RELATIONAL TECHNOLOGY, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1987

Price Waterhouse



Price Waterhouse



September 18, 1987

To the Board of Directors and Stockholders of Relational Technology, Inc.

In our opinion, the accompanying consolidated balance sheet. and the related consolidated statements of income, changes in stockholders' equity and of changes in financial position present fairly the financial position of Relational Technology, Inc. and its subsidiaries at June 30, 1987, and the results of their operations and the changes in their financial position for the year, in conformity with generally accepted accounting principles, which, except for the change, with which we concur, in the method of accounting for software development costs as described in Note 1 of Notes to Consolidated Financial Statements, have been applied on a basis consistent with that of the preceding Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements of Relational Technology, Inc. for the years 30, 1986 and 1985 were examined by other independent accountants whose report dated August 22, 1986 expressed an unqualified opinion on those statements, except for the change in 1986, with which they concurred, in the method of accounting for revenue from support and update fees as described in Note 2 of Notes to Consolidated Financial Statements.

Price Waterhouse

CONSOLIDATED BALANCE SHEET

	JUN	E 30,
ASSETS	1987	1986
Current assets: Cash and cash equivalents Trade accounts receivable	\$ 2,538,000	\$ 1,856,000
(less allowance for doubtful accounts of \$535,000 in 1987 and \$407,000 in 1986) Prepaid expenses and other current assets	21,774,000 2,498,000	10,999,000 1,177,000
Total current assets	26,810,000	14,032,000
Property and equipment, net Computer software development costs, net Long-term trade receivables, less current	10,376,000 2,762,000	7,634,000
portion Other assets	5,302,000 198,000	2,537,000 64,000
Total assets	\$45,448,000	\$24,267,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities: Accounts payable Notes payable to bank and current portion	\$ 3,514,000	\$ 1,362,000
of long-term debt Deferred revenue	1,461,000 5,612,000	829,000 2,240,000
Accrued employee compensation Income taxes payable	2,815,000 453,000	1,468,000
Other current liabilities	1,919,000	1,154,000
Total current liabilities	15,774,000	7,053,000
Long-term debt, less current portion Deferred income taxes	2,955,000 1,575,000	2,604,000 516,000
Commitments (Note 5)	20,304,000	10,173,000
Stockholders' equity: Preferred stock, \$.001 par value - 1987, \$.05 par value - 1986; authorized 4,000,000 shares	19,554,000	11,129,000
Common stock, \$.001 par value - 1987, \$.05 par value - 1986; authorized 25,000,000 shares; issued and out- standing 3,218,783 shares in 1987 and 3,167,989 shares in 1986	563,000	463,000
	•	·
Note receivable for purchase of common stock	(100,000)	(100,000)
Retained earnings	5,127,000	
Foreign currency translation adjustment		49,000
Total liabilities and stockholders'	25,144,000	14,094,000
equity	\$45,448,000	\$24,267,000

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

	YEAR ENDED JUNE 30,			
	1987	1986	1985	
Revenues	\$46,565,000	\$28,138,000	\$17,743,000	
Costs and expenses: Sales and marketing Research and development General and administrative	27,421,000 10,266,000 4,984,000	13,157,000 8,992,000 3,317,000	8,706,000 5,881,000 1,894,000	
	42,671,000	25,466,000	16,481,000	
Income from operations	3,894,000	2,672,000	1,262,000	
Interest income	768,000	135,000	86,000	
Interest expense	553,000	395,000	230,000	
Income before taxes and cumulative effect of a change in accounting principle	4,109,000	2,412,000	1,118,000	
Provision for taxes on income	1,535,000	592,000	89,000	
Income before cumulative effect of a change in accounting principle	2,574,000	1,820,000	1,029,000	
Cumulative effect on prior years of changing the method of accounting for revenue from maintenance fees, net of deferred state income taxes of \$98,000		1,082,000		
Net income	\$ 2,574,000	\$ 738,000	\$ 1,029,000	
Pro forma net income assuming the new method of accounting for revenue from maintenance fees is applied retroactively	\$ 2,574,000	\$ 1,820,000	\$ 595,000	

