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AND
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Issued To: TOM TAMARKIN Date: 1987-1988

Signature: 

DATAMATIC INC.

1988 FIVE YEAR STRATEGIC AND OPERATIONS PLAN

PRELIMINARY - ROUGH DRAFT

Confidential and Proprietery to Datamatic Inc.

PURPOSE:

The purpose of this document is to provide Datamatic, Inc. management with a clear and concise operations oriented business plan which, when followed, will safeguard the Corporation's good health and provide continued expansion in terms of gross revenues and served markets consistent with shareholder expectations of return on equity.

At the time of this writing, Datamatic has reached a significant milestone in its ten year history in that gross revenues of ten million dollars were reported for its' most recent fiscal year. Although the company has been, and all indications show that the company will continue to be, quite successful by all financial standards, the firm's management team believes that continued growth and long term stability will be best facilitated by certain structural reorganization and the infusion of additional managerial resources. Such reorganization will better position the firm to harvest returns within its traditional marketplace as well as to identify and exploit new business opportunities consistent with the firm's distinctive competencies.

The conditions giving rise for the required change are, in fact, quite classical given the firm's entrepreneurial origins, technological based products and the competitive dynamics of the firm's primary current business opportunity.

It is the intention of the firm's executive management to conduct periodic "situation reviews" wherein the relevance of the specifics of this document will be reviewed within the context of prevailing business conditions. At a minimum, such a review process will be conducted annually. Appropriate strategic, operational and organizational changes will be made within the firm, or to this plan, consistent with the company's performance against the stated mission and quantifiable objectives which are embodied in this plan.

SCOPE:

This document is divided into three major sections. These are, respectively: I. Executive Summary, II. Company Description, and III. Continued Operations.

I. Executive Summary: This section provides the reader with a quick overview of the company, its history, business, financial achievements and future aspirations.

II. Company Description: This section provides a detailed description of current:

Condition
History
Business Opportunity
Products
Served Market
Applications
Distinctive Competencies
Organizational Structure

III. Continued Operations: This section provides a discussion giving insight to management's philosophy and inherent abilities with regard to its future measurable performance against its stated mission and objectives as well as a detailed description of its operations once the proposed buyout has occurred in the following order of presentation:

1.0 Corporate Mission, Objectives and Culture
2.0 Operations
2.1 CEO/General Management
2.2 Sales
2.3 Marketing and Business Development
2.4 Production Engineering and Product Development
2.5 Sustaining Engineering
2.6 Quality Assurance
2.7 Personnel
2.8 Chief Financial Officer
2.9 Service and Retrofit
2.10 Facilities and General Services
3.0 Technological and Competitive Advantages
4.0 Growth Aspirations
5.0 Financials
6.0 Management

EXECUTIVE SUMMARY

Datamatic Incorporated is:	A Richardson, Texas based corporation formed in 1978 by the corporation's current shareholders, Mr. Kenneth A. Kercher and Mr. Lewis C. Ganter which has been recognized by INC. MAGAZINE for 2 years as one of America's fastest growing privately held companies.
Their business is:	The design, production, installation and service of electronic meter reading (EMR) systems used by electricity, natural gas and water utility companies to reduce the cost of reading over 200 million meters, nationwide and prepare monthly bills for consumers.
Their history shows:	Ten years of profitable operations with 1987 gross revenues approaching ten million dollars and a gross profit of 64% of revenues.
Their 1988 goals are:	Gross sales revenues exceeding 10.1 million dollars coupled with a minimum of three new product introductions within its

	core business opportunity and the systematic review of not less than six non-utility business opportunities consistent with the firm's distinctive competencies.
Their medium term goals are:	Gross sales revenues exceeding 15 million dollars for fiscal year ending 1990 consisting of core business sales, TEAM product system sales (or equivalent opportunity) and sales within at least one yet to be defined non-utility related business opportunity.
Their long term goals are:	Gross sales revenues exceeding 45 million dollars for year ending 1992 consisting of core business sales, TEAM product systems sales (or equivalent opportunity) and sales within at least four, non-related, yet to be defined non-utility marketplaces.
Financial success is:	forecasted to be consistent with past history with a 37% or greater, per year growth rate in terms of revenues.

Business success is:	Assured given the firm's past achievements, proven management abilities, technical leadership, competitive posture, industry presence, customer good will, and management vision.

II. COMPANY DESCRIPTION

1.0 History: Datmatic Incorporated was founded in 1978 by its two principal shareholders, Mr. Kenneth A. Kercher and Mr. Lewis C. Ganter each of whom own 50% of the outstanding shares. Since the firm's inception, Mr. Kercher has served as President, Chief Executive Officer, and Chairman of the Board. Mr. Ganter has served as Executive Vice President and director.

1.1 Company Mission: At inception, the company's mission was to define market needs for remote data capture systems, develop system solutions for these needs, and exploit the perceived markets through the production and sale of such systems. Datamatic's early system development and sales efforts were directed to retail warehouse and specialized inventory control applications. In 1982, the company pioneered the application of this technology in the utility industry by designing and installing the nation's first major remote electronic data capture system for meter reading. This system, still in use, was installed at the Texas New Mexico Power Company and resulted in over five hundred forty thousand (540,000) dollars of income to the company. Perhaps, even more important than the revenue opportunity this sale represented was the effect it had in launching a new, competitive industry. Since 1982, Datamatic, Inc. has focused its' business activities on this niche industry; a niche which by some expert estimates represents less than 1% of the remote terminal data capture market.

1.2 Ten Year Revenue Summary: The following table summarizes Datamatic's annual gross revenues since the corporation's inception:

8/31/78		$ 97,320	8/31/83	*	$ 3,272,203
8/31/79	**	$ 133,691	8/31/84	*	$ 4,084,393
8/31/80		$ 170,063	8/31/85	*	$ 8,276,706
8/31/81		$ 370,151	8/31/86	*	$ 9,218,926
8/31/82		$ 695,776	8/31/87	*	$ 9,596,462

** Estimated

* Audited financial statements prepared and signed by Arthur Anderson Co.

2.0 Business Opportunity: Datamatic, Inc. perceived a need of the electrical, gas and water utility companies to reduce the cost associated with the monthly reading of the respective utility meters located at the account site. Approximately seven years ago, Datamatic, Inc. pioneered an innovative solution to this need which involved the development and subsequent production of technically advanced remote computer terminals, central office receivers, and data concentrators, as well as sophisticated, high level, data processing software. The result of Datamatic, Inc.'s efforts is a turnkey hardware/software system, capable of quick installation and which offers the customer price/performance, features which become manifest through rapid payback and improved cashflow through reduction of fixed expenses.

Historically, Datamatic, Inc. has concentrated its sales efforts in the United States. However, the company has recently completed a relatively large installation at the Public Utilities Board located in Singapore. Datamatic, Inc. has over 70 customers, the largest having 631 hand-held terminals and the smallest having only two (2) hand-held terminals.

2.1 Market and Product Differentiation:

2.1.1 Products: Datamatic, Inc.'s product is a solution to its customers constant quest for reduction of meter reading costs. This is accomplished through the sale and installation of computerized hardware, propriety and in some cases, customized software, on-site training and continuing maintenance. As a systems integrator, Datamatic, Inc. has access to hardware originating from several vendors. The particular mix of hardware and software comprising a given customer's system is a function of technical requirements, preferences, cost considerations and competitive environment.

The term used within the industry to describe the system is EMR (Electronic Meter Reading). A Datamatic, Inc. EMR System consists of four main components: the existing mainframe host computer, a data concentrator or Datamatic DATASWITCH, the hand-held terminal or Datamatic, Inc. ROADRUNNER, and the supporting communications network.

In Datamatic, Inc.'s System, its DATASWITCH performs two functions. Firstly, it maintains a data base of meter information including identity number, account and location, type of meter, and high-low boundary limits. This information is typically organized into routes which personnel read, in logical order, on a daily basis. Secondly, the DATASWITCH serves as a data concentrator, in a network sense, collecting remote data from the multitude of hand-held remote terminals and transmitting this data to the utility's host computer where data operations prepare various records, reports and bills.

The ROADRUNNERs are hand-held battery powered, environmentally sealed computers, which are used by each meter reader to capture the data for each meter on his or her route. Prior to the commencement of the day's reading activities, a route plan is downloaded from the DATASWITCH to the ROADRUNNER which is analogous to a book containing log sheets with account information, meter number and blanks to be filled in by the meter reader at each reading. Through keystroke entry on the ROADRUNNER, these blanks are quickly and accurately completed. The ROADRUNNER checks the entered data for compliance with pre-established boundary limits. Data entered, which is out of limit, generates a "flag" to the meter reader, indicative of an "improper read", a malfunctioning meter, or meter tampering. At the conclusion of the day's work, the ROADRUNNER is again coupled to the DATASWITCH to upload the captured route data for subsequent processing and, once complete, to receive new route information, downloaded from the DATASWITCH, which will comprise the meter reader's next day's work. The connection between the ROADRUNNER and the

DATASWITCH may be accomplished at the utilities office using a cradle console or via telephone lines. For purposes of product line distinction, Datamatic, Inc. generally defines a system utilizing in excess of thirty-five hand-held remote terminals as a Major Market System, while those using less than thirty-five hand-held terminals fall into the firm's RouteStar product line. A more important technical distinction between these two product lines is software; the Major Market requires custom software written to a specification jointly prepared by Datamatic, Inc. and the customer, whereas, the RouteStar utilizes a generic software/hardware package and may be installed by the customer with little vendor support. In general Major Market accounts are utility companies having 50,000 or more meters.

2.1.1.1 Major Market System: A typical Major Market System will consist of a sizable number of remote hand-held terminals, one or more data concentrators (the Datamatic, Inc. DATASWITCH) and various communications and modem equipment necessary to allow the transfer of data from the data concentrators to an existing mainframe host computer used for data processing, analysis and customer billing. Since Datamatic, Inc.'s first installation of a Major Market System, in 1981, the company has exhibited a steady history of technological developments, resulting in faster, more powerful and in general, more robust systems with numerous options and enhancements. Today's Datamatic, Inc. hand-held terminals, for example, have the capability to allow transmission of data collected over the course of a full day, to the data concentrator from the comfort of the meter reader's home after he has completed his route. Another notable enhancement is the hand-held terminal's ability to automatically read complex and voluminous data files from industrial and load survey time of use/load profile meters through the use of a hand-hald electro-optical probe which is inserted by the meter reader into a receptacle on the meter unit.

An important characteristic of each Major Market System is the "tailor made" applications software which configures the system

around customer specific and/or unique applications, as well as allowing the efficient transfer of the collected data to the existing mainframe host computer. The mainframe host creates individual accounts, bills, internal reports, departmental analysis and record archival.

2.1.1.2 RouteStar System: Datamatic, Inc.'s RouteStar System was designed to fill the needs of small to mid-size utility customers. This market segment typically has limited funding available for capital items and may not have internal computer software and/or data processing design experience. RouteStar meets the needs of these customers by offering a complete hardware/software package with sufficient instruction materials to allow the customer to successfully implement and operate the system with little interaction with Datamatic, Inc. The system will not be "tailored" around specific applications requirements of the customers, as are the larger Major Market Systems; however, given the small number of remote terminal operators per system and the sameness of the operations of customers this size, this becomes an attribute of the RouteStar product line as opposed to a hindrance.

Datamatic, Inc. has strategically developed a RouteStar product family tree with three branches: the RouteStar 1000, the RouteStar 2000, and the RouteStar 3000. Each RouteStar series offers the customer an excellent, but yet different cost-performance advantage. In all cases, a RouteStar System will consist of a specified number of hand-held remote terminals, a cradle console or consoles containing remote terminal battery recharged circuitry and data transfer circuitry, and a data concentrator or Datamatic DATASWITCH, normally an IBM PC (or equivalent). Through the use of the "off the shelf" file transfer software packages, the data concentrator transfers all collected data to the host computer where billing, accounting, reporting and archival functions occur. (See Figure 2). An option allowing remote, telephone line communications between hand-held terminals is available for the RouteStar 3000 series.

Appendix Tables Reference	Industry/Application	Total Potential Market (1,000 Units)	Average Price Per Unit	Total Potential Market ($1,000)	Replacement Average Rate (Years)	Annual Market Potential ($1,000)	Average Annual Systems Installation Potential (a) ($1,000)	Average Annual Service Fees (b) ($1,000)	Total Industry Average Annual Revenue ($1,000)
A	Retail	3,547	900	3,192,386	4.0	798,097	79,810	159,619	1,037,526
B	Direct Sales	3,480	900	3,132,000	2.0	1,556,000	156,600	313,200	2,035,800
	Wholesale								
C	Route accounting	450	2,000	900,000	4.0	225,000	22,500	45,000	292,500
D	Warehouse automation	250	2,500	625,000	3.0	208,333	20,833	41,677	270,833
B	Sales	656	900	590,220	2.5	236,088	23,609	47,218	306,914
	Total wholesale	1,356	1,560	2,115,220	3.2	669,421	66,942	133,884	870,248
	Service								
	Healthcare								
E	Materials Management	27	1,500	40,662	4.0	10,166	1,017	2,033	13,215
F	Patient Care	245	1,500	367,491	3.0	122,497	12,250	24,499	159,246
G	Regulatory/Inspection	120	2,500	300,375	6.0	50,063	5,006	10,013	65,081
G	Utility	90	2,500	225,000	5.0	45,000	4,500	9,000	58,500
G	Service/Repair	481	1,919	923,039	5.0	184,608	18,461	36,922	239,990
	Total service	963	1,927	1,856,567	4.5	412,333	41,233	82,467	536,033
	Government								
H	Armed Services	500	1,500	750,000	5.0	150,000	15,000	30,000	195,000
	Public Administration	100	1,000	100,000	6.0	16,667	1,667	3,333	21,667
	Total government	600	1,417	850,000	5.1	166,667	16,667	33,333	216,667
I	Manufacturing	436	2,500	1,089,848	3.0	363,283	36,328	72,657	472,267
	Other (at 10%)	1,038	1,179	1,223,602	3.1	397,580	39,758	79,516	516,854
	Total United States	11,420	1,179	13,459,623	3.1	4,373,380	437,338	874,676	5,685,394
	Rest of World (at 50% of U.S.)	5,710	1,179	6,729,811	3.1	2,186,690	218,669	437,338	2,842,697
	Total World	17,130	1,179	20,189,434	3.1	6,560,070	656,007	1,312,014	8,528,091

Source: Prudential-Bache Capital Fund Group
E. Gray Glass III C.F.A. February 1988
(a) Assuming 10% of Average annual replacement market potential
(b) Assuming 20% of Average annual replacement market potential

Table 2.2

ELECTRONIC DATA CAPTURE
ESTIMATED AVERAGE ANNUAL REVENUE POTENTIAL

2.2.0 Served Markets: With few notable exceptions, Datamatic, Inc.'s internal sales and engineering expertise has been focused into three easily defined vertical market segments. These are the electricity, natural gas and water utility industries. In certain cases, one customer may represent an overlap of these industries by virtue of its participation in two or more of these product areas. As a result of Datamatic, Inc.'s almost exclusive attachment to these three market segments, the firm has developed several distinctive competencies with regard to its marketing abilities and accumulated engineering expertise within these market segments.

2.2.1 New Market Opportunities:

2.2.1.1 Datamatic, Inc. has traditionally maintained a high level of focus on its served market, however, not at the expense of ignoring industry trends both within and outside its core business. The company has realized from its inception that the three Electronic Meter Reading markets, which it has served so well, will eventually mature with time causing an inevitable decline in future sales volume and margins. Therefore, management has concentrated much attention on defining Datamatic, Inc.'s distinctive competencies and analyzing emerging market opportunities whose profiles match.

A key Datamatic, Inc. distinctive competency is its marketing department. The many tens of combined man years experience in dealing with the utility markets and the accumulated industry data and competitive intelligence base, coupled with the talented and seasoned marketing team, provides an experience base which would be difficult and expensive for a competitor to duplicate and, at the same time, gives the firm significant advantages to target new business opportunities within its installed base of customers. Datamatic, Inc.'s engineering and production capabilities are strongest at the system integration level, where large data processing oriented systems must interface to smaller

PC type systems and machine oriented systems. This combination of distinctive competencies has caused the company to undertake serious product development and/or technology acquisition efforts in areas described, but not limited to the following:

A. Distribution Automation Systems
B. SCADA or Supervised Control and Data Acquisition System
C. Automatic Remote Meter Reading Systems
D. Energy Management Control Systems

Datamatic, Inc., in fact, believes that its future success within its served market segments will result from its successful exploitation of its TEAM product line - Total Energy Asset Management, which skillfully combines the four system functions listed above into one integrated system.

2.2.1.2. Other Markets: As stated, Datamatic, Inc.'s product is a turnkey solution to the cost effective need for data capture and processing by the utility industries. The combined electrical, gas and water industries usage of data capture and processing systems represents less than one percent of the total remote data capture and processing market. The following table (2.2) provides a summary, by industry segment, of the total worldwide data capture and processing market.

Datamatic, Inc.'s strengths as a systems integrator have been targeted on the utility vertical market, thus allowing the company to capitalize through a focus oriented competitive strategy. By gaining a thorough understanding of the specialized needs and buying habits of this market segment. Datamatic has effectively limited competition and maintained unusually high profitability. Now that company is in a position to enjoy good health and relative stability, it is conducting a systematic analysis of the data capture needs of other industries, such as transportation and oil field and the retail sales order entry industries in efforts to identify additional unserved vertical

markets, whose needs can be best addressed through Datamatic, Inc.'s combination of experience and focused operations. The following two paragraphs describe non-utility EMR Systems previously designed and sold by Datamatic Inc.

2.2.1.2.1 Parking Lot Inventory: Datamatic, Inc. designed and installed a Parking Lot Inventory System at the Dallas/Fort Worth International Airport. This system is used to track over 19,000 vehicles daily, parked on the airport grounds. Reports are generated, which allow the efficient management of long term, short term, and high priority parking lots. Additionally, lot inventory is taken nightly and each vehicle is entered by license number and time/date stamped. This information is subsequently transferred from the hand-held ROADRUNNER to the system data base and is available to all tellers via a CRT terminal. This information has effectively reduced to zero lost revenues resulting from "missing" parking tickets, under-charging for premium locations, and flags stolen vehicles.

In most respects, this system is substantially similar to the Datamatic, Inc. EMR systems and utilizes the same hardware components. The software has been customized for this application, such that, as an example, route information is defined in terms of lots, rows and spaces, as opposed to addresses, account names and meter numbers. The principle of operation, however, is the same. The Dallas/Fort Worth International Airport parking authority indicates that the system paid for itself in a matter of months through reduction of lost income.

2.2.1.2.2 Fugitive Gas Emissions Tracking: Datamatic, Inc. designed, under contract, a system known as GASTRAC for the Marathon Oil Company, which is being used at all Marathon U.S. refineries. The GASTRAC System uses the hand-held ROADRUNNER to measure hydrocarbon emissions, in terms of PPM, emanating from valves, pumps, compressors and other system components within the refinery. The sensing is accomplished by use of a special gas sensor wand which is attached to the ROADRUNNER.

A database is maintained and the collected data is reduced to various reports from which maintenance schedules are derived as well as EPA compliance documentation.

Marathon indicated to Datamatic, Inc. that the system paid for itself quite quickly by: 1) a reduction in EPA compliance costs and associated fines, and 2) improved preventive maintenance, resulting in a reduction of refinery down time. The customer has also gained benefit from the system through its creative and unique inventory control applications of the system which are totally apart from its originally intended use, and thus, are manifest as an additional bonus.

3.0 Sales - Product Emphasis:

3.1 FY Ending 1988: Beginning September, 1987, and for the balance of the fiscal year, Datamatic, Inc. will concentrate its sales efforts on the following product lines:

1. Major Market Hand-Held EMR
2. RouteStar

3.1.1 Major Market Hand-Held EMR: It is anticipated that several new features, enhancements, and options will be available to aid in the differentiation of Datamatic, Inc's Major Market EMR product from that of its competition. Datamatic's decision to design, manufacture and offer for sale such product line enhancements are resultant from the following four factors:

1. Market demand in the form of orders
2. Market research
3. Competition
4. Strategic planning demands

The following options have been approved for introduction in FY 88:

1. PowerProbe: The PowerProbe option allows the automatic collection of data by the ROADRUNNER terminal from solid state time of use and load profile recording meters by means of a probe-like device which is inserted into the meter by the meter reader. Through an electro-optical interface, data is transferred in a bi-directional fashion between the ROADRUNNER and terminal. Market research indicates that the PowerProbe will be a critical factor in Datamatic, Inc.'s efforts to penetrate the installed base of competitor systems and for the upgrade of Datamatic's installed base. Some PowerProbe centered hand-held systems may be sold as "stand-alone sales", as well, although in general, research indicates these will be isolated instances. Datamatic, Inc.'s engineering department has completed the hardware/software designs to support solid state meters manufactured by the following manufacturers: General Electric, Process System, Robinton, Scientific Columbus, Landis and Gyr, and Domestic Automation.

Datamatic, Inc. has plans to complete a hardware/software interface to support the Westinghouse line of solid state meters as well. Westinghouse representatives indicate that they command in excess of 25% of the solid state TOU and recording meter market and is arguably the number 1 or 2 supplier of this equipment, world-wide. The reason that Datamatic, Inc.'s introduction of a Westinghouse compatible probe lags the other manufacturers is that to support Westinghouse meters requires a unique electro-optical hardware interface. As Westinghouse is the only meter manufacturer using this approach as opposed to the GE "optocom", patented approach, which the seven other major meter manufacturers are using, Datamatic, Inc. has waited for quantification of the potential market for the Westinghouse units prior to the commitment of engineering expenditures. Additionally, Datamatic, Inc. will develop an interface to solid state meters manufactured by the Sangamo division of Schlumberger, who commands a 25% market share.

The following table provides an estimate of the market share held by the eight major solid state meter manufacturers:

General Electric	25%	Process Systems	6%
Westinghouse	25%	Robinton	3%
Sangamo	25%	Domestic Automation	2%
Landis & Gyr	7%	Scientific Columbus	7%

2. On-Site Remote: The on-site remote option allows meter readers to automatically read standard polyphase residential meters which are termed to be inaccessible to the meter reader, due to their physical location. This concept may be used in conjunction with gas and electricity meters.

Through market research, Datamatic, Inc. has learned that this option will provide additional product differentiation and may be critical to Datamatic, Inc.'s future successful penetration of accounts currently held by competitors, in so far as total system sales are concerned. Additionally, it appears that substantial business exists for the sale of equipment necessary to support this option to utility customers who may have existing EMR systems. Further market research and competitor analysis will determine Datamatic, Inc.'s strategic positioning of this option. It is anticipated that demonstrable hardware/software will be available to the marketing department for customer presentation in May 1988, and that production will begin in August of 1988. This option requires an in-house hardware/software development effort.

