ELRON
ELECTRONIC INDUSTRIES LTD.


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# Dear Shareholders

We hereby present unaudited financial results for the third quarter ended September 30, 1999.

Net income of the Company for the third quarter of 1999 was approximately $0.9 million or, $0.04 per share. Net income in the third quarter of 1998 amounted to approximately $2.1 million, or $0.10 per share.

The results of the third quarter were affected by a one-time provision, net after tax, of $3.2 million for retirement grant to Elron's founder and President for the past 38 years.

In the third quarter of 1999 the Company had an income of approximately $2.6 million from sale of 100,000 shares of Zoran (NASDAQ:ZRAN), as of the day of this report Elron holds approximately 1,364,000 shares of Zoran.

In the nine months ended September 30, 1999, net income amounted to approximately $22 million, or $1.04 per share. This included a gain, net after tax, of approximately $19.7 million, resulting from the sale of Elron holdings in Elbit Medical Imaging in the second quarter of 1999. Net income in the first nine months of 1998 amounted to approximately $45.8 million, or $2.24 per share, which included a $36.5 million gain resulting from the completion of the sale of Elbit Medical Imaging ultrasound division to GE Medical Systems.

Sales by Elron's wholly-owned U.S. subsidiary, Elron Software Inc., in the third quarter and first nine months of 1999 amounted to approximately $10.8 million and $29.7 million respectively. Sales in the same periods of 1998 amounted to approximately $3.3 million and $11 million respectively. The sales resulting from the system integration activity, acquired in December 1998, are the main reason for the increase in sales.

Elron's Board of Directors declared a third quarter dividend of $0.5 per share. This dividend should not indicate similar future dividend policy. The dividend is determined each quarter by the Board of Directors. The dividend will be paid on November 29, 1999 to shareholders of record at the close of business on November 15, 1999. The Company will deduct income tax at source at a rate currently estimated to be 25%.

Ami Erel, Chairman and Chief Executive Officer of the Company, said: "I would like to thank U. Galil for the kind and dignified manner in which he transferred over the post, and wish him continued success in his future activities. We congratulate Partner, which completed successfully its public offering in the U.S. and Europe. Elron will continue to implement its strategy to create value for its shareholders from its present holdings and to build new activities, primarily in software, communication and Internet related activities".

**Ami Erel** November 8, 1999
Chairman & Chief Executive Officer

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(US Dollars in Thousands except per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| | (Unaudited) | | (Unaudited) | |
| **Income** | | | | |
| Sales | $ 10,821 | $ 3,274 | $ 29,692 | $ 10,974 |
| Company's share in income (loss) of affiliated companies, net | (926) | 897 | (834) | 37,537 |
| Gain from disposal of and changes in holdings in affiliated companies | 552 | 1,987 | 31,721 | 3,877 |
| Other income, net | 4,166 | 869 | 9,794 | 9,590 |
| Finance income | 2,422 | 682 | 4,105 | 1,596 |
| | 17,035 | 7,709 | 74,478 | 63,574 |
| **Costs and Expenses** | 17,617 | 5,492 | 41,875 | 15,803 |
| Amortization of In-process research and development acquired | - | 121 | - | 1,938 |
| Income (loss) before income taxes | (582) | 2,096 | 32,603 | 45,833 |
| Income taxes | 1,526 | - | (10,587) | - |
| **Net income** | $ 944 | $ 2,096 | $ 22,016 | $ 45,833 |
| **Basic net income per share** | $ 0.04 | $ 0.10 | $ 1.04 | $ 2.24 |
| Number of shares used in computation (thousands) | 21,138 | 20,651 | 21,103 | 20,442 |
| **Diluted net income per share** | $ 0.04 | $ 0.09 | $ 1.03 | $ 2.18 |
| Number of shares used in computation (thousands) | 21,195 | 20,875 | 21,166 | 20,667 |

## CONDENSED CONSOLIDATED BALANCE SHEETS
(US Dollars in thousands)

| | 1999 | September 30, 1998 | December 31, 1998 |
|---|---|---|---|
| | | (Unaudited) | (Audited) |
| **Current Assets** | $ 168,879 | $ 45,651 | $ 35,165 |
| **Investments and long-term balances** | | | |
| -Investments in affiliated companies | 104,404 | 214,431 | 218,437 |
| -Other investments | 15,799 | 15,749 | 16,317 |
| -Long-term deposits and debentures | 6,800 | - | - |
| | 127,003 | 230,180 | 234,754 |
| **Fixed Assets, net** | 4,645 | 1,205 | 3,293 |
| **Other assets, net** | 30,160 | 7,622 | 32,512 |
| | $ 330,687 | $ 284,658 | $ 305,724 |
| Current liabilities | $ 43,348 | $ 5,400 | $ 14,656 |
| Long term liabilities | 43,362 | 10,000 | 40,919 |
| Shareholders' equity | 243,977 | 269,258 | 250,149 |
| | $ 330,687 | $ 284,658 | $ 305,724 |


