

BURTON GRAD ASSOCIATES, INC.
101 POST ROAD EAST
WESTPORT, CONNECTICUT 06880
(203) 222-8718 FAX: (203) 222-8728
E-MAIL: BURTGRAD@AOL.COM

Date: September 9, 1999
To: Morgan Crew
From: Burton Grad
Subject: Cedex Due Diligence

The schedule has been revised as follows:

- * **Technical Review: Sid Dunayer**
 - Source Code 9/10-9/13^{17.}
 - Questions B in Information Request List 9/14- 9/15-9/16
 - Report 9/15- 9/20

- * **Development Review: Luanne Johnson**
 - Questions A in IRL 9/10 on site ✓
9/14 report ✓

- * **Customer Service Review: Luanne Johnson**
 - Questions C in IRL 9/10 on site ✓
9/14 report ✓

- * **Customer Satisfaction Survey: Specifics (Brett Garrison)**
 - Questionnaire Approval 9/10 ✓ 9/11 Garrison/Knapp/North
 - Customer Contact List 9/11 9/13 ✓ Grad/North
 - Customer Notification e-mail 9/11 9/13 ✓ Garrison/North
 - Interviews 9/14-9/20 Specifics Interviewer
 - Report on Responses and Findings 9/22 Garrison

These dates are dependent on various information being received from Cedex in a timely fashion.

To: Morgan Crew
From: Burton Grad

Subj: Discovery
Date: 8/24/99 5:58:04 PM Eastern Daylight Time
From: Morgan_Crew@stercomm.com (Morgan Crew)
To: Burtgrad@aol.com

Burt:

I've sent that fax through to you. Could you provide me with the contact information for Sid to add to the Players List. Ed Hafner will be getting in touch with you on Wednesday to review the scope of the review.

My schedule is as follows:

development + Customer Service - Monday 9/6+9/7
Technical review by Sid - September 2 & 3
Draft report due - September 9
Final report due - September 17

We will also need Specifics to perform the customer satisfaction survey. My schedule for that is as follows:

Questionnaire finalized - September 7
Survey performed - September 8-15
Report due - September 22

I am briefing the SCI due diligence team on Monday (8/30). After that meeting, I will be able to give Joe Blumberg a contact for finalizing the customer survey.

If you have any questions, please call.

Morgan

Headers

Return-Path: <Morgan_Crew@stercomm.com>
Received: from rly-zd01.mx.aol.com (rly-zd01.mail.aol.com [172.31.33.225]) by air-zd04.mail.aol.com (v60.28) with ESMTMP; Tue, 24 Aug 1999 17:58:04 -0400
Received: from ns1.stercomm.com (ns1.stercomm.com [209.95.244.32]) by rly-zd01.mx.aol.com (v60.25) with ESMTMP; Tue, 24 Aug 1999 17:57:59 -0400
Received: from nuntius.stercomm.com (nuntius.stercomm.com [199.3.24.42]) by ns1.stercomm.com with ESMTMP id RAA01396 for <Burtgrad@aol.com>; Tue, 24 Aug 1999 17:57:58 -0400 (EDT)
Received: from smtpnk2.stercomm.com (pressure.stercomm.com [199.3.24.9]) by nuntius.stercomm.com with SMTP id RAA18518 for <Burtgrad@aol.com>; Tue, 24 Aug 1999 17:57:58 -0400 (EDT)
Received: by smtpnk2.stercomm.com (Lotus SMTP MTA v4.6.3 (733.2 10-16-1998)) id 852567D7.0078C177; Tue, 24 Aug 1999 17:58:58 -0400
X-Lotus-FromDomain: STERLING COMMERCE
From: "Morgan Crew" <Morgan_Crew@stercomm.com>
To: Burtgrad@aol.com
Message-ID: <852567D7.0078C064.00@smtpnk2.stercomm.com>
Date: Tue, 24 Aug 1999 17:57:48 -0400
Subject: Discovery
Mime-Version: 1.0
Content-type: text/plain; charset=us-ascii
Content-Disposition: inline

(phone) 718-768-9089
(fax) 718-768-4382
email: SDUNAYER@INTERSERV.COM

614-718-1779

Discovery Due Diligence Players List

Name	Company	Office Phone	Mobile Phone	Fax	E-mail	Purpose
Mark North	Discovery	415-398-2120		415-398-3610	mnorth@cedex.com	Discovery main contact
						Legal Counsel for Discovery
						Auditors for Discovery
David O'Meara	SCI	614-793-5006		614-718-1779	david_omeara@stercomm.com	Deal Project Manager
Morgan Crew	SCI	614-793-4082	614-736-1732	614-718-1779	rmorgan_crew@stercomm.com	Due Diligence Coordination
Rich Waters	SCI	614-793-4978			richard_waters@stercomm.com	Business plan / Customers
Joe Blumberg	Specifics, Inc.	770-391-0013				Customer satisfaction survey
Tom Williams	SCI	614-793-3742		614-718-1779	tom_williams@stercomm.com	Financial diligence
John Robison	SCI	614-793-5985			john_robison@stercomm.com	Financial diligence / Integration Planning
Bob Giusti	Ernst & Young	408-947-5571		408-287-1001		Tax diligence
Teddi Derouen	Ernst & Young	408-947-4902		408-287-1001	teddi.derouen@ey.com	Tax diligence
Richard Needles	SCUX Human Resources	614-793-7094			richard_needles@stercomm.com	HR due diligence / employee integration
						Employment issues
Mark Swords (Chicago)	Baker & McKenzie	312-861-2870			Mark.C.Swords@bakernet.com	Purchase Agreement discussions
Dennis Byrnes	SCI	614-791-5727		614-718-1510	dennis_byrnes@stercomm.com	Internal legal counsel for SCI-UK
Burt Grad	Burton Grad Associates	203-222-8718		203-222-8728	burtgrad@aol.com	Tech/Customer due diligence
	Consultant					Technical due diligence
Ed Hafner	SCI	614-793-7061			ed_hafner@stercomm.com	Planning / Technical diligence
Neil Baker	SCI	614-793-7263			neil_baker@stercomm.com	Planning / Cust. Svc. diligence
David Winkler	SCI	614-793-7488			david_winkler@stercomm.com	Business Planning - Product Marketing
Gerard Lindberg	SCI	614-791-6290		614-793-5963	gerard_lindberg@stercomm.com	Integration/Business Plan

9/1/99

Cedex Actions

✓ Non-disclosures

✓ Send sig. pgs to North

✓ Send signed NDA to Byrnes

✓ Proposal -

✓ Info Req list -

Review Plan -

9/7 ~~8/9~~ Technical - Sy

9/9 Devel - LJ

9/9 Cust Service - LJ

9/8 - Cust fact Survey

OR - Brett Garrison
Customers - MN/Doug M

Per Crew
look at Odyssey to see if it could be excluded from transaction - is other Cedex tech embedded in Odyssey (Windbridge?)
Webbridge
Web Suite

mel devel, CS + tech meet - 9/10
9/17 - C sat survey

Report

- Code
- Winbridge
 - Winbridge plus
 - Webbridge
 - JROADZ
 - Odyssey
 - Internal Comms + Admin code (Infonet)

Contacts Comb fax - 810-958-0687

North - 415 274 6679
398 2120

Hafner 614-793-7000

Crew - 614 793-4082

Myers - 614-791-6494 (Kim)

Participants

Demayer

Johnson

Brett Garrison

- 718-768-9089

- 707-748 0949

- 770 396 6600

for Sid D
ck Odyssey overlap

Technical Questions - Usability of present programs for 6-12 months; migratability to CVG programs/services; extensibility for other functions.

SCI/CVG
 Discodomy
 Due Diligence
 8/24/99

✓ - send copy of ltr of Intent ---

• - Ed Hafner in contact - ^{review} ~~ck list~~ - 614-793-7000

• - Mark North - 415 398 2120 (H)
~~415-283-1810~~

- 9/1 + 9/3
 - Thu/Fri for Tech review - SD

✓ - Joe Blumberg - customer sat survey [to call Doug Myers]

- ~~Luanne Johnson~~
~~Monty Sittlerberg~~ - devel + CS ~~(S)~~ on-site phone

- Demayor - Tech Review

	SCI	Cadet
• Non-Disclosures - ^{SCI} ^{Cadet} Sid D. Luanne J. Joe B.		

Brett Garrison

Cristina Ramirez
 (North's asst)

- Customer sat survey
 - Q - Myers North
 - Customer list ^{Criteria} ~~it~~
 - selection by B&T
 - precontact ltr
 - Survey
 - Report

✓ get ok on LJ

- Due Diligence - Hafner comments on IRL matls
 - Technical - SD - Source Code + relevant
 - Development - LJ
 - Customer Service - LJ
 Info Request list - to SD, LJ, North, Crew
- Proposal - to Byrnes, Crew
 Luanne - 1200/day
- Schedule for oral, preliminary, final report

→ send NDA's + reference matls to SD, LJ + JB
 get asst matls from North + Crew

Mc Sid ▽

SCI/Cadex
Technical

9/15/89

all based on ^{DOS} EDI Bridge

- Poseidon (Web Bridge variant); Intracon
^{Swiss, Intl}
(source code access) ^{customized} Win Bridge version

Snowden
415
398
2120

- Odyssey - Dept best product - language
(Fracey Brown) Delphi - interface

- Web Bridge - Progress DB (NT only)
- tools
- HTML

- Win Bridge - Windows

- Inroads - Communications
used by Bridge products
written in VB

needed was
different customer
Cadex -
production
at El Segundo
owned by
Cadex
backing at
Cadex office

EDI Server (VAX/VMS) Infsnet
Fontana, C

350 Asynch - DOS - some under Windows/DOS
150 Internet } new Kozlovski
500 + cost not using Cadex software

[Atkatz has
range of object]

415
274
6679

Services:
Poseidon - from small software Co.
for owner - repair estimates
Web Bridge
SF-area / Mark North

using network services from Infsnet

DOS
One Step - Flat file connection
Special translation
represents 40% of byte traffic
30% of revenue

Windows name
is Riverband

###

per Kozlowski

per client application

<u>Serwer</u>	<u>EDI</u>	<u>One</u>	<u>Win</u>	<u>River-</u>	<u>Other</u>	<u>Other</u>
<u>server</u>	<u>Bridge</u>	<u>step</u>	<u>Bridge</u>	<u>land</u>	<u>Kisscom</u>	<u>Unknown</u>
<u>One</u>						
<u>step</u>						
Comm.	Kisscom →					
4	300	50	150	10	15	25-50

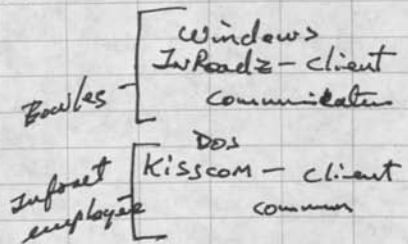
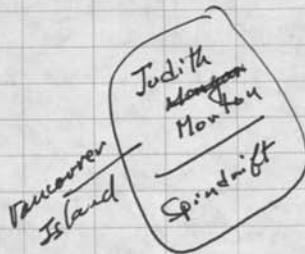
(Transamerica)
Gateway
Crowd's
P+O

~~Bridge~~

Spoke

create transaction -
send at intervals
using send/receive screen
Infonet # (Asynch)
Infonet IP# of own ISP
to Cedar EDI server

- EDI Bridge
- Web Bridge
- Kisscom
- Scripts



EDI - Inet
on server

- FTP
- POP
- SMTP

conversations
with
month

Programs to Sid Dwyer

9/9.

- WinBridge -
- InRoadz - (Don Bowles - indep contractor)
- Server - (Infonet Services copyright)
- Odyssey - wait for Moufan decision ?
- Futracon - hold for now - ownership ?
- WebBridge - send to Sid

set up time phone contact

price to be paid
\$7M -

Customer Info

Cristina Ramirez / 415-388-2120

Customer - books > 1K/mo
geog mix



√ 9³⁰ - 9/10 - because meeting at Casey

Tech Q's - Sid Dwyer

- Usability of present programs/services (6-12 mos)
- Migrateability/Conversion to CVG prog/s/services
- Extensibility of WinBridge for related e-business functions
- Review Odyssey overlay
- Futracon?
- Where is WebBridge copy of source code?

Subj: **Section B**
Date: 9/14/99 4:23:24 PM Eastern Daylight Time
From: mnorth@cedex.com (Mark North)
To: Burtgrad@aol.com ('Burt Grad')
CC: sdunayer@interserv.com ('Sid Dunayer'), koz@cedex.com ('Michael t. Kozlowski')

Burt,

The person that can best address the issues in Section B. of your Information Request List is Mike Kozlowski, otherwise known as "Koz".

Koz is here at our office (415 398 2120) for the balance of today but will travel back to Virginia tonight. Tomorrow he can be reached at 703 582 5317 tomorrow.

Rgds,
Mark North

----- Headers -----


Return-Path: <mnorth@cedex.com>
Received: from rly-za02.mx.aol.com (rly-za02.mail.aol.com [172.31.36.98]) by air-za02.mail.aol.com (v60.28) with ESMTP; Tue, 14 Sep 1999 16:23:24 -0400
Received: from cedex.com ([209.28.121.11]) by rly-za02.mx.aol.com (v60.28) with ESMTP; Tue, 14 Sep 1999 16:23:18 2000
Received: from MNORTH (MNORTH [207.214.26.128]) by cedex.com (NTMail 3.02.10) with ESMTP id qa109606 for <Burtgrad@aol.com>; Tue, 14 Sep 1999 21:21:14 +0100
Received: by mnorth.cedex.com with Microsoft Mail id <01BEFEB3.8EA2FD40@mnorth.cedex.com>; Tue, 14 Sep 1999 13:17:55 -0700
Message-ID: <01BEFEB3.8EA2FD40@mnorth.cedex.com>
From: Mark North <mnorth@cedex.com>
To: "Burt Grad" <Burtgrad@aol.com>
Cc: "Sid Dunayer" <sdunayer@interserv.com>, "Michael t. Kozlowski" <koz@cedex.com>
Subject: Section B
Date: Tue, 14 Sep 1999 13:17:54 -0700
MIME-Version: 1.0
Content-Type: text/plain; charset="us-ascii"
Content-Transfer-Encoding: quoted-printable

BURTON GRAD ASSOCIATES, INC.
101 POST ROAD EAST
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(203) 222-8718 FAX: (203) 222-8728
E-MAIL: BURTGRAD@AOL.COM

Date: September 9, 1999

Number of Pages including cover: 13

To: Sid Dunayer

From: Burton Grad 

Subject: Cedex Due Diligence

Enclosed are:

1. Information Request List: You are responsible for the Technical Questions (Section B)
2. Products and Services Description from SCI's Acquisition Memo
3. Organization Chart (from Acquisition Memo)
4. The Company (from Acquisition Memo)
5. Integration Strategy (from Acquisition Memo)

Enclosures
5098

4. Products and Services

4.1. Software Products

4.1.1. CDX WinBridge

CDX WinBridge sends customers and vendors the data they need electronically using standard EDI messages. With one copy of the software, container depots can communicate automatically with their customers around the world. Likewise, equipment owners can receive electronic data from the global community of container repairers.

- **Import/Export.** In order to avoid the re-keying of data, CDX WinBridge allows the import of formatted text files created by any in-house system. Additionally, since data is added to the databases either by keyboard input or by receiving files from the EDI network, the Export* command can be used to extract data in the text file format that most in-house programs can use in their host applications.
- **Container depot-specific screens and interfaces.** Specific screens address common everyday operations taking place at the depot's gate. Screens such as Gate-In, Gate-Out, and Repair Estimate record these events occurring at the depot. When users are ready to transmit information to their leasing or shipping line customers, it is as easy as clicking a mouse button and the data is sent directly to the partner's designated electronic mailbox.
- **Multiple message support.** CDX WinBridge supports multiple message formats from single input screens. Both ISO-9897 and UN/EDIFACT EDI guidelines are supported. The CDX WinBridge customer profile sub-system controls the format of the message depending on trading partner requirements.

Pricing for CDX WinBridge is \$2,500 for the first copy, \$2,000 for the second copy, and \$1,500 for each additional copy thereafter. Installation and communication testing for WinBridge normally takes about thirty minutes. As of September 1, 1998, CDX WinBridge version 3.1 will be available. Below are a few of the new features:

- **Prior versions allowed users to send via X.25 only.** In CDX WinBridge 3.1 users will now have the option of sending via the Internet.
- **Online help is designed to allow users to research and find solutions to problems.**
- **Support for the use of UN/EDIFACT CODECO and DESTIM messages.**

4.1.2. CDX WinBridge Plus

Building on CDX WinBridge, CDX WinBridge Plus is aimed at any regional office or owner that is searching for a way to facilitate the running of reports, the analysis of repair estimates and the ability to filter through unlimited amounts of data. Some of the features in CDX WinBridge Plus include:

- Enhanced report options. The ability to run new reports to the customer's specific needs is a major component of CDX WinBridge Plus. Report options include:
 - Unauthorized estimates - lists all units that are unauthorized. The user can select estimates by a certain depot, status or estimate amount.
 - Repair completions - lists all units that have been repaired for a given date range. The user can select by a certain depot or equipment code.
 - Work Order summary - lists all authorized estimates that have been sent for a given day.
 - Estimate by status - allows users to view estimates by a particular depot, status or equipment code.
- Autoforwarding of estimates. The Autoforward Screen allows users to specify when a received estimate is to be forwarded. For example, a regional office, due to internal procedures, may not have the ability to authorize an estimate over a certain amount. CDX WinBridge Plus lets the user configure the system so that units over that amount automatically get forwarded to another office for approval.
- Multiple user account access control. With CDX WinBridge Plus, multiple user accounts can be created. Upon opening CDX WinBridge Plus, a login screen appears and prompts each user for a distinct password and connects the user with a predetermined profile of default filter settings. Users without a password will not be allowed access to the system.
- Exchange Rate screen. The Exchange Rate screen is a valuable resource for regional offices since quite often estimates are quoted and received in a foreign currency. When Auto Forward is enabled and the user performs a receive session, the system calculates the total for the estimates being received in the host currency and determines whether those estimates should be forwarded to the party indicated on the Auto Forward Screen.