RELATIONAL TECHNOLOGY, INC. CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Prefer Shares	red Stock Amount	Commor Shares	n Stock Amount	Note Receivable for Purchase of Common Stock	Retained Earnings	Foreign Currency Translation Adjustment	Total
Series A Series B Series C	305,000 192,000 625,000	\$ 305,000 936,000 2,500,000						
Balances, June 30, 1984	1,122,000	3,741,000	3,177,679	\$309,000		\$ 786,000		\$ 4,836,000
Issue of common stock under employee stock purchase plan Issue of common stock Repurchase of common stock Net income Foreign currency translation adjustment			266 300 (64,220)	(9,000)		1,029,000	<u>\$12,000</u>	(9,000) 1,029,000 12,000
Balances, June 30, 1985	1,122,000	3,741,000	3,114,025	300,000		1,815,000	12,000	5,868,000
Issue of Series D Preferred stock Issue of Series E Preferred stock Issue of common stock under employee incentive stock option plan Issue of common stock Repurchase of common stock Net income Foreign currency translation adjustment	432,000 478,540	2,700,000 4,688,000	15,548 107,334 (68,918)	12,000 161,000 (10,000)	\$(100,000)	738,000	_37,000	2,700,000 4,688,000 12,000 61,000 (10,000) 738,000
Balances, June 30, 1986	2,032,540	11,129,000	3,167,989	463,000	(100,000)	2,553,000	49,000	14,094,000
Issue of Series E Preferred stock Issue of common stock under employee stock option plans Issue of common stock Repurchase of common stock Net income Foreign currency translation adjustment	824,892	8,425,000	87,317 2,183 (38,706)	100,000 5,000 (5,000)		2,574,000	<u>(49,000</u>)	8,425,000 100,000 5,000 (5,000) 2,574,000 (49,000)
Balances, June 30, 1987	2,857,432	\$19,554,000	3,218,783	\$563,000	\$(100,000)	\$5,127,000	\$ -0-	\$25,144,000

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	YE	AR ENDED JUNE	30,
	1987	1986	1985
Cash was provided by (used for) operations:			
<pre>Income before cumulative effect of a change in accounting principle Charges (credits) to income not involv- ing working capital: Cumulative effective of a change in</pre>	\$ 2,574,000	\$1,820,000	\$1,029,000
accounting principle Depreciation and amortization expense Deferred income taxes Deferred revenue Cash provided from operations before working capital changes	2,561,000 1,059,000 3,372,000 9,566,000	(1,082,000) 1,507,000 419,000 2,240,000 4,904,000	892,000 73,000 1,994,000
Increase (decrease) in other working capital accounts: Trade accounts receivable Prepaid expenses and other current assets Accounts payable Accrued employee compensation Income taxes payable Other current liabilities	(10,775,000) (1,321,000) 2,152,000 1,347,000 453,000 765,000	(8,204,000) (908,000) 515,000 496,000 (34,000) 969,000	(1,965,000) (212,000) (447,000) 789,000 (21,000) 91,000
Working capital used for operations	(7,379,000)	(7,166,000)	(1,765,000)
Cash provided by (used for) operations	2,187,000	(2,262,000)	229,000
Net cash provided by (used for) investing activities: Short-term investment Equipment additions Capitalized software development costs Long-term trade receivables Other assets	(5,237,000) (2,828,000) (2,765,000) (134,000) (10,964,000)	(3,837,000) 17,000 (3,820,000)	1,000,000 (3,812,000) 48,000 (2,764,000)
Net cash provided by (used for) funding activities: Increase in debt Decrease in debt Issuance of preferred stock Issuance of common stock, net of repurchases Foreign currency translation adjustment Increase in cash and cash equivalents	6,327,000 (5,344,000) 8,425,000 100,000 (49,000) 9,459,000 \$ 682,000	4,114,000 (4,353,000) 7,388,000 63,000 37,000 7,249,000 \$1,167,000	5,961,000 (2,448,000) (8,000) 12,000 3,517,000 \$ 982,000
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See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1987 and 1986

Note 1 - The Company and its Significant Accounting Policies

Relational Technology, Inc. (the Company) was incorporated in July 1980 to develop and market relational database computer software and to provide technical support for its products.

The consolidated financial statements include the accounts of the Company and its subsidiaries after elimination of all significant intercompany accounts and transactions.