### Board of Directors
Ami Erel - Chairman
Gideon S. Erhard
Jacob Eshel
Emmanuel Gill
Dr. Yael Ilan
Frank J. Klein
Prof. Ilan Meshoulam
Lenny Recanati
Dr. Yoram A. Turbowicz

### Officers
Ami Erel - Chairman of the Board & Chief Executive Officer
Dr. Jacov (Koby) Ben-Zvi - Senior V.P. Business Development
President & CEO - Elron Software Inc.
Doron Birger - V.P. Finance & Corporate Secretary
Arie Amit - V.P. Information Technology

### Joint Auditors
Luboshitz, Kasierer
(a member firm of Arthur Andersen)
Ratzkovsky Fried & Co.



### Corporate Headquarters
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Advanced Technology Center
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Tel. 972(4) 854-5000
Fax.972(4) 855-0248
Web site:http://www.elron.com
Email: elron@elron.net

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7 New England Executive Park
Burlington, MA. 01803-0977
Tel. (781) 993-6000
Fax.(781) 993-6001
Web site: www.elronsw.com

### Elron Technologies, Inc.
666 Fifth Avenue
New York, N.Y. 10103
Tel. (212) 935-3110
Fax. (212) 541-2448
Email: yjk@elron.net



### Wholly-owned subsidiaries
Elron Software Inc.
Elron Technologies, Inc.

### Affiliates
Public
Elbit Ltd.
Elbit Systems Ltd.
Elbit Vision Systems (through Elbit Ltd.)
Zoran Corporation
NetManage Inc.
LOGAL Educational Software and Systems Ltd.

Private
Chip Express Corporation
NetVision Ltd.
Mediagate
DEP/RDC Rafael Development Corporation Ltd.
Ornetix Technologies Ltd.
Servicesoft Technologies, Inc.
ArelNet Ltd.
Oren Semiconductor Inc.
Witcom Ltd.
Given Imaging
OLB

Gemini Israel Fund, L.P.



### Transfer Agent & Registrar
American Stock Transfer & Trust Company
40 Wall Street
New York, N.Y. 10005

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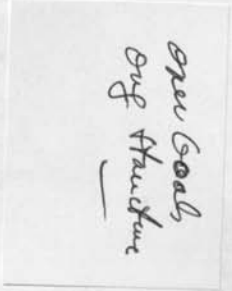
# *Table of Content*

- Procedure and process for developing year 2000 operations plan.
- Elron Software System Integration Division 1999 summary.
- Elron Software Systems Integration year 2000 business principles.
- Operating goals for each line of business.



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# *Table of content Cont.*

- Organizational structure.
- Transition plan.
- Human resource management.
- Special Plans for year 2000

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# *Organizational Structure*

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## *Organizational Structure Principles*

- Three independent lines of business
- Size and structure of LOB enabling it to move fast, focus, be competitive and grow value based on products and projects.
- Each line of business shall be managed as an independent company with separate P&L and lead by an executive with full responsibility on all aspects of that line of business.
- The manager of each line of business shall be either one of the company executives or a very senior business manager that shall be recruited.

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## *Organizational Structure Principles*

- Each line of business shall have its own business development, sales, operations/engineering & technology management.
- Where products are applicable, organization of a line of business shall include R&D, product management, QA and support.
- Lines of business shall include all activities regardless of geography in the relevant area. Israel and US geography are for operational issues only.
- The Telecom line of business shall be organized to operate and to be perceived and respected as a US based Telecom product company.

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*Organizational Structure Principles*

- The following functions shall exist at the corporate level:
  President, US and Israel general managers, CFO, HR, IT, procurement and legal and marketing.
- The marketing role shall be to coordinate the company positioning, the PR, the liaison with analysts, collateral preparation e.g. presentations, Web sites, brochures etc.
- Each line of business shall have Business dev & marketing, COO, CTO and F&A.
- The COO of each line of business shall have a business manager for line of products and a regional US manager & Israel manager for projects in the Telecom LOB.