3. Bar Code Wand: A hand-held bar code reading wand will be introduced in 1988, which will allow verification of meter identification through an internal UPC bar code located inside the meter and visible through the glass. Preliminary market research indicates that this feature will have additional differentiating impact on Datamatic, Inc.'s Major Market Systems. Little, if any, stand alone opportunities are expected from this option.

The bar code reading option is essentially software intensive. Numerous bar code wands are available to Datamatic, Inc. at costs consistent with selling price/margin expectation.

3.1.2. RouteStar: Datamatic, Inc.'s RouteStar product has been positioned to serve the needs of municipalities, private water companies, and small gas and electric companies. The nature of the product is such that little or no custom engineering is required to complete a system sale and there are no options currently planned.

The RouteStar product line has been structured to offer the customer a choice of three generic systems: RouteStar 1000, RouteStar 2000, and RouteStar 3000. The RouteStar 1000 System is based around ROADRUNNER 88S hand-held terminals, which are factory refurbished units. It is anticipated that Datamatic, Inc. will be repurchasing various quantities of these terminals over the course of the next two to three years as a result of its installed base buy-back and upgrade program. Thus, the sale efforts in terms of promotions, discounts, etc. attached to the RouteStar 1000 series will be driven by inventory considerations.

3.2 FY Ending 1988 and Beyond: Datamatic, Inc. anticipates market conditions to change dramatically over the next two years as a result of the maturation of the market and corresponding competitive forces, such as new entrants, buyer bargaining power, etc., which will force the marketplace to be cost driven. Datamatic, Inc., through market research and competitor analysis, will remain sensitive to the dynamic nature of the marketplace and product-options, pricing and mixes will be adjusted according to the corporate strategic plan and fine tuned to market variations.

Consistent with the long-term plans of Datamatic, Inc. will be the acquisition or in-house development of SCADA and DAS product offerings. The organizational structure and management of

Datamatic, Inc.'s sales and marketing departments have been optimized to allow the rapid integration of new products into the sales and distribution channels. The selection of product lines and time frames in which they are introduced are dependent upon: 1) market research, 2) customer demand, 3) window of opportunity, and, 4) relationship in long-term corporate strategy.

Additionally, Datamatic, Inc. has been maintaining an in-house development effort resulting in its AMR-TEAM (Total Energy Asset Management) systems product line. The correct positioning of the TEAM product relative to customer demand and incorporation within the corporate strategic plan will be a function of determinations made through ongoing market research. As of February 1988, Datamatic, Inc. has completed Phase II of its AMR-TEAM market research and the company anticipates the compilation of sufficient data to base a "go-no go" decision, with regard to the TEAM project in early May 1988. In the event the program goes forward, strategic plans, budgets, and program management systems will be completed by June 15, 1988.

4.0 Datamatic Distinctive Competencies: The following corporate distinctive competencies have been identified.

4.1 Utility Market Technical Requirements: Datamatic, Inc. has acquired a high degree of understanding of the technical, functional and operational requirements of the utility industries' need for EMR data capture systems resultant from the installation of over sixty-five (65) large systems world-wide.

4.2 Utility Market Buying Habits: Datamatic has acquired a high degree of understanding of the buying habits of the utility industry resultant from servicing this industry for over eight (8) years.

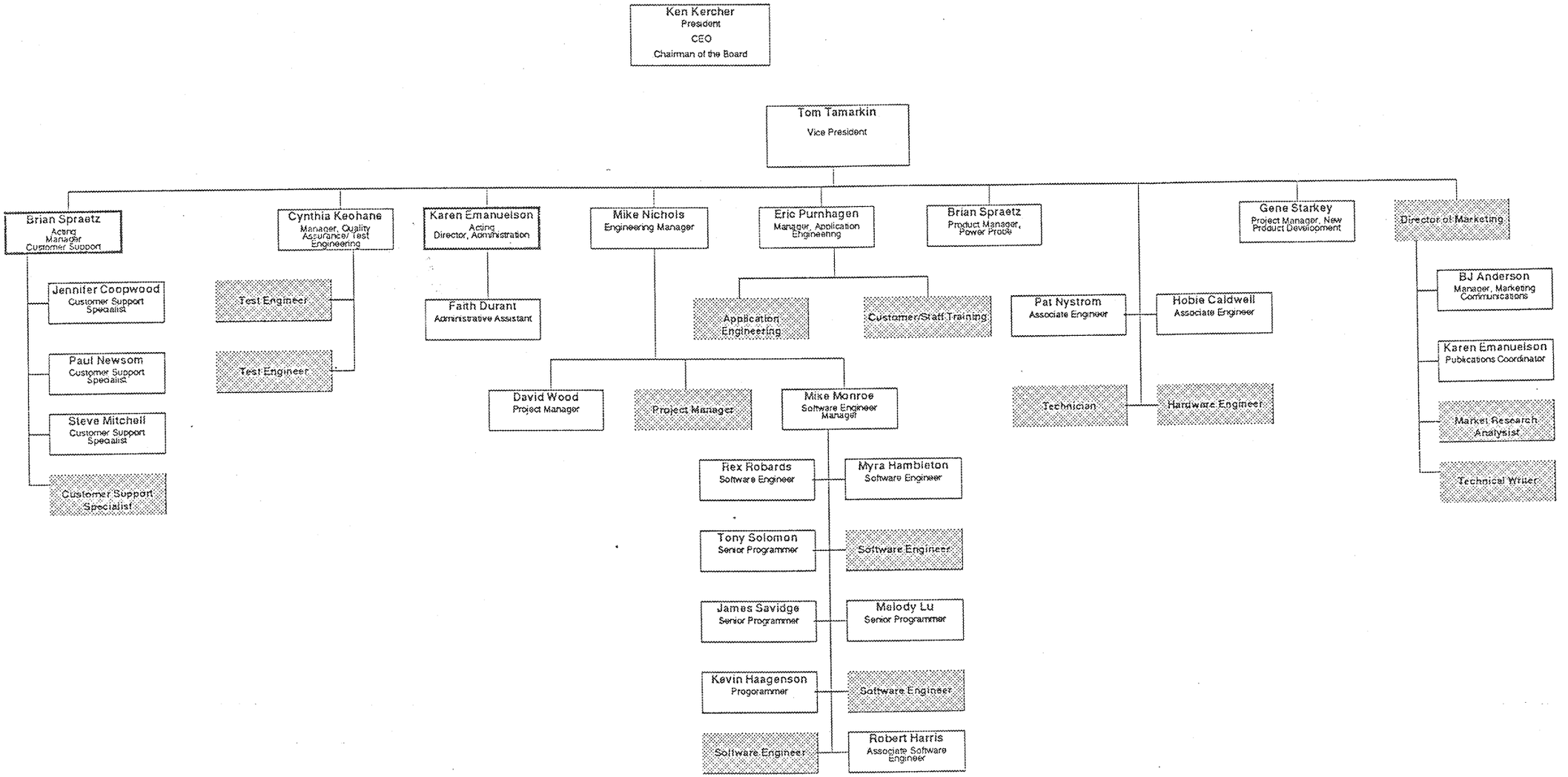
4.3 Technical Competencies: Datamatic has built an engineering and product development department which has as constituent design groups, both a large system data processing orientation and a E.E. machine level orientation. A key distinctive competency, unique to the industry, is the high degree of coupling between these groups thus providing Datamatic a strong competitive edge in terms of the organization's ability to design and produce efficient, high level communications software which allows for cost effective and reliable system integration. One important manifestation of this attribute is Datamatic's reputation for quick system installation after receipt of order. Another key benefit is the low cost of production (process advantage).

4.4 Image and Customer Goodwill: Datamatic has the reputation within the industry of providing cost competitive systems of the highest quality and reliability, faster than its competitors, and without interruption of the customer's operations. Traditionally, Datamatic has been customer oriented providing a high level of support, training, service documentation and post sale support.

4.5 Professional Marketing Department: Datamatic is building a professionally staffed and managed marketing department. This department, described in detail in Section III, 3.0, herein, has three primary functions: i.e., 1) Sales support, 2) Forecasting and strategic planning, and 3) Product innovation. Therefore, this department is building excellent market research, competitive analysis and new business opportunity review systems as well. Coupled with the application engineering component of the marketing department and in-house sales staff training, a culture is being developed and instilled into the sales department to seek out additional customer needs and translate these into producable product and closed sales.

4.6 Corporate Culture: Datamatic'a size and lean operations are ideally suited to the dynamic nature of the marketplace. Since the marketing, sales, and engineering departments are closely coupled, the downstream results of product shipped are matched to marketplace demand with minimum lag time. Departmental emphasis and overall business strategy can be changed quickly to track the overall external macro-economic picture.

5.0 Current Organization: The following table depicts the current organizational structure of Datamatic effective February 26, 1988.



Datamatic, inc.

The company is divided into five (5) functional units each of which report to the executive body. A description of these five units as well as the executive body follow:

5.1 Sales/Marketing: The sales and marketing department is currently responsible for all sales related activities including direct selling, contract negotiations, promotional activities, sales support materials, proposal generation, rfp response and market research. This department is headed by M. Danny Shirley, V.P. Sales/Marketing, who joined Datamatic in 1982.

5.2 Controller: The controller is responsible for the preparation of internal financial documents and annual audited financial statements. Internal reports include monthly interim statements, weekly cash flows, weekly aged receivable statements and aged payable reports prior to scheduled payment. The controller has been responsible for the two shareholders' personal financial statements, books of records, etc. A second major area of responsibility is compliance reporting, including corporate tax returns as well as the individual tax returns of the two shareholders and their unmarried children. In addition to the above areas of responsibility, the controller is also responsible for all foreign financial reporting, the protection and maintenance of assets, working capital and short term investment maintenance, long term investment strategies and maintenance, contract administration, project planning consultation, budgeting, and regularly participates in the process of developing corporate policy. This department is headed by Mr. Phillip J. Masters, Controller, who joined Datamatic in 1986.

5.3 Customer Service: The Customer Service department is responsible for all warranty and maintenance-contract related repair work. This department works closely with customers who have or believe they have system malfunctions or broken

equipment. This department maintains a 24 hour service hot line and is equipped to transfer software modifications, updates or corrections directly to the customer's system via telephone and modem connection. Additionally, this department is responsible for inventory control, shipping and receiving, warehouse activities, building maintenance, janitorial services and the management of supplier maintenance agreements and the routine operations thereof. This department is headed by Mr. Ross Trestor, Director of Customer Service, who joined Datamatic in 1981.

5.4 Engineering: The Engineering department is responsible for the generation of a user specification which occurs at the time of customer order. This process involves detailed interaction with the customer at the customer's site where time motion studies are conducted, internal process and reporting systems are analyzed and existing computer and data processing systems and equipment are critically reviewed at the data structure and file interface level. Once this user specification is complete, the engineering department is responsible for the design of software architecture which will fulfill the user specification requirements in terms of produced product, as well as the actual design and generation of software code which, in essence, is the product produced by Datamatic. The Engineering department is responsible for all design and development of commercially produced product, the maintenance of its produced software, quality control and assurance, internal tools and equipment selection, implementation, as well as the final installation of the system at the customer's site, system operations training, and the publication of manuals and support documentation. Additionally, the department works closely with the customer service department to address the specific needs and problems of customer system failure or malfunction. The department is headed by Mr. Dan Vermire, V.P. Engineering who joined Datamatic in 1984.

5.5 R&D/TEAM: This group is responsible for the design, prototype construction, pre-production pilot builds and pre-sale testing of new products which involve electronic engineering hardware/software skills and disciplines. This department has been traditionally staffed with consultants/contractors on an as needed basis. The most recent project/product developed by this group is the TEAM (Total Energy Assets Management) system. The TEAM product development program is currently being lead by Mr. Gene Starkey who has been working with Datamatic since 1986. Other new product development efforts such as Powerprobe and ReMacs are being led by Dr. Elmer Smalling III, who has been working with Datamatic, Inc. since 1987.

5.6 Executive Body: Datamatic's executive body consists of the firm's President & CEO, and Executive Vice President who also comprise the firm's board of directors.

5.6.1 President, Chief Executive Officer and Chairman of the Board: This position has been held by Mr. Kenneth Kercher, since the Corporation's inception in 1978. This office is responsible for overall corporate policy and communications with outside members of the community, on behalf of the Corporation. Additionally, Sales/Marketing and the office of the Controller report directly to this office.

5.6.2 Executive Vice President and Director: This position has been held by Mr. Lewis C. Ganter since the Corporation's inception in 1978. This office is responsible for all technical activities, product development, product production, installation, customer service and repair, The Customer Service, Engineering, and R&D departments report directly to this office.

III. OPERATIONS

OVERVIEW

Since April of 1985, Datamatic, Inc. and/or its Chief Executive Officer has commissioned the services of three independent management consulting firms, beginning with the Stanford Research Institute (SRI) to evaluate the strengths, weaknesses, distinctive competencies, organizational structure, values, and behavior systems of Datamatic, Inc., in short, the corporate culture. In addition, Datamatic's interfaces to the external macro-economic world in which the corporation functions and competes, have been analyzed as well.

The objective of the various studies is twofold. Firstly, Datamatic's management wished to posture the Corporation so as to insure its stability, continued growth, and long term good health. The second objective is the development of a growth and diversification program which will continually meet the corporation's mission and corollary objectives.

The Corporation has reached a point in its evolution where its existing departmental and organizational structures can no longer support the demands of a quickly changing marketplace and therefore, certain organizational and philosophical changes will be made consistent with the above findings and the demands imposed by the medium and long term objectives described in the executive summary of this document. These fundamental changes will be recognized when a comparison of the corporate structure as depicted in the table in Section II, sub-heading 5.0 is made with that depicted in Table 2.1, Section III.

A summary of pertinent findings which suggest change follows:

A.) Findings of Fact:

- o Communications
- o Wall
- o Divided corporate family
- o Unrealized personal expectations
- o Cost controls
- o Pricing strategies
- o Lack of budget management
- o International market
- o Sales driven
- o Project management
- o Fuzzy organization
- o Knowledge of corporate goals and strategies
- o Inventory levels
- o Invest to grow
- o Planning procedures
- o Long term planning
- o Division planning
- o Functional planning
- o Image
- o Market share
- o Limited product life
- o Quality control
- o System development methods
- o Sells turn key EMR solution, not hardware or software

B.) Corporate Strengths & Weaknesses:

Strengths	Weaknesses

C.) Characteristics and Attributes:

- o Entrepreneural
- o Divided Objectives
- o Excellent Profit & Growth History
- o Integrity
- o Single Product/Market
- o Image
- o Growing Pains
- o In Need of New Structure

The remainder of Section III of this document describes the strategic and operational plan through which Datamatic Inc. will meet its medium and long term objectives this fulfiling its mission.

1.0 Corporate Mission, Objectives, and Culture:

1.0.1 Mission: Datamatic's mission is to maximize the market value of its shares of common stock and its return on investment of all its resources entrusted to management, thereby attaining a better than 35% per annum compounded, growth in yearly revenues through the creative and skillful management of innovation and invention of technology in the information, communications and control fields, consistent with the entrepreneurial values and beliefs of its founders, directors, and shareholders, which shall become manifest to serve its constantly expanding base of customers through the provision of excellent products and service, thereby inuring to the benefit and betterment of Datamatic's employees, customers, shareholders, creditors, suppliers, community, the public and its government.

1.0.2 Objectives: Datamatic's short term, medium term, and long range objectives follow:

1.0.2.1 Short Term FY 88: Gross sales revenues exceeding 10.1 million dollars coupled with a minimum of three new product introductions within its core business opportunity and the systematic review of not less than six non-utility business opportunities consistent with the firm's distinctive competencies.

1.0.2.2 Medium Term FY 1990: Gross sales revenues exceeding 15 million dollars for fiscal year ending 1990 consisting of core business sales, TEAM product system sales (or equivalent opportunity) and sales within at least one yet to be defined non-utility related business opportunity.

1.0.2.3 Long Term FY 1992: Gross sales revenues exceeding 45 million dollars for year ending 1992 consisting of core business sales, TEAM product systems sales (or equivalent opportunity) and sales within at least four, non-related, yet to be defined non-utility marketplaces.

1.0.3 Culture: DATAMATIC IS BY DEFINITION A TECHNOLOTY COMPANY IN THAT TECHNOLOGY IS A KEY ELEMENT, IF NOT THE KEY ELEMENt IN ITS BUSINESS STRATEGY. Therefore, a significant portion of Datamatic's human resources are engineers, programmers, and technicians. The work product designed by the engineering staff and translated into company product has a relatively short product life cycle as are indicative of technology company products. Thus, the company is offering a product today which did not exist five years ago and the products which may well comprise the bulk of the firm's product offering in five years, may not yet be even in the concept stage. Another component of Datamatic's overall character and culture is the high degree of business risk associated with the act of producing a single product (turn key solution to utility EMR needs) sold to a single set of customers (utility companies). Yet another component of Datamatic's culture is the fact that is has faced very rapid growth and that the threat of equally rapid decline is present should the company ever be caught off guard.

The critical components in Datamatic's corporate culture are and will remain:

- o Effective and massive internal and external communications
- o High sensitivity to changing market conditions
- o Effective goal setting and plan management
- o Short reaction time to couple downstream results with market demands.
- o Marketing and innovation driven
- o Well understood set of values, commitment, and direction
- o Commitment to technical leadership
- o Commitment to quality
- o Commitment to excellent customer service
- o Highly motivated, well-trained quality personnel
- o Atmosphere of creativity and sense of accomplishment
- o Total commitment to goals

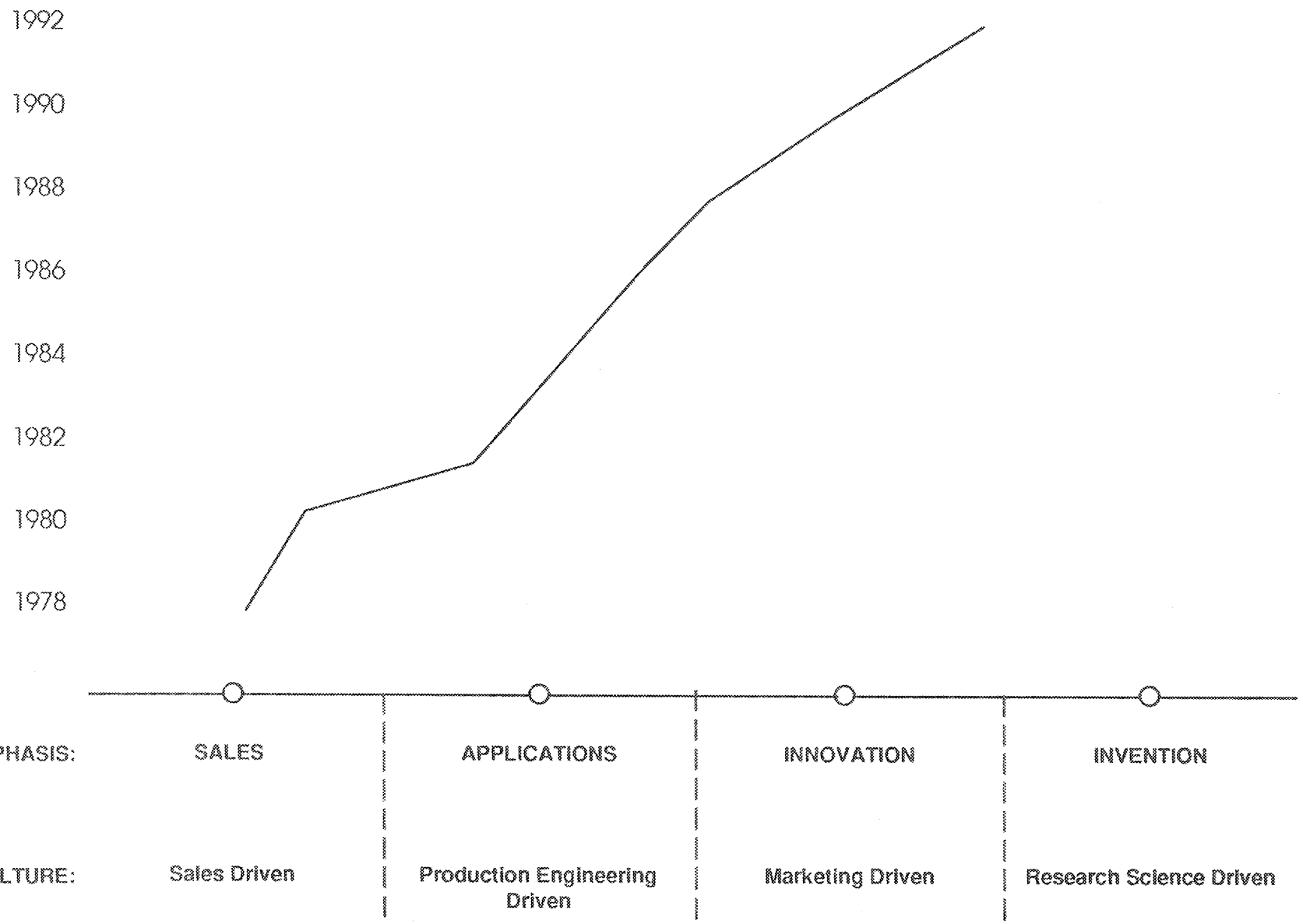


Table 1.0
Datamatic Inc
Technology – Source Continuum as a Functuion of Market Dynamics

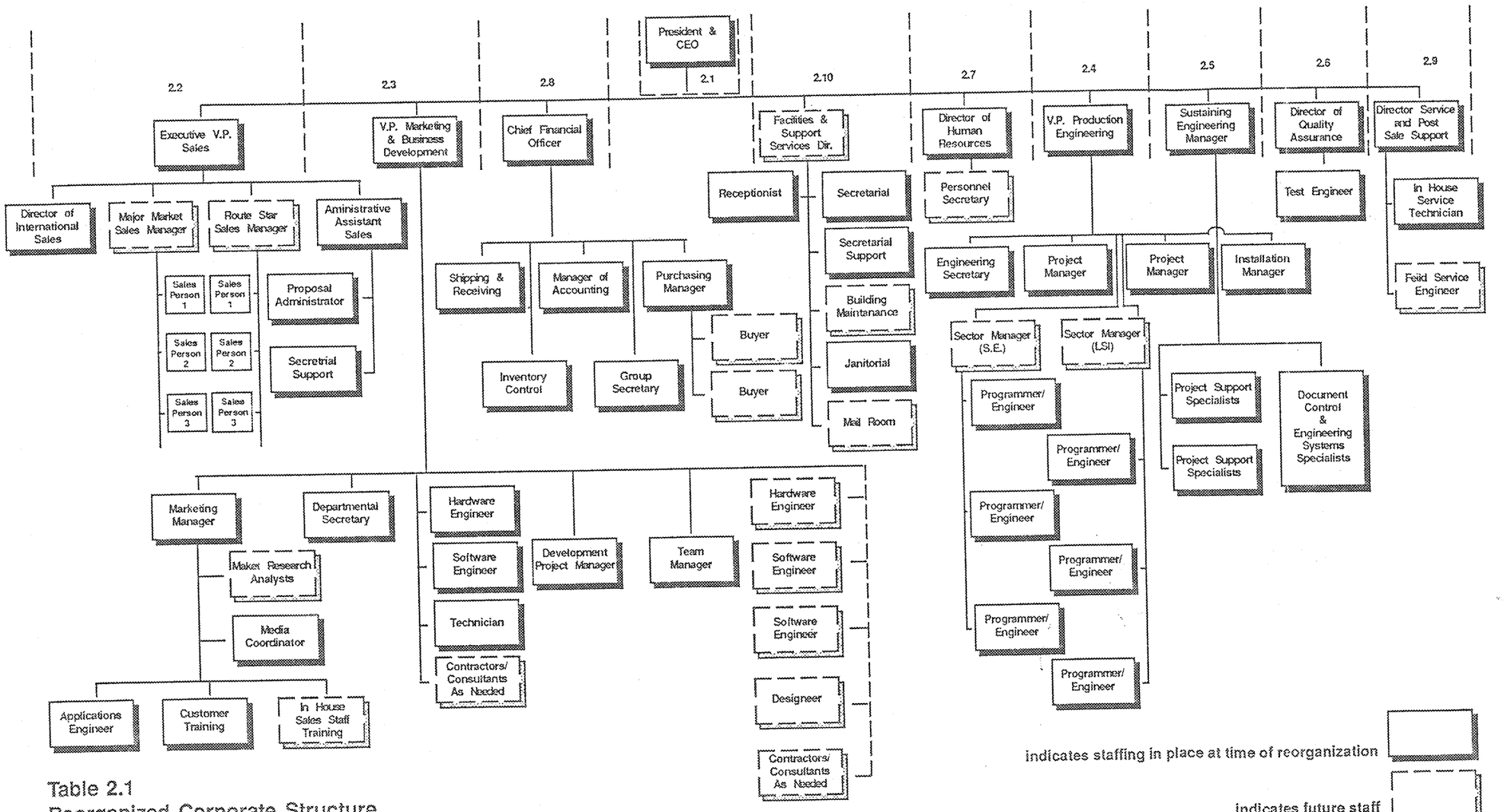


Table 2.1
Reorganized Corporate Structure
Datamatic Inc.