Summary of Significant Accounting Policies

Revenue Recognition

Revenue is generated from the sales of products and services.

Revenue from product sales includes direct license sales to customers, royalties from sales by original equipment manufacturers and other distributors and fees from contracts to develop new products. Generally, revenue from direct license sales is recognized at contract signing. Revenue is deferred and recognized upon delivery if the product is not available, or nonstandard payment terms or delays in post sales support activity are included in the license agreement. Software licenses sold on an instalment basis are recorded at their present value.

Royalty revenue primarily results from minimum royalty guarantees; such revenue is recognized upon contract signing provided that there are no contingencies or contractual commitments yet to be performed by the Company. In cases where there are further contractual commitments, revenue is deferred until all commitments are satisfied. Royalties may also be received based upon individual sales; these royalties are recorded upon notification by the vendor.

Revenue from development contracts is recognized using the percentage of completion method. There were no material unbilled amounts on development contracts as of June 30, 1987 or 1986.

Software services revenue includes customer training fees, documentation fees and support and update fees. Support and update fees for periods after June 30, 1985 are recognized ratably over the annual period to which they relate. (See Note 2 for a description of the change in accounting for support and update fees). Customer training and documentation fees are recognized when services are provided.

Foreign Currency Translation

Assets and liabilities are translated at the foreign exchange rates in effect at the balance sheet date. Revenues and expenses for the year are translated at the average exchange rates in effect during the year. Translation gains and losses are not included in determining net income, but are accumulated and reported as a separate component of stockholders' equity. Net realized and unrealized gains and (losses) resulting from foreign currency transactions included in sales and marketing expenses were \$635,000, \$(37,000) and \$(21,000) in 1987, 1986 and 1985, respectively.

Property and Equipment

Property and equipment, including assets held under capital leases, are stated at cost. Depreciation is computed using the straight-line method and estimated useful life of the assets of five years. Amortization of leasehold improvements is computed using the shorter of the remaining lease term or the estimated useful life of the respective assets.

Nonmonetary Transactions

Nonmonetary exchanges of software licenses or royalties for hardware or software are recorded in revenue and equipment at the fair value of the item surrendered or received, whichever is more readily determinable.

Software Development Costs

Effective July 1, 1986, the Company began capitalizing software development costs in compliance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed". Prior to July 1, 1986, all such costs were charged to expense in the period incurred. The amount capitalized in the year ended June 30, 1987 was \$2,828,000. Amortization of capitalized computer software costs begins when the products are available for general release to customers. Amortization of \$66,000 was recorded for the year ended June 30, 1987. The net effect of this change in accounting principle was to increase income before taxes and cumulative effect of a change in accounting by \$2,762,000 and net income by \$1,686,000.

Research and Development Costs

Research and development costs are expensed as incurred.

Income Taxes

Deferred income taxes are provided for timing differences between pretax accounting income and taxable income. Deferred United States income taxes are not provided for undistributed earnings of foreign subsidiaries when such earnings are considered permanently invested in the foreign subsidiaries. Investment tax credits reduced the provision for income taxes in the year the related property was placed in service.

Note 2 - Change in Accounting for Support and Update Fees

The Company changed its method of accounting for support and update revenue for the year ended June 30, 1986. In prior years, these fees were recognized when the license was accepted by the customer, and thereafter on the annual renewal date. Under the new method, such fees are recognized on a straight-line basis over the terms of the agreements. This change was made to more appropriately reflect the earnings process of the technical support and systems updates. The effect of the change on 1986 operations was to decrease income before taxes on income and before the cumulative effect of a change in accounting principle by \$747,000 and to decrease related tax expense by \$343,000.

Note 3 - Property and Equipment

Components of property and equipment are summarized as follows:

	June 30, 1987	June 30, 1986
Computer equipment Furniture, fixtures and equipment Leasehold improvements	\$10,925,000 3,057,000 1,564,000	\$ 7,582,000 1,833,000 894,000
Accumulated depreciation and amortization	15,546,000 (5,170,000)	10,309,000 (2,675,000)
	\$10,376,000	\$ 7,634,000

Depreciation expense was \$2,495,000, \$1,507,000 and \$892,000 in 1987, 1986 and 1985, respectively.