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# *Telecom Line of Business*
# *Operating goals*

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## *Revenue components of Telecom Line of Business*

- Telecom revenue for 1999 was $11.7 M$ , or 44.5% of Systems Integration division 28 M$ revenue.
- Telecom revenue in the US was 4.2 M$ or 34% of the overall Telecom revenue.
- Target for Telecom revenue in 2000 is 17 M$ world wide hence 36% growth.
- Target for US & ROW revenue in 2000 in Telecom is 8.5 M$ or 50% of total Telecom rev.

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# *Telecom Operational goals*

- Total # of developers in Telecom group as of end of 99 is approximately 80. (Aprox 25 have true Telecom background and experience)
- Total # of developers necessary for achieving goals for year 2000 calls for approximately 100 developers in avg (e.g 100 in middle of 2000 and 120 at end of 2000).
- As goal in Avg , 50 of the developers should be working for US and ROW prospects.
- CDR development group to be constructed in Boston.
- Additional activities to strengthen presence in US to be considered (Intertools?)

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# *Telecom Operational goals*

- Organize as true US Telecom product company Headquartered in US e.g. Product Marketing , PR, Training, Technical Documentation, Support and Sales for CDR and Intertools based in Boston.
- Entire CPM R&D Engineering team
- Have HP receptive to Joint Venture towards end of 2000.
- 10 developers and QA and support team to be based in Boston.
- Significant Engineering presence for IP Service Management in Boston.
- Goal is for CDR and IP Service management Engineering to have at 40 of the Engineers based in Boston.
- Need to strengthen the number of Telecom domain experts in the Telecom group.

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# *CDR based applications operational goals*

- Based heavily in year 2000 on HP-Elron SW relationship.
- Crucial to succeed in the difficult NTT Japan account
- Need to progress from NTT installation to Bulgaria, Malaysia, Poland and Philippines and other potential customers.
- In process of defining roadmap of CPM . This includes International CPM and derivative Performance management products (National Interconnect, Wireline, Wireless, Most profitable Routing, Trend) for 2000 together with HP.
- Will develop CDR application group, product marketing, QA and support in Boston.
- Will organize to access the US CLEC market directly.

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# *Telecom - CDR based activities* *continued*

- Will target to leverage Bezeq, Cellcom and Pelephone relationships to come out in year 2000 with ESSB product line blessed by HP as global product for Inter carrier Settlements.
- Will target extending relationship with HP in to areas of applications in Hybrid SS#7,IP,ATM networks based on Data mining to be provided by new HP Access ATM/IP platform probes offering SDR's (service data records).
- Will concentrate in 2000 on relationship with HP, but carefully consider partnerships that may boost opportunities in this areas independently of HP with out contradicting HP (AMDOCS, other probe vendors e.g. EC-Tel in select areas)

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## *What do HP Agilent bring to the partnership?*

- Unique leadership in SS#7 based probe based CDR collection and data mining technology.
- By year 2000 HP will have 100 SS#7 Surveillance and business intelligence customers (20 in North America, 50 in Rest of World and 30 new ones in process).
- HP TSD revenue aprox 125 M$ in 99 growing at 30% per year.
- The broad access to the market ensuring that Elron CDR apps developed are truly market driven.
- Commitment by HP management to have world wide sales channel, marketing product management, support working to sell Elron CDR based applications.

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# *Year 2000 CDR based applications revenue sources*

- CPM1;CPM2; CPM 3 license rev (through HP) 1000 k$
- CPM derivative products license rev (through HP) 500 k$
- Customizations and support opportunities (through HP) 500k$
- Direct Elron Sales of CDR activities in Israel (Bezeq, Cellcom, Pelephone) 1000k$
- ESSB license rev target (through HP after convincing HP of prospect Elron solution) 500 k$
- Direct sales of CDR activities and related projects in ROW 1000 k$

- Total expected true CDR based application revenue 4.5 M$
- 2.5 M$ (out of 4.5M$) is intended to be in true license revenue
- Overall revenue expected in this OSS Management sector expected to be 8 M$.

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## *Existing funnel for CPM prospects as presented by HP*

Following funnel only for International Gateway CPM product:(Server sizes:D small, K medium, V large )

- Greece - K class Server
- Plus GSM Poland - K class Server
- NTT Japan - K class Server
- Maxis Malaysia - D class Server
- Telecom Malaysia - D class Server
- Ttnet Japan - D class Server
- TNZL New Zealand - D class Server
- PLDT Philippines - D class Server
- KPN Holland - K class Server
- UNI2 Spain - D class Server
- Telecom Brazil - K or V class Server

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## *Elron Software CPM product family License Rev predictions for 3 years as presented by HP*

- International CPM1;CPM2 (Feb 00);CPM3 (May 00) - 2.2 M$

(Based on 18% penetration of 12 M$ market e.g. 18 avg installs)