1.0.4 Product Market Selection: The single, most critical, corporate wide, decisions which will dictate the firm's future degree of success is the selection of product market segments for penetration. Datamatic's management will insure that the firm's product-market choices do not suffer from either marketing or engineering myopia. These choices will affect the prevailing culture of the firm depending upon allocation of resources and concentration of responsibility. Datamatic will not allow such decisions to be made without the active participation of all team members.

1.0.5 Datamatic's Technology-Source Continuum: In the second quarter of 1988, Datamatic will make fundamental changes in the corporate structure to allow the company the benefits of being marketing driven in terms of overall culture and innovation orientation with regard to technology in terms of strategic emphasis. Table 1.0 depicts Datamatic's history of strategic emphasis and prevailing culture since the firm's inception.

2.0 Corporate Structure: Under this plan, Datamatic will be organized into the following nine functional departments, under the direction of the general manager, as shown in Table 2.1

2.1 President and CEO (General Manager)
2.2 Sales
2.3 Marketing and Business Development
2.4 Production Engineering
2.5 Sustaining Engineering
2.6 Quality Assurance
2.7 Human Resources
2.8 Chief Financial Officer
2.9 Service and post sale support
2.10 Facilities and Support services

A detailed description of the above ten functional departments follows in terms of:

- o Department vision
- o Department responsibilities
- o Department accountability
- o Department contribution to corporate P & L
- o Department organization
- o Department philosophy
- o Department operations
- o Department budgets
- o Department staffing requirements

2.1 President and CEO: As of the second quarter of 1988, and into the near term foreseeable future, the office of General Manager will be absorbed into the office of President and CEO.

2.1.1 Function: The function of the President will necessarily change as Datamatic grows. The following areas of prime concern and emphasis are related to time.

2.1.1.1 Short Term, Period Ending 1988: A) The key primary task of this office during this time period is to lead the organization and integrate the viewpoints, functions and activities of the nine departmental groups reporting to this office.

B) As a corollary to A. above, Datamatic's President's most important task will be to convey, interpret, explain, demonstrate and incorporate in actions taken, the firm's new culture, which reflects the firm's newly defined set of corporate objectives and values.

C) The President will define and maintain the correct hybrid balance of control through centralization of decisions and control at the departmental or staff level. One minute Datamatic's President will be bold and decisive and later, he must be purposely vague and nondirective in order that the department below will have sufficient elbow room within which to operate. Datamatic's President will be simultaneously a good delegator and a constructive meddler, a forceful leader and a good listener.

D) The office of the President will begin to change its management style. During the entrepreneurial phase of Datamatic's business, the executive's tasks were far more doing than managing. At this stage of the Corporation's development, failure to alter the mix of doing vs. managing will lead to problems which will stifle growth, reduce creativity and departmental problem solving and cause the loss of valuable human resources.

E) Another important function of the firm's president will be to develop a sense of being both a muddler and an opportunist; management by wandering around, in effect. Such wandering will facilitate gathering information from multiple channels; to obtain and process soft information, and to transmit the corporate culture and provide leadership informally.

F) The President will encourage action rather than further study, as the general rule. This is an important component of the new corporate culture since the rapid change that characterizes Datamatic's competitive business environment requires that the general management function be action oriented. Some action, after proper preparation, is generally better than the delay required to study the problem further.

The following five policies comprise the general, short term philosophy of the President's office:

1. Many pipelines of information will be opened. The President will not rely solely on formal information systems or information processed through the formal chain of command.

2. The office will concentrate on a limited number of issues. Energies will not be dissipated across the many time-consuming activities which have an infinitesimal impact on overall corporate strategy.

3. The office will identify the corridors of comparative indifference. Once organized and competently staffed, the organization will tolerate only so much direction from the top, therefore a good sense of how hard the office can push, and how often, will be developed.

4. The office will provide the organization with a strong sense of direction coupled with open-ended short term objectives. The emphasis will be on effective leadership, giving direction without providing such precise or detailed instructions that the organization's creativity and initiative are stifled.

5. The office will strive to spot opportunities and relationships in the stream of operating problems and decisions. The President will be a planner and encourages planning by subordinates yet he must be mindful that even if the plan is sound and imaginative, the job is just beginning.

2.1.1.2 Medium Term and Beyond: The shift of emphasis on behalf of the President at this point in the Corporation's evaluation will be towards the ceremonial and relationships between the Corporation's mission and the various corporate constituents.

2.1.1.2.1 General Manager: In all likelihood, Datamatic will hire, or promote from within, a General Manager or Chief Operations Officer, by 1990. The President will serve as the mentor during the GM's period of preparation prior to his appointment. In addition to the above qualities, the primary trait to be developed is flexibility and tolerance for ambiguity. The need for adaptive changing behavior is summed up by the following observation:

"Management in the high-technology area must sometimes espouse organizational disorder but at other times, most of the time, espouse order. Disorder, slack and ambiguity are synonymous with innovation. Slack provides room for the entrepreneurial func-

tion. Managers must sometimes disorganize innovation. Thus, a successful, high technology firm, must, in a sense, be managed ambivalently. A steady commitment to order and organization will produce one color Model T Fords. Continuous revolution will bar incremental productivity gains. It's knowing when and where to change from one stance to another, and having the power to make the shift, that is the core of the art of technology-based, general management."

- Dr. Simon Rammo Chairman TRW Corp.

2.1.1.3 Major Barriers To Long Term Business Success: Datamatic, Inc. is sensitive to the truism that the growth of technical companies frequently plateau and that once this floating cycle begins, restoring growth is difficult. The operative corollary to this truism is that unless the General Manager grows and changes, growth will be stunted.

The following table, adapted from an article by Larry E. Greiner entitled "Evolution and Revolution as Organization's Grow," Harvard Business Review, July-August, 1972, shows Datamatic's past current and forecasted position with regard to the probable occurrence of reaching such a plateau and the events most likely to trigger this phenomenon:

* Projected

Datamatic Time Line	Phase-Event
	Phase One:
1978-1987	- Growth through creativity
1988	- Crisis of Leadership
1988-1990	Phase Two:
1990*	- Growth through direction
	- Crisis of Autonomy
1992*	Phase Three:
	- Growth through delegation
	- Crisis of Control
	Phase Four:
	- Growth through coordination
	- Crisis of red tape
	Phase Five:
	- Growth through collaboration
	- Crisis of ?

Phase One:

Identifiers: This model identifies the first stage as one of creativity and a time when little formal management is needed because the operating team is small, highly motivated, entrepreneurial, very hardworking and in close contact with each other.

Crisis: The crisis that befalls at this stage is that of leadership. As demands on the company become broader and include production engineering, financing, customer service, marketing, sales, product development, the highly motivated original team is supplemented with personnel having less intense dedication and for whom the information communication systems are inadequate or inappropriate. Confusion ensues. To eliminate this confusion one strong leader must emerge.

Phase Two:

Identifiers: During the second phase of growth, sustained growth results from strong and directive leadership. A more formal management structure is put into place, communication formalizes, and yet the CEO makes or approves virtually all key strategic and policy decisions.

Crisis: As the business grows, the CEO becomes stretched and cannot direct, personally, the diverse activities of the business. Lower-level managers find their restricted decision making authority frustrating and cumbersome. The result is a leveling of growth as the lower-level managers demand more authority or leave the Company.

Phase Three:

Identifiers: Phase Three occurs when top management concentrates on management by exception and on dealing with the external environment. Decentralization occurs, with more authority being delegated downward. Many times this occurs when a new CEO or management team is brought in to infuse "professional management" to the Company.

Crisis: The classic struggle between the centralized and decentralized management now occurs. Lower-level managers have had a taste of autonomy; the top management team, having been "burned" by out-of-control conditions in remote corners of the now spread out organization is now anxious to reassert more direct control over the Company. Another growth plateau will ensure unless techniques are adopted to effect coordination without heavy-handed control.

Phase Four:

Identifiers: When Phase Four occurs, procedures take precedence over problem solving and innovation is reduced to zero. The organization has become too large and complex to be managed through formal vertical programs and rigid systems.

Crisis: Ineffective coordination results in excessive red tape and another growth plateau ensures unless the fifth and solution oriented phase of collaboration is entered into wherein greater spontaneity in management action through teams and the skillful confrontation of interpersonal differences.

Datamatic's management team in conjunction with the President and the firm's board of directors will be alert to the onset of these various growth phases. Incorporated into the firm's culture will be the willingness to put into effect the changes that are necessary to maintain company growth and organizational health, even when these changes involve the unpleasant task of replacing or reassigning key managers and staff.

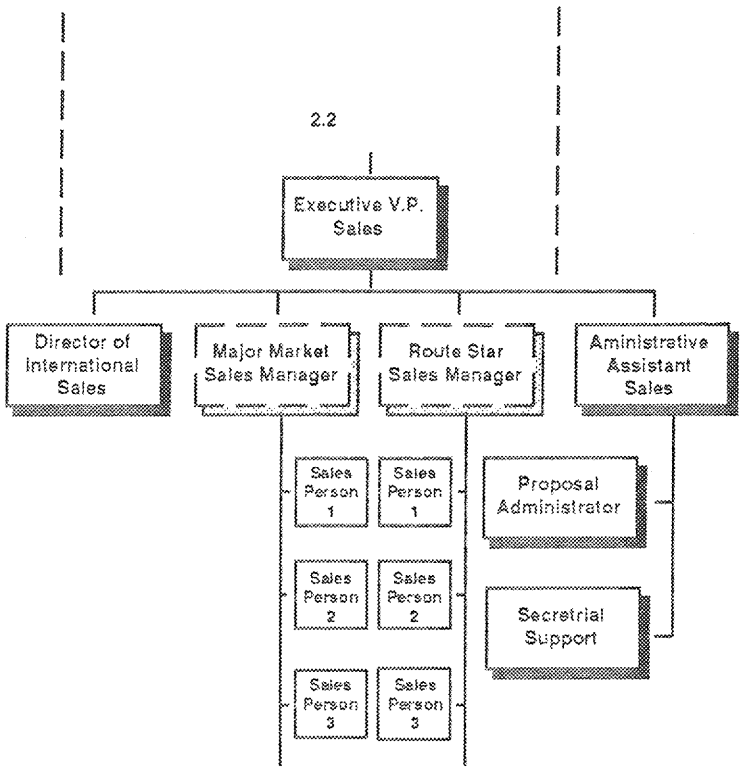


Table 2.2
Sales Department

2.2.0 Sales Department Organizational Structure: Datamatic Inc. sales department's organizational structure is shown in Table 2.2. The department is headed by the Vice President, Sales.

2.2.1 Sales Department Budget:

FY 1988	$ 659,000 *
FY 1989	$ 750,000
FY 1990	$ 843,750
FY 1991	$ 949,218
FY 1992	$1,067,871

* Estimated due to impact of reorganization

The above figures presume sales support of all products shown on the Datl7 Proforma Income Statement contained in Section VII herein. Accordingly, the above budget represents the most aggressive scenario and may be scaled back accordingly in the case of more moderate growth. The above budget is in addition to commissions computed at 4% of total sales.

2.2.2 Sales Department Staffing Requirements:

Year	Department Head	Managers	Sales Personnel	Admin.	Secretarial
1988	1		7	1	2
1989	1	2	10	1	2
1990	1	3	13	1	2
1991	1	5	18	1	2
1992	1	5	18	1	2

2.2.3 Department Mission: The mission of the sales department is to close orders having a dollar magnitude at years' end consistent with Datamatic Inc.'s sales objectives as presented in the firm's most optimistic proforma forecasts approved and agreed to by management.

2.2.3.1 Forecast Approval: Forecasting at Datamatic Inc. will be a joint effort between the CEO, the marketing department and the sales department. This process is described in detail in

Section 2.3.1.2 herein; however, the firm's CEO has final approval over the forecasting process. Approved forecasts will be promalgated from the CEO to the Sales department Vice President one month prior to fiscal year end. The Sales Vice President will either commit to the achievement of the forecast or negotiate with the CEO if modifications to the proposed budget are deemed necessary. Once agreement is reached, the forecasted sales figures are released and departmental incentives, bonuses, and future budget increases are based on performance against the established goals.

2.2.3.2 Departmental Incentive Compensation: The Vice President of Sales compensation package is based, in part on the department year end performance against these goals.

2.2.4.0 Sales Plan: The 1988 Product/Market mix of Datamatic Inc. provides three generic products to two generic markets. These are:

Product	Market
1. Major Market Road Runner EMR System	Utility companies with 50,000 or greater meters
2. RouteStar System	Utility companies with 50,000 or less meters
3. Power Probe System	Electrical utility companies

The above model is predicated on the assumption that Datamatic Inc. sells, as a product, a turn key solution to electronic meter reading. There are, of course, many combinations of hardware/software which comprise differenct system configurations. These are treated as options at the point of sales entry; specific software requirements are a function of the user specification portion of the order acceptance cycle. The following table shows a progressive expansion of the product/market mix which, in fact, will be marketing driven and which supports the optimistic proforma income projection described in Table Dat17 contained in Section VII herein:

Year	Product		Market
1988	Major Market RoadRunner		Utility companies with greater than 50,000 meters
1988	RouteStar		Utility companies with less than 50,000 meters
1988	Power Probe		Electrical utility companies without regard to size
1989	Major Market RoadRunner		Utility companies with greater than 50,000 meters
1989	RouteStar		Utility companies with less than 50,000 meters
1989	Power Probe		Electrical utility companies without regard to size
1989	Team, Pilot	1	Major electrical utilities and rural electrical co-ops
1989	New product A	2	Non-utility related
1990	Major Market RoadRunner		Utility companies with greater than 50,000 meters
1990	RouteStar		Utility companies with less than 50,000 meters
1990	Power Probe		Electrical utility companies without regard to size
1990	Team Pilot	1	Major electrical utilities and rural electrical co-ops
1990	Team System	1	Major electrical utilities and rural electrical co-ops
1990	New Product A	2	Non-utility related
1990	New Product B	2	Non-utility related
1991	Major Market RoadRunner		Utility companies with greater than 50,000 meters
1991	RouteStar		Utility companies with less than 50,000 meters
1991	Power Probe		Electrical utility companies without regard to size
1991	Team Pilot	1	Major electrical utilities and rural electrical co-ops
1991	Team System	1	Major electrical utilities and rural electrical co-ops
1991	New Product A	2	Non-utility related
1991	New Product B	2	Non-utility related
1991	New Product C	2	Non-utility related
1991	New Product D	2	Non-utility related

1. It is assumed that the TEAM System market will be major electrical utility and rural electrical utility companies and rural electrical co-ops. Datamatic is in the process of completing a major market research analysis effort to more precisely define and profile the TEAM market.

2. Embodied into the corporate strategic plan is a directive stating that the company will launch one new non-utility related, product line in 1989, one new non-utility product line in 1990, and two non-utility product lines in 1991. Expected revenues and earnings are depicted in the Dat17 proforma contained in Section VII herein.

2.2.4.1 Product Line Differentiaion: It is expected that each product line will have a sales manager. The sales manager will be directly responsible for his subordinate sales staff's achievement of sales quotas pursuant to forecast.

2.2.4.2 Sales Strategy Overview: Each product line will be supported by a sales plan which will include the following:

A. Strategic plan based on research and market feedback
B. Travel/per diem budgets
C. Schedule of trade shows/conference for appearance
D. Direct sales plan
E. Requested sales material, i.e., brochures, newsletters, video, promotional plans, etc.

2.2.4.2.1 RoadRunner Sales Plan: To be completed by the sales department April 2, 1988.

2.2.4.2.2 RouteStar Sales Plan: To be completed by the sales department April 2, 1988.

2.2.4.2.3 Power Probe Sales Plan: To be completed by the sales department May 1, 1988.

2.2.4.2.4 TEAM Sales Plan: To be completed by the sales department August 1, 1988.

2.2.4.2.5 New Product A Sales Plan: To be completed pursuant to Section VI herein.

2.2.4.2.6 New Product B Sales Plan: To be completed pursuant to Section VI herein.

2.2.4.2.7 New Product C Sales Plan: To be completed pursuant to Section VI herein.

2.2.4.2.8 New Product D Sales Plan: To be completed pursuant to Section VI herein.

2.2.5.0 International Market Sales Plan; To be completed by a steering committee consisting of the firm's CEO, VP Sales, Director of International Marketing and two outside consultants. Scheduled completion date, April 2, 1988.

2.2.6.0 Organizational Operation: To be completed by March 15, 1988.

2.2.6.1 V.P. Sales Responsibilities and Accountability: To be completed by March 15, 1988.

2.2.6.2 Sales Administrator Responsibilities and Accountability: To be completed by March 15, 1988.

2.2.6.3 Product Line Sales Managers Responsibilities and Accountability; To be completed by March 15, 1988.

2.2.6.4 Director of International Marketing Responsibilities and Accountability; To be completed by March 15, 1988.

2.2.6.5 Sales Personnel Responsibilities and Accountability: To be completed by March 15, 1988.

2.2.6.6 Proposal Administrator Responsibilities and Accountability: To be completed by March 15, 1988.

2.2.6.7 Secretarial Support Pool Responsibilities and Accountability: To be completed by March 15, 1988.

2.2.6.8 Sales/Marketing Boundary: To be completed by March 15, 1988.

2.2.6.9 Sales/Production Engineering Boundary: To be completed by March 15, 1988.

2.2.6.10 Sales/Service And Retrofit Support Boundary: To be completed by March 15, 1988.

2.2.6.11 Internal Departmental Communications and Information Systems: Order process, contract negotiations, order entry, information flow, etc. Definition, flow analysis and system description. To be completed by March 21, 1988.

2.2.6.12 Forecast Information: To be completed by March 15, 1988.

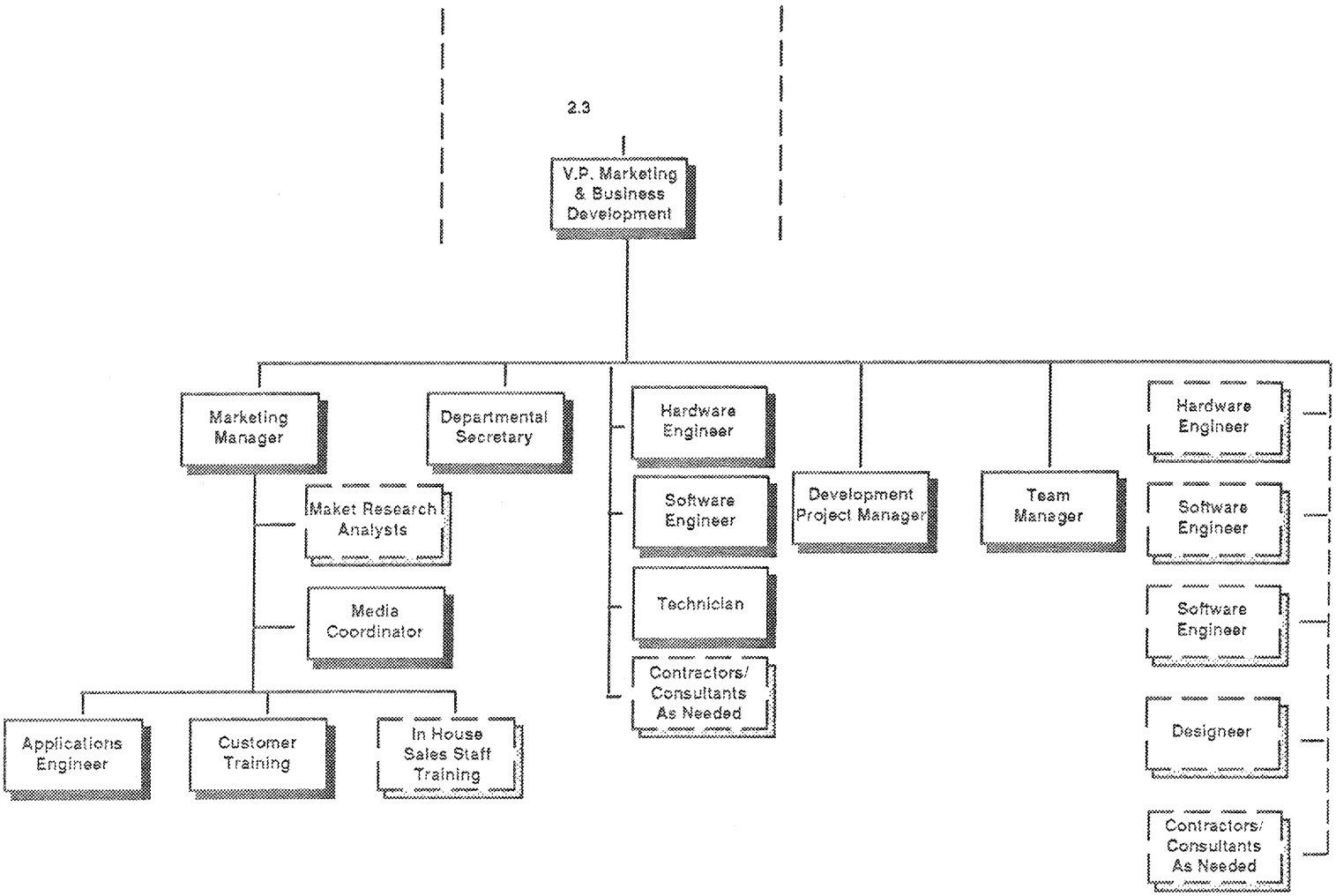


Table 2.3
Marketing & Business
Development Department

2.3.0 Marketing and Business Development Organizational Structure: This department is, in essence, a new functional department under the 1988 internal reorganization plan. The department's structure is shown in Table 2.3. The department is headed by the Vice President, Marketing and Business Development. It is expected that this position will be staffed at the time of internal reorganization. The incumbent of this position shall have at least 10 years of marketing, and general management experience in high technology related business and shall have participated, at the executive level, in the start up of at least two commercially successful high technology ventures.