Note 4 - Debt Financing

Long-term debt

	June 30, 1987	June 30, 1986
Term loans payable to bank, interest at prime plus 2%, principal and interest payable monthly through 1990.	\$2,597,000	\$2,852,000
Capital leases (Note 5)	1,497,000	491,000
Instalment notes, due at various dates through November 1988, secured by equipment, interest at 12% to 20%, payable in	40,000	00,000
monthly instalments.	49,000	90,000
	4,143,000	3,433,000
Current maturities	(1,188,000)	(829,000)
Long-term debt	\$2,955,000	\$2,604,000

The term loans are secured by receivables and fixed assets. The agreements require the Company to maintain certain financial ratios which are similar, although less restrictive, than those described for borrowings under line of credit agreements described below.

Aggregate annual maturities of long-term debt (excluding capital leases - see Note 5) in 1988 through 1991 are \$876,000, \$862,000, \$796,000 and \$111,000, respectively.

Lines of credit

The Company has a \$5,000,000 domestic bank revolving line of credit which expires in October 1987. Borrowings are secured by receivables and fixed assets and bear interest at 1/2% above prime. The Company is required to maintain various financial ratios: minimum working capital of \$5,500,000; maximum ratio of liabilities to net worth of 1 to 1; minimum tangible net worth of \$15,000,000; debt service coverage of 150%; and certain profitability measures. At June 30, 1987, there were no amounts outstanding under this arrangement.

The Company also has international lines of credit aggregating \$1,500,000 which are secured by receivables and fixed assets and bear interest based on local market conditions (typically above prime). At June 30, 1987, \$273,000 was outstanding under these arrangements.

Note 5 - Leasing Arrangements

The Company leases its corporate headquarters and sales offices under non-cancellable operating lease agreements which expire at various dates through 2010. The lease for the Company's headquarters contains an option to extend the term for an additional five years commencing in 1990. If the term is not extended, the Company is obligated to pay a \$586,000 cancellation fee. Most of the leases require the Company to pay taxes, insurance, and maintenance expenses. Several of the leases are subject to escalation provisions, based on changes in the consumer price index, at various times during the terms of the leases. For the years ended June 30, 1987, 1986 and 1985, rental expense under operating leases, including month-to-month facilities and equipment rentals, was \$3,504,000, \$1,980,000, and \$1,004,000, respectively.

In late 1986 and in 1987, the Company entered into capital lease agreements for computer equipment. These leases are accounted for as the acquisition of an asset and the incurrence of a liability. The lease agreements are secured by the leased equipment and are for noncancellable terms of three to five years, during which the Company is required to pay all property tax, insurance, and normal maintenance and repairs. Assets held under capital leases included in the property and equipment amounts in Note 3 are as follows:

	June 30, 	June 30, 1986
Computer equipment Less - accumulated depreciation	\$1,798,000 (234,000)	\$491,000
	\$1,564,000	\$491,000

Minimum future payments under all noncancellable lease agreements as of June 30, 1987 are as follows:

·	Capital Leases	Operating Leases
1988 1989 1990 1991 1992 Thereafter	\$ 540,000 522,000 460,000 366,000 79,000	\$ 3,630,000 3,467,000 3,410,000 3,156,000 3,082,000 15,079,000
Total minimum lease payments	1,967,000	\$31,824,000
Amount representing interest	(470,000)	
Present value of minimum lease payments	1,497,000	
Current maturities	(312,000)	
Long-term obligations under capital leases	\$1,185,000	

Note 6 - Preferred Stock

The Company is authorized to issue 4,000,000 shares of convertible preferred stock.