- National Interconnect CPM - 4.4. M$

(Based on 7 large installs in US and 15 smaller installs in ROW)

- Wireline CPM - 6.6 M$

Used for Network planning and examine largest customers against SLA)

- CPM Most Profitable Routing (MPR) - 1.0 M$

(Based on 10 installs at 100k per install)

- CPM Trend - 1.8 M$

Total 16 M$

(* - This excludes a CPM Cellular product with emphasis on growing GSM market of 350 GSM Operators to be developed)

# *Intertools Current Status*

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- Have not yet created a significant Intertools "beach-head" within the US and Canada.
- The product is missing key functionality in certain areas and significant competition is being identified.
- Still exploring, learning, trying to position product with differentiation to competition.
- Have generated interest and contacts that should mature to several projects in year 2000 based on Intertools components.
- Seems that a real opportunity resides within the "ADC alike" OEMing as the service management solution (ADC, InfoLibria, BAS) for new service offerings of equipment vendors.
- Still an open opportunity within Nortel, for the xDSL provisioning, but it's a very different product than the existing Intertools.
- Limited coordination between Intertools opportunity attempts in Israel and those in US.
- Still trying to make progress based on relationships, opportunistic attempts leading to various different markets (DSL, Cable, Cellular, OEM) etc hence no true Roadmap and product management.

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# *Intertools Operational Plan*

- Intertools to be the basic product around which IP Service Management activity shall be constructed.
- Require to bring leader in Intertools in form of Entrepreneur to focus on Intertools, position, influence product direction, prepare business plan, obtain funding and participate in creating channels strategic partnerships etc.
- Need to transform Intertools to true product, hence define road map by product management, have R&D, QA support teams in place and conduct true product marketing.

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# *Intertools Operational Plan*

- As part of product management building correct pricing policy for direct sale, scalability and OEM with analysis to competition.
- Develop a true R&D and support and testing infrastructure environment and define correct mode in which core product is developed along with custom versions for customers.
- Consider part of R&D and or QA/support to be in Boston.
- To secure as many as possible of the following project opportunities: ADC Teledata, Golden Channels extensions, BAS, InforLibrea, Bezeq DSL, Pelephone, Cellcom, Nortel DSL, Videotron, Ariel, Ericsson, Tevel, Matav etc.

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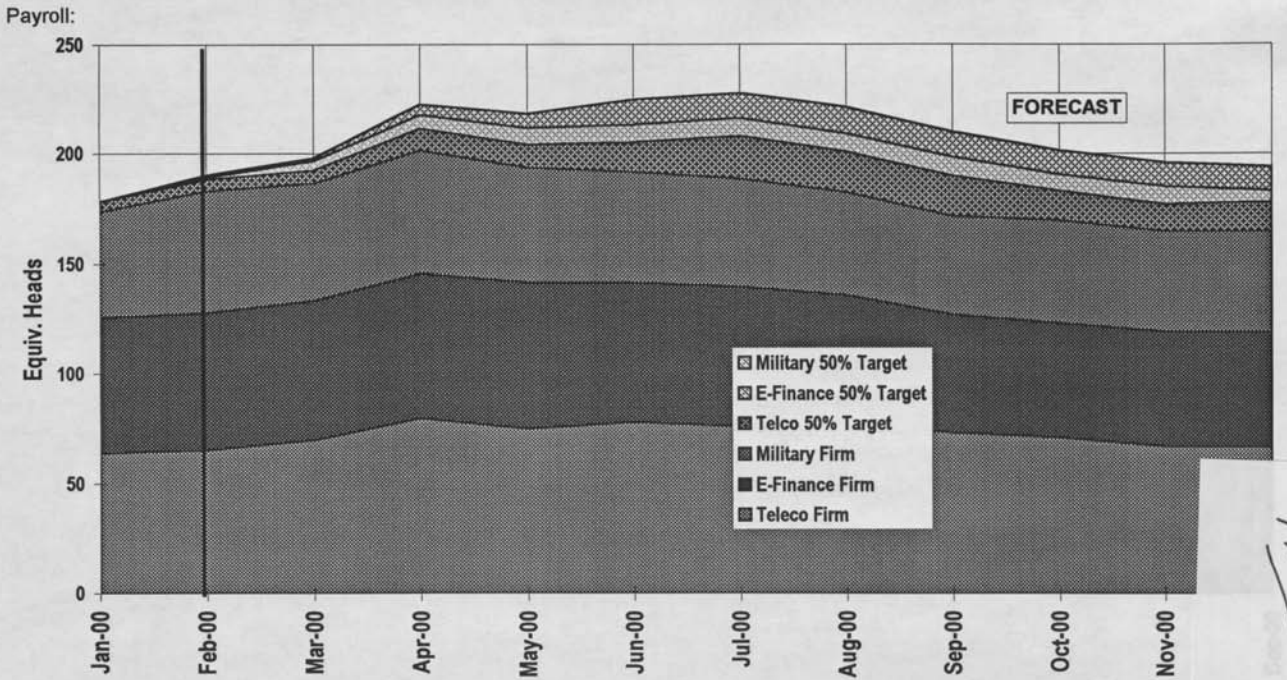
# Intertools Operational Plan