2.3.1 Marketing Business Development Department Budget:

FY 1988	$ 420,945 *
FY 1989	$ 633,000
FY 1990	$ 696,300
FY 1991	$ 765,930
FY 1992	$ 842,523

* Estimated due to impact of reorganization and absorption of other departmental functions such as TEAM and new product development.

2.3.2 Staffing Requirements:

2.3.2 Staffing Requirements:

Year	Dept. Head	Marketing Manager	Dept. Secy	Project Manager	Team Manager	Hardware EE	Software EE	Tech	Media Coord.	Appl. EE	Customer Training Specialist
1988	1	1	1	1	1	1	1	1	1	1	1
1989	1	1	1	1	1	1	2	1	1	1	1
1990	1	1	2	2	1	2	3	-	1	1	2
1991	1	2	2	2	1	2	4	-	2	2	2
1992	1	2	2	2	1	2	5	-	2	2	2

2.3.3 Marketing and Business Development Department Mission: Datamatic's Marketing and business development department's mission is to aide the CEO in forecasting and strategic planning exercises leading to the preparation and implementation of a plan to seek out new potential markets consistent with Datamatic's requirements for financial returns, and skillfully manage the innovation of technology consistent with market needs thereby developing novel products with strong competitive advantage, and to complete all competitor and customer related research necessary for the department's production of all sales related tools and support in harmony with the sales department.

2.3.4 Department Functions and Responsibilities: Datamatic Inc.'s marketing and business development department, herein after referred to as the Marketing Department, has three primary functions and associated responsibilities: 1) Sales Support, 2) Forecasting and Strategic Planning, and 3) Product Innovation.

2.3.4.1.1 Media Coordination Department: The Media Coordination Department is responsible for the following functions:

A. Development of brochures, newsletters, flyers, new product announcements, etc. Works closely with the Product Development and Engineering Departments, under the direction of senior marketing management, to develop first draft copy, consistent with marketing, engineering and sales. Interfaces with copy writers, advertising agencies, production personnel, photographers and printers.

B. Mass mailing programs are coordinated and managed. Response rate of returns are monitored and after a statistical analysis has been completed, the results are entered and maintained in a data base.

C. Trade show selection is made under the direction of senior marketing management, with input from the sales department, research department, and the CEO concerning strategy and image. Cooperates with sales, research, engineering, customer support, and other relevant departments, concerning the design of displays and booths. Executes the design and fabrication of such displays and booths, using internal resources, or external subcontractors, as appropriate. Coordinates shipping and set up of display materials as well as employee accommodations and hospitality suites, when required.

D. Generation of presentation materials such as view graph slides, handouts, video tapes and 35mm slide presentations. Works directly with individual salesmen and saleswomen, on an as needed basis. Accomplishes the desired marketing aids through internal resources or external subcontractors, such as photographers, printers, advertising agencies, production houses, graphics design studios and computer generated slide services.

E. Responsible at the direction of marketing senior management or the CEO for the timely writing of press releases as a function of sales advantage, image and strategic execution. Should Datamatic, Inc. become a publicly traded company, additional PR and investor relations requests will be discharged at the direction of the Controller or Vice President, Finance.

2.3.4.1.2 Technical Support Services Department: This department's primary responsibilities are to offer technical assistance to the sales staff necessary to achieve sales departmental goals and objectives. The three principle functions are: 1) selling assistance, 2) technical consulting support to sales staff, and 3) planning functions, including interface with product development and engineering groups.

2.3.4.1.3 Selling Assistance:

a) Support sales staff with technical analysis of prospect's needs for system development, hardware selection and custom development, software, and communications requirements.

b) System level design of optimized proposed solution.

c) Participate in presentations to customers to: 1) ascertain the customer's true needs, 2) help prospect for satellite needs, and 3) assist in the final customer presentations.

d) Analysis of technical and systems level requirements for incoming Rfps and assistance in preparing the response to such Rfps.

2.3.4.1.3 Technical Support:

a) Maintain continuity with computer industry trends and technological state-of-the-art.

b) Maintain proficiency with all Datamatic, Inc. products and services.

c) Act as technical liaison between the sales and engineering departments.

2.3.4.1.4 Planning:

a) Participate in product development planning sessions.

b) Conduct periodical training sessions projected to sales staff regarding such issues as emerging technology trends, new product developments, software revisions, product updates, and special competitor analysis intelligence requirements and general techniques.

2.3.4.2 Forecasting/Strategic Planning: The forecasting and strategic planning functions are the responsibility of the senior marketing executive and are key to Datamatic, Inc.'s attainment of its goals and objectives as embodied in its mission statement.

As a technology company, one of Datamatic, Inc.'s largest challenges is its proper choice of which products and market segments to pursue. Often times, forecasting must be completed before either products or markets exist. The product may not exist because no one has yet exploited available or emerging technology to produce it. The market cannot exist if the potential customers are unaware of the products's existence.

As with all technology based companies, the prerequisite to Datamatic, Inc.'s continued success, and in keeping with its past heritage, is the coupling of engineering and marketing considerations in choosing which products, market segments or niches to pursue. Therefore, Datamatic, Inc. will endeavor to foster a culture that looks to its marketing department to answer the following questions:

1. Where do new product ideas and the perception of new market niches arise?

2. Can they be forecast?

3. What can Datamatic, Inc.'s management do to stimulate these new ideas and how should they be investigated?

4. How can management ensure that both the technical and marketing viewpoints are adequately represented when making these key decisions?

Datamatic, Inc.'s strategic planning is predicated on the results of its forecasting. This forecasting is dependent on various input received from its subordinate research department as well as the product development or R&D department.

2.3.4.2.1 Mission: The mission of the marketing/strategic planning function is the stimulation of innovation consistent with the needs of the marketplace, distinctive competencies of Datamatic, Inc., levels of risk and returns acceptable to the shareholders and based on the results of systematic forecasting.

2.3.4.2.2 Goals and Objectives:

2.3.4.2.2.1 Product Innovation Methodology: Within Datamatic, Inc., product innovation will occur through the following four means:

1) Carefully planned and properly budgeted engineering projects which build on the company's past experience and proprietary technology.

2) Product-market innovation will occur within the marketing staff in cases where no fundamental technical breakthroughs are required. The marketing department is encouraged to exploit technology at the inspiration of its staff who are devoted to the marketplace and hence, understand its problems and needs.

3) Senior marketing management in concert with Datamatic, Inc.'s CEO sanctions, from time to time, certain unspecified, unbudgeted and somewhat unorthodox "bootlegged" or "pet" projects taking place in engineering, product development and marketing technical services. Datamatic, Inc. believes that some of the most exciting new ideas may be conceived and cultivated by this means and which, over time, may even change fundamental business strategy.

4) Marketing and product development or engineering will periodically engage in reverse engineering as an innovative process. Datamatic, Inc. will not engage in espionage or the stealing of secrets, as this is counter to its beliefs as stated in its mission statement, however, it does believe that when ideas are derived from competitors' products available in the marketplace, reverse engineering is simply one of the mechanisms of technology diffusion.

At Datamatic, Inc., innovation does not necessarily have to occur as a result of engineering or technology. An example of a sales generated innovation is the linkage of continued future maintenance revenues to Datamatic, Inc. with the customer's continued right or license to use the Datamatic, Inc. Software in his system. The term of this license is coincidental with that of the Datamatic, Inc. Maintenance Agreement.

2.3.4.2.2.2 Risk Assessment: Product introduction and product development inherently have a high degree of risk. The marketing department will work closely with senior management of the engineering department and product development (R&D) department to forecast and assess changes in technology which will affect

Datamatic, Inc.'s business. Systematic forecasting procedures, including 1) contextual mapping, 2) gap analysis, 3) forecasting by analogy, 4) scenario writing, 5) specific attribute forecasting, 6) design of "relevancies" and planning network flow charts, 7) time-series forecasts, 8) Delphi procedure analysis of "expert" opinions, and 9) brainstorming techniques, will be managed and controlled through input received from the subordinate technical services and research departments as well as engineering and product development. The department will also conduct market forecasting. Emphasis is placed on the following areas:

1. FORECASTING CUSTOMER NEEDS: Datamatic, Inc.'s new technology has the potential to create customer needs and certainly to bring forth latent ones. Since forecasts of products requiring changes in users behavior are particularly challenging, Datamatic, Inc.'s organized and systematic data base strengths will routinely be put to task in this capacity.

2. NEW MARKET CREATION: Since Datamatic, Inc. has the power to create markets, areas such as market education and buyer buying habits will be addressed.

3. FORECASTING OF COMPETITOR'S ACTIONS: Datamatic, Inc.'s marketing department is sensitive to the fact that conventional, statistical market forecasting techniques are less applicable in its technology based market place than they are in non-technology based market places. Datamatic, Inc. augments demographic and traditional market segmentation data with technical specification market research and buyer/decision maker profile analysis information to arrive at models which can be incorporated into overall strategy, and, in the form of price elasticities, as an example.

4. LIFE CYCLE FORECASTING: Life cycle forecasting is conducted through product beta site, rapid growth, maturity and decline cycles. An example of executive level decisions predicated on Datamatic, Inc.'s marketing research and forecasting work product follows in Table 2.3.1.

Table 2.3.1

Stage of Product Life	Corporate Wide Decisions
Preproduct	* Allocation of Development Funds * Acquisition of Technology * Personnel Needs * Distribution
Product Development (Major Market RoadRunner 1982-1983)	* Product Design * Amount of Development Effort * Support Functional Strategies * Market Testing, Beta Site and Early Introduction * Optimum Capacity * Distribution and Sales Strategies * Pricing Strategies
Rapid Growth (Major Market RoadRunner 1984-1987)	* Production/Engineering Services Planning * Facilities Expansion * Changes in Process Organization or Structure * Changes in Marketing Strategy
Maturity (Major Market RoadRunner 1988-1989)	* Production Planning and Inventories * Special Promotion and Pricing

Decline (Major Market RoadRunner 1989-?)	* Transfer of facilities * Maintenance Revenues and Customer Support * Inventory Control of obso- * lescing software, parts and spares * Dumping product to international and/or third world countries where customer needs and expectations fit the rapid growth stage.

2.3.4.2.3 Market Research Department: The Datamatic, Inc. research department reports to senior level marketing management and allows for direct communication with the CEO. The department's responsibilities include:

1. Competitor analysis program operation. Datamatic, Inc. maintains an ongoing competitor analysis program, whose mission is to conduct a systematic analysis of current known and perceived competitors, as well as potential competitors. This applies to Datamatic, Inc.'s core business as well as new business opportunities. In accordance with Datamatic, Inc.'s competitor analysis as described in the department's process and procedure handbook, the research department strives to be the collection and reduction point for all intelligence information relative to competitors and competitive departments. A competitor profile analysis shall be conducted on each suspected competitive agent sufficient to effectively address the following areas: 1) future goals, 2) current strategy, 3) assumptions, and 4) capabilities. A complete library of brochures, literature, trade journal articles, news clippings, press releases, stock analysis, Dun & Bradstreet Reports, etc., will be maintained on all competitors and agents of competitive technologies. This

data will be reduced into the competitor profile analysis and be maintained on a data base.

2. Industry trends will be monitored and surveyed through media analysis and trade show/conference attendance. Information on all industry related technology, finance and human relations trade shows, seminars and conferences will be maintained and distributed via inter office mail, on a weekly basis.

3. Special needs originating from various departments will be fulfilled, on request, and within prioritized time constraints.

2.3.4.3 Product Innovation: Product innovation is the fundamental building block on which Datamatic, Inc.'s future rests. As Datamatic, Inc.'s core business marketplace, in terms of current product line and competitive postures continues to mature, innovation becomes correspondingly more important and for two reasons: 1) a source of new products and services which may be sold to the firm's existing base of customers, and 2) the strategic advances of forcing competition into a defensive catch-up posture and maintaining a position of first.

Datamatic, Inc.'s product market choices will not be made by gathering the company's engineers, marketers, and sales staff around a conference table and urging them to be creative. The customers, if only figuratively, are brought into the process, since customers are the obvious source of information about their own ever changing needs. Since Datamatic,Inc.'s customers are themselves technologists in many cases, they represent a particularly productive source of new ideas.

Datamatic, Inc.'s sales staff carries the primary responsibility to ascertain the customers changing needs and to couple these needs to the marketing, engineering, and product development departments.

Datamatic, Inc.'s customers represent the major source of new innovations given Datamatic, Inc.'s position on the technology invention-innovation continuum. The marketing department is charged with the systematic gathering and processing of these innovations and remains as an instrumental force in overseeing the timely development and design from concept to product.

2.3.4.3.1 Mission: The mission of the product innovation function of the marketing department is the management of the product/service innovation process, based on the results of the department's forecasting and strategic planning.

2.3.4.3.2 Product Manager: Datamatic, Inc. product managers are subordinate to the senior marketing department executive. The product manager has broad responsibilities, including: 1) development, 2) design engineering, 3) production or in the case of software, software production, 4) marketing, and 5) selling. Structurally, the product manager has no direct line authority over any of these functions. He or she is, however, responsible for the effective coordination of these functions through the matrix network.

2.3.5 Marketing Production Boundary: Datamatic, Inc. is in a transitory phase of its corporate growth cycle, which requires the refinement of the marketing-production boundary through reorganization. Whereas, Datamatic, Inc.'s previous business opportunities allowed the firm to design and/or build to order, the company's recent and future introduction of various new products and options requires that sales forecasts and productions schedules be reconciled. In this fashion, a balance may be created between the making and keeping of delivery promises made to customers and controlling the firm's operating costs.

Within Datamatic, Inc., production has in the past meant: 1) the procurement of various hardware components such as remote terminals, modems, PCs, cables, etc., and 2) the design, debug

and implementation of software which in many senses is Datamatic, Inc.'s internally manufactured product. With the recent additions to the firm's product line and its study of and advancements in other product lines, additional components must be manufactured or produced and Datamatic, Inc. must manage this process. In the short term, the firm projects it will make use of third party assembly. In the intermediate term, Datamatic, Inc. may complete final assembly and testing steps internally and in the long term, the company may acquire almost total internal process capability.

2.3.5.1 Order Entry: Datamatic, Inc. is in the process of redesigning its order entry system to take advantage of its internal data base and work station network. This effort is being managed by and is the responsibility of the firm's CFO. The redesigned order entry system will allow the efficient interface between the sales, marketing, production, purchasing, inventory control, materials handling, and cost accounting departments. Datamatic, Inc. expects to have the new order entry system on line and fully operational by August, 1988.

2.3.5.2 Inventory Control: Datamatic, Inc.'s inventory control function is being redesigned by the firm's CFO. This function will be data based managed and will allow for the more accurate cost accounting and control of inventory. The key benefit to the marketing department will be constantly updated inventory figures. When levels exceed certain threshold amounts, the sales and marketing departments will be pre-authorized to run promotional campaigns in efforts to reduce inventory. The importance of this capability will be realized when Datamatic, Inc. launches its system buy-back strategy and inventories of used or refurbished equipment begin to increase. The inventory control function will be managed by the finance and accounting department, with input-output boundary junctions to operations, sales, marketing, production and purchasing. It is anticipated

that the inventory control function will be designed and fully implemented by August 1988.

2.3.5.3 Short-Term Forecasting: The key link between production, marketing, and sales is the reconciled short-term sales forecast and short-term production build plan. As the majority of Datamatic, Inc.'s sales are of a systems nature, the system sold will typically be built to order. A short-term forecast will be firm or frozen as a function of the following factors:

A. IN PROCESS DESIGN ENGINEERING AND/OR PRODUCTION TIME. The longer the time required to complete software, build hardware, and obtain deliveries from vendors, the longer will be production lead times, and therefore, the longer must be the short-term planning horizon for both sales and production.

B. PRODUCTION FLEXIBILITY AS A SYSTEMS INTEGRATOR. Datamatic, Inc. may sell a variety of system configurations, which require various and differing steps in design, inventorying semi-finished components or modules, and scheduling personnel over the short term to increase the response rate to unforeseen events, problems or changes.

C. COMPETITOR'S ACTIONS AND CUSTOMERS' EXPECTATIONS. Datamatic, Inc. has the reputation of fast turnaround and installation. New options and product lines must be considered and the competitive advantages and disadvantages factored into design and production schedules.

D. SPECIFIC CONTRACT PROFIT MARGINS. If a specific contract has a particularly wide margin or is of special strategic importance, Datamatic, Inc. will typically consider schedule revamping to avoid losing an order, even at the risk of production cost penalties.

Datamatic, Inc.'s short-term sales forecasting typically cover periods from zero to three months, and are primarily used as a basis on which to develop production and shipping schedules.

2.3.5.4 Intermediate-Term Forecasting: Intermediate-term forecasting for periods between three to eighteen months are periodically conducted and reviewed to facilitate the following decisions:

a) work force planning
b) subcontractor scheduling
c) materials planning
d) inventory investment

2.3.5.5 Long-Term Forecasting: Long-term forecasting typically is conducted and reviewed once a year or when new product development is considered, or the acquisition of new technologies or other business opportunities are considered. Long-term forecasts highlight problems and opportunities which need to be addressed regarding all business areas. Production capability is key to the long-term strategy.

2.3.6 End of Period Syndrome: Although Datamatic, Inc. is currently a privately held company, internal organizational structures and systems are being redesigned so that the transformation to a publicly held company could easily be made, at management's option. Should Datamatic, Inc. become a publicly traded company, it will attempt to minimize the nonlinearity in shipments and/or order taking activities which are typically seen as the end of an accounting period approaches. Datamatic, Inc.'s executive management will be realistic in specifying backlog. When orders are slow, the financial consequences will be faced rather than temporarily postponed by robbing from backlog. Discipline and routine will be built into the production organization and supporting groups within marketing such as order entry and application engineering to achieve interim targets, by the day,

week, and month, and not simply the revenue targets which may be implied by the company's monthly and quarterly financial plan.

2.3.7 Marketing Department Functional Goals and Objectives

2.3.7.1 Development of strong interaction at the marketing-engineering and marketing-product development and marketing-production boundaries.

2.3.7.2 Successfully discharging the responsibility of intra-departmental coordination with regard to product-market segment selection and implementation.

2.3.7.3 The successful forecasting of trends, undiscovered technology, non-existent markets and competitors' future actions, through systematic procedures.

2.3.7.4 The maximization of the potential advantage Datamatic, Inc. may receive from its existing customer base as a source of innovation.

2.3.7.5 The stimulation of imaginative product design which will gain the marketing and pricing advantages of custom or semi-custom products without their cost and time disadvantages.

2.3.7.6 To conduct careful analysis of the buying motivations and influences of targeted customers and design education programs to induce customer behavior changes consistent with Datamatic, Inc.'s continuing product development.

2.3.7.7 To maintain presale and postsale communication of technical information to customers.

2.3.7.8 The development and presentation of excellent customer training programs which may also be used as an effective selling tool to prospective customers.

2.3.7.9 To serve at the command of the CEO, as a function of overall corporate strategic planning, in deciding when, how, and to what extent new products should be revealed in view of competitive posturing, image building, and possible erosion of present products.

2.3.7.10 To maximize Datamatic, Inc.'s sales department's selling advantage through the cost effective use of various media.

2.3.7.11 To support the sales staff through technical consulting, training, application engineering and sales presentations.

2.3.8 Current Business Posture (February 1988):

2.3.8.1 Summary of Past Strategies: Historically, Datamatic, Inc.'s customers have been price insensitive and have emphasized performance and support as primary values. Therefore, Datamatic, Inc. has emphasized the following functional strategies and distinctive competencies:

A. A highly focused segment strategy which has placed the majority of the firm's marketing efforts to bear on the electricity, gas and water segments of the data capture and processing market, and for the specific purpose of reading customer account meters and the post processing leading to customer bills.

B. A sales strategy which has called for a highly trained and sophisticated sales force and with emphasis on application engineering, often times after a sales commitment is made.

C. A product strategy in which a system as a solution to specific customer needs is tailored to a specific application.

D. A process strategy which gives high priority to flexibility in order to adapt to new technology, new hardware, and changing customer needs.

E. A financial strategy which reflects low fixed asset intensity. Working capital requirements have been high, due to long receivable collection periods, slow inventory turnover and long in-process time, however, down payments and progress payments from the customers have mitigated the requirements for outside working capital.

F. A human resource and organizational strategy which emphasizes creativity, minimum structure, informality, maximum cross-functional communication and complex incentives within the compensation package.

2.3.8.2 Current Market Conditions:

2.3.8.2.1 Hand-Held Major Market: The following table shows an analysis of the number of major market electric, gas, and combination electric/gas utilities (having in excess of 100,000 meters), and the type of EMR System, (if any), by vendor and age.