Pricing for CDX WinBridge Plus is \$3,500 for the first copy, \$2,500 for the second copy, and \$2,000 for each additional copy thereafter. Multi-user licenses are available, at prices ranging from \$7,330 (five users) to \$9,930 (ten users).

4.1.3. CDX Odyssey

CDX Odyssey was designed to meet the requirements of real users in day-to-day business operations. CDX Odyssey ensures that the appropriate information needed to manage each critical activity such as estimates, approvals, and bookings is readily available in one place. Some of the major value-added functionality included in CDX Odyssey is detailed below:

- EDI integration. With the full EDI integration offered in CDX Odyssey, there is no need to export or import data from one system to another and then make corrections.
- Transaction management. CDX Odyssey transaction management includes reasonability checks on information entered, but users are never prevented from doing their jobs; flexible data entry is not sacrificed for the sake of imposed rules.
- Partner-specific selection of trigger events. Messages are automatically queued for sending at the appropriate times.
- Partner-specific customization (such as EDI condition codes and estimate line responsibility codes). Each partner receives customized message content automatically, freeing data entry staff from the responsibility of complying with each trading partner's requirements for each message.
- Business partner profiling. Each trading partner relationship can be defined in detail, so that everyday tasks are customized by partner automatically. In addition to partner-specific selection of trigger events for sending messages, and customization of message contents. Partner Profile features include:
 - Multiple labor rates per partner
 - Currency exchange breakpoints and exchange rates
 - Automatic approval limits
 - Multiple tax rates
 - Partner-specific equipment type codes
 - General ledger account codes

Pricing for Odyssey is \$10,000 for the first user and \$2,000 per additional user.

Every Odyssey installation unique. Because Odyssey is designed to support detailed customization of every aspect of depot management, the installation process is managed by trained implementation specialists. The implementation team works with customer representatives in order to ensure a successful and complete installation. Conversion templates are available to assist the implementation team in building conversion files from an existing depot management system.

4.1.4. CDX WebBridge

CDX WebBridge is a web-centric offering being developed for spokes. CEDEX has combined both Internet technology and our popular EDI software tool, CDX WinBridge, to develop one of Cedex's easiest to use Internet capable products, CDX WebBridge.

CDX WebBridge was designed and developed specially for depots that send a low volume of monthly EDI messages and who do not require the full functionality of CDX WinBridge. Benefits of CDX WebBridge include:

- Accessibility through Microsoft's Internet Explorer 4 or Netscape Navigator 4 web browsers on any computer.
- Requires no additional software or installations.
- Users simply enter their login ID and a password and they are instantly able to send EDI messages.
- Permits the electronic delivery of GATEINs, GATOUTs, and Repair Estimates.

CDX WebBridge will be introduced in two phases. The first will allow for the sending of GateIns and Gatouts over the Internet. The second phase will incorporate the sending of repair estimates and the receipt of work authorizations. Based upon conversations with Cedex management, it is believed that revenues from this second product are at least 6 months away.

4.2. Value Added Network Services

Cedex provides value-added network services based upon Infonet's global X.25 and TCP/IP network for local dial access in 44 countries. The company leases VAX hardware to run the store-and-forward mailboxing service. Cedex operates its Data Center with 3 FTEs and has 2 people involved in customer support. The company does not offer 24x7 customer support and cites this as a synergy to be gained through a relationship with Sterling Commerce.

Cedex is increasingly utilizing the Internet in order to reduce the costs of transport for its customers.

4.3. Support Services

Cedex offers its customers the monthly Customer Assurance Plan (CAP), which entitles them to EDI mailbox maintenance, technical support, a subscription to the company newsletter as well as software upgrades as they become available. All customers pay for support services, which

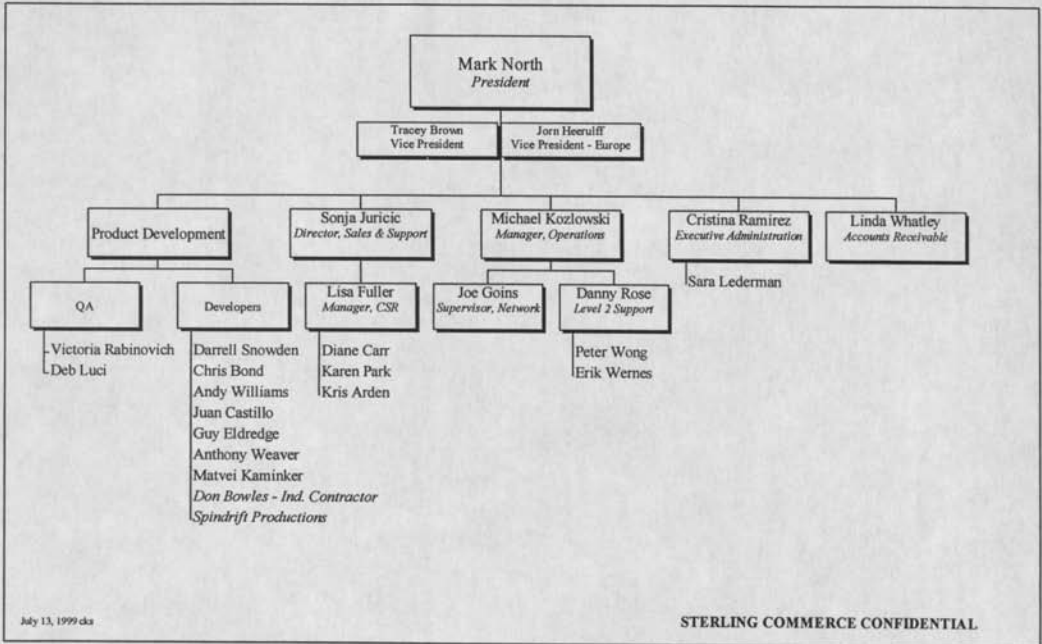
range in amount (depending on size of customer, number of locations, etc.) but are based at \$60 per customer per month.

4.4. Development and Consulting Services

Services include: (i) custom development, (ii) web-site development, (iii) systems integration, and (iv) business practices consulting.

5. Organization

5.1. Organizational Structure



2. The Company

2.1. Summary

Cedex Services International ("Cedex") provides software, network, and support services to facilitate the transfer of commercial transaction information to and from companies in the intermodal container business. Cedex's customer base is comprised of ocean carriers, container leasing companies, and equipment servicing and repair organizations around the world.

2.2. Ownership

Cedex is 83% owned by Mark North, CEO, with the remaining ownership held by Tracy Brown (4.5%) Vice President, Jorn Heerulff (10%) Vice President, and David Clayton (2.5%) outsider.

2.3. History

Cedex was formed in 1988 as a two-person office in Oakland, California. Mark North established the company with the objective of assisting leasing companies, ship lines, and depots in data management. The company was named after the electronic document called the "Container Equipment Data Exchange." The years from 1988 to 1990 were largely spent in research and development. The product developed was called CDX EDI Bridge, a DOS-based translator and data-input software tool. In 1990-91, ContainerCare became the first depot to sign up and begin the Community of Users. Soon after, CAI, ContainerPort, and Transamerica Leasing signed on as customers.

Until 1991, Cedex had relied on Control Data for the provision of network services. Control Data billed Cedex customers directly for its services. Cedex received a commission on these revenues. Upon the acquisition of Control Data by Sterling Software in 1991, the contract with Cedex was cancelled by Sterling, and Cedex began sourcing its network services from Infonet. In 1993, Cedex posted its first operating profit.

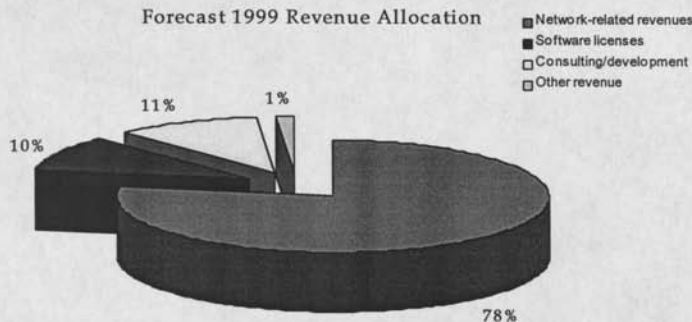
Cedex has developed an exceptional brand-name awareness in the industry, to the extent that the name and the industry process have become synonymous. When container ports refer to making an electronic transmission to a business partner, many say words to the effect that "We will Cedex this over to you."

2.4. Business Segments

Cedex's commercial offering includes network services, software, support and consulting services, all focused on meeting the needs of the world wide depot community. This

community includes depots, container leasing companies, shipping lines, and container manufacturers.

Cedex's business model is to offer customers value-added network services and related services to meet the needs of customers in the depot community. Cedex's forecasted 1999 revenues are allocated among the following categories:



Specific revenue components are discussed below:

- Network-related revenues include network services and network subscription fees.
 - Network services are performed by Cedex, with local dial access provided by Infonet. Cedex's list pricing is \$0.30 per kilocharacter sent and received, which compares to CVG list prices ranging from \$0.24 to \$0.53 per kilocharacter sent and received. Cedex's realized revenue per kilocharacter is approximately \$0.55 (\$0.275 per kilocharacter sent and received), which compares to CVG's realized revenues of approximately \$0.24 per kilocharacter sent and received.
 - Network subscription fees consist of a monthly mailbox and subscription fee for being on the network. The network subscription fees may differ in amount (depending on the size of the customers, number of locations, etc.), but are based upon a list fee of \$60 per customer per month.
- Software licenses consist primarily of revenue earned from sales of the Cedex's software product called CDX WinBridge (discussed in Section 4: Products and Services).
- Development and consulting services include: (i) custom development, (ii) web-site development, (iii) systems integration, and (iv) business practices consulting.

7. Integration Strategy

The integration plan will consist of the following elements:

- Replace the communications component of WinBridge (called InRoadz) with new communications script which enables customers to connect to COMMERCE:Network. Transition all Cedex customers off of Cedex/Infonet for value-added network services and onto COMMERCE:Network. It is expected that the migration from Cedex to COMMERCE:Network will be completed within six months of the acquisition.
- Evaluate the replacement of WinBridge with an implementation of e-Chain from European Labs. It is expected that suitable replacement will be identified and begin rolling out within 18 months of the acquisition.
- Replace WebBridge with COMMERCE:Webforms. It is expected that this will occur within six months of the acquisition.
- Discontinue the Odyssey product. Discontinue all custom development associated with the Odyssey product. It is expected that this will happen immediately upon acquisition.
- Zero-base both Cedex and CVG's trade and transportation sales and marketing organization and determine appropriate organizational structure. Cedex presently has 25 employees. CVG presently has 10 sales and marketing employees focused on trade and transportation. The combined organization would be 35 employees prior to any rationalizations. Upon integration, it is anticipated that the combined organization will have 17 employees.
 - Due to operational overlap and redundancies in the areas of sales and marketing, customer support, network operations and administration, it is estimated that 10 employees can be eliminated in these areas. Approximate savings: \$600K.
 - Sunset the Odyssey product and eliminate associated development effort. Cedex presently has 9 development professionals and 2 development contractors. By eliminating Odyssey and internalizing the PDM&E function within CVG Labs, it is estimated that 8 of the development professionals and both of the development contractors can be made redundant. Approximate savings: \$550K.
- Consolidate remaining Cedex staff into the existing San Francisco office. The Sterling Commerce office facility in Walnut Creek, California, contains approximately 10,000 square feet of office space which is presently being occupied by approximately 35 Sterling Commerce employees. It is anticipated that there should be sufficient space at this facility to house the additional employees.

- Ensure that Cedex's network subscription fees are positioned properly with customers and that the customer understands that the payment of these fees does not entitle the customer to free software upgrades.
- Communicate the acquisition effectively to existing Cedex customers.

hu ←

(SCI)

Here's Sterling Commerce's acquisition
memo on Cadex (code name: Discovery)

Please focus on pgs 8-22

(and Q/A)

You will be reviewing product development,
and support.

SCI is principally interested in
Win Bridge, Win Bridge Plus and Web Bridge
and has little interest in Odyssey
(it's really a customized offering, not
a real product).

You may also need to review Cadex's
services activities (network, mapping).

The software revenue is minimal
with the money being paid for
network services (see page 23)

~~Doc~~
~~1/1~~
1/2

Subj: People I talked to at CSI
Date: 9/14/99 2:44:43 PM Eastern Daylight Time
From: luannej@sprynet.com (Luanne Johnson)
To: burtgrad@aol.com (Burt Grad)

Burt:

Here's the list of people I talked to at CSI:

Mark North, President
 Darrell Snowden, WinBridge Development
 Chris Bond, Odyssey Development
 Michael Kozlowski, Operations Manager
 Deb Luci, QA
 Lisa Fuller, Manager CSR

Luanne

<><><><><><><><><><><><><><><><><><><>
 Luanne Johnson <> LuanneJ@sprynet.com
 Phone: 707-748-0949 <> Fax: 707-748-0948
 Mail: 2135 Clear View Circle, Benicia, CA 94510-2059

----- Headers -----

Return-Path: <luannej@sprynet.com>
 Received: from rly-zb05.mx.aol.com (rly-zb05.mail.aol.com [172.31.41.5]) by air-zb05.mail.aol.com (v60.28) with ESMTP; Tue, 14 Sep 1999 14:44:43 -0400
 Received: from smtp6.mindspring.com (smtp6.mindspring.com [207.69.200.74]) by rly-zb05.mx.aol.com (v60.28) with ESMTP; Tue, 14 Sep 1999 14:44:37 -0400
 Received: from preinstalledcom (user-33qtgbh.dialup.mindspring.com [199.174.193.113]) by smtp6.mindspring.com (8.8.5/8.8.5) with SMTP id OAA04533 for <burtgrad@aol.com>; Tue, 14 Sep 1999 14:44:50 -0400 (EDT)
 Message-ID: <001c01befee0\$65650040\$71c1aec7@preinstalledcom>
 From: "Luanne Johnson" <luannej@sprynet.com>
 To: "Burt Grad" <burtgrad@aol.com>
 Subject: People I talked to at CSI
 Date: Tue, 14 Sep 1999 11:37:33 -0700
 MIME-Version: 1.0
 Content-Type: text/plain; charset="iso-8859-1"
 Content-Transfer-Encoding: 7bit
 X-Priority: 3
 X-MSMail-Priority: Normal
 X-Mailer: Microsoft Outlook Express 4.72.3612.1700
 X-MimeOLE: Produced By Microsoft MimeOLE V4.72.3612.1700

Luanne Johnson

2135 Clear View Circle
Benicia, CA 94510 U.S.A.

1-707-748-0949
Fax: 1-707-748-0948
E-mail: LuanneJ@sprynet.com

Professional Profile

Luanne Johnson has over thirty years experience in the information technology industry. She started her career as a computer programmer and systems analyst in 1966, then founded a software company, Argonaut Information Systems, Inc., in 1971. In her fifteen years as its President, she acquired extensive experience in managing a software product company including software development, marketing and customer support.

When the company was sold in the 1980's, she became active as an industry advocate and served as the chief executive of three major information technology industry organizations. From 1987 to 1989, she was Executive Director of The ADAPSO Foundation, a non-profit organization which supported the development of computer-related products and services to aid the disabled and disadvantaged.

From 1989 to 1995, she served as President of the Information Technology Association of America, a Washington, D.C.-based trade association representing the interests of several thousand large and small companies from all sectors of the information technology industry. During her tenure at ITAA, she also served as the 1993-1995 elected President of the World Information Technology and Services Alliance (WITSA), a consortium of national trade associations from 22 countries which works to promote the development of a global information technology market.

Currently, Ms. Johnson is a consultant to entrepreneurial firms in the information technology industry and to organizations which are dedicated to supporting entrepreneurial development.

Experience**Consultant (1995 - Present)**

Consults to a variety of clients in the information technology field. Typical clients and projects are:

- Burton Grad Associates, Inc, Westport, CT: Design, develop and maintain a web site for The Software History Center.
- Whitehorse Strategic Group, Ltd., Melbourne, Australia: Prepare a report on information technology trends in the U.S. for the government of New South Wales.
- Computer Based Exercises, Eugene, OR: Teach classes in COBOL and IBM JCL and in structured analysis and design
- McFall Associates, San Francisco, CA: Install software for school cafeteria accounting and train cafeteria staff in its use.
- Japan/American Institute for Management Science, Honolulu, HI: Prepare and present a seminar on U.S. information technology trends for Japanese executives.

President, Information Technology Association of America (1989 - 1995)

Responsible for all operations of a \$4 million+ trade association representing a broad spectrum of the information technology industry including software developers, systems integrators, network service providers and information technology services companies. Programs included extensive federal and state advocacy on behalf of the industry, two major conferences a year, and numerous member services programs such as publications and industry statistics.

President, World Information Technology and Services Alliance (1993-1995)

Elected to this position by the members of WITSA, a consortium of national trade associations from more than 20 different countries. Responsible for transforming the informally organized World Computing Services Industry Forum into a structured organization (WITSA) which provided the international information technology industry with a formally constituted body for developing industry positions on international policy issues.

Executive Director, ADAPSO Foundation (1987 - 1989)

Responsible for start-up operations of this non-profit organization created by ADAPSO (the predecessor to ITAA) in 1986 to support the development of computer-related products and services to aid the disabled and disadvantaged. Developed fund-raising programs and established procedures for managing grant applications and awarding grants.