- Concentrated effort on Branding Intertools name.
- PR campaign around Intertools to leverage the existing awareness to Open Access, Broadband Access to Internet, Service Management etc.
- Build true support infrastructure enabling to be close to customers when selling to US market.
- Create true strategic partnerships with large corporations with brand name and access to market (Nortel, Ericsson, ECI, ADC, Telecordia, HP)

# ENGINEERING STAFFING
# TOTAL ENGINEERING Summary
# 2000

OPEN FIRM REQS: ?
OPEN LIKELY REQS: ?
OPEN FIRM ENG SUP: ?
OPEN LIKELY ENG SUP: ?

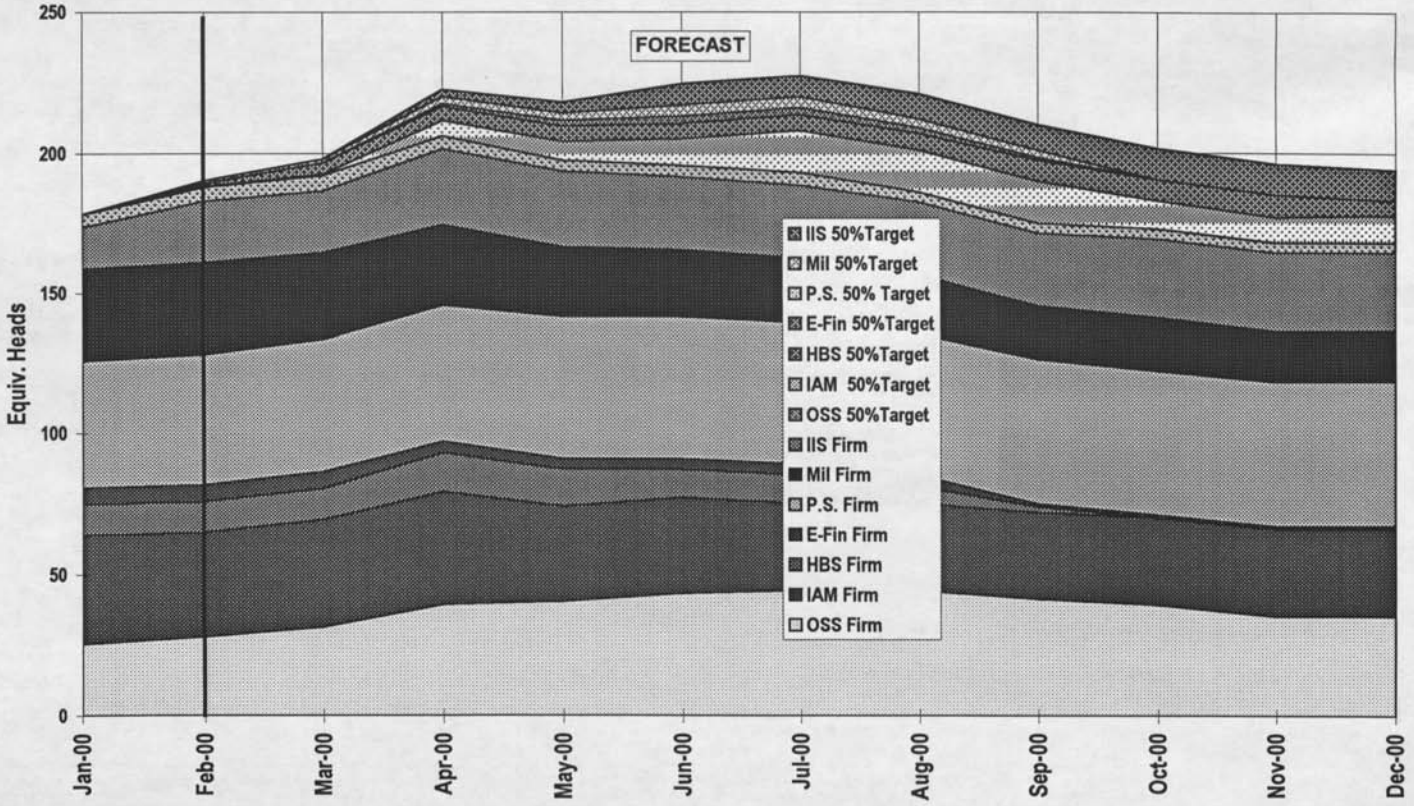



Staffing Plans

# ENGINEERING STAFFING
# TOTAL ENGINEERING Detail
# 2000

OPEN FIRM REQS: ?
OPEN LIKELY REQS: ?
OPEN FIRM ENG SUP: ?
OPEN LIKELY ENG SUP: ?