MAJOR MARKET ROADRUNNER

TAM|SMS ANALYSIS - FIRST TIME USERS

	NO. OF ACCOUNTS	NO. OF METERS (M)	TAM % ACCOUNTS	SMS % ACCOUNTS	TAM % METERS	SMS % METERS
ITRON	64	36.1	32.8	39.3	30.1	31.7
DATAMATIC	32	20.5	16.4	19.6	17.1	18.0
PORTA PRINTER	31	19.9	15.9	19.0	16.6	17.5
CCS	12	18.4	6.2	7.4	15.3	16.13
IBS	7	4.0	3.6	4.3	3.3	3.5
RADIX	6	4.9	3.1	3.69	4.1	4.3
OTHER	11	10.3	5.6	6.75	4.9	9.0
SERVED MARKET SHARE	163	114.1	83.59%	100%	91.4%	100%
TOTAL AVAIL. MARKET	195	120.0	100%	100%	100%	100%
OPEN MARKET	32	5.9	16.4%	0	8.6%	0

VENDORS:		1987	1986	1985	1984	1983	1982	1981	1980	TOTALS
ITRON	E	1	6	8	5	3	1	1	1	25
	G	8	5	5	1	2	1	0	0	21
	C	1	3	8	4	0	0	0	0	18
	T	8	14	21	10	5	2	1	1	62
RADIX	E	2	1	0	0	0	0	0	0	3
	G	0	0	0	0	0	0	0	0	0
	C	1	0	1	0	1	0	0	0	3
	T	3	1	1	0	1	0	0	0	6
DATAMATIC	E	8	1	2	9	1	1	1	1	22
	G	0	0	1	0	0	0	0	0	1
	C	1	1	1	3	3	0	0	0	9
	T	7	2	4	12	4	1	1	1	32
P.P.S.	E	3	3	3	4	0	1	0	0	14
	G	0	0	1	2	0	1	0	0	4
	C	3	2	1	3	3	0	0	0	12
	T	6	5	5	9	3	2	0	0	30
I.B.S.	E	0	2	1	2	0	0	0	0	5
	G	0	0	1	0	0	0	0	0	1
	C	1	0	0	0	0	0	0	0	1
	T	1	2	2	2	0	0	0	0	7
C.C.S.	E	2	2	2	1	0	1	0	0	8
	G	0	0	0	0	0	0	0	0	0
	C	0	1	3	0	0	0	0	0	4
	T	2	3	5	1	0	1	0	0	12
OTHERS	E	0	1	1	0	0	0	0	1	3
	G	2	0	2	1	0	0	0	0	5
	C	0	0	0	0	2	0	0	0	2
	T	2	1	3	1	2	0	0	1	10

Major Market Roadrunner SMS Analysis
Vendor and Year Of Contract

OPEN ACCOUNTS	E	12
	G	7
	C	13
	T	32

OPEN ACCOUNTS

IN MAJOR UTILITIES

NAME	NUMBER OF METERS
Salt River Project (Arizona)	391,142
KN Energy, Inc. (Colorado)	246,000
Connecticut Light & Power	941,839 e
Connecticut Light & Power	156,452 g
Connecticut Natural Gas	126,128
Central Illinois Public Service	306,162 e
Central Illinois Public Service	156,083 g
Indianapolis Power & Light	355,000
Public Service Company of Indiana	546,412
Iowa-Illinois Gas & Electric	177,973 e
Iowa-Illinois Gas & Electric	225,808 g
Iowa Gas Company	135,150
Kansas Gas & Electric	242,666
Kansas Power & Light	285,236 e
Kansas Power & Light	1,000,718 g
Louisville Gas & Electric (Kentucky)	302,061 e
Louisville Gas & Electric (Kentucky)	233,771 g
Western Kentucky Gas Company	140,234
Bangor-Hydro Electric	94,552
Commonwealth Electric Company	236,837
Bay State Gas Company	90,000
Mississippi Valley Gas Company	80,000
Missouri Public Service Company	140,713 e
Missouri Public Service Company	59,539 g
Laclede Gas Company (Missouri)	500,000 g
Montana Power Company	240,429 e
Montana Power Company	103,018 g
Nebraska Public Power District	105,000
Sierra Pacific	200,000 e
Sierra Pacific	60,000 g
Sierra Pacific	40,000 w
Public Service Company of North Carolina	190,000
Montana Dakota Utilities Company	120,000 e
Montana Dakota Utilities Company	178,803 g
Pennsylvania Gas & Water Company	113,796
United Cities Gas Company (Tennessee)	140,000 g
El Paso Electric	205,903
Southwestern Public Service Company (Texas)	348,489
West Texas Utilities Company	175,683
Mountain Fuel Supply Company (Utah)	434,392 g
Seattle City Light Company	299,174
P.U.D. #1 of Snohomish County (Washington)	180,000 e & w
Total 32 Accounts	10,305,163 Meters

Review of the above tables indicates that the marketplace is roughly saturated. Approximately 16% of the target market has not been penetrated; 4% of these are projected to be holdouts and 12% are laggards. Sales opportunities to the balance of the target marketplace may result due to the following reasons: 1) old and fatigued equipment, 2) unsatisfactory performance benefits, and 3) induced behavior changes in customers.

2.3.8.2.2 RouteStar Product Line: The following table shows the potential market for RouteStar type systems.

Utility Type Target	Size of Target	Percent of Total
Water	2,627	60%
Electric	1,400	32%
Gas	300	8%
TOTALS	4,327	100%

For the purposes of definition, the targets are defined as having between 3,000 and 75,000 meters. This correlates to cities having a population of 100,000 to 250,000.

In August of 1986, Datamatic, Inc. commissioned a market research study regarding RouteStar System sales potential. Through a series of systematic and industry accepted procedures, the above target number of 4,327 has been reduced to the following:

Expected to Buy	Percent	Potential	Net Potential
0-6 Months	30%	1,265	380
7-12 Months	20%	1,265	253
13-18 Months	15%	1,265	190
19-24 Months	20%	1,265	253
TOTAL			1,076

Based on the results of Datamatic, Inc.'s market research, the medium sized utility marketplace was judged to be quite fertile and very competitive. Extrapolations from the survey report reveal the potential 24 month target market of 1,076 medium sized utilities seeking hand-held devices for EMR as described above. Using an assumption of the annualized 15% market penetration, and an average installation selling price of $25,000, Datamatic, Inc. established a yearly sales goal of $2,000,000 for FY 1986-87.
The following table depicts Datamatic, Inc.'s performance towards the achievement of its FY 1987 RouteStar goals:

Unit Sales Projected	Dollars Projected	Unit Sales Actual	Dollars Actual	% Goal Realized
80%	$12 M	22	533,825	27.5%

The following table summarized Datamatic, Inc.'s FY 1986-87 performance in terms of RouteStar contract awards:

	NUMBER OF HAND-HELD TERMINALS					
	1-3	4-5	7-10	11-15	16+	Total
Systems Bid	34	18	10	7	9	
Systems Won	11	5	1	3	2	22
Systems Lost	15	9	6	3	6	39
Systems Open	8	4	3	1	1	17

2.3.9 Marketing Department Specific Goals and Objectives:

2.3.10 Major Market Hand-Held Systems:

2.3.10.1 Revenue Goals, FY 1987-88:

1) Basic system configuration
$6,681,448 Revenue Goal

2) PowerProbe System:
$250,000 Revenue Goal
TOTAL REVENUE GOAL $6,931,448

2.3.10.2 Marketing's Role: The Marketing department will support the sales department in its efforts to achieve the above sales revenue goals.

2.3.10.3 Marketing Plan: The defined target marketplace for hand-held data capture or EMR systems is well saturated and potential sales volumes for the upcoming years will be stagnant when compared to previous years. Due to the high cost of exiting on the part of Datamatic, Inc.'s competition, Datamatic, Inc. faces the unpleasant reality that competition for upcoming business will be quite intense. Future growth among the competition will only be achieved at the expense of others.

Given these realities, Datamatic, Inc.'s marketing plan will support corporate wide strategies having the following key ingredients:

1) Identify and exploit uncovered growth segments within Datamatic, Inc.'s core business segment.

2) Create and exploit uncovered growth segments within Datamatic's core business segment.

3) Emphasize product quality and innovative product improvement.

4) Systematically and consistently improve efficiency of Datamatic, Inc.'s production, process, and sales/distribution system.

5) Force a significant percentage of existing competition to exit by acquisition or aggression.

6) Maintain installed base of customers at all costs.

7) Attempt to increase installed base of customers by servicing accounts of competitors forced to exist.

8) Attempt to increase installed base of customers by aggressively marketing products and services to accounts of surviving competition.

2.3.8.10.3.1Domestic Marketplace Classification: Future Domestic Major Market Hand-Held EMR business may be classified into three general categories and three generic sales strategies have been designed to support the respective opportunities. These are:

1) FIRST TIME USERS. There are 32 potential targets who as of August, 1987, have not as yet purchased EMR system. The estimated TAM dollar amount value of this marketplace is $6,844,000.

2) DATAMATIC, INC. INSTALLED BASE OF CUSTOMERS. These customers may be targeted as prospects for new equipment. The estimated value of this marketplace is $32,000,000.

3) REMAINING COMPETITOR'S INSTALLED BASE OF CUSTOMERS. These customers may be targeted as prospects for new equipment. The estimated value of this marketplace is $126,000,000.

Each generic strategy has been designed to deliver an optimum set of values to customers and within the context of the following sources of opportunities and constraints:

1. Market that exist
2. Markets which may be developed
3. Technology/price ratio which exists
4. Technology price/ratio which may be developed
5. The financial constraints on Datamatic, Inc. and the available opportunities to overcome them
6. The macro-economic environment, consisting of external factors over which Datamatic, Inc. has no control, which the customers as well as Datamatic, Inc. operate in
7. Competition, both existing and potential

2.3.8.10.4 Domestic Marketplace Data: To be completed April 15, 1988.

a. Datamatic, Inc. product position strategic summary
b. Datamatic, Inc. assumptions about itself
c. Competitor strategic summary, by product
d. Sales - FY - vendor award analysis
   1. Why Datamatic, Inc. received the business
   2. Why Datamatic, Inc. did not receive the business
e. Profile analysis of each target customer representing first time users
f. Account activity for each of the above (e.) accounts
g. External factors analysis
h. Competitor profile analysis: by company not product

2.3.8.10.5 Forecasts:

a. Product-segment mix: Table 2.2.4.0, Section III.

b. Revenue forecast: Section VII, Dat13, Dat14, Dat15, Dat16, Dat17.

2.3.8.10.6 Business Strategies by Segment Classification: To be completed April 15, 1988.

a. First time users

b. Datamatic, Inc.'s installed base

c. Competitor's installed base

2.3.8.10.7 RouteStar System: To be completed April 15, 1988.

3.4.2.1 Goals

3.4.2.2 Marketing Role

3.4.2.3 Marketing Plan

3.4.2.3.1 Market Segment Classifications

3.4.2.4 Datamatic, Inc. Marketplace Data

3.4.2.5 Forecasts

3.4.2.6 Business Strategies by Segment Classification

2.3.8.10.8 TEAM/AMR Product Line: To be completed June 15, 1988.

3.4.3.1 Goals

3.4.3.2 Marketing Role

3.4.3.3 Marketing Plan

3.4.3.3.1 Market Segment Classifications

3.4.3.4 Datamatic, Inc. Marketplace Data

3.4.3.5 Forecasts

3.4.3.6 Business Strategies by Segment Classification

2.3.8.10.9 International Marketing Plan: To be completed April 30, 1988.

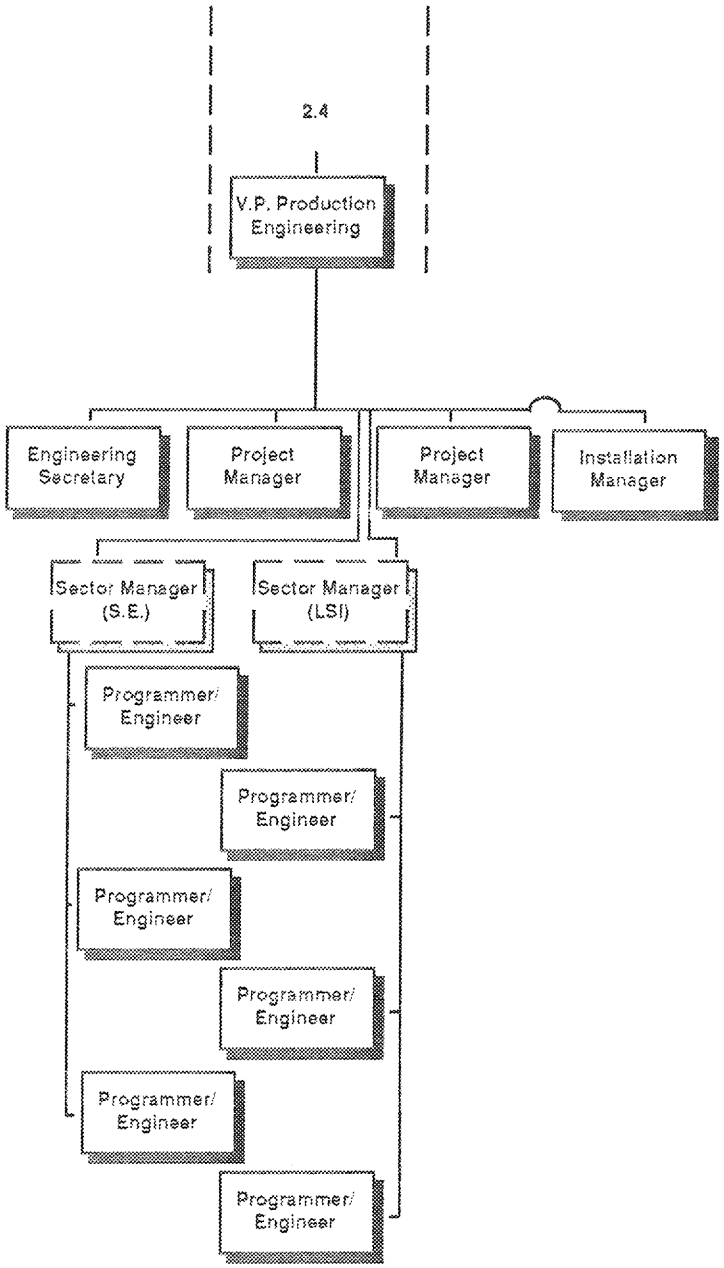


Table 2.4
Production Engineeering and Product Development Department

2.4.0 Production Engineering Department Organizational Structure: The organizational structure of the Production Engineering Department is depicted in Table 2.4 and is headed by the Vice President of Production Engineering.

2.4.1 Production Engineering Departmental Budget:

FY 1988	$ 363,000 *
FY 1989	$ 484,000
FY 1990	$ 508,200
FY 1991	$ 533,610
FY 1992	$ 560,291

* Estimated due to the impact of the 1988 internal reorganization and the re-allocation of various functions, responsibilities and resource management centers.

2.4.2 Production Engineering Staffing Requirements:

Year	Department Head	Secretary	Project Manager	Installation Manager	Sector Manager	Programmer/ EE	Hardware EE	EE Aide
1988	1	1	2	1	-	6	-	-
1989	1	1	2	1	2	6	1	1
1990	1	1	3	1	2	10	1	2
1991	1	1	4	1	2	12	2	2
1992	1	1	4	1	2	12	2	3

2.4.3 Production Engineering Department: The Production Engineering and Product Development Department's mission is to provide applications engineering support to the customer and to the Datamatic Sales Department during the order cycle in the form of a user specification, thereafter developing systems architecture commensurate with an operational specification and appropriate project planning tools which are delegated to department staff whose function is the module design, code generation, module integration, preparation of appropriate documentation, and completed systems test with an emphasis on continual, incremental reduction of process costs through modularity, implementation of efficient development systems and tools, and the preparation of excellent software documentation in accordance with the firm's standard product design and quality assurance procedures.

2.4.4 Production Engineering Department Organization and Philosophy:

2.4.4.1 Condition as of February, 1988: Datamatic's rapid expansion has outpaced the abilities of its existing engineering structure. Therefore, much of this section deals with the proposed structure under the 1988 internal reorganization plan. These changes are meant to 1.) reduce development costs for future system sales, 2.) improve the long term reliability and maintainability of existing software intensive and future products, 3.) improve the internal management of projects thereby improving work product throughput, 4.) to emphasize quality at all levels of engineering, and 5.) to couple the department's existing knowledge base and distinctive competencies to the firm's marketing department.

2.4.4.2 Prerequisites:

A. Emphasize quality at all levels.
B. Keep good, long term employees.
C. Foster routine interaction with the sales and marketing departments.

D. Require and maintain high standards for documentation.
E. Apply consistent, professional project control and scheduling methods.
F. Stimulate a cooperative atmosphere based on the department's role in the Datamatic team.
G. Encourage creativity and new ideas from all levels.

2.4.4.3 Emphasis on Quality: The engineering staff will be encouraged to produce work of the highest caliber. Rewards will be provided for producing good product. The emphasis of early testing and rewarding people based on the quality of their work, as opposed to work output per period time, will produce a more cost effective product when viewed over the entire product life cycle.

A poor program is rewritten every time it is sold to a customer. This program will be disliked by the customer, the programmers, trainers, and installers. Everyone who uses poor software is aware of its shortcomings.

A good program is reused in areas that the initial designers never imagined.

2.4.4.3.1 Communication for Quality: To develop and produce excellent products, the company must work as a team.

With regard to a new product such as Power Probe, which must be designed, developed, produced, and tested prior to commercialization of the product, active communication with many customers is Step One. After the product is sold, Datamatic sales personnel must call on the account to gain feedback from people who actually use the product. Project managers, engineers and programmers will visit customers from time to time, to experience the real world in which the product is used. Datamatic's marketing department will perform post sale surveys and interviews for purposes of documenting perceived attributes and deficiencies of products.

2.4.4.3.2 Quality Assurance Department: An independent quality assurance group, as further described in Section IV, 2.6 herein, will report directly to the CEO for the first eighteen months after the 1988 internal reorganization. This department will be charted to allow only fully functional and tested products out the door.

A Director of Quality Assurance will be hired at the time of the 1988 internal reorganization who has had at least six years experience with the design and implementation of quality standards and hands-on performance/regressive testing and 2 years experience managing a software QC group within a 25 million dollar a year or larger reorganization.

Software quality assurance is an exciting and tiresome business. Proper testing requires highly skilled and motivated software engineers. Unfortunately the nature of quality assurance is such that the better programmers and software engineers are not challenged by this type of work. Datamatic's Quality Assurance Department will therefore rotate in, programmers and software engineers from the Production and Sustaining Engineering Departments. Every Datamatic programmer and engineer will serve a minimum of three months in this department per two consecutive years of employment within the firm. This approach will inure to the benefit of all departments as the various programmers/-engineers transport their quality assurance insights and incorporate these into their work product.

2.4.4.4 Department Organization: The project design and development portion of the department will be organized using a project matrix approach. As a particular system design program or development project is accepted by the department, a project manager is assigned by the department head. The Project Manager will analyze the project, develop a task list and schedule, and delegate design assignments to the various available engineers/

programmers within the matrix and as a function of their calibration in terms of likelihood to complete certain types of tasks within parameters of a given category.

2.4.4.1 Programming Environment: In the third quarter of 1988, Datamatic will begin the phased implementation of a language such as Turbo C1.5, Microsoft C, Lattice C or perhaps C operating within a UNIX Berkeley 5.1 license residing on a central system with work stations networked throughout the department. The existing stand alone PC equipment will be upgraded via these work stations or at a minimum, a network of PC/ATS, each with an identical set of software tools and floppy disk drive types will be installed.

2.4.4.2 Job and Cost Accounting: The major accounting elements for each systems development or design program are: a.) number of engineer hours (computed at personnel rate plus department burden), b.) capital equipment requirements, if any, c.) system components, d.) piece part costs, e.) engineering services, f.) subcontract services. Budgets will be established for: a.) software tools such as compilers, programming libraries, assemblies, linkers, etc, b.) computer equipment, electronic test equipment, and c.) library software maintenance.

Standard rate grades will be established for accounting purposes. Budget codes are assigned to all projects and costs are accrued, in the normal fashion. After a program has been developed, or a system installed, the cost of SPRs and new releases will be added to the base cost.

Project cost reviews will monitor development costs closely to determine how profitable software contributions to product are, and to insure that program maintenance costs never exceed development costs.

2.4.4.3 Specifications: Datamatic programs will require a number of specification documents. The five major specifications are:

2.4.4.3.1 User Specification: The user specification is typically prepared during the order cycle. This specification provides a detailed functional description of what the system does, how it operates, and detailed operations of all features. The customer "signs off" on this specification prior to the commencement of work. In the case of a packaged product, marketing will review and sign off on the spec.

2.4.4.3.2 Operational Specification: After the user specification is completed, the Project Manager prepares an operational specification. This specification describes the technical details of how the program will work. The completion of this document is critical path to the preparation of task list generation and scheduling. This document will be reviewed and approved by the design team prior to implementation.

2.4.4.3.3 Technical Overview: The technical overview describes the various parts or modules of a large program. A complete description of how the program is assembled, i.e., how to compile and link, where the various pieces are located and what the various major parts or modules of the program do.

2.4.4.3.4 Test Specification: A test specification outline is prepared by the Project Manager before the design process begins and is constantly updated in terms of detail, by the design engineer or programmer as he completes his design work. The test specification describes the preferred method of test and precise detailed testing specifications. The Quality Assurance department will review all test specifications and "sign off" on them prior to release.

2.4.4.3.5 Operation Description: The operational description provides detail as to the technical factors comprising the program. This document is, in effect, an after-the-fact expansion of the operation specification which was prepared at the outset of the design program. This document is essential for the future continuity of the program.

2.4.5 Position Descriptions, Functions, Responsibilities and Accountabilities:

2.4.5.1 Vice President, Production Engineering: To be completed April 2, 1988.

2.4.5.2 Project Manager: To be completed April 2, 1988.

2.4.5.3 Installation Manager: To be completed April 2, 1988.

2.4.5.4 Sector Manager (S-E): To be completed April 2, 1988.

2.4.5.5 Sector Manager (LSI): To be completed April 2, 1988.

2.4.5.6 Programmer: To be completed April 2, 1988.

2.4.5.7 Software Engineer: To be completed April 2, 1988.

2.4.5.8 Engineering Aide: To be completed April 2, 1988.

2.4.5.9 Production Engineering Department Secretary: To be completed April 2, 1988.

2.4.6 Production Engineering To Sustaining Engineering Boundary; To be completed April 2, 1988.

2.4.7 Production Engineering to Quality Assurance Boundary: To be completed April 2, 1988.

2.4.8 Production Engineering To Marketing Boundary: Described in Section IV, 2.3.

2.4.9 Production Engineering To Finance Boundary: To be completed April 2, 1988.

2.4.10 Production Engineering to Customer Service Boundary: To be completed April 2, 1988.

2.4.11 Internal Departmental Communications and Information Systems: To be completed April 2, 1988.

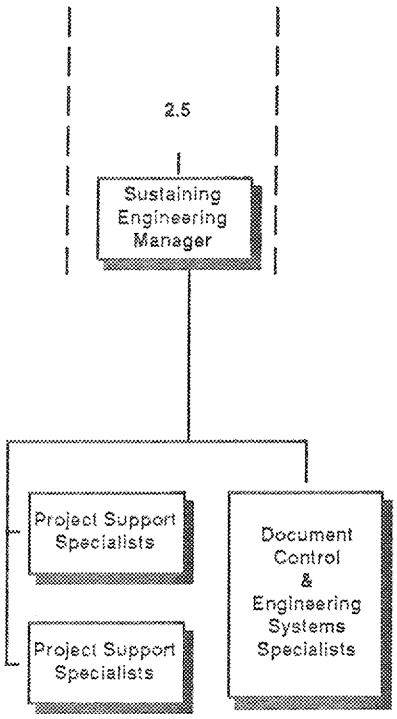


Table 2.5
Sustaining Engineering Department

2.5.0 Sustaining Engineering Department Organizational Structure: The organization structure of the Sustaining Engineering Department is depicted in Table 2.5 and is headed by Sustaining Engineering Manager.