President and Chair, Argonaut Information Systems, Inc. (1971 - 1986)

Founded this computer software company which grew from a one-person operation to a \$3 million+ company with hundreds of clients throughout the United States. Served as its President from 1971 to 1983 and as its Chair from 1983 to 1986. The company was subsequently acquired by one of the largest independent software products companies in the U.S.

Managed the development of a full line of accounting applications software for mainframe and midrange computers.

Negotiated numerous licensing agreements with various software and hardware resellers.

Developed a highly-acclaimed customer support operation to support both Argonaut's clients and those of its reseller/partners.

Prior Experience (1966 - 1971)

Worked in a variety of positions as programmer, lead programmer, systems analyst and systems designer for user-oriented application systems.

Education

Bowling Green State University, Bowling Green, Ohio
Heald College, San Francisco, California



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The following price schedule is for software supplied by Cedex Services International. Buyers are responsible for shipping costs, and any local taxes or surcharges. All prices are quoted in US Dollars and are subject to change without prior notice.

When applicable, monthly fees for maintenance, support and transmissions will be invoiced to the buyer.

Special Discounts may apply to large volume customers. Please contact [CSI Sales](#) for further details.



CDX WinBridge

\$2500 first copy
 \$2000 second copy
 \$1500 each copy thereafter

CDX WinBridge Plus

\$3500 first copy
 \$2500 second copy
 \$2000 each copy thereafter

CDX Odyssey

Pricing is now available.
 Please contact [Sonja Juricic](#) at sjuricic@cedex.com for details.

CDX Riverbend

With CDX WinBridge:

\$3500 first copy
\$2900 second copy
\$2300 each copy thereafter

For active CDX WinBridge customers:

\$1000 first copy
\$900 second copy
\$800 each copy thereafter

CDX WinBridge Multi-User

\$7,330 five users
\$9,930 ten users

CDX WebBridge

US \$200 - Annual Subscription Fee
US \$0.75 cents - Per message, 100 message maximum per month

Switch Bridge

\$500 - Upgrading from CDX EDI Bridge to CDX WinBridge
\$1000 - Upgrading from CDX EDI Bridge to CDX WinBridge Plus
\$1500 - Upgrading from CDX EDI Bridge to CDX WinBridge and CDX Riverbend

Messaging Modules

\$100 per Trading Partner for ANSI 322 Messaging. Customization may be required.

Prices will be quoted for all all other Messaging Requirements and Customizations.

Please contact [CSI Sales](#) for more details.

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CSI Software Products

Software for the Transportation Industry

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Cedex Services International provides a variety of software products and computer services to support electronic data interchange processes used in commercial businesses. The focus of the company is to support the transportation industry.

Over 500 Container Depots, Leasing Companies and Shipping Lines are using CSI Software to communicate electronically with their customers and vendors. Currently, our Depots communicate efficiently with owners of over 40% of the world's container fleet.

Please click on the product below that most interests you.



CDX WinBridge

The most popular EDI software for Depots!

CDX Riverbend

CDX WinBridge Multi-User



CDX Odyssey

Integrating business data and CSI EDI functionality in one unique package.

CDX WebBridge

Switch Bridge



CDX WinBridge Plus

EDI software designed especially for Regional Offices and Equipment Owners.

Messaging Modules

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For offline viewing of product information

Select products descriptions are also available in Portable Document Format (PDF). In order to read PDF files, you must have the Adobe Acrobat reader which is available at the [Adobe web site](#).



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FLASH!

CDX WinBridge sends customers and vendors the data they need electronically using standard EDI messages. With one copy of the software, container depots can communicate automatically with customers around the world. Likewise, equipment owners can receive electronic data from the global community of container repairers.



- **Designed for Depots**
- **Streamlined Operations**
- **Data Import and Export Capable**
- **Supports Multiple Message Types**
- **Industry Specialized Screens**
- **Easy-to-Use**

CDX WinBridge 3.1 has been released. [Click here for the new features.](#)

CSI software includes what you are looking for: **CSI software supports the following messages:**

- | | |
|---------------------|----------|
| • EDI Mailbox Setup | • ACCEPT |
| • EDI Messaging | • CODECO |
| • ISO / UN-EDIFACT | • COPARN |

Capable

**Message Customizations
can be made for:**

- ANSI 322 Messages
- CODECO Messages
- and many more!
- DESTIM*
- GATEIN
- GATOUT
- RELEAS
- TERMIN
- WESTIM
- WINVOI
- WORDER

NEW! CDX WinBridge 3.1 Released!

- CDX InRoadZ Improvements
- Online Help
- Tariff Built In
- UNEDIFACT messages

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CDX WinBridge



Designed for Depots

With one copy of CDX WinBridge, depots can send gate moves and repair estimates to all of their EDI Capable trading partners. The software is also capable of receiving messages like work authorizations, release notifications and termination requests. Imagine the benefits of receiving this data electronically! And since CDX WinBridge users can import formatted text files created by any in-house system they also:

- Avoid the Costly Re-Keying of Data
- Eradicate the Chance of Errors at the Time of Re-Keying
- Obtain Immediate Access to Data

Streamlined Operations

Specific screens address common everyday operations taking place at the depot's gate. Screens such as Gate-In, Gate-Out, and Repair Estimate record these events occurring at the depot. When users are ready to transmit information to their leasing or shipping line customers, it is as easy as clicking a mouse button and the data is sent directly to the partner's designated electronic mailbox through a modem connected to a phone line.

Importing / Exporting Data

If some or all of the data you need to send electronically is already in another program accessible by your computer, the Import* command can be used to add the data to CDX WinBridge, just as though it had been typed in directly. This saves you from typing the same data twice: once for the management application and again for EDI transmission. Additionally, since data is added to the

databases either by keyboard input or by receiving files from the EDI network, the Export* command can be used to extract data in the text file format that most in-house programs can use in their host applications.

Multiple Message Support

CDX WinBridge can accommodate all of your EDI-capable customers. Although trading partners have different message formatting requirements, CDX WinBridge solves this problem by supporting multiple message formats from single input screens. Both ISO-9897 and UN/EDIFACT EDI guidelines are supported. The CDX WinBridge customer profile subsystem controls the format of the message depending on trading partner requirements.

**Users assume responsibility of setting up in-house applications to work with the Import and Export capabilities of CDX WinBridge.*

Industry Specialized Screens

Inputting specific unit information into data entry screens specialized for the transportation industry is easy.

CDX WinBridge 3.1 Released!

CDX WinBridge 3.1

...has now arrived!

As you may know, the monthly Customer Assurance Plan (CAP) entitles you to EDI mailbox maintenance, technical support, a subscription to The Cedex Letter as well as software upgrades as they become available. As of September 1, 1998, CDX WinBridge version 3.1 will be available to all CDX WinBridge 2.1 and 2.9 users. Below are a few of the new features:

CDX InRoadZ Improvements

Prior versions of CDX InRoadz allowed users to send via X.25 only. In CDX WinBridge 3.1 users will now have the option of sending via the Internet. Once you have received your CDX WinBridge 3.1 package, please see document

checked, installing, configuring and
Setting up CDX InRoadz.

Online Help System

Online help is designed to allow users to research and find solutions to problems. Within the Online Help system, you can search for answers in several different ways.

Tariff Built In

As many of you know, often, the same data is entered on a daily basis. In order to streamline some of these common entries, CDX WinBridge 3.1 includes a default tariff with over 300 job types ALREADY entered for you. Upon installation you can copy the tariff already entered for you, configure it to a specific trading partner and rename the schedule for future use.

UN/EDIFACT messages

In addition to the currently supported ISO 9897 messages, CDX WinBridge 3.1 now supports the use of UN/EDIFACT CODECO and DESTIM messages. For more information about setting up the use of CODECO and DESTIM messages, please contact the CSI Sales Department.

Please contact sales@cedex.com for your copy of CDX WinBridge 3.1.

Installation

Upon purchase of CDX WinBridge, each user receives:

- One set of CDX WinBridge diskettes
- One Reference Guide with Detailed Installation Instructions

Installation and communication testing normally takes about thirty minutes. CSI Technical Support is available at anytime to assist you with the software installation.

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Building on all of the characteristics that make CDX WinBridge unique in the industry, CDX WinBridge Plus is aimed at any regional office or owner that is searching for a way to facilitate the running of reports, the analysis of repair estimates and the ability to filter through unlimited amounts of data. Some of the features in CDX WinBridge Plus include:



- **Designed for Regional Offices, Equipment Owners, and Leasing Companies**
- **Enhanced Report Options**
- **Autoforwarding of Estimates**
- **Intuitive Filters**
- **Multiple User Accounts**
- **Ability to Preset Functions**
- **Exchange Rate Screen**
- **Data Import and Export Capabilities**

CSI software includes
 what you are looking for:

CSI software supports
 the following messages:

- | | |
|---------------------|----------|
| • EDI Mailbox Setup | • ACCEPT |
| • EDI Messaging | • CODECO |
| • ISO / UN-EDIFACT | • COPARN |

Capable

**Message Customizations
can be made for:**

- *ANSI 322 Messages*
- *CODECO Messages*
- *and many more!*

- *DESTIM**
- *GATEIN*
- *GATOUT*
- *RELEAS*
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CDX WebBridge

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[View demo now!](#)

You will need a password to enter this demo. Please email [CSI Sales](#) or call +1.415.398.2120 and request one.

CSI has combined both Internet technology and our popular EDI software tool, CDX WinBridge, to develop one of CSI's easiest to use Internet capable products, CDX WebBridge.



CDX WinBridge hits the Web!

CDX WebBridge was designed and developed specially for depots that send a low volume of monthly EDI messages and who do not require the full functionality of CDX WinBridge.

CDX WebBridge is perfect ... :

- ...for smaller depot customers and low volume users and new customers who want to become EDI enabled quickly.
- ...for its accessibility through Microsoft's Internet Explorer 4 or Netscape Navigator 4 web browsers on any computer.
- ...since it requires no additional software or installations.
- ...for users who simply enter their login ID and a password and they are instantly able to send EDI messages.
- ... for sending GATEINs, GATOUTs and Repair Estimates to your most important trading partners.

Two Phases

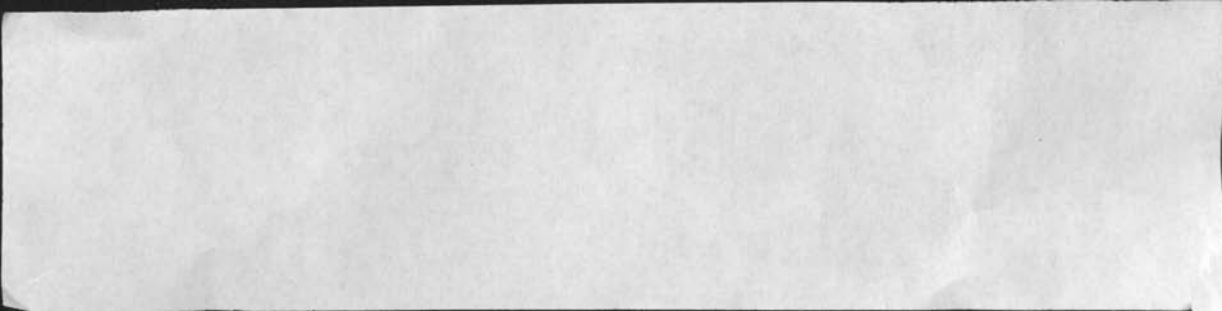
CDX WebBridge will be introduced in two phases. The first will allow for the sending of GateIns and GateOuts over the Internet. The second phase will incorporate the sending of repair estimates and the receipt of work authorizations.

Interested?

CDX WebBridge is now available! Make sure to see the [demo site](#) before you leave. For more information about CDX WebBridge, please contact sales@cedex.com.

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- CONFIDENTIAL -

PROJECT DISCOVERY



ACQUISITION MEMORANDUM

SECOND DRAFT - DATED 8/2/99

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1. Executive Summary

The purpose of this memorandum is to recommend the acquisition of Cedex Services International ("CSI" or "Cedex") by Sterling Commerce. Upon acquisition, Cedex will be integrated within the Commerce Services Group.

Cedex is a San Francisco-based provider of network, software, and support services which facilitates the transfer of commercial information to and from companies in the intermodal container business. Cedex has positioned itself as a community manager to its base of some 600 customers at over 700 sites in 44 countries and provides multilateral EDI transactions between trading partners, small and large. It does this through a commercial offering which includes network services, software, support and consulting services, all focused on meeting the needs of the world wide depot community. This community includes container repair depots, container leasing companies, shipping lines, and container manufacturers. As of June 23, Cedex had 25 employees.

The acquisition of Cedex by Sterling Commerce would provide immediate benefits:

- Projected FY2000 revenues of \$3.8 million, which are approximately 90% recurring in nature (after discontinuing certain products and services).
- Enhances SCI's position internationally. Cedex's revenues have a strong international component, split approximately one-third for North America, Europe, and the Asia-Pacific regions.
- Is a consolidation play, which, upon full integration with CVG, will earn operating margins in excess of 60% (before acquisition amortization costs). Substantial margin uplift is achieved by reducing the incremental headcount associated with Cedex from 25 to 7 FTEs.
- Positions CVG in a niche of the logistics industry which has no real competition today. Cedex presently enjoys a pre-eminent position as a value-added service provider to the container depot community. In 1995, Cedex's original competitor, GEIS, exited this market. Cedex's market position shields it from price deterioration.
- Provides good visibility for CVG in the major shipping ports around the world. Cedex users service 19 of the top 20 shipping ports in the world. While the Cedex acquisition by no means is a complete answer to the logistics segment, it provides a strong position at a key entry point in the intermodal transportation segment—the shipping port. By combining Cedex with other acquisitions in the logistics space such as TranSettlements or Kleinschmidt, CVG will be in a position to become a strong intermodal transportation electronic commerce services provider. It is estimated that the total size of the Equipment Interchange Receipt (EIR) market is approximately \$30-40 million and that Cedex has 1% of this market today.

- Fits with CVG's overall strategy of encircling the Global 5000. Cedex's customer base includes 15 Global 5000 customers. Because many of Cedex's hub customers are ocean transportation carriers, it is highly complementary with CVG's customer base of shippers.
- Provides additional growth opportunities for expanded trading communities by leveraging CVG's existing customer base of shippers and by leveraging other SCI product and services offerings into the Cedex customer base. Specifically, it may be possible to eventually migrate Cedex customers to an extranet environment.

Cedex's business model is to offer customers value-added network services to meet the needs of customers in the container depot community. This results in a strong recurring revenue stream. Presently, Cedex's revenues are allocated among the following categories (Note: Cedex's fiscal year ends December 31):

	CY1996	CY1997	CY1998	CY99 plan	CAGR	FY99 est.
Revenues						
Network services	\$ 1,447	\$ 1,708	\$ 2,175	\$ 2,654	22.4%	\$ 2,478
Network subscription fees	353	521	608	699	25.6%	647
Discounts & allowances	(158)	(159)	(247)	(308)	24.8%	(296)
Network-related revenues	1,642	2,070	2,536	3,045	22.9%	2,829
Software licenses	316	315	384	406	8.7%	348
Consulting/development	105	223	356	422	59.1%	375
Other revenue	40	23	45	50	7.5%	44
Total	\$ 2,102	\$ 2,631	\$ 3,321	\$ 3,922	23.1%	\$ 3,596
growth		25.2%	26.2%	18.1%		

Upon integration, certain Cedex products and services will be discontinued. The following table restates Cedex's revenues to remove the impact of the operations to be discontinued.

	CY1996	CY1997	CY1998	CY99 plan	CAGR	FY99 est.
Revenues						
Network services	\$ 1,447	\$ 1,708	\$ 2,175	\$ 2,654	22.4%	\$ 2,478
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Network-related revenues	1,642	2,070	2,536	3,045	22.9%	2,829
Software licenses	316	315	384	356	4.1%	305
Hosting/mapping services	62	66	102	117	23.6%	104
Other revenue	40	23	23	23	-17.1%	20
Total	\$ 2,060	\$ 2,474	\$ 3,045	\$ 3,540	19.8%	\$ 3,258
growth		20.1%	23.1%	16.3%		

The following table presents a summary of Cedex's discontinued lines of business.

	CY1996	CY1997	CY1998	CY99 plan	CAGR	FY99 est.
Software						
CDX Odyssey licenses	\$ -	\$ -	\$ -	\$ 50	n/m	\$ 43
Consulting/development						
Custom development	43	157	254	305	92.3%	271
Other revenue						
Network surcharges	-	-	22	27	n/m	24
Total	\$ 43	\$ 157	\$ 276	\$ 382	107.3%	\$ 338

The integration plan outlined for this acquisition provides that:

1. All customers are migrated off Cedex network services within six months.
2. Headcount reductions will be made as follows:

Functional area	Post	
	Current	Integration
Sales & marketing	4	4
Finance and Admin.	3	-
Development	9	1
Customer support	9	2
TOTAL	25	7

The employee plan is as follows: (i) the sales and marketing employees (including Mark North) will report to Sales and will function as a virtual sales and marketing team in logistics with a specific focus on the intermodal container business (1 employee will be based in Stockley and report to the UK); (ii) the developer will report to Ed Hafner; (iii) the customer support personnel (reporting to Neil Baker) will be hired locally in Columbus and trained by Cedex staff during a transition period of approximately 6 months.

3. The integration plan lifts Cedex's operating margins from -3% (after eliminating revenues from operations to be discontinued) in calendar 1999 to 52% in fiscal 2000, with margins of over 60% thereafter (Note: operating margins before amortization of acquisition-related costs).

The following table reflects the results of the financial model prepared for Cedex. A complete financial model is attached to this document.