The Company has issued preferred shares as follows:

Year ended June 30,	Preferred Series	Shares Issued	Price Per Share	Proceeds, Net of Issuance Costs
1981	Α	305,000	\$1.00	\$ 305,000
1982	В	192,000	\$5.00	936,000
1984	С	625,000	\$4.00	2,500,000
1986	D	432,000	\$6.25	2,700,000
1986	E	478,540	\$10.50	4,688,000
1987	E	285,714	\$10.50	2,804,000
1987	E	539,178	\$10.50	5,621,000

Each share of Series A and B preferred stock is convertible into five shares of common stock, and each share of Series C, D, and E preferred stock is convertible into one share of common stock at the stockholders' option and will convert automatically in the event of a public offering of the Company's common stock in which the net proceeds to the Company equals or exceeds \$5,000,000 and the per share sales price to the public equals or exceeds \$15.75 if effective subsequent to September 30, 1987. The conversion rate for Preferred Stock is subject to adjustment in the event of stock splits, stock dividends, or other similar changes in the Company's capitalization. The conversion rate for Series E is subject to adjustment in the event of certain dilutive stock issuances. The holders of preferred shares are entitled to voting rights in proportion to their common stock equivalent and vote as a single class with common stockholders, except in certain situations where the preferred stockholders vote as a separate class.

In the event of liquidation, holders of preferred stock are entitled to receive 100% of the original purchase price of the preferred shares before any distributions may be made to the common stockholders; Series E preferred stockholders are entitled to receive 100% of the original purchase price before any distribution to other preferred stockholders in the event there are not sufficient funds available for the entire liquidation preference. Such preferences amounted to \$20,151,000 at June 30, 1987.

Series A and B stockholders are entitled to dividends per share equivalent to five times the dividend paid to common stockholders in a given year. Series C, D, and E stockholders are entitled to a dividend equal to the dividend paid to the common stockholders. Dividends due preferred stockholders must be paid prior to payment of dividends due common stockholders. Dividends are payable when and as declared by the Board of Directors.

Note 7 - Common Stock

The Company has reserved 5,068,172 shares of common stock for issuance upon conversion of preferred shares, 5,000 shares of common stock under the Non-qualified Stock Option Plan, and 1,800,000 shares of common stock under the Employee Incentive Stock Option Plan and Supplemental Stock Option Plan.

Employee Stock Purchase Plan

In 1981, the Company adopted the Employee Stock Purchase Plan (the Plan). The Plan is administered and terms of stock purchases are established by the Board of Directors. Under the terms of the Plan, shares are sold to the Company's officers, employees, and consultants at prices not less than the fair market value of the common shares, as determined by the Board of Directors, at the date of purchase. Shares sold under the terms of the Plan generally vest ratably over a five year period commencing from the date of issuance. Unvested stock may not be sold or transferred and in the event a purchaser's relationship with the Company is terminated for any reason during the vesting period, the Company has the right to repurchase such shares at their original issue price. This Plan was terminated on December 31, 1986. As of June 30, 1987, 185,675 shares were subject to repurchase under the terms of the Plan at prices ranging from \$.02-\$2.50 per share.

Stock Option Plans

Nonqualified Stock Option Plan

In 1981, the Company adopted the Nonqualified Stock Option Plan (the Plan). The Plan is administered and terms of option grants are established by the Board of Directors. Under the terms of the Plan, options may be granted to the Company's employees to purchase shares of common stock. Options generally become excercisable ratably over a five year vesting period, and expire over terms not exceeding ten years from the date of grant. The option price for all shares granted under the Plan is not less than the fair market value of the common stock at the date of grant, as determined by the Board of Directors. The Plan terminated on December 31, 1986. As of June 30, 1987, stock options for 5,000 shares of common stock at a grant price of \$2.50 per share were outstanding; no stock options were granted, exercised, or cancelled during the year ended June 30, 1987 under this plan.

Supplemental Stock Option Plan

In 1986, the Company adopted the Supplemental Stock Option Plan (the Plan). The Plan is administered and terms of option grants are established by the Board of Directors. Under the terms of the Plan, options may be granted to the Company's key employees and consultants to purchase shares of common stock. Options generally become exercisable ratably over a five year vesting period and expire over terms not exceeding ten years from the date of grant. The option price for all shares granted under the Plan is not less than 85% of the fair market value of the common stock at the date of grant, as determined by the

Board of Directors. During the year ended June 30, 1987, stock options for 267,250 shares of common stock were granted at a grant price of \$2.50 per share. Stock options for 17,500 shares of common stock were exercised and 1,900 stock options for 1,900 shares of common stock were terminated.