2.5.1 Sustaining Engineering Budget:

FY 1988	$ 97,600 *
FY 1989	$ 122,000
FY 1990	$ 128,100
FY 1991	$ 134,505
FY 1992	$ 141,230

* Estimated due to the impact of the 1988 internal reorganization and the re-allocation of various functions, responsibilities and resource management centers.

2.5.2 Sustaining Engineering Staffing Requirements:

Year	Department Head	Systems & Document Control Specialists	Project Support Specialists
1988	1	1	2
1989	1	1	2
1990	1	1	3
1991	1	1	3
1992	1	1	3

2.5.3 Sustaining Engineering Department Mission: The mission of the Sustaining Engineering Department is to develop innovative and cost effective process technology which will serve to achieve additional incremental reduction in the cost of software production through the cost effective implementation and management of Datamatic's software development environment and the maintenance of all source code, project documentation, software tools thereby insuring product component modularity with direct, real time access to Datamatic field personnel and customers.

2.5.4 Department Operational Plan: To be completed April 2, 1988.

2.5.5 Position Descriptions: To be completed April 2, 1988.

2.5.5.1 Sustaining Engineering Manager: To be completed April 2, 1988.

2.5.5.2 Document Control and Engineering Support Specialists: To be completed April 2, 1988.

2.5.5.3 Project Support Specialists: To be completed April 2, 1988.

2.5.6 Sustaining Engineering to Quality Assurance Boundary: To be completed April 2, 1988.

2.5.7 Sustaining Engineering Marketing Boundary: To be completed April 2, 1988.

2.5.8 Sustaining Engineering Service Boundary: To be completed April 2, 1988.

2.5.9 Sustaining Engineering Finance Boundary: To be completed April 2, 1988.

2.5.10 Internal Department Communications and Information Systems: To be completed April 2, 1988.

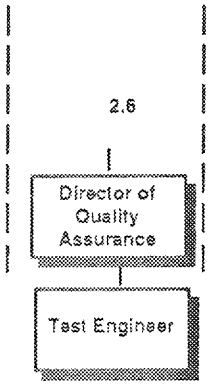


Table 2.6
Quality Assurance Department

2.6.0 Quality Assurance Department Organizational Structure: The organizational structure of the Quality Assurance Department is shown in Table 2.6 and is headed by the Director of Quality Assurance.

2.6.1 Quality Assurance Departmental Budget:

FY 1988	$ 70,200 *
FY 1989	$ 117,000
FY 1990	$ 122,850
FY 1991	$ 128,993
FY 1992	$ 135,442

* Estimated due to impact of the 1988 internal reorganization and the re-allocation of various functions, responsibilties and resource management centers.

2.6.2 Quality Assurance Staffing Requirements:

Year	Department Director	Software Test Engineer	Systems Test Engineer	Hardware Test Engineers
1988	1	1	0	0
1989	1	1	0	0
1990	1	1	0	0
1991	1	2	1	1
1992	1	2	1	1

2.6.3 Quality Assurance Department's Mission: The mission of Datamatic's Quality Assurance Department is to constantly infuse into the company's corporate culture the attitude that Quality Assurance is the responsibility of all departments, both individually and collectively and that high quality products with zero defects contribute directly to the Corporation's financial success through reduced installation and maintenance costs and increased sales thereby creating an atmosphere wherein good

product design is the rule, coupled with the Quality Assurance Department's exhaustive testing of all engineering and production work product which eliminates field failures, customer complaints and excessive warranty repair work so as to provide Datamatic with another strong competitive advantage through its image as a supplier of excellent products and services.

2.6.4 Departmental Plan:

2.6.4.1 Design Process: The Quality Assurance Department will work closely with all product development, R & D and project design groups. At Datamatic, Inc. high quality products are the result of good product design, process design and work force management, not inspection. All design groups will operate under the assumption that high quality does not equate with high cost, but poor quality is very expensive.

2.6.4.2 Standards: Quality is the responsibility of all parts of the organization, particularly development, production, purchasing and marketing; however, responsibility starts with the CEO. Quality standards will be generated and formerly codified for design and production methodology, purchasing, material handling, installation, application engineering and warranty/-maintenance repair.

2.6.4.3 Objective: The objective of Datamatic's quality assurance is to eliminate the causes of defects rather than simply reducing their number to a tolerable level. This is important given Datamatic's software intensive business strategy since the production engineering and sustaining engineering departments are charted to reduce process costs through greater modularity of software. Building blocks of code maintained in the software libraries must be as bug-free as possible or inordinate amounts of time and money will be spent in efforts to correct problems which did not become manifest until the time of system installation at the customer's site.

2.6.5. Position Descriptions, Functions, Responsibilities and Accountabilities: To be completed April 2, 1988.

2.6.5.1 Director of Quality Assurance: To be completed by April 2, 1988.

2.6.5.2 Test Engineer: To be completed April 2, 1988.

2.6.5.3 Quality Assurance to Production Engineer Boundary: To be completed April 2, 1988.

2.6.5.4 Quality Assurance to Sustaining Engineering Boundary: To be completed April 2, 1988.

2.6.5.5 Quality Assurance to Purchasing Boundary: To be completed April 2, 1988.

2.6.5.6 Quality Assurance to Service Boundary: To be completed April 2, 1988.

2.6.5.7 Quality Assurance to Marketing Boundary: To be completed April 2, 1988.

2.6.5.8 Internal Departmental Communications and Information Systems: To be completed April 2, 1988.

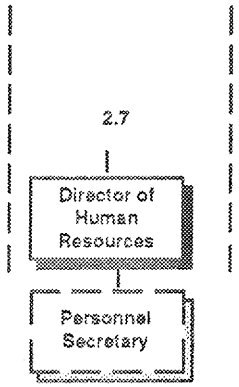


Table 2.7
Human Resource Department

2.7.0 Human Resource Department Organizational Structure: The organizational structure of the Human Resource Department is shown in Table 2.7.

2.7.1 Human Resource Departmental Budget:

FY 1988	$ 18,000
FY 1989	$ 36,000
FY 1990	$ 37,800
FY 1991	$ 39,690
FY 1992	$ 41,675

2.7.2 Human Resource Staffing Requirements:

Year	Director of Human Resources
1988	1
1989	1
1990	1
1991	1
1992	1

2.7.3 Human Resource Department Mission: The mission of Datamatic's Human Resource Department is to contribute to the corporate culture those values and programs necessary to achieve a lower than industry standard turnover rate by the creation of an environment wherein team effort, creativity, and individual contribution contribute directly to the firm's business success thereby motivating each employee to perform to the utmost and constantly increasing limits of their abilities thus establishing Datamatic's reputation as an excellent employer who attracts and maintains professional talent of the highest caliber.

2.7.4 Responsibilities and Functions:

2.7.4.1 Design of a company-wide compensation and advancement program which will reward key managers and key technical contributors based on a "dual ladder" approach: To be completed April 21, 1988.

2.7.4.2 Definition and implementation of employment policy: To be completed April 21, 1988.

2.7.4.3 Definition and implementation of incentive compensation programs including 1.) ESOP, 2.) Company-wide profit sharing, 3.) Group bonus or profit sharing, 4.) Individual bonus program, 5.) Discretionary awards, 6.) Technical achievement awards, 7.) Sales Department compensation and 8.) Executive and key management incentive programs based on departmental performance: To be completed April 21, 1988.

2.7.4.4 Definition and management of benefits program: To be completed April 21, 1988.

2.7.4.5 Definition and management of employer development programs: To be completed April 21, 1988.

2.7.4.6 Completion and implementation of company employment practices, procedures and policies: To be completed April 21, 1988.

2.7.4.7 Management of disciplinary and grievance procedures: To be completed April 21, 1988.

2.7.4.8 Conformance to regulatory standards: To be completed April 21, 1988.

2.7.5 Position descriptions, responsibilities and accountabilities: To be completed April 21, 1988.

2.7.5.1 Director of Human Resources: To be completed April 21, 1988.

2.7.6 Departmental Plan: To be completed April 21, 1988.

2.7.7 Departmental communications, i.e., company newspaper: To be completed April 21, 1988.

2.7.8 Internal Departmental communications and information systems: To be completed April 21, 1988.

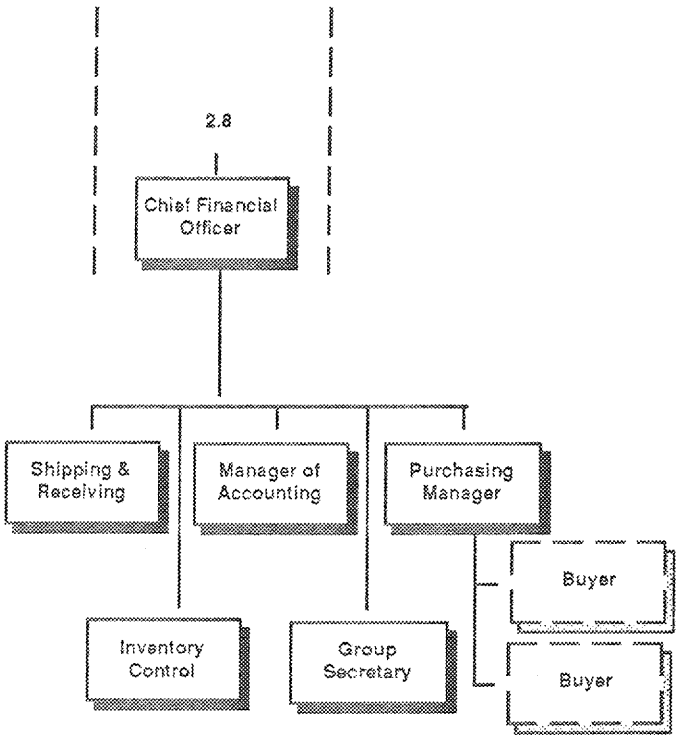


Table 2.8
Finance and G & A Department

2.8 & 2.10 Overview: It is anticipated that the office of the Chief Financial Officer will also serve as the Manager of Facilities and Support Services through the period ending FY 1990. This structure will be monitored and changed prior to that time should operations dictate such change. For purposes of this plan, subsections of function 2.10 are contained in function 2.8 including budgets, staffing requirements and responsibilities.

2.8.0.1 Combined department organizational structure: The finance and G&A department organizational structure is depicted in Table 2.8. The facilities and support services organizational structure is depicted in Table 2.10; however, the position of director is removed and the subordinate functions report directly to the CFO.

2.8.1 Finance and G & A Budget:

FY 1988	$ 584,000 *
FY 1989	$ 641,000
FY 1990	$ 673,050
FY 1991	$ 706,703
FY 1992	$ 742,038

* Estimated due to the impact of the 1988 internal reorganization. The above figures include building, maintenance, utility and all costs associated with G & A.

2.8.2 Combined Department Staffing Requirements:

2.8.2 Combined Department Staffing Requirements:

Year	CFO	Accounting Manager	Purchasing Manager	Shipping & Receiving Clerk	Inventory Control Specialists	Secretarial Pool	Receptionist	Janitor	Maintenance Man
1988	1	1	1	1	1	2	1	1	1
1989	1	1	1	1	1	3	1	1	1
1990	1	1	1	1	1	4	1	1	1
1991	1	1	1	2	1	4	1	1	1
1992	1	1	1	2	1	5	1	1	1

2.8.3 The mission of the Finance and G & A Department is: To be completed April 2, 1988.

2.8.4 Operations Plan: To be completed April 2, 1988.

2.8.5 Position Descriptions, Functions, Responsibilities and Accountabilities: To be completed April 2, 1988.

2.8.6 Internal Systems: To be completed April 21, 1988.

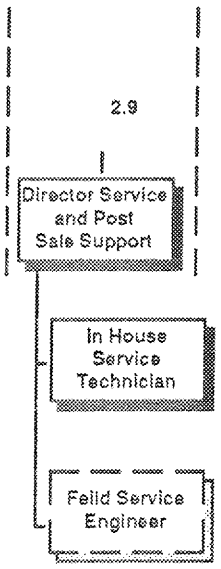


Table 2.9
Service and Retrofit Support Department

2.9.0 Service and Retrofit Support Organizational Structure: The organizational structure of the Service and Retrofit Support Department is shown in Table 2.9 and is headed by the Director of Service and Retrofit Support.

2.9.1 Service and Retrofit Support Department Budget:

FY 1988	$ 62,000 *
FY 1989	$ 94,000
FY 1990	$ 98,700
FY 1991	$ 103,635
FY 1992	$ 108,817

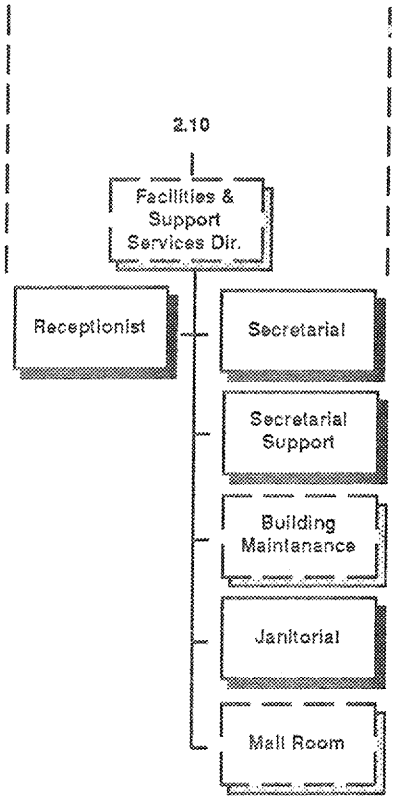
* Estimated due to impact of 1988 internal reorganization.

2.9.2 Service and Retrofit Support Staffing Requirements:

Year	Director	In-House Service Tech	Field Service Engineer
1988	1	1	
1989	1	1	
1990	1	1	1
1991	1	1	1
1992	1	1	1

2.9.3 Service and Retrofit Support Department Mission: To be completed April 2, 1988

2.9.4 Department Plan: To be completed April 21, 1988.



Facilities & Support Services Department

V. COMPETITIVE ADVANTAGES

1.0 Business Advantages: Historically, Datamatic has been primarily a value-added reseller and systems integrator. This provides the firm with several competitive advantages not enjoyed by its' competitors. The company is able to access the latest state-of-the-art hardware without the high cost and risk of internal development with regard to standard commodity items such as terminals and PCs. Furthermore, Datamatic faces few, if any, exit barriers with regard to the discontinuation of existing hardware.

Datamatic has established a reputation with its installed base of customers for innovative products, timely delivery, competent installation and quick system start-up. The Company's traditional customer base of utilities and municipalities tend to be quite conservative in their vendor selection criteria. This factor serves as a powerful entry barrier to potential start-ups. Finally, the Company's software design reflects the experience and industry insights gained over the last eight years. Software design is an important distinguishing factor between Datamatic and its' competitors.

2.0 Technical advantages: To be completed April 21, 1988.

2.1 Knowledge base and learning curve of design: To be completed April 21, 1988.

2.2 Patents: To be completed April 21, 1988.

2.3 Copyrights: To be completed April 21, 1988.

2.4 Design procedures and tools: To be completed April 21, 1988.

3.0 Process advantages: To be completed April 21, 1988.

3.1 Engineering production philosophy: To be completed April 21, 1988.

3.2 Engineering production organization: To be completed by April 21, 1988.

VI. GROWTH ASPIRATIONS

1.0 Overview: Datamatic has positioned itself for continued growth based on its' revised corporate structure and the requirements for growth which are fundamental elements of the Corporation's mission and corollary objectives.

1.1 Growth Plan: The Company will grow by harvesting its core business and developing new products which it will sell to existing customers. IN ADDITION, THE COMPANY IS COMMITTED TO INTRODUCING FOUR NON-UTILITY RELATED, ELECTRONIC DATA CAPTURE SYSTEM PRODUCT LINES, OVER THE NEXT FOUR YEARS.

1.1.1 Departmental Emphasis for Growth: The primary responsibilities for growth through new market identification and product development and/or technology acquisition will be given to the Marketing and Business Development Department.

1.2 Methodology: Table 1.2 describes the Datamatic Inc. product development cycle as described below.

1.2.1 New Product Steering Committee: A new product development steering committee will meet twice monthly to review findings from the Marketing, Sales and Engineering Departments. The Committee shall consist of the CEO, and representatives from the Marketing, Sales, Production Engineering, Sustaining Engineering and Service Departments. This Committee will require two complete new product/market reports to be presented, per month.

1.2.1.1 New Product/Market Report: The requirements and form of the New Product/Market Report follow:

1.2.1.1.1 Resource Planning:

a. Financial Resources

1) Capital required to design system prototype and fabricate demonstrable units for preproduction evaluation, test marketing and financial lending/underwriting sources.
2) Capital required to design tooling of any custom electro-mechanical components prior to production, as well as that required to complete the acquisition of materials, manufacturing costs and initial advertising and marketing costs.
3) Capital required to finance ongoing orders and operations assuming the test marketing points to a full program go-ahead.
4) Long-term capital required to finance growth expansion.

b. Administrative Planning
1) Capital Structure
2) Organizational Structure
3) Resource Management
4) Planned Growth Management
5) Objectives and Strategy
6) Definition of Policy
7) Structure and Management of Project

c. Manufacturing
1) New Product Manufacture Commitments
2) Build Cost-Effective Product
3) Provide Engineering, ATE, QC, and Service Analysis, which is germane to the manufacturing cycle
4) Constant MBOR and Means to Increase the Cost Effectiveness of the Product

d. Field Service
1) Providing Educational Programs to Customers

2) Development of Installation and/or Operations Manuals
3) Develop Depot Level Field Service Organization
4) Develop Field Service Return Procedures
5) Develop Portable Service Testers where applicable
6) Maintenance of Field Service Function
7) Maintain after the Sale Customer Satisfaction
8) Develop Product Upgrade Program

e. Distribution
1) Getting the Product out of the Factory and into the hands of sales reps, retail outlets and customers
2) Administration and traffic control
3) Sales tools and literature to and through the distribution channels

f. Education
1) Customer ability and motivation to use or sell units
2) Customer ability and motivation to install unit
3) Customer ability and motivation to implement units and train end users
4) Customer ability and motivation to service and maintain units

g. Sales
1) Sales concept and sales plan
2) Order taking
3) Automated data handling system for order taking and customer relations maintenance
4) Promotion of larger sales force
5) Development of regional sales areas
6) Growth of sales people

h. System Design and Engineering

1) Circuit design and analysis
2) Cost considerations
3) System emulation
4) Preproduction systems for test marketing
5) Production system
6) Mechanical design
7) Tool design and acquisition
8) Manufacturability of total systems design
9) Development of CPM and MBOR-PERT for overall program

i. Prototype Development

1) Demonstrable system prototypes for trade shows, customer presentations, and financial source presentations.
2) System prototypes for advertising material preparation.
3) Analysis of functionality, repeatability and failure history.
4) The increasing of managements, as well as all employees, confidence level of the program's viability.

1.2.1.1.2 Required Form:

ORGANIZATION

A. Introduction

B. Summary of the Plan

1. The proposed project, product, and business opportunity.
   Who and what are they?
2. Market opportunity
3. Business plan objectives

C. The Product

1. The product or system or service; a description thereof
2. Potential

D. Market Research and Evaluation

1. Customers
2. Competition
3. Production (if any exists) comparison charts
4. Estimated market evaluation

E. Marketing Plan

1. Overall marketing strategy
2. Pricing
3. Service and Warranty Policy
4. Advertising and Promotion

F. Design and Development Plans

1. Development status and tasks
2. Development costs

G. Manufacturing and Operating Plan

1. Geographical location
2. Facilities and improvements
3. Strategy and plans

H. Management Team

1. Organization
2. Management Responsibilities
3. Supporting professional services

I. Overall Schedule

1. Start up
2. Continuation

J. Critical Risks and Assumptions

1. Marketing assumptions
2. Development assumptions
3. Manufacturing assumptions
4. Competitive assumptions

K. The Financial Plan

1. Proposed financing

L. Contingency Planning

1. Asset Liquidation
2. Sale of product rights to established firms
3. Legal and accounting considerations

M. Appendices

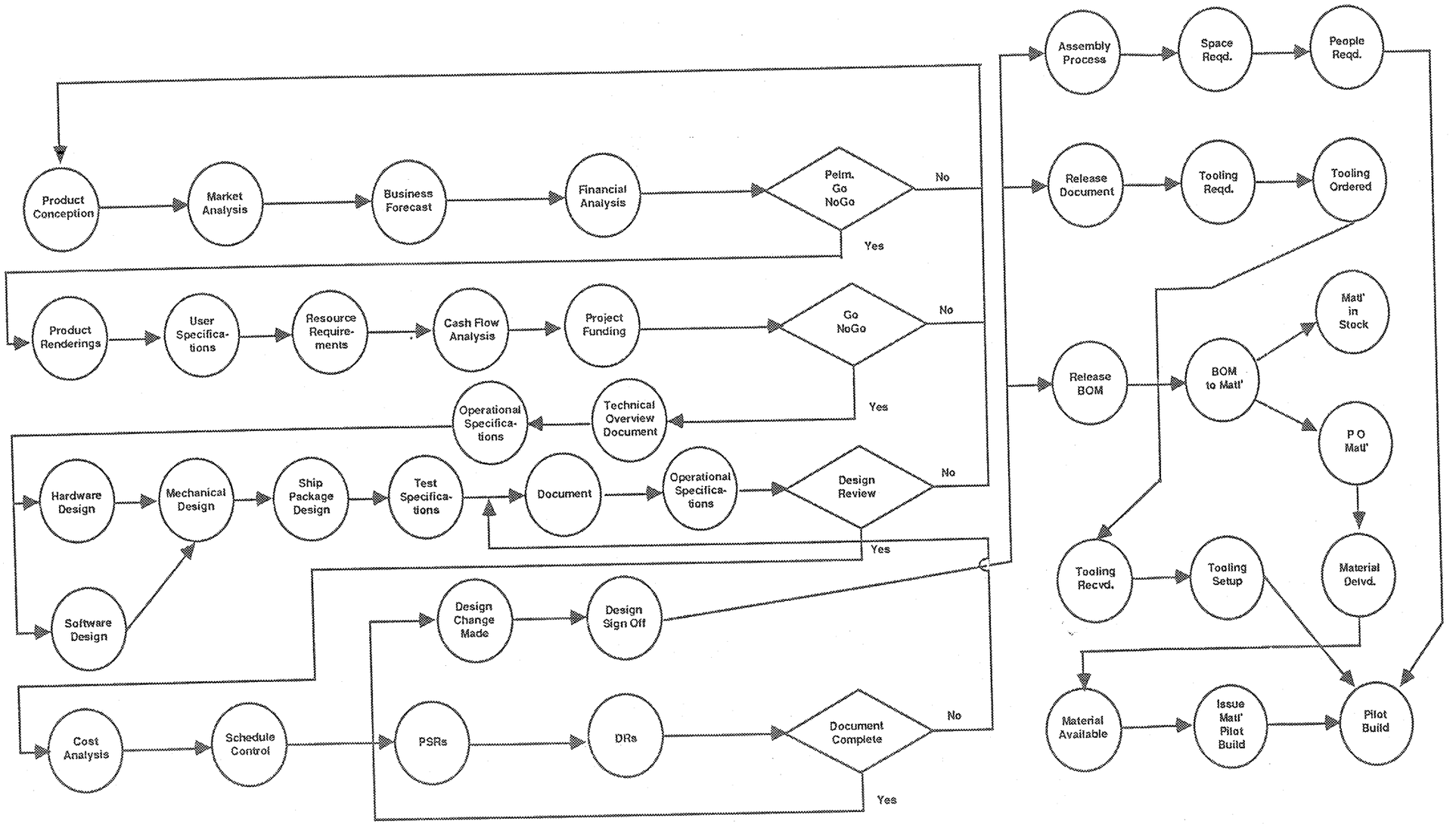
1. Product features
2. Management vida
3. Leader vida
4. Product sales forecast
5. Financial statements
6. References

1.3 Expected Results: The Marketing and Business Development Department SHALL BE EXPECTED to develop and exploit new product/market mixes as required to meet the Corporation's mission through sales revenues as forecasted in Table Dat17 contained in Section VII herein.