OPERATING SUMMARY	Estimated				
	FY1999	FY2000	FY2001	FY2002	FY2003
Revenues	\$ 3,258	\$ 3,801	\$ 4,560	\$ 5,520	\$ 6,735
<i>growth</i>	<i>n/a</i>	16.7%	20.0%	21.0%	22.0%
Cost of sales	984	680	496	594	717
SG&A	1,246	890	952	1,095	1,270
PDM&E	988	151	119	127	136
Depreciation	132	110	77	54	38
Operating profit (before acquisition amortization)	\$ (91)	\$ 1,970	\$ 2,916	\$ 3,649	\$ 4,573
	-2.8%	51.8%	63.9%	66.1%	67.9%
Acquisition amortization	-	908	917	928	941
Operating profit	\$ (91)	\$ 1,062	\$ 1,999	\$ 2,721	\$ 3,632
	-2.8%	27.9%	43.8%	49.3%	53.9%

2.5. Strategy

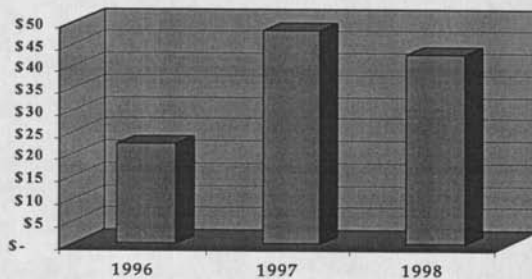
Cedex's overall strategy is to become the main provider of cost-effective messaging solutions for all of the depot customers who cannot afford to communicate with their business partners directly.

2.6. Financial Performance

Cedex has experienced healthy growth over the past two years. Total revenues grew 25.2% and 26.2% in 1997 and 1998, respectively, over the prior year period. For a more detailed discussion and analysis of Cedex's historic financial performance, see Section 6: Analysis of Historic Financial Performance.

Cedex has essentially operated on a break-even basis over the past three years.

Operating Profit 1996 - 1998



3. Market

3.1. Target Market

For several years, major shipping lines have been developing an EDI infrastructure to handle the electronic exchange of customs related documents, bills of lading, stowage plans, discharge and loading messages, gate movement messages, trucking, and more. Most of these EDI projects have primarily been established on a bilateral electronic communications basis, driven by the business need to simplify and improve control over a high volume of equipment transactions. This type of EDI environment has typically been established in the container terminals of major ports, as it has been a justifiable investment at these high-volume locations. Small to mid-size (i.e., lower volume) container terminals and container depots have historically not had the same economic incentives to develop EDI with their trading partners, primarily due to the cost and complexity associated with EDI projects. This is the segment of the container industry that Cedex has targeted and has played a major role in automating. To date, Cedex has built the Cedex EDI Community of Users, which encompasses over 700 sites in 44 countries and provides multilateral EDI transactions between trading partners, small and large. It does this through a combination of Value-Added Network Services, Software, and Consulting Services.

Cedex's primary customer base consists of:

- Equipment servicing and repair companies, such as Container-Care, Arctic Container, Nippon Express, Hongda Containers, etc.
- Ocean carriers, such as Hanjin Shipping, P&O Nedlloyd, NYK Lines, Contship, etc.
- Container leasing companies, such as Interpool, Transamerica, XTRA International, etc.
- Container manufacturers, such as Amalgamated Containers, Hyundai, Jindo, etc.

3.2. Container Transport Industry

3.2.1. Overview

When goods are shipped via ocean freight, they are typically loaded into large metal (either steel or aluminum) boxes called "containers." Containers are available in standard sizes from 20 feet to 53 feet (although the 20 foot and 40 foot containers are by far the most common sizes) and can range from simple dry freight to reefers to tanks to ventilated to refrigerated. The standard 40 foot dry freight container measures 40' x 8' x 8'6" and weighs (empty) approximately 7,000 pounds. It is estimated that the world's container fleet consists of approximately 7-8 million containers. Approximately 40-45% of the world's container fleet is owned by container leasing companies.

Container leasing companies serve a dual role for the shipping lines: (i) they allow some shipping lines to avoid purchasing and owning containers, and (ii) they perform a positioning function whereby containers may be economically positioned in the geographic location which represents the highest use of the containers (i.e., the wasteful shipment of empty containers is minimized).

The containers are designed in such a manner as to be stackable—they are loaded onto the ship by way of a lifting mechanism which resembles a crane. The typical ship will carry 1,000–2,000 containers at one time. Once transported from the origination port to the destination port, the containers may be: (i) loaded onto a truck trailer chassis for further delivery via truck, (ii) loaded onto a railcar chassis for further delivery by railway, etc. Alternatively, if the containers are visibly damaged, they may be retained at the port location and delivered to a container repair specialist as further described below.

During this transport process, these containers may become damaged and require repair. Due to the relatively low cost of the containers, it is inefficient for the container owners or lessors to have a presence at each port location in order to inspect and repair containers that may be damaged during transit. The container owners therefore forge business relationships with various local container repair organizations in order to perform this function on their behalf. Thus, in this relationship, the container owner is the "hub" and the container repair organizations are the "spokes."

The objective of the hub is to maximize the productivity of its container fleet. A key value-add of Cedex is that the Cedex service allows the hubs to increase the number of "turns" of their container fleet through electronic communication.



The following table illustrates the world's most active ports in terms of containers handled (inbound and outbound) per year. Please note that the figure provided in the table below refer to a standard unit of measure, the TEU (Twenty-foot Equivalent Unit), not the actual number of units handled. For example, one 40 foot container would equal 2 TEUs (due to size), while a 20 foot refrigerated container might equal 8 TEUs (due to cost).

Rank	Port	Container TEUs Handled - 1997	Growth Rate
1	Hong Kong	14,500,000	7.7%
2	Singapore	14,120,000	9.1%
3	Kaohsiung	5,693,339	12.4%
4	Rotterdam	5,340,000	8.2%
5	Pusan	5,233,880	10.8%
6	Long Beach	3,504,603	14.3%
7	Hamburg	3,337,000	9.3%
8	Antwerp	2,969,189	11.9%
9	Los Angeles	2,959,715	10.3%
10	Dubai	2,600,102	15.7%
11	Shanghai	2,520,000	30.6%
12	New York	2,470,000	8.9%
13	Yokohama	2,330,000	-0.8%
14	Tokyo	2,322,000	0.5%
15	Felixstowe	2,212,800	8.3%
16	Manila	2,114,583	7.3%
17	Kobe	2,100,000	-5.8%
18	Keelung	1,981,175	-14.6%
19	Tanjungpriok	1,900,000	33.6%
20	Bremen	1,700,000	10.1%
Top 20	TOTAL	81,908,386	8.9%

Source: Containerisation International, April 1999.

By acquiring Cedex, SCI would acquire a position at 19 of these top 20 ports. In total, there are 183 Cedex users which service the top 20 ports in the world.

3.2.2. Container Repair Segment - Size and Characteristics

The container repair and maintenance industry is fragmented, with an estimated 1,500 depots around the world responsible for repairing the world's container fleet.

Each container movement entails repairs and results in an exchange of documents between business partners. The following list describes the documents which are exchanged in this process:

Messages in the Cedex business cycle

Transaction	EDIFACT	ISO9897	ANSI	Description/Function
Acceptance	COPARN	ACCEPT	301	Pre-activity message used to advise the arrival of equipment at a depot or terminal gate
Gate move in	CODECO	GATEIN	322/622	Equipment Interchange Receipt (EIR) document to record change of equipment possession
Work Estimate	DESTIM	WESTIM	412/4x2	Quote or bid on repair work on a container, chassis or trailer
Revised Estimate	DESTIM	WESTIM	412/4x2	Reiteration of Work Estimate after adjustment
Work Order	DESTIM	WORDER	N/A	Approval to proceed with repairs
Repair completion	CODECO	GATEIN	N/A	Advice from depot that repairs to a container, chassis or trailer have been completed
Booking	COPARN	BOOKIN	301	Pre-activity message to advise the depot or terminal of the departure of equipment
Gate move out	CODECO	GATOUT	322/622	Equipment Interchange Receipt (EIR) document to record change of equipment possession (outbound)

3.3. Sample Customer Profiles

3.3.1. Southern Intermodal, Inc.

Southern Intermodal, Inc. was founded in 1996 and operates an eighteen bay shop and sixteen mobile and tire trucks on the Burlington Northern Santa Fe Intermodal Yard in Memphis, Tennessee. They maintain all rail controlled equipment as well as the chassis pool for Transamerica Leasing. With a workforce of forty, they repair approximately 1200 trailers, containers and chassis per month. All repairs are performed by Association of American Railroad Standards.

Recently, they purchased a 21,000 square foot shop building on eight acres parallel to the Burlington Northern Santa Fe Intermodal Yard in Marion, Arkansas. They have moved their corporate office to this facility, and are operating a full service Tire Retread Plant.

3.3.2. Fassina

Founded in 1974 in Santos, Sao Paulo, Brazil, Transporte e Comercio Fassina LTDA (Fassina) is one of a number of depots in the industrial area of Sao Paulo utilizing EDI to transfer equipment data information to their clients around the world.

Capable of storing up to 6,500 containers a day, the facilities at Fassina are located on 150,000 square meters of land. Besides using CEDEX software, Fassina utilizes the OmniSAT system to monitor cargo, machines and equipment via satellite against theft and/or damage.

The Container Repair Division at Fassina is equipped with modern machines and equipment and repairs 50 to 60 containers a day. The company performs services for leasing companies, shipowners, and steamship agencies.

Other services provided by Fassina include:

- Transport of General Cargo
- Coffee Packing
- Shipment and Landing
- Packing and Shipping Services
- Warehousing
- Trucking and Freight Handling

3.3.3. Marco Marine Container

Marco is an empty container depot in the heart of downtown Vancouver, British Columbia, with container storage capacity in excess of 4000 TEU. It specializes in the preparation of containers to food grade standards and the installation of liners bags and grain doors, and also offers cleaning services, deodorizing, pretripping of reefers, and washing with a state of the art wash pad where all waste water is recovered and recycled. Container repairs are also done on-site and the facility is approved by the American Bureau of Shipping.

All Marco customers receive up-to-the-second information via a computerized tracking system integrating all yard and gate functions, as well as the further option to utilize EDI transmissions. With a daily movement up to 600 TEU per day, and serving over fourteen shipping lines, Marco has implemented the ANSI 301 Message through Cedex to compliment its existing computer information systems.

3.4. Market Opportunities

It is estimated that a typical container is interchanged an average of 40-50 times per year. Multiplying this times the number of containers in the world (7-8 million) means that there is a market potential of approximately 300-400 million Equipment Interchange Receipt (EIR) documents. It is estimated that Cedex handles only approximately 1% of these transactions.

While Cedex estimates that it handles approximately 70% of the on-lease and off-lease EIR document exchange, it has a very small presence in the intermodal EIR market (i.e., when the container is not retained at the port, but is loaded onto a chassis for rail or truck shipment).

Cedex believes that it is possible to leverage the company's strong position at the container depots and position the company as a provider of services to the intermodal EIR market. While it is unclear precisely how large this market opportunity is (due to direct connections, etc.), it would appear that the total EIR market is in the range of \$30-40 million (\$0.10 per EIR times 300-400 million).

6. Analysis of Historic Financial Performance

6.1. Revenues

The following table presents Cedex's revenue splits for fiscal years ended December 31:

Revenues	1996	1997	1998
Network services	\$ 1,447	\$ 1,708	\$ 2,175
Network subscription fees	\$ 353	\$ 521	\$ 608
Discounts & allowances	\$ (158)	\$ (159)	\$ (247)
Network-related revenues	\$ 1,642	\$ 2,070	\$ 2,536
Software licenses	\$ 316	\$ 315	\$ 384
Hosting/mapping services	\$ 105	\$ 223	\$ 356
Other revenue	\$ 40	\$ 23	\$ 45
Total	\$ 2,102	\$ 2,631	\$ 3,321
	growth	25.2%	26.2%

- Network-related revenues include network services and network subscription fees and are adjusted for tiered-pricing formulas through the Discounts and Allowances line item.
 - Network services consist entirely of value-added network services performed by Cedex, with local dial access provided by Infonet. Cedex's net revenue per kilocharacter is approximately \$0.55, which is \$0.275 per kilocharacter sent and received. Cedex's network revenues increased 18% and 27% in 1997 and 1998, respectively.
 - Network subscription fees consist of a monthly mailbox and subscription fee for being on the network. Network subscription fees range in amount (depending on the size of the customers, number of locations, etc.) but are based upon a list fee of \$60 per customer per month. Cedex's network subscription revenues increased 48% and 17% in 1997 and 1998, respectively.
- Software licenses consist of revenue earned from sales of Cedex's software product called WinBridge (discussed in Section 4: Products and Services). However, it is anticipated that, during 1999, two new sources of software revenues will be launched:
 - CDX Odyssey
 - CDX WebBridge

Cedex's software license revenues increased 0% and 22% in 1997 and 1998, respectively. Through December 31, 1998, all of Cedex's license revenue has been derived from CDX

WinBridge. CDX Odyssey has only recently been launched, and CDX WeBridge is currently under development, with an anticipated launch date of October 1.

- Development and consulting services include: (i) custom development, (ii) web-site development, (iii) systems integration, and (iv) business practices consulting. These revenues increased 54% and 60% in 1997 and 1998, respectively.
- Discounts, returns and allowances represent: (i) discounts for network services under tiered pricing plans; and (ii) bad-debt allowances.
- Cedex's two largest customers are Transamerica (15% of revenue), and Textainer (7-8% of revenues). Both customers appear to be locked in to Cedex.

6.2. Expenses

6.2.1. Cost of Sales

Cost of Sales	1996	1997	1998
Royalties	\$ 32	\$ 36	\$ 35
Network - Infonet	\$ 314	\$ 262	\$ 386
Salaries	\$ 248	\$ 298	\$ 412
Total	\$ 594	\$ 595	\$ 834
% of revenues	28.3%	22.6%	25.1%

There are two components to Cedex's cost of sales:

- Cost of purchasing network services from Infonet. Infonet provides dial access in 44 countries. There are also some leased line and ISDN line expenses included in the Infonet expense total. It is estimated that Cedex pays between \$0.09 and \$0.10 per kilocharacter processed to Infonet. This compares with an estimated incremental \$0.06 per kilocharacter processing cost for COMMERCE:Network. Other costs of network services include 8 people in customer support which, combined, account for 1998 salaries and benefits of approximately \$412K.
- Royalty payments to a former business partner. In 1990, Mark North bought this partner's interest in Cedex for a small up-front payment plus an agreement to pay this person 1% of all network services revenue and 5% of all software revenue until such amounts aggregate to \$1 million. It appears that it will take Cedex some time to achieve this threshold. North believes that it is possible to buy his former partner out of this agreement for a discounted amount paid up-front. The amounts are currently being paid to a charitable foundation. *Mark North is to buy this out in advance of closing.*

6.2.2. Selling, General and Administrative

SG&A	1996	1997	1998
Salaries and benefits	\$ 424	\$ 509	\$ 560
Professional fees	\$ 121	\$ 235	\$ 35
Advertising	\$ 38	\$ 60	\$ 59
Bank charges	\$ 17	\$ 11	\$ 15
Dues & publications	\$ 7	\$ 7	\$ 4
Business insurance	\$ 12	\$ 12	\$ 7
Office expenses	\$ 80	\$ 21	\$ 30
Rent	\$ 85	\$ 182	\$ 243
Office supplies	\$ 4	\$ 8	\$ 13
Telephone	\$ 95	\$ 59	\$ 91
Travel & entertainment	\$ 192	\$ 134	\$ 228
Shipping	\$ 33	\$ 27	\$ 19
Total	<u>\$ 1,106</u>	<u>\$ 1,266</u>	<u>\$ 1,303</u>
% of revenues	52.6%	48.1%	39.2%

Significant items in Cedex's SG&A expense include:

- Salary expense for 4 people in Sales and Marketing (including Mark North), 1 person in Finance and Accounting, and 2 people in General and Administrative roles.
- Rent expense is for approximately 6,500 square feet of office space just outside of the central business district of San Francisco. Although it is not Class A office space, it is in a good location and in good condition (i.e., it should be relatively easy to sublease).

6.2.3. Product Development, Maintenance and Enhancement

	1996	1997	1998
PDM&E			
Salaries and benefits	\$ 147	\$ 176	\$ 660
Prof. & other fees - Odyssey	\$ 171	\$ 465	\$ 367
Subtotal	\$ 318	\$ 641	\$ 1,027
Less: capitalized portion	\$ -	\$ -	\$ -
Plus: amortization	\$ -	\$ -	\$ -
Net PDM&E	\$ 318	\$ 641	\$ 1,027
% of revenues	15.1%	24.4%	30.9%

Cedex's primary product development expense is the salary expense of 9 product development professionals and 2 development contractors. Prior to 1998, the employee expenses associated with the CDX Odyssey project were split out and reported as a distinct expense item. To date Cedex has not capitalized any of its development expense.

6.3. Operating Profit

Cedex's operating results have historically approximated break-even.

	1996	1997	1998
OPERATING SUMMARY			
Revenues	\$ 2,102	\$ 2,631	\$ 3,321
Cost of sales	\$ 594	\$ 595	\$ 834
SG&A	\$ 1,106	\$ 1,266	\$ 1,303
PDM&E	\$ 318	\$ 641	\$ 1,027
Depreciation	\$ 62	\$ 80	\$ 115
Operating profit	\$ 23	\$ 48	\$ 43
margin %	1.1%	1.8%	1.3%

8. Financial Forecast

A detailed financial model has been developed for Cedex. In developing this financial forecast, a number of assumptions regarding the future revenues and expenses of Cedex were made which give consideration to the integration plan developed for the company. Significant assumptions are detailed in the discussion which follows.