Payroll:

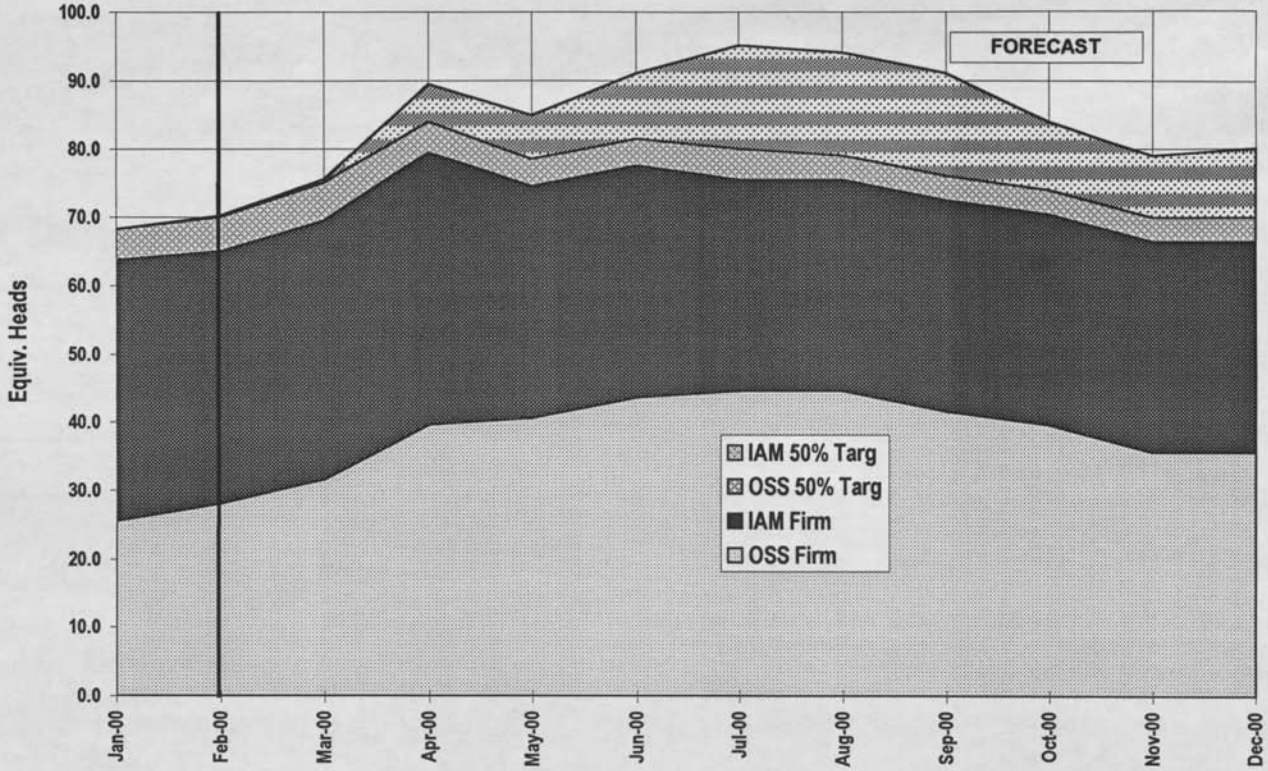



FIRM REQs = Open Uncommitted Reqs + New Hires

3/20/00

# ENGINEERING STAFFING
## Telco Division
## 2000

OPEN FIRM REQS: ?
OPEN LIKELY REQS: ?