Dat17 mandates the following:

- o Options, enhancements and new product targeted to utility EMR business to maintain and expand market share through 1992.
- o TEAM product or subset thereof available for pilot sale in 1989.
- o TEAM system sales will begin in 1990.
- o One non-utility related product line (Product A) introduced in 1989 producing a minimum of 3.4 million dollars of revenues in its' first year of introduction.
- o One non-utility related product line (Product B) introduced in 1990 producing a minimum of 3.4 million dollars of revenues in its' first year of introduction.

- Two non-utility related product lines (Products C & D) introductions in 1991 each producing a minimum of 3.4 million dollars of revenues in their first year of introduction.



Product Development Cycle
Datamatic Inc.

VII. FINANCIALS

1.0 Proforma: The forecasted proformas contained in this section are described below:

1.1 Dat13: Assumes optimistic expansion of RoadRunner Systems
Assumes most likely expansion of RouteStar Systems
Assumes No TEAM sales
Assumes No non-utility related new products

1.2 Dat14: Assumes most likely continuation of RoadRunner Systems
Assumes most likely expansion of RouteStar Systems
Assumes No TEAM Sales
Assumes No non-utility related new products

1.3 Dat15: Assumes pessimistic outlook for RoadRunner Systems
Assumes pessimistic growth for RouteStar Systems
Assumes No TEAM sales
Assumes No non-utility related new products

1.4 Dat16: Assumes pessimistic outlook for RoadRunner Systems
Assumes pessimistic growth for RouteStar Systems
Assumes No TEAM sales
Assumes successful non-utility related new product strategy

1.5 Dat17: Assumes pessimistic outlook for RoadRunner Systems
Assumes pessimistic growth for RouteStar Systems
Assumes optimistic TEAM sales
Assumes successful non-utility related new product strategy

DATAMATIC, INC.
5 YEAR PROFORMA INCOME AND CASH FLOW STATEMENT
SEPTEMBER 1, 1986 THROUGH AUGUST 31, 1992
ASSUMPTION: BORROWING ON LINE OF CREDIT

Dat13

29-Feb-88	8/31/86	8/31/87	8/31/88	8/31/89	8/31/90	8/31/91	8/31/92
INCOME STATEMENT							
SALES REVENUE(1.):							
ROADRUNNER(INCLUDES INTERNATIONAL)	5,060,783	3,435,968	6,119,607	6,731,568	7,404,724	8,145,197	8,959,717
ROUTESTAR(INCLUDES INTERNATIONAL)	272,244	561,841	618,025	679,828	747,810	822,591	904,851
TEAM PHASE ONE		0	0	0	0	0	0
TEAM SYSTEMS			0	0	0	0	0
REPLACEMENT AND UPGRADE	370,159	1,129,899	300,000	330,000	363,000	399,300	439,230
POWER PROBE		0	250,000	332,500	442,225	588,159	782,252
SERVICE AND MAINTENANCE	1,815,881	2,439,722	2,861,868	3,476,329	4,157,595	4,914,116	5,755,767
TOTAL SALES REVENUE	7,519,067	7,567,430	10,149,500	11,550,224	13,115,355	14,869,363	16,841,816
COST OF SALES(2.):							
ROADRUNNER	(1,686,928)	(1,342,149)	(2,141,862)	(2,692,627)	(3,332,126)	(3,665,339)	(4,031,872
ROUTESTAR	(90,748)	(212,512)	(216,309)	(271,931)	(336,515)	(370,166)	(407,183
TEAM PHASE ONE		0	0	0	0	0	0
TEAM SYSTEM		0	0	0	0	0	0
REPLACEMENT AND UPGRADES	(131,691)	(342,239)	(105,000)	(132,000)	(163,350)	(179,685)	(197,654
POWER PROBE		0	(125,000)	(166,250)	(221,113)	(294,080)	(391,126
SERVICE AND MAINTENANCE	(631,740)	(788,840)	(1,001,654)	(1,390,532)	(1,870,918)	(2,211,352)	(2,590,095
TOTAL COST OF SALES	(2,541,107)	(2,685,740)	(3,589,825)	(4,653,340)	(5,924,021)	(6,720,621)	(7,617,930
GROSS PROFIT	4,977,960	4,881,690	6,559,675	6,896,885	7,191,334	8,148,742	9,223,886
OPERATING EXPENSES(3.):							
SALARIES AND WAGES	(2,096,357)	(1,963,550)	(1,079,953)				
COMMISSIONS	(431,092)	(118,095)	(145,753)				
RESEARCH AND DEVELOPMENT	(192,695)	(140,527)	(250,000)				
SELLING, ADVERTISING AND MARKETING	(318,712)	(487,520)	(211,341)				
ADDITIONAL PROMOTION							
DEPRECIATION ON NON-LEASED ASSETS	(90,440)	(111,183)	(111,183)	(100,000)	(90,000)	(80,000)	(80,000
GENERAL AND ADMINISTRATIVE	(1,023,224)	(1,120,864)	(590,844)				
INTEREST EXPENSE NOT RELATED TO LEASED ASSETS	(37,959)	(50,202)	0	0	0	0	0

29-Feb-88	8/31/86	8/31/87	8/31/88	8/31/89	8/31/90	8/31/91	8/31/92
SALES (2.0)			(375,000)	(750,000)	(843,750)	(949,219)	(1,067,871
COMMISSIONS			(145,753)	(322,956)	(358,310)	(398,210)	(443,442
MARKETING AND BUSINESS DEV. (3.0)			(316,500)	(633,000)	(696,300)	(765,930)	(842,523
GENERAL AND ADMIN. (8.0 & 10.0)			(320,500)	(641,000)	(673,050)	(706,703)	(742,038
GENERAL MANAGER, CEO (1.0)			(150,000)	(300,000)	(315,000)	(330,750)	(347,288
PRODUCTION ENGINEERING (4.0)			(242,000)	(484,000)	(508,200)	(533,610)	(560,291
SUSTAINING ENGINEERING (5.0)			(61,000)	(122,000)	(128,100)	(134,505)	(141,230
QUALITY ASSURANCE (6.0)			(58,500)	(117,000)	(122,850)	(128,993)	(135,442
CUSTOMER SERVICE (9.0)			(47,000)	(94,000)	(98,700)	(103,635)	(108,817
PERSONNEL (7.0)			(18,000)	(36,000)	(37,800)	(39,690)	(41,675
TOTAL OPERATING EXPENSES	(4,190,479)	(3,991,941)	(2,389,073)	(3,599,956)	(3,872,060)	(4,171,244)	(4,510,615
NET OPERATING INCOME/(LOSS)	787,481	889,749	4,170,602	3,296,929	3,315,274	3,977,498	4,713,271
OTHER INCOME/(EXPENSE)(4.):							
LEASE INCOME	418,365	539,210	478,116	599,016	560,901	488,316	341,028
PLANE LEASE INCOME	1,067,660	1,070,484	1,065,753	1,065,753	1,065,753	1,065,753	1,065,753
INTEREST INCOME	170,735	185,520	185,520	0	0	0	0
OTHER INCOME	43,099	233,818	113,740				
DEPRECIATION ON LEASED ASSETS	(584,588)	(705,501)	(584,588)	(644,588)	(644,588)	(644,588)	(644,588
INTEREST EXPENSE ON LEASED ASSETS	(1,131,221)	(954,729)	(921,227)	(899,822)	(875,221)	(846,946)	(846,946
INTEREST ON TERM LOAN			(97,526)	(207,444)	(166,045)	(119,396)	(66,831
INTEREST ON SHAREHOLDER LOAN			(37,500)	(90,000)	(52,500)		
NON-COMPETE PAYMENTS			(138,890)	(333,336)	(27,774)	0	0
NET OTHER INCOME/(EXPENSE)	(15,950)	368,802	63,398	(510,421)	(139,474)	(56,861)	(151,584
BEFORE TAX INCOME/(LOSS)	771,531	1,258,551	4,234,000	2,786,508	3,179,800	3,920,637	4,561,687
INCOME TAX PROVISION(5.):	(307,049)	(541,854)	(1,439,560)	(947,413)	(1,081,132)	(1,333,017)	(1,550,974
AFTER TAX INCOME/(LOSS)	464,482	716,697	2,794,440	1,839,095	2,098,668	2,587,621	3,010,714

CASH FLOW STATEMENT	8/31/86	8/31/87	8/31/88	8/31/89	8/31/90	8/31/91	8/31/92
AFTER TAX INCOME/(LOSS)	464,482	716,697	2,794,440	1,839,095	2,098,668	2,587,621	3,010,714
EXPENSES NOT REQUIRING CASH:							
DEPRECIATION	675,020	816,684	695,771	744,588	734,588	724,588	724,588
DEFERRED FEDERAL INCOME TAXES	677,762	505,440	325,438	325,438	325,438	(108,842)	(108,842
CASH PROVIDED BY OPERATIONS	1,817,272	2,038,821	3,815,649	2,909,121	3,158,694	3,203,366	3,626,459
ADD SOURCES OF CASH (6.):							
BEGINNING CASH BALANCE	1,206,059	340,237	999,161	2,398,078	4,661,836	6,111,654	8,356,060
PROCEEDS FROM DEBT		0	2,000,000	0	0	0	0
SALE OF FIXED ASSETS							
INCREASE/DECREASE IN CURRENT LIABILITIES/ASSETS		18,709	226,021	265,879	317,670	199,150	224,327
LESS USES OF CASH (7.):							
STOCK AQUISITION			(3,500,000)				
FIXED ASSET ADDITIONS	(114,633)	(90,978)	(100,000)				
LEASED EQUIPMENT ADDITIONS	(252,372)	(106,741)					
RETIREMENT OF DEBT	(604,163)	(1,200,887)	(268,132)	(491,025)	(1,557,006)	(631,908)	(467,036
INCREASE/DECREASE IN CURRENT ASSETS/LIABILITIES	(1,711,926)	0	(774,621)	(420,217)	(469,539)	(526,202)	(591,736
ENDING CASH BALANCE	340,237	999,161	2,398,078	4,661,836	6,111,654	8,356,060	11,148,075

DATAMATIC, INC.

Dat14

5 YEAR PROFORMA INCOME AND CASH FLOW STATEMENT

SEPTEMBER 1, 1986 THROUGH AUGUST 31, 1992

ASSUMPTION: BORROWING ON LINE OF CREDIT

29-Feb-88	8/31/86	8/31/87	8/31/88	8/31/89	8/31/90	8/31/91	8/31/92
INCOME STATEMENT							
SALES REVENUE(1.):							
ROADRUNNER(INCLUDES INTERNATIONAL)	5,060,783	3,435,968	6,119,607	6,119,607	6,119,607	6,119,607	6,119,607
ROUTESTAR(INCLUDES INTERNATIONAL)	272,244	561,841	618,025	679,828	747,810	822,591	904,851
TEAM PHASE ONE		0	0	0	0	0	0
TEAM SYSTEMS			0	0	0	0	0
REPLACEMENT AND UPGRADE	370,159	1,129,899	300,000	330,000	363,000	399,300	439,230
POWER PROBE		0	250,000	332,500	442,225	588,159	782,252
SERVICE AND MAINTENANCE	1,815,881	2,439,722	2,861,868	3,451,851	4,057,234	4,681,326	5,328,350
TOTAL SALES REVENUE	7,519,067	7,567,430	10,149,500	10,913,785	11,729,876	12,610,983	13,574,289
COST OF SALES(2.):							
ROADRUNNER	(1,686,928)	(1,342,149)	(2,141,862)	(2,447,843)	(2,753,823)	(2,753,823)	(2,753,823
ROUTESTAR	(90,748)	(212,512)	(216,309)	(271,931)	(336,515)	(370,166)	(407,183
TEAM PHASE ONE		0	0	0	0	0	0
TEAM SYSTEM		0	0	0	0	0	0
REPLACEMENT AND UPGRADES	(131,691)	(342,239)	(105,000)	(132,000)	(163,350)	(179,685)	(197,654
POWER PROBE		0	(125,000)	(166,250)	(221,113)	(294,080)	(391,126
SERVICE AND MAINTENANCE	(631,740)	(788,840)	(1,001,654)	(1,380,740)	(1,825,755)	(2,106,597)	(2,397,757
TOTAL COST OF SALES	(2,541,107)	(2,685,740)	(3,589,825)	(4,398,764)	(5,300,556)	(5,704,350)	(6,147,543
GROSS PROFIT	4,977,960	4,881,690	6,559,675	6,515,021	6,429,321	6,906,633	7,426,746
OPERATING EXPENSES(3.):							
SALARIES AND WAGES	(2,096,357)	(1,963,550)	(1,079,953)				
COMMISSIONS	(431,092)	(118,095)	(145,753)				
RESEARCH AND DEVELOPMENT	(192,695)	(140,527)	(250,000)				
SELLING, ADVERTISING AND MARKETING	(318,712)	(487,520)	(211,341)				
ADDITIONAL PROMOTION							
DEPRECIATION ON NON-LEASED ASSETS	(90,440)	(111,183)	(111,183)	(100,000)	(90,000)	(80,000)	(80,000
GENERAL AND ADMINISTRATIVE	(1,023,234)	(1,120,864)	(590,844)				
INTEREST EXPENSE NOT RELATED TO LEASED ASSETS	(37,959)	(50,202)	0	0	0	0	0

29-Feb-88	8/31/86	8/31/87	8/31/88	8/31/89	8/31/90	8/31/91	8/31/92
SALES (2.0)			(375,000)	(750,000)	(862,500)	(991,875)	(1,140,656
COMMISSIONS			(145,753)	(298,477)	(306,906)	(317,186)	(329,838
MARKETING AND BUSINESS DEV. (3.0)			(316,500)	(633,000)	(696,300)	(765,930)	(842,523
GENERAL AND ADMIN. (8.0 & 10.0)			(320,500)	(641,000)	(673,050)	(706,703)	(742,038
GENERAL MANAGER, CEO (1.0)			(150,000)	(300,000)	(315,000)	(330,750)	(347,288
PRODUCTION ENGINEERING (4.0)			(242,000)	(484,000)	(508,200)	(533,610)	(560,291
SUSTAINING ENGINEERING (5.0)			(61,000)	(122,000)	(128,100)	(134,505)	(141,230
QUALITY ASSURANCE (6.0)			(58,500)	(117,000)	(122,850)	(128,993)	(135,442
CUSTOMER SERVICE (9.0)			(47,000)	(94,000)	(98,700)	(103,635)	(108,817
PERSONNEL (7.0)			(18,000)	(36,000)	(37,800)	(39,690)	(41,675
TOTAL OPERATING EXPENSES	(4,190,479)	(3,991,941)	(2,389,073)	(3,575,477)	(3,839,406)	(4,132,876)	(4,469,786
NET OPERATING INCOME/(LOSS)	787,481	889,749	4,170,602	2,939,544	2,589,915	2,773,757	2,956,980
OTHER INCOME/(EXPENSE)(4.):							
LEASE INCOME	418,365	539,210	478,116	599,016	560,901	488,316	341,028
PLANE LEASE INCOME	1,067,660	1,070,484	1,065,753	1,065,753	1,065,753	1,065,753	1,065,753
INTEREST INCOME	170,735	185,520	185,520	0	0	0	0
OTHER INCOME	43,099	233,818	113,740				
DEPRECIATION ON LEASED ASSETS	(584,588)	(705,501)	(584,588)	(644,588)	(644,588)	(644,588)	(644,588
INTEREST EXPENSE ON LEASED ASSETS	(1,131,221)	(954,729)	(921,227)	(899,822)	(875,221)	(846,946)	(846,946
INTEREST ON TERM LOAN			(97,526)	(207,444)	(166,045)	(119,396)	(66,831
INTEREST ON SHAREHOLDER LOAN			(37,500)	(90,000)	(52,500)		
NON-COMPETE PAYMENTS			(138,890)	(333,336)	(27,774)	0	0
NET OTHER INCOME/(EXPENSE)	(15,950)	368,802	63,398	(510,421)	(139,474)	(56,861)	(151,584
BEFORE TAX INCOME/(LOSS)	771,531	1,258,551	4,234,000	2,429,123	2,450,441	2,716,896	2,805,396
INCOME TAX PROVISION(5.):	(307,049)	(541,854)	(1,439,560)	(825,902)	(833,150)	(923,745)	(953,825
AFTER TAX INCOME/(LOSS)	464,482	716,697	2,794,440	1,603,221	1,617,291	1,793,151	1,851,571

CASH FLOW STATEMENT	8/31/86	8/31/87	8/31/88	8/31/89	8/31/90	8/31/91	8/31/92
AFTER TAX INCOME/(LOSS)	464,482	716,697	2,794,440	1,603,221	1,617,291	1,793,151	1,851,542
EXPENSES NOT REQUIRING CASH:							
DEPRECIATION	675,028	816,684	695,771	744,588	734,588	724,588	724,588
DEFERRED FEDERAL INCOME TAXES	677,762	505,440	325,438	325,438	325,438	(108,842)	(108,842
CASH PROVIDED BY OPERATIONS	1,817,272	2,038,821	3,815,649	2,673,247	2,677,317	2,408,897	2,467,288
ADD SOURCES OF CASH (6.):							
BEGINNING CASH BALANCE	1,206,059	340,237	999,161	2,398,078	4,553,249	5,654,181	7,267,786
PROCEEDS FROM DEBT		0	2,000,000	0	0	0	0
SALE OF FIXED ASSETS							
INCREASE/DECREASE IN CURRENT LIABILITIES/ASSETS		18,709	226,021	202,235	225,448	100,949	110,798
LESS USES OF CASH (7.):							
STOCK AQUISITION			(3,500,000)				
FIXED ASSET ADDITIONS	(114,633)	(90,978)	(100,000)				
LEASED EQUIPMENT ADDITIONS	(252,372)	(106,741)					
RETIREMENT OF DEBT	(604,163)	(1,200,887)	(268,132)	(491,025)	(1,557,006)	(631,908)	(467,036
INCREASE/DECREASE IN CURRENT ASSETS/LIABILITIES	(1,711,926)	0	(774,621)	(229,286)	(244,827)	(264,332)	(288,992
ENDING CASH BALANCE	340,237	999,161	2,398,078	4,553,249	5,654,181	7,267,786	9,089,844

DATAMATIC, INC.
5 YEAR PROFORMA INCOME AND CASH FLOW STATEMENT
SEPTEMBER 1, 1986 THROUGH AUGUST 31, 1992
ASSUMPTION: BORROWING ON LINE OF CREDIT

Dat15

29-Feb-88	8/31/86	8/31/87	8/31/88	8/31/89	8/31/90	8/31/91	8/31/92
INCOME STATEMENT							
SALES REVENUE(1.):							
ROADRUNNER(INCLUDES INTERNATIONAL)	5,060,783	3,435,968	6,119,607	5,507,646	4,956,882	4,461,194	4,015,074
ROUTESTAR(INCLUDES INTERNATIONAL)	272,244	561,841	561,841	561,841	561,841	561,841	561,841
TEAM PHASE ONE		0	0	0	0	0	0
TEAM SYSTEMS			0	0	0	0	0
REPLACEMENT AND UPGRADE	370,159	1,129,899	300,000	330,000	363,000	399,300	439,230
POWER PROBE		0	250,000	332,500	442,225	588,159	782,252
SERVICE AND MAINTENANCE	1,815,881	2,439,722	2,861,868	3,420,405	3,942,643	4,436,020	4,908,376
TOTAL SALES REVENUE	7,519,067	7,567,430	10,093,316	10,152,393	10,266,590	10,446,514	10,706,773
COST OF SALES(2.):							
ROADRUNNER	(1,686,928)	(1,342,149)	(2,141,862)	(2,203,059)	(2,230,597)	(2,007,537)	(1,806,783
ROUTESTAR	(90,748)	(212,512)	(196,644)	(224,736)	(252,828)	(252,828)	(252,828
TEAM PHASE ONE		0	0	0	0	0	0
TEAM SYSTEM		0	0	0	0	0	0
REPLACEMENT AND UPGRADES	(131,691)	(342,239)	(105,000)	(132,000)	(163,350)	(179,685)	(197,654
POWER PROBE		0	(125,000)	(166,250)	(221,113)	(294,080)	(391,126
SERVICE AND MAINTENANCE	(631,740)	(788,840)	(1,001,654)	(1,368,162)	(1,774,189)	(1,996,209)	(2,208,769
TOTAL COST OF SALES	(2,541,107)	(2,685,740)	(3,570,161)	(4,094,207)	(4,642,077)	(4,730,339)	(4,857,160
GROSS PROFIT	4,977,960	4,881,690	6,523,155	6,058,186	5,624,514	5,716,175	5,849,613
OPERATING EXPENSES(3.):							
SALARIES AND WAGES	(2,096,357)	(1,963,550)	(1,079,953)				
COMMISSIONS	(431,092)	(118,095)	(144,629)				
RESEARCH AND DEVELOPMENT	(192,695)	(140,527)	(500,000)				
SELLING, ADVERTISING AND MARKETING	(318,712)	(487,520)	(419,424)				
ADDITIONAL PROMOTION							
DEPRECIATION ON NON-LEASED ASSETS	(90,440)	(111,183)	(111,183)	(100,000)	(90,000)	(80,000)	(80,000
GENERAL AND ADMINISTRATIVE	(1,023,224)	(1,120,864)	(1,181,687)				
INTEREST EXPENSE NOT RELATED TO LEASED ASSETS	(37,959)	(50,202)	0	0	0	0	0