8.1. Business

- The CDX Odyssey products and development and consulting services related thereto are discontinued upon acquisition.
- Acquisition closing date: October 1, 1999.

8.2. Revenues

- Revenues from continuing operations have been converted from a calendar year basis to a September 30 fiscal year basis, resulting in lower growth rates in FY2000. Thereafter, growth accelerates due to CVG sales and marketing efforts. Revenue from continuing operations is forecast as follows.

Revenues	Actual			Forecast	Forecast	Projected			
	CY1996	CY1997	CY1998	CY1999	FY1999	FY2000	FY2001	FY2002	FY2003
Network services	\$ 1,447	\$ 1,708	\$ 2,175	\$ 2,654	\$ 2,478	\$ 3,006	\$ 3,668	\$ 4,511	\$ 5,572
Network subscription fees	\$ 353	\$ 521	\$ 608	\$ 699	\$ 647	\$ 742	\$ 816	\$ 898	\$ 987
Discounts & allowances	\$ (158)	\$ (159)	\$ (247)	\$ (308)	\$ (296)	\$ (331)	\$ (397)	\$ (480)	\$ (586)
Network-related revenues	\$ 1,642	\$ 2,070	\$ 2,536	\$ 3,045	\$ 2,829	\$ 3,418	\$ 4,087	\$ 4,929	\$ 5,973
Software licenses	\$ 316	\$ 315	\$ 384	\$ 356	\$ 305	\$ 220	\$ 296	\$ 398	\$ 552
Hosting/mapping services	\$ 62	\$ 66	\$ 102	\$ 117	\$ 104	\$ 140	\$ 154	\$ 170	\$ 187
Other revenue	\$ 40	\$ 23	\$ 23	\$ 23	\$ 20	\$ 23	\$ 23	\$ 23	\$ 23
Total	\$ 2,060	\$ 2,474	\$ 3,045	\$ 3,540	\$ 3,258	\$ 3,801	\$ 4,560	\$ 5,520	\$ 6,735
growth		20.1%	23.1%	16.3%	n/a	16.7%	20.0%	21.0%	22.0%

- Flat revenue pattern of WinBridge reflects relatively high degree of market penetration currently enjoyed by Cedex.
- Discounts, returns, and allowances are assumed to equal 8% of gross revenues.

8.3. Cost of Sales

- Cedex's 600 customers to be converted to COMMERCE:Network beginning on November 1, at a rate of 100 locations per month. This allows 30 days to develop a new communications script to replace the current InRoadz script. It is assumed that, in FY2000, 40% of Cedex's historic network cost structure applies. Historic network costs are as follows:
 - Infonet processing cost of \$0.097 per kilocharacter processed.
 - 8 customer and technical support FTEs accounting for an estimated FY1999 salary expense of approximately \$500 thousand.
- COMMERCE:Network incremental network processing costs of \$0.06 per kilocharacter. In FY2000, it is assumed that 65% of SCI's cost structure applies, with 100% applicability thereafter. By mid-year FY2000, 6 of Cedex's 8 FTEs associated with customer and technical support functions are assumed to be made redundant.
- A royalty arrangement with a former business partner of Mark North is terminated in exchange for an up-front payment by Mark North. This will replace a stream of ongoing royalty payments with a one-time payment which is made as part of the transaction.

	FY1999	2000	2001	2002	2003
Cost of Sales					
Royalties	\$ 41	\$ -	\$ -	\$ -	\$ -
Network - Infonet	\$ 446	\$ 216	\$ -	\$ -	\$ -
Network - SCI	\$ -	\$ 197	\$ 400	\$ 492	\$ 608
Salaries	\$ 497	\$ 267	\$ 96	\$ 102	\$ 109
Subtotal	\$ 984	\$ 680	\$ 496	\$ 594	\$ 717
Gross profit	\$ 2,274	\$ 3,121	\$ 4,065	\$ 4,926	\$ 6,018
margin %	69.8%	82.1%	89.1%	89.2%	89.4%

8.4. Selling, General and Administrative

- Of the combined (with CVG) 14 sales and marketing positions, it is assumed that no headcount reductions are made.
- The finance and accounting function is moved from San Francisco to Dublin. This move results in a headcount savings of 1.
- The administrative function, which presently occupies 2 FTEs, would be consolidated with existing operations and result in no incremental headcount.
- Reduction in occupancy expense to reflect the reduced overall headcount of Cedex.

	FY1999	2000	2001	2002	2003
SG&A					
Salaries and benefits	\$ 551	\$ 441	\$ 529	\$ 640	\$ 781
Professional fees	\$ -	\$ -	\$ -	\$ -	\$ -
Advertising	\$ 59	\$ 64	\$ 71	\$ 78	\$ 86
Bank charges	\$ -	\$ -	\$ -	\$ -	\$ -
Dues & publications	\$ 6	\$ 5	\$ 5	\$ 5	\$ 5
Business insurance	\$ 6	\$ -	\$ -	\$ -	\$ -
Office expenses	\$ 30	\$ 20	\$ 22	\$ 24	\$ 27
Rent	\$ 224	\$ 70	\$ 45	\$ 47	\$ 50
Office supplies	\$ 12	\$ 8	\$ 2	\$ 2	\$ 2
Telephone	\$ 92	\$ 64	\$ 28	\$ 30	\$ 32
Travel & entertainment	\$ 242	\$ 200	\$ 230	\$ 246	\$ 263
Shipping	\$ 23	\$ 19	\$ 21	\$ 23	\$ 25
Subtotal	\$ 1,246	\$ 890	\$ 952	\$ 1,095	\$ 1,270
SG&A / Revenue	38.2%	23.4%	20.9%	19.8%	18.9%

8.5. Product Development, Maintenance & Enhancement

- Product development headcount is reduced from 9 to 1 FTE.
- Contracted development labor is terminated.
- No product development expense is capitalized.

	FY1999	2000	2001	2002	2003
PDM&E					
Salaries and benefits	\$ 650	\$ 111	\$ 119	\$ 127	\$ 136
Prof. & other fees	\$ 338	\$ 40	\$ -	\$ -	\$ -
Subtotal	\$ 988	\$ 151	\$ 119	\$ 127	\$ 136
Less: capitalized portion	\$ -	\$ -	\$ -	\$ -	\$ -
Plus: amortization	\$ -	\$ -	\$ -	\$ -	\$ -
Net PDM&E	\$ 988	\$ 151	\$ 119	\$ 127	\$ 136
PDM&E / Revenue	30.3%	4.0%	2.6%	2.3%	2.0%

8.6. Operating Profit

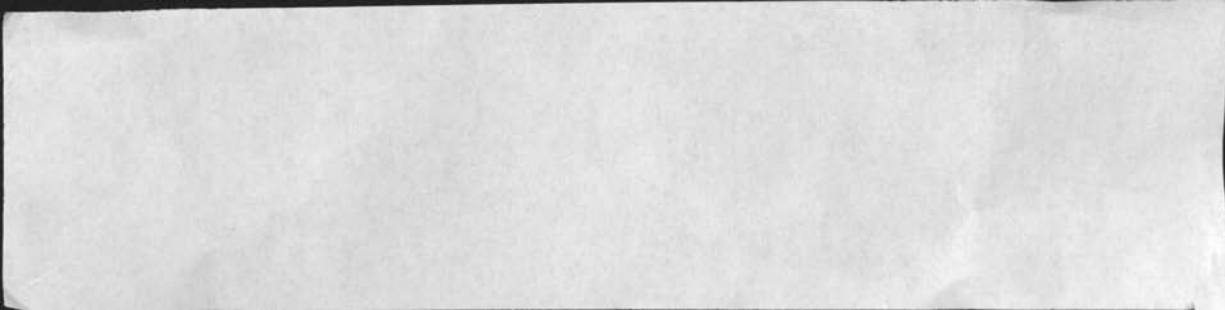
The following table presents the forecasted financial results of Cedex if acquired by Sterling Commerce and integrated according to the plan outlined herein. Please note that the operating profits calculated below do not include the amortization of acquisition costs, including goodwill, purchased software, and closing and integration expenses.

	FY1999	2000	2001	2002	2003
OPERATING SUMMARY					
Revenues	\$ 3,258	\$ 3,801	\$ 4,560	\$ 5,520	\$ 6,735
Cost of sales	\$ 984	\$ 680	\$ 496	\$ 594	\$ 717
SG&A	\$ 1,246	\$ 890	\$ 952	\$ 1,095	\$ 1,270
PDM&E	\$ 988	\$ 151	\$ 119	\$ 127	\$ 136
Depreciation	\$ 132	\$ 110	\$ 77	\$ 54	\$ 38
Operating profit	\$ (91)	\$ 1,970	\$ 2,916	\$ 3,649	\$ 4,573
margin %	-2.8%	51.8%	63.9%	66.1%	67.9%

9. Risk Factors

An acquisition of Cedex by Sterling Commerce carries with it potentially significant risks which should be considered in the overall context of the transaction. Risks associated with the acquisition of Cedex include the following:

- Dependency on Mark North. Mark North has managed Cedex since its inception in 1988 and, due to the company's relatively small size, remains highly involved in its daily operations. If Mark North were to leave the business within the first six months of the acquisition, it may have a material adverse effect on the operation of the business. This risk is being addressed in the business integration plans being developed for Cedex.
- Uncertain future growth prospects of the container repair business. Both the improvement of manufacturing techniques, technology and superior steel and aluminum products are resulting in improved container performance. This improved performance may reduce the incidence of containers being damaged in transit and the resultant need for container repairs. To the extent that Cedex's business is and remains dependent upon the exchange of repair estimates and work authorizations on damaged containers, the growth of the business may slow to rates beyond what is anticipated in the financial model.
- Maintaining the niche focus of Cedex is important to future growth prospects in the container repair and interchange marketplace.



BURTON GRAD ASSOCIATES, INC.

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August 31, 1999

Mr. Dennis Byrnes
Sterling Commerce, Inc.
4600 Lakehurst Court
Dublin, Ohio 43017

Dear Dennis:

Burton Grad Associates, Inc. (BGAI) proposes to perform for Sterling Commerce, Inc. (SCI) and its Commerce Services Group (CVG) the requested due diligence review of the products and technologies which SCI/CVG may acquire from Cedex Services International, Inc. (Cedex).

Objectives

SCI and CVG want to have an independent due diligence study performed to ensure that the representations made by Cedex to CVG are accurate and complete. CVG wants to be sure that there are no development, technical or customer service issues which would impact future projections of the current value of these products and technologies. SCI/CVG also wish to have a limited customer satisfaction survey conducted to ensure that Cedex's products and services are well-received.

BGAI, an independent consulting firm with extensive experience in software product and technology due diligence studies, is pleased to perform this study so that CVG can proceed with its acquisition decision in a timely manner.

Work Plan

1. BGAI will request certain information from Cedex and CVG for the products and technologies to be examined. The initial request list is attached as Appendix B. A revised information request list will be sent to Cedex on September 1, 1999.
2. BGAI will conduct on-site and telephone interviews with key development and customer service managers at Cedex and obtain additional relevant Cedex and CVG materials.
3. BGAI will analyze these materials and interview notes to identify any areas of concern and potential problems.
4. BGAI will have Specifics, Inc. conduct a customer satisfaction survey with a limited number of Cedex customers to verify Cedex's representations on customer attitudes.

5. BGAI will prepare a report summarizing its development, technical and customer service due diligence findings and recommendations. A separate report on the customer satisfaction survey will also be sent.

Staffing

The project will be managed by Burton Grad, president of BGAI, with Sid Dunayer and Luanne Johnson as the principal consultants on this project. In addition, Specifics, Inc. will perform the Customer Satisfaction Survey.

The other areas of significance (other operations functions, legal, financial and human resources) will be covered by CVG designated consultants or SCI personnel.

Professional profiles for the BGAI participants are enclosed as Appendices A-1, A-2 and A-3.

SCI, CVG and Cedex will designate liaisons to work with BGAI.

Schedule

Selected materials should be sent to BGAI, Dunayer and Johnson by September 1, 1999 for review. A preliminary report highlighting any technical risk items will be delivered to SCI and CVG by September 9, 1999. The customer satisfaction survey report is due by September 17, 1999 and the final BGAI report will also be delivered on September 17, 1999.

Confidentiality

All information received and work performed will be treated as fully confidential and not disclosed to any third party without prior written consent from SCI/CVG.

BGAI and its employees and consultants will be bound by the non-disclosure agreement signed by SCI and Cedex and will sign a letter from SCI to that effect. In addition, BGAI will sign a separate non-disclosure agreement with Cedex and will not reveal any detailed product design details or customer names to CSI/CVG without prior written authorization from Cedex.

Costs and Payments

The work will be done on a time and expense basis. The following are the BGAI consultant fees:

Burton Grad	\$2,500/day
Sid Dunayer	\$1,500/day
Luanne Johnson	\$1,200/day

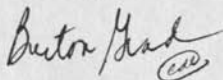
Specifics, Inc. will perform the specified Customer Satisfaction Survey for a predetermined fixed price, unless SCI/CVG changes the specifications for the study.

Based on the information available to us at this time, we estimate that the project will require one to two days for Grad, one to two days for Dunayer and two days for Johnson. Therefore, we expect the consulting fees not to exceed \$10,000 plus the cost of the survey.

In addition, BGAI will be reimbursed for all authorized out of pocket expenses, including travel, accommodations, phone/fax, express delivery, etc. We estimate that these costs will be less than \$500. Payment is due within 15 days of SCI receiving an invoice from BGAI.

If the above description is satisfactory, please sign below to authorize BGAI to initiate work on this project.

Sincerely,



Burton Grad

Accepted for Sterling Commerce, Inc.

signature

Enclosures

BG:5094

cc: Morgan Crew, CVG

title

date

PROFESSIONAL SUMMARY BURTON GRAD

Burton Grad, President of Burton Grad Associates, Inc. (BGAI), has a long record of significant contributions to the computer software and services industry. He has experience as a user and developer of application and systems products and as consultant, innovator, businessman and industry leader in the computer software and services community:

Since 1978 he has been a consultant for software products, software professional services, value added remarketers, processing services and other computer software and services businesses:

- ❖ Strategic planning, management and organizational consulting and product analysis, evaluation and review
- ❖ Company and product acquisition studies including due diligence and valuation for financial, tax and capitalization purposes
- ❖ Planning, assessment and analysis of business operations including quality and productivity measurements

Work is performed personally or with the assistance of well-known specialists in market research, customer service, industry applications and mainframe, midrange, workstation, client/server and personal computer systems.

This is a partial list from the more than 150 clients of BGAI:

AGS Information Services (now part of Keane, Inc.)
Broadview Associates and Geocapital Partners
Expert Software
Future Three
Informatics (now part of Sterling Software)
International Business Machines
Keane, Inc.
Morgan Stanley
NCR Corporation
Relay Technology
SPSS, Inc.
Sterling Software, Inc.
Triad Systems Corporation
TSI International

BURTON GRAD

Work Achievements

Burton Grad Associates, Inc. (1978 - Present)

- * Strategic planning, management and organizational consulting and product analysis, evaluation and review
- * Company and product valuation studies for financial, tax, capitalization and acquisition purposes
- * Business assessment studies and implementation projects for product strategy, development, quality management and customer service
- * Design and implementation of computer based training courses

Customer Care, Inc. (1992 - 1996)

- * Publishing **CustomerCare Newsletter** and *CustomerCare Survey* directed at software companies' customer services activities: support, documentation, training and product consulting
- * Providing consulting on customer service processes, and training for customer service personnel

Heights Information Technology Service (1979 - 1983)

- * Professional Services for applications and systems development
- * Use of professionals on a remote, work at home basis with effective project management

International Business Machines Corporation (1960 - 1978)

- * Definition, design and implementation of application development systems strategy resulting in release of IBM's development management systems
- * Development of application programs for every major industry
- * Establishment of joint planning and programming development with European operations
- * Announcement, development and initial support of CICS
- * Management of application development for small business and process control systems
- * Responsibility for the production, release and maintenance of close to 200 programs

- * Conception of approach to and programs for text processing and office automation systems
- * Development and expansion of computer based training systems
- * Development of management science and scientific programs
- * Participation in the structuring and unbundling of IBM program products
- * Creation of the Study Organization Plan for specifying and designing application systems

General Electric Company (1949 - 1960)

- * Programming of the first commercial computer (Univac I in Louisville)
- * Development of discrete simulation techniques for manufacturing planning and control
- * Invention of decision tables
- * Study of automated factory design and implementation
- * Initiation and use of advanced techniques for production, inventory and quality control

Other Professional Activities

1972-Present ITAA (formerly ADAPSO)

- * Computer Software and Services Trade Association
- * President, Treasurer and Board member of American Software Association Division of ITAA
- * Member of ITAA Board
- * Chair and member of various committees (Industry Relations, Software Capitalization, Software Openness, Technology Information Services, Quality Management)
- * Executive Committee of Information Technology Foundation (Project Office)

1968 and 1979 Principal author of Management Systems, published by Holt, Rinehart and Winston. Used for colleges and businesses for computer application system methodology and design.

1950-Present Speaker and chair at conferences and workshops and contributor to professional journals on various information technology subjects including decision tables, quality control, systems engineering and software capitalization.