Incentive Stock Option Plan

In 1984, the Company adopted the Incentive Stock Option Plan (the Plan). The Plan is administered and terms of option grants are established by the Board of Directors. Under the terms of the Plan, options may be granted to the Company's employees to purchase shares of common stock. Options generally become exercisable ratably over a five year vesting period and expire over terms not exceeding ten years from the date of grant. The option price for all shares granted under the Plan is equal to the fair market value of the common stock at the date of grant, as determined by the Board of Directors.

A summary of the activity under the Incentive Stock Option Plan is set forth below:

	Shares	Exercise Price
Outstanding at June 30, 1985 Granted Exercised Terminated	438,282 564,170 (15,548) _(101,445)	\$.75 \$.75 - \$2.50 \$.75 \$.75 - \$1.50
Outstanding at June 30, 1986 Granted Exercised Terminated	885,459 706,234 (69,819) (197,702)	\$.75 - \$2.50 \$2.50 \$.75 - \$2.50 \$.75 - \$2.50
Outstanding at June 30, 1987	1,324,172	\$.75 - \$2.50
Exercisable at June 30, 1987	361,264	

Note 8 - Income Taxes

The components of the provision for income taxes were as follows:

Current:	1987	<u>1986</u>	<u>1985</u>
U.S. Foreign State	\$ 292,000 184,000	\$ 37,000 37,000	\$ 16,000
	476,000	74,000	16,000
Deferred: U.S. Foreign State	973,000 (36,000) 122,000	297,000 48,000 173,000	73,000
	1,059,000	518,000	73,000
Provision for income taxes	\$1,535,000	\$592,000	\$89,000

Components of the deferred tax provision which result from timing differences in the recognition of certain items for tax and financial reporting purposes were as follows:

	1987	<u>1986</u>	1985
Instalment sales	\$(1,026,000)	\$532,000	\$ 7,000
Deferral of support and update revenue Capitalized software development Cash basis long-term development	(891,000) 1,475,000		
contracts	1,351,000	40.000	
Foreign income taxes Other, net	(36,000) 186,000	48,000 (62,000)	66,000
Total deferred tax provision	\$ 1,059,000	\$518,000	\$73,000

The provision for income taxes differs from the amount computed by applying the statutory U.S. federal income tax rate as follows:

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Tax provision at statutory rate Income of foreign operations	46.0%	46.0%	46.0%
taxed at various rates	3.6	8.2	-
State income taxes, net of federal benefits Investment and research tax	4.0	4.7	4.3
credits	(15.5)	(35.3)	(39.9)
Surtax exemption	-	•	(1.8)
Other	<u>(.7</u>)	<u>.9</u>	<u>(.7</u>)
Effective tax rate	37.4%	24.5%	7.9%

At June 30, 1987, the Company had a net operating loss carryforward of \$1,032,000, an investment tax credit carryfoward of \$382,000, and a research tax credit carryforward of \$1,648,000 for tax reporting purposes. The carryforwards expire over a four year period ending June 30, 2002. The Tax Reform Act of 1986 reduces the benefit of investment tax credit carryforwards by 35%.

Undistributed earnings of foreign subsidiaries are not material.

Note 9 - Transactions with Related Parties

During the years ended June 30, 1987, 1986, and 1985, the Company paid \$108,000, \$100,000 and \$76,000, respectively, in consulting fees to officers of the Company who are stockholders but not salaried employees of the Company. These amounts have been expensed as research and development.

During the year ended June 30, 1986, the chief executive officer of the Company issued a \$99,630 note to the Company in exchange for 66,420 shares of the Company's common stock. The principal and annual interest of 8.08% is due and payable on April 29, 1991, or earlier in the event that the chief executive officer ceases to be an employee of the Company. In the event of a public offering of the Company's common stock, accrued and unpaid interest on the note becomes due.

Note 10 - Foreign Operations

Condensed financial data for the Company's foreign operations (principally Europe) are as follows (in thousands):

	<u>1987</u>	<u>1986</u>	<u>1985</u>
Revenues Operating profit (loss) Total assets Total liabilities	\$12,489	\$5,198	\$908
	(527)	(381)	173
	3,914	4,060	720
	4,906	1,126	43

Included in United States net sales are export sales to customers other than the Company's foreign subsidiaries of \$3,716,000, \$3,599,000 and \$1,716,000 in 1987, 1986 and 1985, respectively.