29-Feb-88	8/31/86	8/31/87	8/31/88	8/31/89	8/31/90	8/31/91	8/31/92
SALES (2.0)				(750,000)	(843,750)	(949,219)	(1,067,871
COMMISSIONS				(134,640)	(252,958)	(240,420)	(231,936
MARKETING AND BUSINESS DEV. (3.0)				(633,000)	(696,300)	(765,930)	(842,523
GENERAL AND ADMIN. (8.0 & 10.0)				(641,000)	(673,050)	(706,703)	(742,038
GENERAL MANAGER, CEO (1.0)				(300,000)	(315,000)	(330,750)	(347,288
PRODUCTION ENGINEERING (4.0)				(484,000)	(508,200)	(533,610)	(560,291
SUSTAINING ENGINEERING (5.0)				(122,000)	(128,100)	(134,505)	(141,230
QUALITY ASSURANCE (6.0)				(117,000)	(122,850)	(128,993)	(135,442
CUSTOMER SERVICE (9.0)				(94,000)	(98,700)	(103,635)	(108,817
PERSONNEL (7.0)				(36,000)	(37,800)	(39,690)	(41,675
TOTAL OPERATING EXPENSES	(4,190,479)	(3,991,941)	(3,436,875)	(3,411,640)	(3,766,708)	(4,013,454)	(4,299,109
NET OPERATING INCOME/(LOSS)	787,481	889,749	3,086,280	2,646,546	1,857,806	1,702,721	1,550,503
OTHER INCOME/(EXPENSE)(4.):							
LEASE INCOME	418,365	539,210	478,116	599,016	560,901	488,316	341,028
PLANE LEASE INCOME	1,067,660	1,070,484	1,065,753	1,065,753	1,065,753	1,065,753	1,065,753
INTEREST INCOME	170,735	185,520	185,520	0	0	0	0
OTHER INCOME	43,099	233,818	113,740				
DEPRECIATION ON LEASED ASSETS	(584,588)	(705,501)	(584,588)	(644,588)	(644,588)	(644,588)	(644,588
INTEREST EXPENSE ON LEASED ASSETS	(1,131,221)	(954,729)	(921,227)	(899,822)	(875,221)	(846,946)	(846,946
INTEREST ON TERM LOAN			(97,526)	(207,444)	(166,045)	(119,396)	(66,831
INTEREST ON SHAREHOLDER LOAN			(37,500)	(90,000)	(52,500)		
NON-COMPETE PAYMENTS			(138,890)	(333,336)	(27,774)	0	0
NET OTHER INCOME/(EXPENSE)	(15,950)	368,802	63,398	(510,421)	(139,474)	(56,861)	(151,584
BEFORE TAX INCOME/(LOSS)	771,531	1,258,551	3,149,678	2,136,125	1,718,332	1,645,860	1,398,919
INCOME TAX PROVISION(5.):	(307,049)	(541,854)	(1,070,891)	(726,282)	(584,233)	(559,593)	(475,633
AFTER TAX INCOME/(LOSS)	464,482	716,697	2,078,787	1,409,842	1,134,099	1,086,268	923,287

CASH FLOW STATEMENT	8/31/86	8/31/87	8/31/88	8/31/89	8/31/90	8/31/91	8/31/92
AFTER TAX INCOME/(LOSS)	464,482	716,697	2,078,787	1,409,842	1,134,099	1,086,268	923,287
EXPENSES NOT REQUIRING CASH:							
DEPRECIATION	675,028	816,684	695,771	744,588	734,588	724,588	724,588
DEFERRED FEDERAL INCOME TAXES	677,762	505,440	325,438	325,438	325,438	(108,842)	(108,842
CASH PROVIDED BY OPERATIONS	1,817,272	2,038,821	3,099,996	2,479,868	2,194,125	1,702,014	1,539,033
ADD SOURCES OF CASH (6.):							
BEGINNING CASH BALANCE	1,206,059	340,237	999,161	1,694,365	3,796,497	4,536,323	5,574,518
PROCEEDS FROM DEBT		0	2,000,000	0	0	0	0
SALE OF FIXED ASSETS							
INCREASE/DECREASE IN CURRENT LIABILITIES/ASSETS		18,709	221,105	131,012	136,967	22,066	31,705
LESS USES OF CASH (7.):							
STOCK AQUISITION			(3,500,000)				
FIXED ASSET ADDITIONS	(114,633)	(90,978)	(100,000)				
LEASED EQUIPMENT ADDITIONS	(252,372)	(106,741)					
RETIREMENT OF DEBT	(604,163)	(1,200,887)	(268,132)	(491,026)	(1,557,006)	(631,908)	(467,036
INCREASE/DECREASE IN CURRENT ASSETS/LIABILITIES	(1,711,926)	0	(757,766)	(17,723)	(34,259)	(53,977)	(78,078
ENDING CASH BALANCE	340,237	999,161	1,694,365	3,796,497	4,536,323	5,574,518	6,600,142

DATAMATIC, INC.
5 YEAR PROFORMA INCOME AND CASH FLOW STATEMENT
SEPTEMBER 1, 1986 THROUGH AUGUST 31, 1992
ASSUMPTION: BORROWING ON LINE OF CREDIT

Dat16

29-Feb-88	8/31/86	8/31/87	8/31/88	8/31/89	8/31/90	8/31/91	8/31/92
INCOME STATEMENT							
SALES REVENUE(1.):							
ROADRUNNER(INCLUDES INTERNATIONAL)	5,060,783	3,435,968	6,119,607	5,507,646	4,956,882	4,461,194	4,015,074
ROUTESTAR(INCLUDES INTERNATIONAL)	272,244	561,841	561,841	561,841	561,841	561,841	561,841
TEAM PHASE ONE		0	0	0	0	0	0
TEAM SYSTEMS			0	0	0	0	0
NEW PRODUCT: A				3,400,000	4,658,000	6,381,460	8,742,600
NEW PRODUCT: B				0	3,450,000	4,726,500	6,475,305
NEW PRODUCT: C				0	0	3,450,000	4,726,500
NEW PRODUCT: D				0	0	3,450,000	4,726,500
REPLACEMENT AND UPGRADE	370,159	1,129,899	300,000	330,000	363,000	399,300	439,230
POWER PROBE		0	250,000	332,500	442,225	588,159	782,252
SERVICE AND MAINTENANCE	1,815,881	2,439,722	2,861,868	3,420,405	3,942,643	4,436,020	4,908,376
TOTAL SALES REVENUE	7,519,067	7,567,430	10,093,316	13,552,393	18,374,590	28,454,474	35,377,678
COST OF SALES(2.):							
ROADRUNNER	(1,686,928)	(1,342,149)	(2,141,862)	(2,203,059)	(2,230,597)	(2,007,537)	(1,806,783
ROUTESTAR	(90,748)	(212,512)	(196,644)	(224,736)	(252,828)	(252,828)	(252,828
TEAM PHASE ONE		0	0	0	0	0	0
TEAM SYSTEM		0	0	0	0	0	0
NEW PRODUCT: A				(1,530,000)	(2,096,100)	(2,871,657)	(3,934,170
NEW PRODUCT: B				0	(1,552,500)	(2,126,925)	(2,913,887
NEW PRODUCT: C				0	0	(1,552,500)	(2,126,925
NEW PRODUCT: D				0	0	(1,552,500)	(2,126,925
REPLACEMENT AND UPGRADES	(131,691)	(342,239)	(105,000)	(132,000)	(163,350)	(179,685)	(197,654
POWER PROBE		0	(125,000)	(166,250)	(221,113)	(294,080)	(391,126
SERVICE AND MAINTENANCE	(631,740)	(788,840)	(1,001,654)	(1,368,162)	(1,774,189)	(1,996,209)	(2,208,769
TOTAL COST OF SALES	(2,541,107)	(2,685,740)	(3,570,161)	(5,624,207)	(8,290,677)	(12,833,921)	(15,959,068
GROSS PROFIT	4,977,960	4,881,690	6,523,155	7,928,186	10,083,914	15,620,553	19,418,610
OPERATING EXPENSES(3.):							
SALARIES AND WAGES	(2,096,357)	(1,963,550)	(1,079,953)				
COMMISSIONS	(431,092)	(118,095)	(144,629)				
RESEARCH AND DEVELOPMENT	(192,695)	(140,527)	(250,000)				
SELLING, ADVERTISING AND MARKETING	(318,712)	(487,520)	(209,712)				
ADDITIONAL PROMOTION							
DEPRECIATION ON NON-LEASED ASSETS	(90,440)	(111,183)	(111,183)	(100,000)	(90,000)	(80,000)	(80,000
GENERAL AND ADMINISTRATIVE	(1,023,224)	(1,120,864)	(590,844)				
INTEREST EXPENSE NOT RELATED TO LEASED ASSETS	(37,959)	(50,202)	0	0	0	0	0

29-Feb-88	8/31/86	8/31/87	8/31/88	8/31/89	8/31/90	8/31/91	8/31/92
SALES (2.0)			(375,000)	(750,000)	(843,750)	(949,219)	(1,067,871
COMMISSIONS			(144,629)	(405,279)	(577,278)	(960,738)	(1,218,772
MARKETING AND BUSINESS DEV. (3.0)			(316,500)	(633,000)	(696,300)	(765,930)	(842,523
GENERAL AND ADMIN. (8.0 & 10.0)			(320,500)	(641,000)	(673,050)	(706,703)	(742,038
GENERAL MANAGER, CEO (1.0)			(150,000)	(300,000)	(315,000)	(330,750)	(347,288
PRODUCTION ENGINEERING (4.0)			(242,000)	(484,000)	(508,200)	(533,610)	(560,291
SUSTAINING ENGINEERING (5.0)			(61,000)	(122,000)	(128,100)	(134,505)	(141,230
QUALITY ASSURANCE (6.0)			(58,500)	(117,000)	(122,850)	(128,993)	(135,442
CUSTOMER SERVICE (9.0)			(47,000)	(94,000)	(98,700)	(103,635)	(108,817
PERSONNEL (7.0)			(18,000)	(36,000)	(37,800)	(39,690)	(41,675
TOTAL OPERATING EXPENSES	(4,190,479)	(3,991,941)	(2,386,320)	(3,682,279)	(4,091,028)	(4,733,772)	(5,285,945
NET OPERATING INCOME/(LOSS)	787,481	889,749	4,136,835	4,245,906	5,992,886	10,886,781	14,132,665
OTHER INCOME/(EXPENSE)(4.):							
LEASE INCOME	418,365	539,210	478,116	599,016	560,901	488,316	341,028
PLANE LEASE INCOME	1,067,660	1,070,484	1,065,753	1,065,753	1,065,753	1,065,753	1,065,753
INTEREST INCOME	170,735	185,520	185,520	0	0	0	0
OTHER INCOME	43,099	233,818	113,740				
DEPRECIATION ON LEASED ASSETS	(584,588)	(705,501)	(584,588)	(644,588)	(644,588)	(644,588)	(644,588
INTEREST EXPENSE ON LEASED ASSETS	(1,131,221)	(954,729)	(921,227)	(899,822)	(875,221)	(846,946)	(846,946
INTEREST ON TERM LOAN			(97,526)	(207,444)	(166,045)	(119,396)	(66,831
INTEREST ON SHAREHOLDER LOAN			(37,500)	(90,000)	(52,500)		
NON-COMPETE PAYMENTS			(138,890)	(333,336)	(27,774)	0	0
NET OTHER INCOME/(EXPENSE)	(15,950)	368,802	63,398	(510,421)	(139,474)	(56,861)	(151,584
BEFORE TAX INCOME/(LOSS)	771,531	1,258,551	4,200,233	3,735,485	5,853,412	10,829,920	13,981,081
INCOME TAX PROVISION(5.):	(307,049)	(541,854)	(1,428,079)	(1,270,065)	(1,990,160)	(3,682,173)	(4,753,568
AFTER TAX INCOME/(LOSS)	464,482	716,697	2,772,154	2,465,420	3,863,252	7,147,747	9,227,513

CASH FLOW STATEMENT	8/31/86	8/31/87	8/31/88	8/31/89	8/31/90	8/31/91	8/31/92
AFTER TAX INCOME/(LOSS)	464,482	716,697	2,772,154	2,465,420	3,863,252	7,147,747	9,227,513
EXPENSES NOT REQUIRING CASH:							
DEPRECIATION	675,028	816,684	695,771	744,588	734,588	724,588	724,588
DEFERRED FEDERAL INCOME TAXES	677,762	505,440	325,438	325,438	325,438	(108,842)	(108,842)
CASH PROVIDED BY OPERATIONS	1,817,272	2,038,821	3,793,363	3,535,446	4,923,278	7,763,493	9,843,259
ADD SOURCES OF CASH (6.):							
BEGINNING CASH BALANCE	1,206,059	340,237	999,161	2,387,731	4,907,941	7,494,171	12,737,602
PROCEEDS FROM DEBT		0	2,000,000	0	0	0	0
SALE OF FIXED ASSETS							
INCREASE/DECREASE IN CURRENT LIABILITIES/ASSETS		18,709	221,105	513,512	666,617	1,135,811	781,287
LESS USES OF CASH (7.):							
STOCK AQUISITION			(3,500,000)				
FIXED ASSET ADDITIONS	(114,633)	(90,978)	(100,000)				
LEASED EQUIPMENT ADDITIONS	(252,372)	(106,741)					
RETIREMENT OF DEBT	(604,163)	(1,200,887)	(268,132)	(491,025)	(1,557,006)	(631,908)	(467,036)
INCREASE/DECREASE IN CURRENT ASSETS/LIABILITIES	(1,711,926)	0	(757,766)	(1,037,723)	(1,446,659)	(3,023,965)	(2,076,961)
ENDING CASH BALANCE	340,237	999,161	2,387,731	4,907,941	7,494,171	12,737,602	20,816,150

DATAMATIC, INC.
5 YEAR PROFORMA INCOME AND CASH FLOW STATEMENT
SEPTEMBER 1, 1986 THROUGH AUGUST 31, 1992
ASSUMPTION: BORROWING ON LINE OF CREDIT

Dat17

29-Feb-88	8/31/86	8/31/87	8/31/88	8/31/89	8/31/90	8/31/91	8/31/92
INCOME STATEMENT							
SALES REVENUE(1.):							
ROADRUNNER(INCLUDES INTERNATIONAL)	5,060,783	3,435,968	6,119,607	5,507,646	4,956,882	4,461,194	4,015,074
ROUTESTAR(INCLUDES INTERNATIONAL)	272,244	561,841	561,841	561,841	561,841	561,841	561,841
TEAM PHASE ONE		0	0	500,000	2,500,000	4,000,000	4,000,000
TEAM SYSTEMS			0	0	500,000	3,000,000	7,000,000
NEW PRODUCT: A				3,400,000	4,658,000	6,381,460	8,742,600
NEW PRODUCT: B				0	3,450,000	4,726,500	6,475,305
NEW PRODUCT: C				0	0	3,450,000	4,726,500
NEW PRODUCT: D				0	0	3,450,000	4,726,500
REPLACEMENT AND UPGRADE	370,159	1,129,899	300,000	330,000	363,000	399,300	439,230
POWER PROBE		0	250,000	332,500	442,225	588,159	782,252
SERVICE AND MAINTENANCE	1,815,881	2,439,722	2,861,868	3,420,405	3,942,643	4,436,020	4,908,376
TOTAL SALES REVENUE	7,519,067	7,567,430	10,093,316	14,052,393	21,374,590	35,454,474	46,377,678
COST OF SALES(2.):							
ROADRUNNER	(1,686,928)	(1,342,149)	(2,141,862)	(2,203,059)	(2,230,597)	(2,007,537)	(1,806,783
ROUTESTAR	(90,748)	(212,512)	(196,644)	(224,736)	(252,828)	(252,828)	(252,828
TEAM PHASE ONE		0	0	(375,000)	(1,750,000)	(2,600,000)	(2,600,000
TEAM SYSTEM		0	0	0	(350,000)	(1,950,000)	(4,200,000
NEW PRODUCT: A				(1,530,000)	(2,096,100)	(2,871,657)	(3,934,170
NEW PRODUCT: B				0	(1,552,500)	(2,126,925)	(2,913,887
NEW PRODUCT: C				0	0	(1,552,500)	(2,126,925
NEW PRODUCT: D				0	0	(1,552,500)	(2,126,925
REPLACEMENT AND UPGRADES	(131,691)	(342,239)	(105,000)	(132,000)	(163,350)	(179,685)	(197,654
POWER PROBE		0	(125,000)	(166,250)	(221,113)	(294,080)	(391,126
SERVICE AND MAINTENANCE	(631,740)	(788,840)	(1,001,654)	(1,368,162)	(1,774,189)	(1,996,209)	(2,208,769
TOTAL COST OF SALES	(2,541,107)	(2,686,740)	(3,570,161)	(5,999,207)	(10,390,677)	(17,383,921)	(22,559,068
GROSS PROFIT	4,977,960	4,881,690	6,523,155	8,053,186	10,983,914	18,070,553	23,818,610
OPERATING EXPENSES(3.):							
SALARIES AND WAGES	(2,096,357)	(1,963,550)	(1,079,953)				
COMMISSIONS	(431,092)	(118,095)	(144,629)				
RESEARCH AND DEVELOPMENT	(192,695)	(140,527)	(250,000)				
SELLING, ADVERTISING AND MARKETING	(318,712)	(487,520)	(209,712)				
ADDITIONAL PROMOTION							
DEPRECIATION ON NON-LEASED ASSETS	(90,440)	(111,183)	(111,183)	(100,000)	(90,000)	(80,000)	(80,000
GENERAL AND ADMINISTRATIVE	(1,023,224)	(1,120,864)	(590,844)				
* INTEREST EXPENSE NOT RELATED TO LEASED ASSETS	(37,999)	(50,202)	0	0	0	0	0

29-Feb-88	8/31/86	8/31/87	8/31/88	8/31/89	8/31/90	8/31/91	8/31/92
SALES (2.0)			(375,000)	(750,000)	(843,750)	(949,219)	(1,067,871
COMMISSIONS			(144,629)	(425,279)	(697,278)	(1,240,738)	(1,658,772
MARKETING AND BUSINESS DEV. (3.0)			(316,500)	(633,000)	(696,300)	(765,930)	(842,523
GENERAL AND ADMIN. (8.0 & 10.0)			(320,500)	(641,000)	(673,050)	(706,703)	(742,038
GENERAL MANAGER, CEO (1.0)			(150,000)	(300,000)	(315,000)	(330,750)	(347,288
PRODUCTION ENGINEERING (4.0)			(242,000)	(484,000)	(508,200)	(533,610)	(560,291
SUSTAINING ENGINEERING (5.0)			(61,000)	(122,000)	(128,100)	(134,505)	(141,230
QUALITY ASSURANCE (6.0)			(58,500)	(117,000)	(122,850)	(128,993)	(135,442
CUSTOMER SERVICE (9.0)			(47,000)	(94,000)	(98,700)	(103,635)	(108,817
PERSONNEL (7.0)			(18,000)	(36,000)	(37,800)	(39,690)	(41,675
TOTAL OPERATING EXPENSES	(4,190,479)	(3,991,941)	(2,386,320)	(3,702,279)	(4,211,028)	(5,013,772)	(5,725,945
NET OPERATING INCOME/(LOSS)	787,481	889,749	4,136,835	4,350,906	6,772,886	13,056,781	18,092,665
OTHER INCOME/(EXPENSE)(4.):							
LEASE INCOME	418,365	539,210	478,116	599,016	560,901	488,316	341,028
PLANE LEASE INCOME	1,067,660	1,070,484	1,065,753	1,065,753	1,065,753	1,065,753	1,065,753
INTEREST INCOME	170,735	185,520	185,520	0	0	0	0
OTHER INCOME	43,099	233,818	113,740				
DEPRECIATION ON LEASED ASSETS	(584,588)	(705,501)	(584,588)	(644,588)	(644,588)	(644,588)	(644,588
INTEREST EXPENSE ON LEASED ASSETS	(1,131,221)	(954,729)	(921,227)	(899,822)	(875,221)	(846,946)	(846,946
INTEREST ON TERM LOAN			(97,526)	(207,444)	(166,045)	(119,396)	(66,831
INTEREST ON SHAREHOLDER LOAN			(37,500)	(90,000)	(52,500)		
NON-COMPETE PAYMENTS			(138,890)	(333,336)	(27,774)	0	0
NET OTHER INCOME/(EXPENSE)	(15,950)	368,802	63,398	(510,421)	(139,474)	(56,861)	(151,584
BEFORE TAX INCOME/(LOSS)	771,531	1,258,551	4,200,233	3,840,485	6,633,412	12,999,920	17,941,081
INCOME TAX PROVISION(5.):	(307,049)	(541,854)	(1,428,079)	(1,305,765)	(2,255,360)	(4,419,973)	(6,099,968
AFTER TAX INCOME/(LOSS)	464,482	716,697	2,772,154	2,534,720	4,378,052	8,579,947	11,841,113

CASH FLOW STATEMENT	8/31/86	8/31/87	8/31/88	8/31/89	8/31/90	8/31/91	8/31/92
AFTER TAX INCOME/(LOSS)	464,482	716,697	2,772,154	2,534,720	4,378,052	8,579,947	11,841,113
EXPENSES NOT REQUIRING CASH:							
DEPRECIATION	675,028	816,684	695,771	744,588	734,588	724,588	724,588
DEFERRED FEDERAL INCOME TAXES	677,762	505,440	325,438	325,438	325,438	(108,842)	(108,842
CASH PROVIDED BY OPERATIONS	1,817,272	2,038,821	3,793,363	3,604,746	5,438,078	9,195,693	12,456,859
ADD SOURCES OF CASH (6.):							
BEGINNING CASH BALANCE	1,206,059	340,237	999,161	2,387,731	4,920,991	7,703,271	13,791,402
PROCEEDS FROM DEBT		0	2,000,000	0	0	0	0
SALE OF FIXED ASSETS							
INCREASE/DECREASE IN CURRENT LIABILITIES/ASSETS		18,709	221,105	607,262	1,097,867	1,748,311	1,283,787
LESS USES OF CASH (7.):							
STOCK AQUISITION			(3,500,000)				
FIXED ASSET ADDITIONS	(114,633)	(90,978)	(100,000)				
LEASED EQUIPMENT ADDITIONS	(252,372)	(106,741)					
RETIREMENT OF DEBT	(604,163)	(1,200,887)	(268,132)	(491,025)	(1,557,006)	(631,908)	(467,036
INCREASE/DECREASE IN CURRENT ASSETS/LIABILITIES	(1,711,926)	0	(757,766)	(1,187,723)	(2,196,659)	(4,223,965)	(3,276,961
ENDING CASH BALANCE	340,237	999,161	2,387,731	4,920,991	7,703,271	13,791,402	23,798,550