BURTON GRAD

Burton Grad Associates, Inc.
235 Martling Avenue
Tarrytown, NY 10591
(914) 631-1129
(914) 631-1164 FAX

EDUCATION

1949 Bachelor of Management Engineering
Rensselaer Polytechnic Institute
Troy, New York

POSITION HISTORY

1978-Present **Burton Grad Associates, Inc.,**
Founder and President
Consultants to computer software and services companies

1992-1996 **CustomerCare, Inc.**
Chairman
Publisher and Consultants for software customer services

1978-1984 **Heights Information Technology Services, Inc.,**
Founder and President
Professional software services

1960-1978 **International Business Machines Corporation**
Consultant - IBM Research Lab
Director of Development - Data Processing
Division (DPD)
Manager - Development Services and Scientific
Application Programs (DPD)
Manager - Technical and Scientific Development
(DPD)

1949-1960 **General Electric Company**
Consultant - Advanced Application and Systems
Development - Production Control Services
Manager - Production Control Operation - Large
Stream Turbine Division
Manufacturing Training Program

Professional Profile - Sid Dunayer

Communications and Network Related Projects

Major International Chemical Manufacturer

Requirements analysis and design of the global network connecting the various product design centers worldwide. The network is currently implemented using Token-Ring and Ethernet local area networks connected via private T1/T3 service, Fiber links, Asynchronous and Synchronous dial connections, X.25 packet connections and SAA connections to the mainframes. Through this network, the chemists worldwide can share data and work together on new creations. The actual mechanism used to route any given "transaction" is dependent on the required response time for that transaction. Those that are "urgent" or require a timely response are routed via an appropriate network connection. The lower priority data replication messages are batched and sent using a cheaper network route.

Software Products Company

As part of a strategic planning study, analyzed various current and proposed message/document interchange models to establish requirements for an integrated messaging system, including analysis of transport mechanisms and use of available communications software packages.

Major Software Products and Services Company

As part of a study to determine whether to centralize company development and processing services, prepared requirements statement for installing an integrated communications network to cover development, processing services and corporate administration as well as telephone and fax services.

Network Services Provider

As part of a technical due diligence for an acquisition, performed an analysis to determine possible methods for connecting the newly acquired customers to the client's VAN. Analysis included the possibility of connecting the VAN to the packet network used by these customers. In this way, the packet service could reroute the customer transactions to the VAN. As customers were migrated from the packet network to the VAN, service on the packet network would decrease and eventually would cease, at which time the connection to the packet network would no longer be required.

Major Financial Institution

Designed and implemented a corporate-wide customer service network including the use of small computers (replacing mainframes), leased lines, dial-in backup units and other interconnect facilities for regional processing centers.

OVERVIEW OF SPECIFICS, INC.

Specifics was founded in 1985 as a full-service market research and consulting firm committed to providing the highest quality customized research studies for clients in the Information & Communications Technologies (IT) Industry. Studies include customer and employee satisfaction, concept testing, market opportunities, advertising effectiveness, product and service positioning, value pricing, lost sales analysis and due diligence.

Specifics' studies are tailored to fit clients' needs, test their hypotheses and answer their business questions. Research methods include conversational telephone surveys, written surveys, personal interviews and focus groups. *Specifics'* educational and support services ensure that clients can exploit the potential of our research.

Specifics continues to grow by focusing on the business-to-business issues of the Information & Communications Technologies Industry and by helping clients realize their business goals and maximize the *value* they deliver to stockholders, customers and employees. The consulting services of the firm help clients establish "best practices" in the customer- and employee-support functions of their business.

Specifics' IT Industry management experience combined with the results of over 400 studies for over 150 companies provides in-depth understanding of the factors that contribute to results. Additionally, clients can compare their performance with similar firms from the *Specifics* database. *Specifics* is committed to providing clients with clear, reliable, and actionable information consistent with the highest standards of quality, ethics and professionalism in the industry.

A partial listing of *Specifics'* clients includes:

Ajilon	Database Consultants	Melita International
AMS	DA Consulting	Metro Information Sys.
Atlantic Data Services	D&B Software / GEAC	Napersoft
Bell Atlantic / Decision 1	Decision Consultants	Oracle
BMC Software	Devon Consulting	RCG
CBSI	EMC Corporation	Resumix
Ceridian / Usertech	Harbinger	RIMS
CAP Gemini America	HBO & Company	Scopus
CIBER	Hyperion Software	Software 2000
Computer Associates	IMI Systems	Sterling Commerce
Computer People	Information America	Sterling Software
COMSYS	J.D. Edwards	Texas Instruments
Compuware / CPU	Keane / AGS	TSI International
CSC / Infonet	Lawson	Utility Partners
Computer Task Group	MCI	Wonderware

SPECIFICS Incorporated · 35 Glenlake Parkway, Suite 150 · Atlanta, GA 30328 · 770-391-0013 · Fax 770-391-0132

Information Request List

A. Development

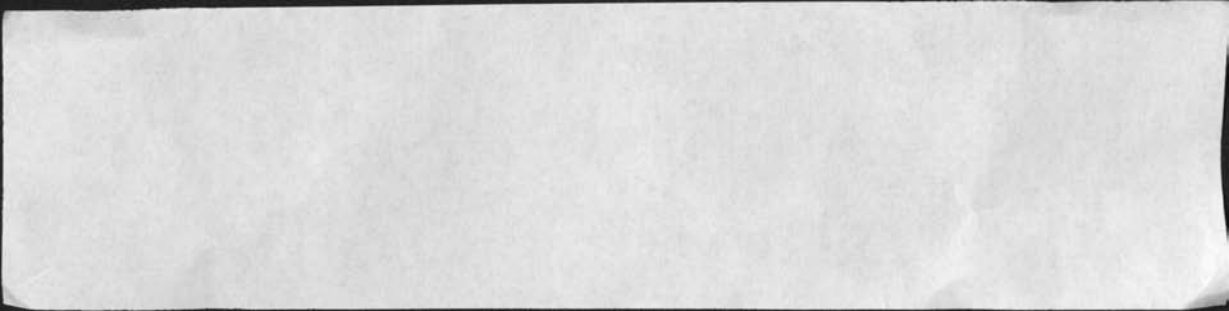
1. Organization and training of development people
2. Development methodology
3. Scheduled enhancements/customer commitments
4. Current maintenance activities
5. Current development activities
6. Testing and quality assurance procedures
7. Effort and cost records for development
8. Program update procedures
9. Installation procedures
10. Availability and procedures for international usability and service
11. Use of third party developers
12. Detailed review of schedule and progress for new program completion
13. Describe process for customer's sending data, waiting for processing and receiving confirmation of processing

B. Technical Review

1. Supported platforms and systems for the technologies
2. Major features of the technologies:
 - functions performed
 - ease of installation and use
 - maintainability
 - audits and controls
 - security
3. Development languages and special tools used
4. Number of modules per program and lines of code
5. Provenance of all program modules (where did design and code come from)
6. Inclusion of proprietary notices in source and object modules, both current and previous versions
7. Method of change control
8. Volume and magnitude of change history
9. Architecture of the programs
10. Internal system documentation level and updates
11. Documentation of specifications and design
12. Prerequisites for running the programs
13. Examination of source code
14. Review of usage/demo of operational code
15. Unit and system test cases
16. Y2K compatibility
17. List types of communications customers use (Async, X.400, SMTP, POP, etc.) And give an estimate of how many customers are using each protocol

C. Customer Service and Support

1. Customer expectations for support
2. Outstanding customer problems
3. Past year history of problems and time to resolve
4. Statistics and reports on service reliability and support requirements
5. Any customer satisfaction surveys or data
6. Customer base, growth and erosion
7. Customer Service Calls
 - a. Volume and type (technical, operational)
 - b. Any open technical or service issues ?
8. Use of Customer Service support systems
9. Contracting/charging arrangements
10. Coverage
 - a. Hours of operation
 - b. Access methods (telephone, fax, E-mail, Web)
11. Customer Training
12. Consulting Services
13. Non-English language support (Chinese, Korean, Japanese) -- importance and hours of coverage



BURTON GRAD ASSOCIATES, INC.
101 POST ROAD EAST
WESTPORT, CONNECTICUT 06880
(203) 222-8718 FAX: (203) 222-8728
E-MAIL: BURTGRAD@AOL.COM

Date: August 30, 1999
To: Mark North
Copy: Morgan Crew
From: Burton Grad
Subject: Due Diligence

Thanks for signing the non-disclosure agreement. I will have Sid Dunayer and Luanne Johnson also sign this agreement and fax you a copy of their signature pages. ✓

Enclosed is a copy of the Information Request List which we plan to use in carrying out the due diligence activities. Please review the items and then discuss with me what can be done this week and what would need to be postponed until next week. Sid Dunayer will do the technical due diligence (Item B on the Information Request List) which involves examining the source code and supporting materials. Luanne Johnson will do the development and customer service review (items A and C).

✓ I will email profiles of Sid, Luanne and me to you.

also send Specifics profile ✓

Separately, we need to plan for the customer satisfaction survey which we will have Specifics, Inc. conduct. We will need to have you review the proposed questionnaire from Specifics later this week. We will also need to work out the criteria for selecting the customers to be called and how you will notify them that Specifics may be calling and that you would appreciate their cooperation.

Please call me today (8/30) or tomorrow (8/31) so we can work out plans and schedules. My phone number through September 8th is 413-243-4578 and my email is burtgrad@aol.com.

Enclosure
5113.LTR

Information Request List

A. Development

1. Organization and training of development people
2. Development methodology
3. Scheduled enhancements/customer commitments
4. Current maintenance activities
5. Current development activities
6. Testing and quality assurance procedures
7. Effort and cost records for development
8. Program update procedures
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 - a. Volume and type (technical, operational)
 - b. Any open technical or service issues ?
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 - a. Hours of operation
 - b. Access methods (telephone, fax, E-mail, Web)
11. Customer Training
12. Consulting Services
13. Non-English language support (Chinese, Korean, Japanese) -- importance and hours of coverage

BURTON GRAD ASSOCIATES, INC.
101 POST ROAD EAST
WESTPORT, CONNECTICUT 06880
(203) 222-8718 FAX: (203) 222-8728
E-MAIL: BURTGRAD@AOL.COM

Date: August 25, 1999

8/25/99

No. of Pages including cover:

To: Sid Dunayer

From: Burton Grad

Subject: Cedex

Please sign both non-disclosures attached and fax signature pages only back to me at 203-222-8728:

1. NDA with Cedex (2 pages)
2. NDA with Sterling Commerce, Inc. (6 pages)

Enclosure
5093

BURTON GRAD ASSOCIATES, INC.
101 POST ROAD EAST
WESTPORT, CONNECTICUT 06880
(203) 222-8718 FAX: (203) 222-8728
E-MAIL: BURTGRAD@AOL.COM

Date: August 25, 1999

No. of Pages including cover: 7 + 2

To: ~~Marty Silberberg~~ Luanne Johnson

From: Burton Grad

Subject: Cedex

Please sign both non-disclosures attached and fax signature pages only back to me at

~~203-222-8728~~ 413-243-4578

1. NDA with Cedex (2 pages)
2. NDA with Sterling Commerce, Inc. (6 pages)

Also enclosed is Information Request List

Enclosure
5093

9/1/99

To: Joe Blumberg

14 & pages

From: Burton Quad

fax 770 391 0132

Subject: Non disclosures

- 1) Please review the non-disclosure agreement between B&I and Cedex and sign it where indicated. Fax the signature page to me at 413-243-4578
- 2) Please review the agreement between SCI and Cedex and sign the cover page. Also fax the cover page to me.

Thanks.

B.

BURTON GRAD ASSOCIATES, INC.

101 POST ROAD EAST
WESTPORT, CONNECTICUT 06880
(203) 222-8718
(203) 222-8728 FAX
BURGRAD@AOL.COM

August 25, 1999

Mr. Mark North
Cedex Services International
Suite 600, *450 Sansome Street*
San Francisco, California 94111

Dear Mr. North:

Subject: Non-Disclosure Agreement

Cedex Services International (Cedex) and Burton Grad Associates, Inc. ("Recipient") agree to Cedex disclosing to Recipient certain information under the terms of this Non-Disclosure Agreement (the "Agreement").

1. "Cedex Information" means all information furnished by Cedex in oral, written or machine-readable form, including, but not limited to, designs, inventions, ideas, "know-how," product plans, specifications and information, training and consulting materials, software, documentation, company plans and financial information, employee information, marketing information and other information which (a) has value because it is not generally known, and (b) Cedex uses reasonable efforts to protect. Cedex Information does not include any information that is (i) available to the general public; (ii) in Recipient's possession prior to Cedex disclosure of the information, or (iii) disclosed to Recipient by a third party who is under no obligation to hold that information in confidence.
2. The Cedex Information shall be used only by Recipient in the course of its business relationship with Cedex. Recipient agrees (a) to hold the Cedex information in confidence, and (b) to protect and store it consistently with its own most highly confidential information, but in no event to use less than a reasonable standard of care and (c) not to copy, duplicate, disclose or deliver all or any portion of the Cedex Information to third parties unless the third party has signed a non-disclosure agreement with Cedex. Recipient may share the Cedex Information only with those employees with a specific need to review the Cedex Information.
3. These obligations shall continue from the date of disclosure to Recipient until the second anniversary of the disclosure; provided, however, that, to the extent Cedex has disclosed information to Recipient that constitutes a trade secret under law, Recipient agrees to protect such trade secret(s) for so long as the information qualifies as a trade secret under applicable law. Recipient will not disclose to Cedex any information confidential or proprietary to Recipient or a third party.

4. Recipient agrees not to remove any copyright, confidentiality, or proprietary notice from the Cedex Information. Recipient shall promptly return all Cedex Information (and any copies thereof) to Cedex when Recipient has completed its evaluation or immediately upon request of Cedex.
5. No rights or duties under this Agreement may be assigned by Recipient. This Agreement constitutes the full and entire understanding between Recipient and Cedex with regard to the subject matter of this Agreement, and supersedes all other discussions and agreements relating to its subject. This Agreement may be amended only in a writing signed by both Cedex and Recipient. The provisions of this Agreement shall be considered severable, and the invalidity or unenforceability of any provision shall not affect or impair the remaining provisions, which shall continue in full force and effect. This Agreement shall be governed by the laws of the state in which Cedex is headquartered.
6. Cedex disclosure of product plans or future product directions implies no commitment on the part of Cedex to make such products commercially available in any form.

Cedex Services International

Burton Grad Associates, Inc.

By: _____

By: Burton Grad

Name: _____

Name: Burton Grad Date: 8/25/99

Title: _____

Title: President

Date: _____

By: _____

Name: Joseph Blumberg Date: 9/2/99
~~Sidney J. Dumayer~~ Date: 8/30/99

PRESIDENT

By: SPECIFICS, INC

Name: Lorraine Johnson
Martin Y. Silberberg Date: _____

BURTON GRAD ASSOCIATES, INC.

101 POST ROAD EAST
WESTPORT, CONNECTICUT 06880
(203) 222-8718
(203) 222-8728 FAX
BURTGRAD@AOL.COM

August 25, 1999

Mr. Dennis Byrnes
Sterling Commerce, Inc.
4600 Lakehurst Court
Dublin, Ohio 43016-2000

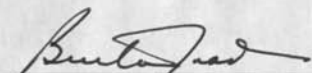
Dear Dennis:

Each of the undersigned acknowledges that he/she has read and reviewed the August 24, 1999 letter as to confidentiality and non-disclosure between Sterling Commerce, Inc. (SCI) and Cedex Services International (Cedex) and agrees to be bound by those same understandings.

Further, each of the undersigned agrees that source code and related program materials provided for review to the undersigned by Cedex shall not be disclosed to Sterling Commerce, Inc. prior to execution of a definitive purchase agreement.

Very truly yours,

BURTON GRAD ASSOCIATES, INC.

By: 
Burton Grad, President

8/30/99
Date

Also acknowledged by:

8/30/99
Sidney J. Dunayer Date

Martin Y. Silberberg Date
Luenne Johnson

cc: Morgan Crew
5092

Joseph Blumberg Date
President
Specifics, Inc.



**STERLING
COMMERCE**

Commerce Services Group

August 24, 1999

Cedex Services International
450 Sansome Street, Suite 600
San Francisco, CA 94111

Attn: Mark North, Chairman and President

Gentlemen:

This letter confirms our recent discussions concerning the possible acquisition by Sterling Commerce, Inc. or one of its subsidiaries (collectively "Sterling Commerce") of all of the issued and outstanding capital stock and securities ("Cedex Stock") of Cedex Services International ("Cedex") on or about October 1, 1999 (the "Closing"). The terms and conditions will be as specified in a definitive agreement ("Agreement") to be negotiated and will be based upon the following:

1. (a) Subject to the terms and conditions in the Agreement, Sterling Commerce will acquire from the Selling Shareholders identified herein all of the Cedex Stock, free and clear of any liens or encumbrances, for an aggregate purchase price of \$7,000,000, subject to adjustment in accordance with this letter (the "Acquisition Consideration").

(b) Except for those liabilities which Sterling Commerce specifically agrees to assume as more particularly described in Paragraph 3, all of the assets of Cedex shall be free and clear of any liens or encumbrances.

(c) To the extent that Cedex's net tangible book value¹ as of the Closing is greater or less than \$639,503 (i.e., the net tangible book value as of May 31, 1999), calculated in accordance with U.S. generally accepted accounting principles ("GAAP"), the Acquisition Consideration will be increased or decreased on a dollar-for-dollar basis to reflect any excess or deficiency in that figure. Within thirty days after the Closing, the Selling Shareholders shall prepare Cedex's balance sheet as of the Closing and shall present it to Sterling Commerce for review and approval. Within fifteen days after the parties have agreed on Cedex's net tangible book value as of the Closing, Sterling Commerce shall pay to the Selling Shareholders an amount equal to any increase in the

¹ Specifically including cash and accounts receivable and valuing capitalized software, goodwill, patents, trademarks, tradenames, copyrights and similar intangibles at zero and excluding any liabilities not assumed by Sterling Commerce.