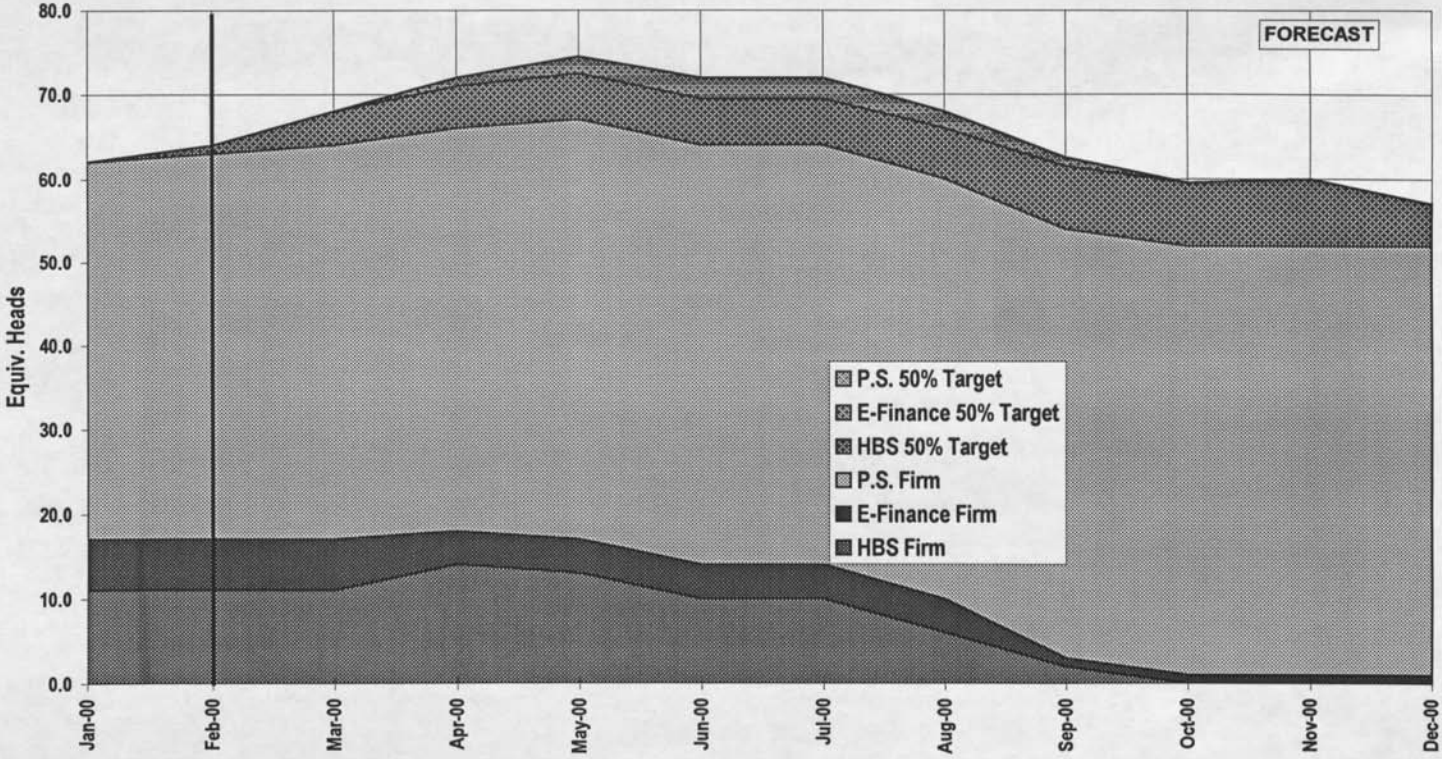



FIRM REQs = Open Uncommitted Reqs + New Hires

3/20/00

# ENGINEERING STAFFING
## E-Finance Division
## 2000

OPEN FIRM REQS: ?
OPEN LIKELY REQS: ?

