



One JS&A Plaza, Northbrook, Illinois 60062

Dear Customer:

Thanks for your recent order for the Home Library Computer. We expect to be shipping your unit around the first week in November.

The response to this outstanding new product has been outstanding and breaks down into three interest groups: business, consumer and the hobbyist.

Some of your questions have certainly expressed thorough knowledge of computer technology and other questions were more applications oriented, i.e., "How can I use it in my small business?"

We are taking all your questions, sorting them out and preparing a "Most Commonly Asked Question and Answer" sheet which we will send you prior to shipping your unit. We are also preparing a very comprehensive technical brochure and an applications bulletin.

The big questions that just about everybody asks is "Why so cheap?" "How can a home computer with so much power cost so little while the other units on the market cost so much?"

The answer lies in a phenomenon that is unique to computers and that Bally and JS&A recognized early.

Integrated circuits generally represent only about 10% of the cost of most home computers. The bulk of the costs are in software--the cost of man hours or man years required to program the computer to make it easy to operate and useful for different applications. In fact, more than 50% of the cost of a computer is the software that went into it and not the hardware as is the case with most other products.

If half the cost of a home computer is the cost of software, it is usually based on the sales of a few thousand units.

If sales are doubled, then software represents 25% of the cost and the rest is reflected in profit. So the more units sold, the less the actual cost of software to the manufacturer. Unlike mass production cost savings, there's always a basic cost of materials to consider no matter how much is produced, but not so with software. Produce twice as much and your costs are halved.

So Bally's strategy was to produce a home computer in two parts, the first part containing practically all the software in the form of a TV game that would appeal to a mass consumer audience, and the second part containing the complimentary components to increase its power into a complete home or business computer.

The TV game can be sold in huge quantities to a mass audience and thus the cost of the software per unit is very low. By also modifying the TV game for a JS&A expansion module, the total cost of the home computer is also very low. The end result is the highest quality TV game on the market with the quality standards and total memory power of a home computer plus the ability to expand the TV game into a home computer with special software supplied by JS&A.

This rare combination means that a very extensive software package represents as little as 5% of the total cost of the unit and the integrated circuits represent over 30% of the cost.

The results provide a unique opportunity to buy a product that is not only the lowest priced system available, but is expandable through additional inexpensive modules. Your unit will always keep step with advancing technology.

We appreciate your interest in the Bally Home Library Computer and hope to send you the information and your unit very shortly.

Sincerely,

JS&A NATIONAL SALES GROUP

A handwritten signature in black ink, appearing to read "W. Mitchell". The signature is written in a cursive, slightly slanted style.

William Mitchell
Group Marketing Director

PS: We will not be charging your credit card nor depositing your check until we ship your unit.