Page 2
Cedex Services International
August 24, 1999

net tangible book value since May 31, 1999. Sterling Commerce shall be paid an amount equal to any reduction in the net tangible book value of Cedex since May 31, 1999. The Acquisition Consideration paid to the Selling Shareholders shall be reduced by the full amount of any professional fees (including without limitation accounting, legal and investment advisory fees) that Cedex pays in connection with the transaction contemplated by this letter.

(d) At the Closing, Sterling Commerce shall pay to the Selling Shareholders an aggregate amount equal to \$4,900,000. The remaining \$2,100,000 will be deposited into a holdback account (to be created in Sterling Commerce's name, the "Holdback Account") and distributed in accordance with this paragraph. 120 days after Closing: (i) Sterling Commerce shall be paid from the Holdback Account, on a dollar-for-dollar basis, the aggregate amount of any portion of the accounts receivable stated on Cedex's balance sheet as of the Closing which remain uncollected; and (ii) the Selling Shareholders shall be paid the difference between \$500,000 and the amount to be paid to Sterling Commerce for uncollected receivables. On December 31, 2000, the Selling Shareholders shall be paid the remaining amount in the Holdback Account less the amount attributed to any claims arising from unidentified liabilities of Cedex, provided that on such date Mark North is, and has continuously since the Closing been, employed by Sterling Commerce in the capacity agreed between Mark North and Sterling Commerce prior to the Closing.

2. The Agreement will provide that among the conditions to Sterling Commerce's obligations to close the transaction will be that: (a) Sterling Commerce shall have performed a thorough and comprehensive legal, financial and technical due diligence review and shall have determined that the results thereof were satisfactory to Sterling Commerce, in its reasonable business judgment; (b) all necessary notices of or consents to the transaction and consolidation of Cedex with Sterling Commerce, including but not limited to any required notices to Cedex's creditors or any required consent of Cedex's customers, creditors and vendors, and any governmental or regulatory approval shall have been made, granted or obtained; (c) from the date hereof, Cedex shall have operated its business in the ordinary course consistent with its past practices; provided, that Cedex shall not have granted any salary increases or bonuses, issued or redeemed any securities, declared any dividends or made any special distributions to shareholders or changed its capital structure or any of its accounting methods or practices or entered into any transactions not in the ordinary course of business without Sterling Commerce's prior written consent; (d) the Selling Shareholders shall own all of the outstanding capital stock and securities of Cedex, free and clear of any liens or encumbrances; (e) no material adverse change shall have occurred with respect to the business, financial condition, operations, assets or liabilities of Cedex since the date of the last financial statements (including financial plans) provided to Sterling Commerce in connection with the proposed transaction; and (f) no

Page 3
Cedex Services International
August 24, 1999

investigation, action, suit or proceeding shall be pending or threatened before any court or governmental body which seeks to restrain, prohibit or otherwise challenge or interfere with the consummation of the proposed transaction. In addition to the terms and conditions described in this letter, the Agreement will contain representations, warranties, and indemnities that are customary for a transaction of the type described in this letter. The parties hereto agree that Sterling Commerce's due diligence shall include but will not be limited to, reviewing Cedex's intellectual property, license agreements, government contracts, if any, employee benefit and compensation plans, leases and other commitments, product development activities and revenue recognition and other accounting policies.

3. Sterling Commerce and Cedex shall mutually agree on those liabilities to be assumed by Sterling Commerce at the Closing. Sterling Commerce anticipates that it would assume all liabilities of the Company which arose in the ordinary course of business and that are reflected on the balance sheet as of the Closing and obligations arising from and after the Closing under customer agreements and other contracts which Sterling Commerce specifically assumes. Sterling Commerce will not assume any amount payable to a shareholder.

4. The Agreement will provide as a condition to Sterling Commerce's obligations to close that each of the Selling Shareholders enters into five-year confidentiality agreement and three-year non-competition agreement each in a form reasonably acceptable to the parties.

5. Cedex and the Selling Shareholders will use their respective best efforts to retain through the Closing the employees of Cedex, including the Selling Shareholders. It will be a condition to Closing that key employees continue their respective employment with Cedex through the Closing and accept employment, as of the Closing, with Sterling Commerce; provided that the employment terms offered to each such employee shall be no less favorable as a whole than those enjoyed by the employee as of June 30, 1999.

6. In order to perform our due diligence review, we and our attorneys, accountants and other representatives will be afforded the opportunity to review all books and records of Cedex and with the consent of Cedex, not to be unreasonably withheld, to interview such customers, distributors and personnel of Cedex as we and our representatives shall determine.

7. The parties will pay their own expenses incident to the transaction, including fees of any third-party consultants or brokers, attorneys and accountants.

Page 4
Cedex Services International
August 24, 1999

8. The parties will proceed diligently with negotiations and the preparation of appropriate documentation, and the making of all government filings required in connection with the proposed acquisition, with a view to reaching an agreement on all the material terms of the transaction within thirty-five days. The Selling Shareholders agree to vote in favor of the transaction contemplated by the Agreement and shall use all reasonable efforts to cause the transaction contemplated by this letter to be consummated as promptly as practicable. Assuming we are able to enter into an Agreement, and barring unforeseen difficulties, this transaction should close no later than October 1, 1999.

9. From and after your execution of this letter, Cedex and the Selling Shareholders will not, directly or indirectly, discuss, assist, encourage or negotiate with or furnish information to any other person concerning the sale or business combination of Cedex, its business, capital stock or (other than in the ordinary course of business) its assets unless (a) we notify you in writing that we no longer intend to complete the acquisition or (b) the Closing has not occurred by October 1, 1999 or, if Sterling Commerce requests an extension of time within which to close and is diligently proceeding to close and satisfy any conditions to Closing in the Agreement or otherwise, November 15, 1999. The Selling Shareholders may discuss the terms and conditions of this transaction with their professional advisors. Anything herein to the contrary notwithstanding, you shall have the absolute right to refuse Sterling Commerce's request for an extension of time beyond November 15, 1999.

This letter is an expression of intention only and does not constitute a binding obligation of either party (except for the provisions of Paragraphs 7 and 9). Neither you nor we will be bound (except for the provisions of Paragraphs 7 and 9) unless and until the board of directors of Sterling Commerce has approved the acquisition, and the Agreement has been executed by all parties following approval of their respective counsel of the form and substance of such Agreement.

In the event that the Agreement is not executed by all parties on or before October 1, 1999 (or November 15, 1999, if Sterling Commerce shall have requested an extension pursuant to Paragraph 9 hereof), any party shall have the right to terminate all discussions pursuant to this letter upon written notice to the other parties and, except with respect to Paragraphs 7 and 9 (with respect to acts occurring prior to such notice), no party shall have any further liability to any other party upon receipt of such letter.

If the foregoing correctly reflects your understanding of our discussions, please so indicate by signing and returning to us today a copy of this letter. We will be ready to commence due diligence and the drafting of the Agreement as soon as we have received your agreement.

Page 5
Cedex Services International
August 24, 1999

We are delighted to have the opportunity to work toward the transaction described in this letter. We believe that the strategic fit of our companies will enhance the long-term prospects of both businesses and will enable us to provide even better service and support to our customers.

Very truly yours,

STERLING COMMERCE, INC.

By: 

Its: Eric Van Lierden

CONFIRMED AND AGREED TO THIS
____ DAY OF AUGUST, 1999

CEDEX SERVICES INTERNATIONAL

SELLING SHAREHOLDERS

By: _____
Its: _____

Mark North

Jorn Heerulff

Tracey Brown

David Clayton

BURTON GRAD ASSOCIATES, INC.

10 WEST HISS EAST
WEST HART, CONNECTICUT 06460
(203) 227-8718
203-227-0884
N. HARTFORD, CT 06104

August 25, 1999

Mr. Dennis Dwyer
Sterling Commerce, Inc.
4600 Lakehurst Court
Dublin, Ohio 43017-2100

Dear Dennis:

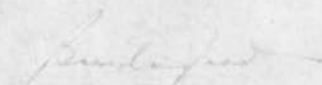
Each of the undersigned acknowledges that he/she has read and received the August 24, 1999 letter as to confidentiality and non-disclosure between Sterling Commerce, Inc. (SCI) and Cedex Services International (Cedex) and agrees to be bound by those same understandings.

Further, each of the undersigned agrees that source code and related program materials provided for review to the undersigned by Cedex shall not be disclosed to Sterling Commerce, Inc. prior to execution of a definitive purchase agreement.

Very truly yours,

BURTON GRAD ASSOCIATES, INC.

By


Burton Grad, President

Date

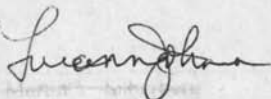
8/30/99

Also acknowledged by

Stacey J. Duganov

Date

8/30/99


Luann Johnson

8/30/99
Date

cc Morgan Computer
1092

Mr. Mark North
Page 2
August 25, 1999

BURTON GRAD ASSOCIATES, INC.

4. Recipient agrees not to remove any copyright, confidentiality, or proprietary notice from the Cedex Information. Recipient shall promptly return all Cedex information (and any copies thereof) to Cedex when Recipient has completed its evaluation or immediately upon request of Cedex.
5. No rights or duties under this Agreement may be assigned by Recipient. This Agreement constitutes the full and entire understanding between Recipient and Cedex with regard to the subject matter of this Agreement, and supercedes all other discussions and agreements relating to its subject. This Agreement may be amended only in a writing signed by both Cedex and Recipient. The provisions of this Agreement shall be considered severable, and the invalidity or unenforceability of any provision shall not affect or impair the remaining provisions, which shall continue in full force and effect. This Agreement shall be governed by the laws of the state in which Cedex is headquartered.
6. Cedex approval of product plans or future product directions implies no commitment on the part of Cedex to make such products commercially available in any form.

Cedex Services International

Burton Grad Associates, Inc.

By _____

By 

Name _____

Name

Burton Grad

Date

8/2/99

Title _____

Title

President

Date _____

By _____

Name

Signey J. Vanoyce

Date

8/30/99

By 

Name

Lorraine Johnson

Date

8/30/99

9/1/99

To: Mark North

1 + 4 pages + 8 pgs

Fax 810 958 0687

From: Burton Quad

- 1) Enclosed are the signature pages from the BGA-I NDA with Cedex signed by Sid Demayer and Luanne ~~Johnson~~ Johnson
- 2) Also enclosed are the signature pages from the BGA-I acknowledgement with Sterling Commerce regarding the SCI agreement with Cedex, signed by Sid Demayer, Luanne Johnson and me
- 3) I will arrange for Joe Blumberg of Specifics, Inc. to sign both agreements and send you a copy with of each with his signature.

I look forward to talking with you on Thursday, September 2nd. I will be available after 11³⁰ am Eastern time.

- 4) Also enclosed are profiles for:
Burton Quad (4 pgs)
Sid Demayer (1 page)
Luanne Johnson (3 pages)

I'll send you one for Specifics on 9/3.

Mr. Mark North
Page 2
August 25, 1999

BURTON GRAD ASSOCIATES, INC.

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6. Cedex disclosure of product plans or future product directions implies no commitment on the part of Cedex to make such products commercially available in any form.

Cedex Services International

Burton Grad Associates, Inc.

By: _____

By: 

Name: _____

Name: Burton Grad Date: 8/20/99

Title: _____

Title: President

Date: _____

By: _____

Name: Sidney J. Dunaver Date: 8/20/99

By: 

Name: Lisa Ann Johnson
Martin V. Bilimberg Date: _____

5091

Mr. Mark North
Page 2
August 25, 1999

BURTON GRAD ASSOCIATES, INC.

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Cedex Services International

Burton Grad Associates, Inc.

By: _____

By: Burton Grad

Name: _____

Name: Burton Grad Date: 8/24/99

Title: _____

Title: President

Date: _____

By: _____

Name: Sidney J. Dunayer Date: 8/30/99

By: Luanne Johnson

Name: Luanne Johnson
Martin V. Silberberg Date: 8/30/99

5091

BURTON GRAD ASSOCIATES, INC.

101 POST ROAD EAST
 WESTPORT, CONNECTICUT 06880
 (203) 222-8718
 (203) 222-8728 FAX
 BURTONGRAD@ADL.COM

August 25, 1999

Mr. Dennis Byrnes
 Sterling Commerce, Inc.
 4600 Lakehurst Court
 Dublin, Ohio 43016-2000

Dear Dennis:

Each of the undersigned acknowledges that he/she has read and reviewed the August 24, 1999 letter as to confidentiality and non-disclosure between Sterling Commerce, Inc. (SCI) and Cedex Services International (Cedex) and agrees to be bound by those same understandings.

Further, each of the undersigned agrees that source code and related program materials provided for review to the undersigned by Cedex shall not be disclosed to Sterling Commerce, Inc. prior to execution of a definitive purchase agreement.

Very truly yours,

BURTON GRAD ASSOCIATES, INC.

By:



 Burton Grad, President

8/30/99

 Date

Also acknowledged by:



 Sidney J. Dunayer

8/30/99

 Date

~~Martin Y. Silberberg~~ _____

 Luanne Johnson

Date

cc: Morgan Crew
 5092

BURTON GRAD ASSOCIATES, INC.

101 POST ROAD EAST
 WESTPORT, CONNECTICUT 06880
 (203) 222-8718
 (203) 222-8728 FAX
 BURGRAD@AOL.COM

August 25, 1999

Mr. Dennis Byrnes
 Sterling Commerce, Inc.
 4600 Lakehurst Court
 Dublin, Ohio 43016-2000

Dear Dennis:

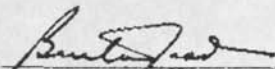
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Very truly yours,

BURTON GRAD ASSOCIATES, INC.

By:


 Burton Grad, President

Date

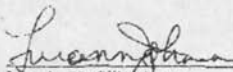
8/30/99

Also acknowledged by:

Sidney J. Dunoyer

8/30/99

Date


~~Martin Y. Silberberg~~
 Luanne Johnson

8/30/99

Date

cc: Morgan Crew
 5092

PROFESSIONAL SUMMARY BURTON GRAD

Burton Grad, President of Burton Grad Associates, Inc. (BGAI), has a long record of significant contributions to the computer software and services industry. He has experience as a user and developer of application and systems products and as consultant, innovator, businessman and industry leader in the computer software and services community:

Since 1978 he has been a consultant for software products, software professional services, value added remarketers, processing services and other computer software and services businesses:

- ❖ Strategic planning, management and organizational consulting and product analysis, evaluation and review
- ❖ Company and product acquisition studies including due diligence and valuation for financial, tax and capitalization purposes
- ❖ Planning, assessment and analysis of business operations including quality and productivity measurements

Work is performed personally or with the assistance of well-known specialists in market research, customer service, industry applications and mainframe, midrange, workstation, client/server and personal computer systems.

This is a partial list from the more than 150 clients of BGAI:

AGS Information Services (now part of Keane, Inc.)
Broadview Associates and Geocapital Partners
Expert Software
Future Three
Informatics (now part of Sterling Software)
International Business Machines
Keane, Inc.
Morgan Stanley
NCR Corporation
Relay Technology
SPSS, Inc.
Sterling Software, Inc.
Triad Systems Corporation
TSI International

BURTON GRAD

Work Achievements

Burton Grad Associates, Inc. (1978 - Present)

- * Strategic planning, management and organizational consulting and product analysis, evaluation and review
- * Company and product valuation studies for financial, tax, capitalization and acquisition purposes
- * Business assessment studies and implementation projects for product strategy, development, quality management and customer service
- * Design and implementation of computer based training courses

Customer Care, Inc. (1992 - 1996)

- * Publishing **CustomerCare Newsletter** and *CustomerCare Survey* directed at software companies' customer services activities: support, documentation, training and product consulting
- * Providing consulting on customer service processes, and training for customer service personnel

Heights Information Technology Service (1979 - 1983)

- * Professional Services for applications and systems development
- * Use of professionals on a remote, work at home basis with effective project management

International Business Machines Corporation (1960 - 1978)

- * Definition, design and implementation of application development systems strategy resulting in release of IBM's development management systems
- * Development of application programs for every major industry
- * Establishment of joint planning and programming development with European operations
- * Announcement, development and initial support of CICS
- * Management of application development for small business and process control systems
- * Responsibility for the production, release and maintenance of close to 200 programs

- * Conception of approach to and programs for text processing and office automation systems
- * Development and expansion of computer based training systems
- * Development of management science and scientific programs
- * Participation in the structuring and unbundling of IBM program products
- * Creation of the Study Organization Plan for specifying and designing application systems

General Electric Company (1949 - 1960)

- * Programming of the first commercial computer (Univac I in Louisville)
- * Development of discrete simulation techniques for manufacturing planning and control
- * Invention of decision tables
- * Study of automated factory design and implementation
- * Initiation and use of advanced techniques for production, inventory and quality control

Other Professional Activities

1972-Present ITAA (formerly ADAPSO)

- * Computer Software and Services Trade Association
- * President, Treasurer and Board member of American Software Association Division of ITAA
- * Member of ITAA Board
- * Chair and member of various committees (Industry Relations, Software Capitalization, Software Openness, Technology Information Services, Quality Management)
- * Executive Committee of Information Technology Foundation (Project Office)

1968 and 1979 Principal author of Management Systems, published by Holt, Rinehart and Winston. Used for colleges and businesses for computer application system methodology and design.

1950-Present Speaker and chair at conferences and workshops and contributor to professional journals on various information technology subjects including decision tables, quality control, systems engineering and software capitalization.

