or any breakthrough in technology it is going to take the better part of six to nine months.

AC: This means to get it into the marketplace you would have to really break some backs to get it in for the Christmas buying season.

Alex: Correct. I believe that the existing products that we have to offer right now, the 4000T and the 1200 will be very successful through Christmas. I think the consumer understands the value of our machine and bundled properly, the machines will sell through Christmas. But for the diehard Amiga fanatics, I think it will take a little longer to show them how serious the company really is as far as technology is concerned. A lot of that has to do with production time, engineering time and governmental approvals. It is not that we will be sitting on our laurels, it is just that we will need to move forward quickly but it will take some time.

AC: When you talk about governmental, you mean FCC and the like?

Alex: FCC, the CSA, European standards etc.

AC: The engineering staff has been let go for some time, is there a problem there?

Alex: No, I don't think so. I think the majority of engineers who were important to the project are more than willing to come back. In addition, one other thing we have determined is that there is a lot of advanced engineering that has taken place outside of the Commodore facilities from people who are willing to work with this new entity.

AC: So they have continued their work?

Alex: They've continued their work. A number of these are independents or were outside engineering firms who have moved forward and have new products that can be brought onboard quickly. Some of these include people using the Texas Instrument's TSP on the 4000 and things of that nature. So, we can move forward and we can do it not only from in house but from sources outside of the new company.

AC: What are you looking for in support from the user base?

Alex: I think that first of all they need to have an understanding of how tough it is going to be for the first six months. Their biggest emphasis should be to show their current Amigas to their friends in order to get the market moving forward. I will assure them that we understand where the Amiga needs to go both from a hardware and software point of view as well as a design point of view. We will go forward, it just may take us a little bit of time. To promise anything else would be rather unrealistic.

AC: You are still pretty optimistic.

Alex: I am extremely optimistic.

AC: What do you feel your chances are of getting the company with Escom in there battling?

Alex: I don't underestimate Escom, they are a major player. I think it is going to be a battle against them but I believe what we see as the net worth of the company from a business perspective, and we are looking at the Amiga part of the business, is higher than what they perceive as the value of the company, since they are looking for a specific trademark for the European market. I think what my people are willing to do is a higher level of investment. As I mentioned to you and I've mentioned to Escom, we are willing to work with them when it comes to that. I think we fully understand where the Amiga belongs and where it needs to go, I'm not sure they do.

AC; Do you have any background information on Escom?

Alex: They are basically the Radio Shack of Europe. They go into major department stores and set up what's called an Escom office. They're really geared towards PCs and Windows products.

AC: This would be a departure for them to do the Amiga.

Alex: The Amiga would definitely be a major departure for them.

AC: If you get the technology, you are willing to work with them, what if they get the technology do you think you could get the Amiga technology back to work with or would you be interested?

Alex: If they acquired the assets and had no interest in the Amiga then naturally we would express our interest in moving forward with the Amiga and I would not rule that out of the question.

AC: Your investors are still behind you?

Alex: Yes.

AC: But not to the tune of last summer.

Alex: No. The value of the company has significantly changed, our forecasts have been diminished by 50% since all this time has transpired and it is going to take a lot more marketing funds than it was going to take six months ago to get Commodore technology back on the front burner again.

AC: One thing that you had mentioned at a previous time was a contest that you wanted to do with users to come up with advertising is that correct?

Alex: Yes. We are going to go back into our user base very aggressively, like it probably never been done before in any industry. Included would be everything from the company logo to new designs, even to advertising in respective countries.

AC: In that case our readers should be getting ready now.

Alex: That is correct.

AC: Well, we thank you very much for your time.