BURTON GRAD

Burton Grad Associates, Inc.
235 Martling Avenue
Tarrytown, NY 10591
(914) 631-1129
(914) 631-1164 FAX

EDUCATION

1949 Bachelor of Management Engineering
Rensselaer Polytechnic Institute
Troy, New York

POSITION HISTORY

1978-Present **Burton Grad Associates, Inc.,**
Founder and President
Consultants to computer software and services companies

1992-1996 **CustomerCare, Inc.**
Chairman
Publisher and Consultants for software customer services

1978-1984 **Heights Information Technology Services, Inc.,**
Founder and President
Professional software services

1960-1978 **International Business Machines Corporation**
Consultant - IBM Research Lab
Director of Development - Data Processing
Division (DPD)
Manager - Development Services and Scientific
Application Programs (DPD)
Manager - Technical and Scientific Development
(DPD)

1949-1960 **General Electric Company**
Consultant - Advanced Application and Systems
Development - Production Control Services
Manager - Production Control Operation - Large
Stream Turbine Division
Manufacturing Training Program

Professional Profile - Sid Dunayer

Communications and Network Related Projects

Major International Chemical Manufacturer

Requirements analysis and design of the global network connecting the various product design centers worldwide. The network is currently implemented using Token-Ring and Ethernet local area networks connected via private T1/T3 service, Fiber links, Asynchronous and Synchronous dial connections, X.25 packet connections and SAA connections to the mainframes. Through this network, the chemists worldwide can share data and work together on new creations. The actual mechanism used to route any given "transaction" is dependent on the required response time for that transaction. Those that are "urgent" or require a timely response are routed via an appropriate network connection. The lower priority data replication messages are batched and sent using a cheaper network route.

Software Products Company

As part of a strategic planning study, analyzed various current and proposed message/document interchange models to establish requirements for an integrated messaging system, including analysis of transport mechanisms and use of available communications software packages.

Major Software Products and Services Company

As part of a study to determine whether to centralize company development and processing services, prepared requirements statement for installing an integrated communications network to cover development, processing services and corporate administration as well as telephone and fax services.

Network Services Provider

As part of a technical due diligence for an acquisition, performed an analysis to determine possible methods for connecting the newly acquired customers to the client's VAN. Analysis included the possibility of connecting the VAN to the packet network used by these customers. In this way, the packet service could reroute the customer transactions to the VAN. As customers were migrated from the packet network to the VAN, service on the packet network would decrease and eventually would cease, at which time the connection to the packet network would no longer be required.

Major Financial Institution

Designed and implemented a corporate-wide customer service network including the use of small computers (replacing mainframes), leased lines, dial-in backup units and other interconnect facilities for regional processing centers.

2135 Clear View Circle
Benicia, CA 94510 U.S.A.
Phone: 1-707-748-0949 Fax: 1-707-748-0948
E-mail: LuanneJ@sprynet.com

Professional Profile

Luanne Johnson has over thirty years experience in the information technology industry. She started her career as a computer programmer and systems analyst in 1966, then founded a software company, Argonaut Information Systems, Inc., in 1971. In her fifteen years as its President, she acquired extensive experience in managing a software product company including software development, marketing and customer support.

When the company was sold in the 1980's, she became active as an industry advocate and served as the chief executive of three major information technology industry organizations. From 1987 to 1989, she was Executive Director of The ADAPSO Foundation, a non-profit organization which supported the development of computer-related products and services to aid the disabled and disadvantaged.

From 1989 to 1995, she served as President of the Information Technology Association of America, a Washington, DC-based trade association representing the interests of several thousand large and small companies from all sectors of the information technology industry. During her tenure at ITAA, she also served as the 1993-1995 elected President of the World Information Technology and Services Alliance (WITSA), a consortium of national trade associations from 22 countries which works to promote the development of a global information technology market.

Currently, Ms. Johnson is a consultant to entrepreneurial firms in the information technology industry and to organizations which are dedicated to supporting entrepreneurial development.

Experience

Consultant (1995 - Present)

Consults to a variety of clients in the information technology field. Typical clients and projects are:

Burton Grad Associates, Inc, Westport, CT: Design, develop and maintain a web site for The Software History Center.

Whitehorse Strategic Group, Ltd., Melbourne, Australia: Prepare a report on information technology trends in the U.S. for the government of New South Wales.

Computer Based Exercises, Eugene, OR: Teach classes in COBOL and IBM JCL and in structured analysis and design.

McFall Associates, San Francisco, CA: Install software for school cafeteria accounting and train cafeteria staff in its use.

Japan/American Institute for Management Science, Honolulu, HI: Prepare and present a seminar on U.S. information technology trends for Japanese executives.

President, Information Technology Association of America (1989 - 1995)

Responsible for all operations of a \$4 million+ trade association representing a broad spectrum of the information technology industry including software developers, systems integrators, network service providers and information technology services companies. Programs included extensive federal and state advocacy on behalf of the industry, two major conferences a year, and numerous member services programs such as publications and industry statistics.

President, World Information Technology and Services Alliance (1993-1995)

Elected to this position by the members of WITSA, a consortium of national trade associations from more than 20 different countries. Responsible for transforming the informally organized World Computing Services Industry Forum into a structured organization (WITSA) which provided the international information technology industry with a formally constituted body for developing industry positions on international policy issues.

Executive Director, ADAPSO Foundation (1987 - 1989)

Responsible for start-up operations of this non-profit organization created by ADAPSO (the predecessor to ITAA) in 1986 to support the development of computer-related products and services to aid the disabled and disadvantaged. Developed fund-raising programs and established procedures for managing grant applications and awarding grants.

President and Chair, Argonaut Information Systems, Inc. (1971 - 1986)

Founded this computer software company which grew from a one-person operation to a \$3 million+ company with hundreds of clients throughout the United States. Served as its President from 1971 to 1983 and as its Chair from 1983 to 1986. The company was subsequently acquired by one of the largest independent software products companies in the U.S.

Managed the development of a full line of accounting applications software for mainframe and midrange computers.

Negotiated numerous licensing agreements with various software and hardware resellers.

Developed a highly-acclaimed customer support operation to support both Argonaut's clients and those of its reseller/partners.

Prior Experience (1966 - 1971)

Worked in a variety of positions as programmer, lead programmer, systems analyst and systems designer for user-oriented application systems.

Education

Bowling Green State University, Bowling Green, OH, and Heald College, San Francisco, CA.

BURTON GRAD ASSOCIATES, INC.
101 POST ROAD EAST
WESTPORT, CONNECTICUT 06880
(203) 222-8718 FAX: (203) 222-8728
E-MAIL: BURTGRAD@AOL.COM

Date: August 25, 1999

To: Mark North

(fax) 810 958 0687

Copy: Morgan Crew

From: Burton Grad



Subject: Product Review: Non-Disclosure Agreement

Enclosed is a proposed non-disclosure agreement. If it is satisfactory, please print a copy and sign it as a company officer. Fax a signed copy to me at 203-222-8728. I will get Dunayer and Silberberg to sign and then fax a copy to you for your files.

If you wish any changes made, please call me at 203-222-8718, and we will make the necessary modifications.

Enclosure
5090

BURTON GRAD ASSOCIATES, INC.

101 Post Road East
Westport, Connecticut 06880
(203) 222-8718
(203) 222-8728 Fax
BURGRAD@aol.com

August 25, 1999

Mr. Mark North
Codex Services International
Suite 600, 450 Sanson Street
San Francisco, California 94111

Dear Mr. North:

Subject: Non-Disclosure Agreement

Codex Services International (Codex) and Burton Grad Associates, Inc. ("Recipient") agree to Codex disclosing to Recipient certain information under the terms of this Non-Disclosure Agreement (the "Agreement").

1. "Codex Information" means all information furnished by Codex in oral, written or machine-readable form, including, but not limited to, designs, inventions, ideas, "know-how," product plans, specifications and information, training and consulting materials, software, documentation, company plans and financial information, employee information, marketing information and other information which (a) has value because it is not generally known, and (b) Codex uses reasonable efforts to protect. Codex Information does not include any information that is (i) available to the general public; (ii) in Recipient's possession prior to Codex disclosure of the information, or (iii) disclosed to Recipient by a third party who is under no obligation to hold that information in confidence.
2. The Codex Information shall be used only by Recipient in the course of its business relationship with Codex. Recipient agrees (a) to hold the Codex information in confidence, and (b) to protect and store it consistently with its own most highly confidential information, but in no event to use less than a reasonable standard of care and (c) not to copy, duplicate, disclose or deliver all or any portion of the Codex Information to third parties unless the third party has signed a non-disclosure agreement with Codex. Recipient may share the Codex Information only with those employees with a specific need to review the Codex Information.
3. These obligations shall continue from the date of disclosure to Recipient until the second anniversary of the disclosure, provided, however, that, to the extent Codex has disclosed information to Recipient that constitutes a trade secret under law, Recipient agrees to protect such trade secret(s) for so long as the information qualifies as a trade secret under applicable law. Recipient will not disclose to Codex any information confidential or proprietary to Recipient or a third party.

Aug-25-99 03:54P Burton Grad

203 222 8788

P.03

Mr. Mark North

Page 2

August 25, 1999

BURTON GRAD ASSOCIATES, INC.

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Cedex Services International

Burton Grad Associates, Inc.

By: [Signature]By: [Signature]Name: Mark NorthName: Burton GradDate: 8/25/99Title: President/CEOTitle: PresidentDate: 8/27/99

By: _____

Name: Sidney J. Daneyck

Date: _____

By: _____

MFI

Name: Martin Y. Silberberg

Date: _____

Aug-25-99 03:54P Burton Grad

203 222 8728

P.02

BURTON GRAD ASSOCIATES, INC.

101 POST ROAD EAST
WESTPORT, CONNECTICUT 06880
(203) 222-8718
(203) 222-8728 FAX
BURTORAD@AOL.COM

August 25, 1999

Mr. Mark North
Cedex Services International
Suite 600, 450 Sansone Street
San Francisco, California 94111

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1. "Cedex Information" means all information furnished by Cedex in oral, written or machine-readable form, including, but not limited to, designs, inventions, ideas, "know-how," product plans, specifications and information, training and consulting materials, software, documentation, company plans and financial information, employee information, marketing information and other information which (a) has value because it is not generally known, and (b) Cedex uses reasonable efforts to protect. Cedex Information does not include any information that is (i) available to the general public; (ii) in Recipient's possession prior to Cedex disclosure of the information, or (iii) disclosed to Recipient by a third party who is under no obligation to hold that information in confidence.
2. The Cedex Information shall be used only by Recipient in the course of its business relationship with Cedex. Recipient agrees (a) to hold the Cedex information in confidence, and (b) to protect and store it consistently with its own most highly confidential information, but in no event to use less than a reasonable standard of care and (c) not to copy, duplicate, disclose or deliver all or any portion of the Cedex Information to third parties unless the third party has signed a non-disclosure agreement with Cedex. Recipient may share the Cedex Information only with those employees with a specific need to review the Cedex Information.
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Aug-25-99 03:54P Burton Grad

203 222 8728

P.03

Mr. Mark North

Page 2

August 25, 1999

BURTON GRAD ASSOCIATES, INC.

4. Recipient agrees not to remove any copyright, confidentiality, or proprietary notice from the Cedex Information. Recipient shall promptly return all Cedex Information (and any copies thereof) to Cedex when Recipient has completed its evaluation or immediately upon request of Cedex.
5. No rights or duties under this Agreement may be assigned by Recipient. This Agreement constitutes the full and entire understanding between Recipient and Cedex with regard to the subject matter of this Agreement, and supersedes all other discussions and agreements relating to its subject. This Agreement may be amended only in a writing signed by both Cedex and Recipient. The provisions of this Agreement shall be considered severable, and the invalidity or unenforceability of any provision shall not affect or impair the remaining provisions, which shall continue in full force and effect. This Agreement shall be governed by the laws of the state in which Cedex is headquartered.
6. Cedex disclosure of product plans or future product directions implies no commitment on the part of Cedex to make such products commercially available in any form.

Cedex Services International

Burton Grad Associates, Inc.

By: By: Name: Mark NorthName: Burton GradDate: 8/25/99Title: President/CEOTitle: PresidentDate: 8/27/99

By: _____

Name: Sidney J. Dunayer

Date: _____

By: _____

5091

Name: Martin Y. Silberberg

Date: _____

SPECIFICS

INCORPORATED

✓ Measurement for Better Management

35 Glenlake Parkway, Suite 150
Atlanta, Georgia 30328

770/391-0013

770/391-0132 Fax

web page: <http://www.specifics.com>

9/9/99

To: Mark North

From: Burton Grad

Pages: 4

FACSIMILE

TRANSMISSION

MEMORANDUM

The Facts:

Specifics, Inc., a research and consulting firm, provides metric and management information through the following studies

- ✓ Customer Satisfaction
- ✓ Help Desk and User Support
- ✓ Employee Satisfaction
- ✓ Market Trends & Opportunities
- ✓ Win/Loss Analysis
- ✓ Image & Competitive Position
- ✓ IT Services Industry Analysis

The Fax:

The information contained herein is confidential.
Please deliver to addressee only.

To:

Burt Grad

Company:

BGAT

Fax #:

413-243-4578

From:

Joe Blumberg

Project Code:

509

Date:

Sept. 2, 99

Notes:

Enclosed is the signed non-disclosure agreement signed by Joe Blumberg, president of Specifics, Inc. Also enclosed is the signature page from the acknowledgment letter regarding the SCI agreement with Cadex, signed by Blumberg.

I have also enclosed a business description for Specifics.

If you do not receive all ___ pages of this document (including cover), please notify the sender at the above telephone number.

BURTON GRAD ASSOCIATES, INC.

101 POST ROAD EAST
WESTPORT, CONNECTICUT 06880
(203) 222-8718
(203) 222-8728 FAX
BURTORAD@AOL.COM

August 25, 1999

Mr. Mark North
Cedex Services International
Suite 600, 450 Sansome Street
San Francisco, California 94111

Dear Mr. North:

Subject: Non-Disclosure Agreement

Cedex Services International (Cedex) and Burton Grad Associates, Inc. ("Recipient") agree to Cedex disclosing to Recipient certain information under the terms of this Non-Disclosure Agreement (the "Agreement").

1. "Cedex Information" means all information furnished by Cedex in oral, written or machine-readable form, including, but not limited to, designs, inventions, ideas, "know-how," product plans, specifications and information, training and consulting materials, software, documentation, company plans and financial information, employee information, marketing information and other information which (a) has value because it is not generally known, and (b) Cedex uses reasonable efforts to protect. Cedex Information does not include any information that is (i) available to the general public; (ii) in Recipient's possession prior to Cedex disclosure of the information, or (iii) disclosed to Recipient by a third party who is under no obligation to hold that information in confidence.
2. The Cedex Information shall be used only by Recipient in the course of its business relationship with Cedex. Recipient agrees (a) to hold the Cedex information in confidence, and (b) to protect and store it consistently with its own most highly confidential information, but in no event to use less than a reasonable standard of care and (c) not to copy, duplicate, disclose or deliver all or any portion of the Cedex Information to third parties unless the third party has signed a non-disclosure agreement with Cedex. Recipient may share the Cedex Information only with those employees with a specific need to review the Cedex Information.
3. These obligations shall continue from the date of disclosure to Recipient until the second anniversary of the disclosure; provided, however, that, to the extent Cedex has disclosed information to Recipient that constitutes a trade secret under law, Recipient agrees to protect such trade secret(s) for so long as the information qualifies as a trade secret under applicable law. Recipient will not disclose to Cedex any information confidential or proprietary to Recipient or a third party.

Mr. Mark North

Page 2

August 25, 1999

BURTON GRAD ASSOCIATES, INC.

4. Recipient agrees not to remove any copyright, confidentiality, or proprietary notice from the Cedex Information. Recipient shall promptly return all Cedex Information (and any copies thereof) to Cedex when Recipient has completed its evaluation or immediately upon request of Cedex.
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6. Cedex disclosure of product plans or future product directions implies no commitment on the part of Cedex to make such products commercially available in any form.

Cedex Services International**Burton Grad Associates, Inc.**

By: _____

By: Burton Grad

Name: _____

Name: Burton Grad Date: 8/25/99

Title: _____

Title: President

Date: _____

By: X J. BlumbergName: Joseph Blumberg Date: 9/2/99PRESIDENTBy: SPECIFICS, INC

5091

Name: Martin Y. Subenberg Date: _____

BURTON GRAD ASSOCIATES, INC.
101 POST ROAD EAST, WESTPORT, CONNECTICUT 06880
(203) 222-8718 FAX: (203) 222-8728
E-MAIL: BURTGRAD@AOL.COM

FAX TRANSMISSION

Date: September 9, 1999
To: Dennis Byrnes
From: Burton Grad
No. of Pages: 2 (including cover sheet)

This is the copy signed by Specifics.

BURTON GRAD ASSOCIATES, INC.

101 POST ROAD EAST
 WESTPORT, CONNECTICUT 06880
 (203) 222-8718
 (203) 222-8728 FAX
 BURTOGRAD@AOL.COM

August 25, 1999

Mr. Dennis Bynes
 Sterling Commerce, Inc.
 4600 Lakehurst Court
 Dublin, Ohio 43016-2000

Dear Dennis:

Each of the undersigned acknowledges that he/she has read and reviewed the August 24, 1999 letter as to confidentiality and non-disclosure between Sterling Commerce, Inc. (SCI) and Cedex Services International (Cedex) and agrees to be bound by those same understandings.

Further, each of the undersigned agrees that source code and related program materials provided for review to the undersigned by Cedex shall not be disclosed to Sterling Commerce, Inc. prior to execution of a definitive purchase agreement.

Very truly yours,

BURTON GRAD ASSOCIATES, INC.

By: 

Burton Grad, President

Date

8/30/99

Also acknowledged by:

Sidney J. Dunayer

Date

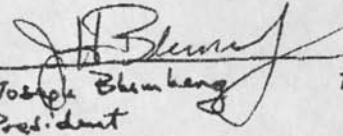
8/30/99

Martin Y. Silberberg

Date

LUANNE JOHNSON

cc: Morgan Crew
 5092


 Joseph Blumberg
 President
 Specifics, Inc.

Date