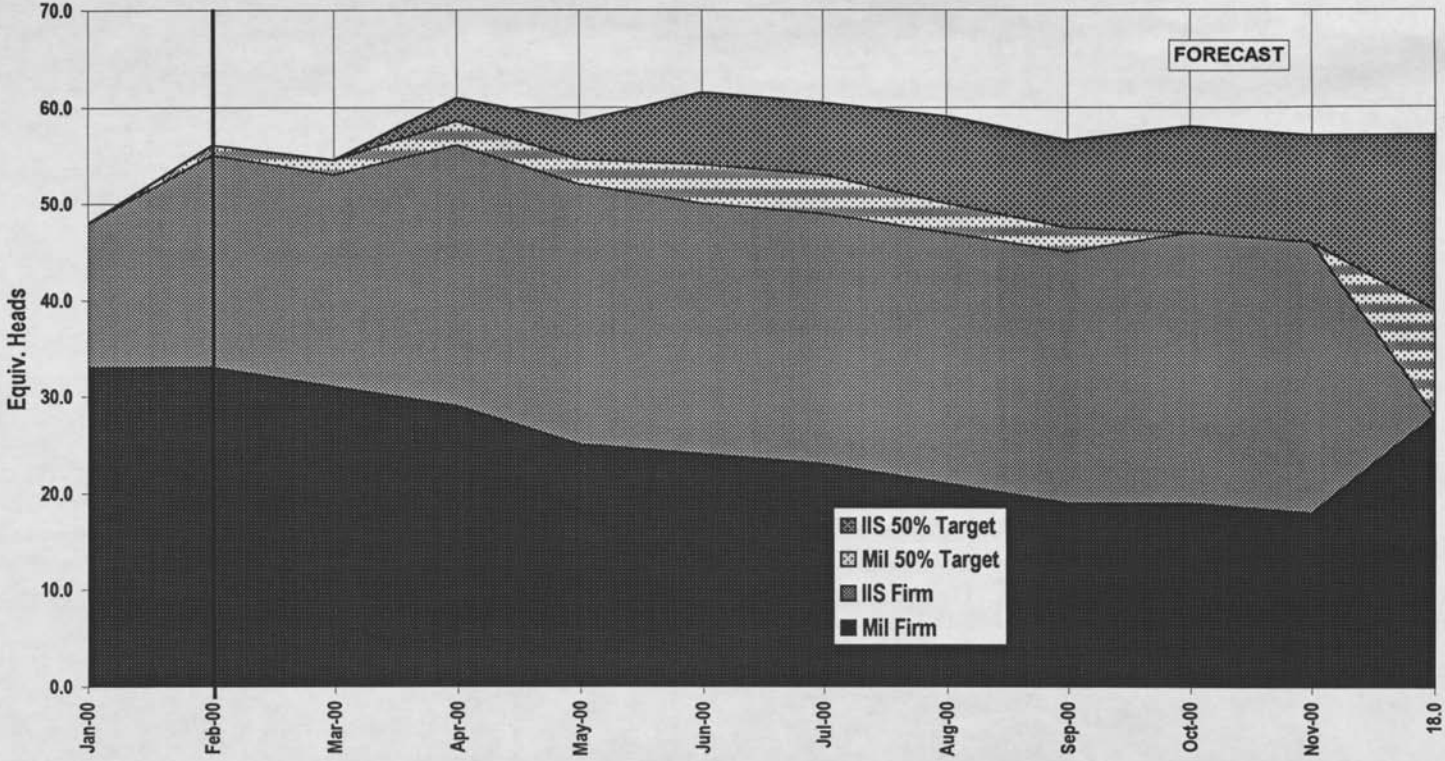



FIRM REQS = Open Uncommited Reqs + New Hires

3/20/00

# ENGINEERING STAFFING
## Military Division
## 2000

OPEN FIRM REQS: ?
OPEN LIKELY REQS: ?




FIRM REQS = Open Uncommited Reqs + New Hires

3/20/00

# Engineering Staffing Summary - 2000

## Total Engineering Summary

| | Jan-00 | Feb-00 | Mar-00 | Apr-00 | May-00 | Jun-00 | Jul-00 | Aug-00 | Sep-00 | Oct-00 | Nov-00 | Dec-00 | 00 AVG (6 mo) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Teleco Firm | 64 | 65 | 70 | 80 | 75 | 78 | 76 | 76 | 73 | 71 | 67 | 67 | 71 |
| E-Finance Firm | 62 | 63 | 64 | 66 | 67 | 64 | 64 | 60 | 54 | 52 | 52 | 52 | 60 |
| Military Firm | 48 | 55 | 53 | 56 | 52 | 50 | 49 | 47 | 45 | 47 | 46 | 46 | 50 |
| Telco 50% Target | 5 | 5 | 6 | 10 | 11 | 14 | 20 | 19 | 19 | 14 | 13 | 14 | 12 |
| E-Finance 50% Targe | | 1 | 4 | 6 | 8 | 8 | 8 | 8 | 9 | 8 | 8 | 5 | 6 |
| Military 50% Target | | 1 | 2 | 5 | 7 | 12 | 12 | 12 | 12 | 11 | 11 | 11 | 8 |
| Telco F&T | 68 | 70 | 76 | 90 | 85 | 91 | 95 | 94 | 91 | 84 | 79 | 80 | 84 |
| E-Finance F&T | 62 | 64 | 68 | 72 | 75 | 72 | 72 | 68 | 63 | 60 | 60 | 57 | 66 |
| Military F&T | 48 | 56 | 55 | 61 | 59 | 62 | 61 | 59 | 57 | 58 | 57 | 57 | 57 |
| Total: | 178 | 190 | 198 | 223 | 218 | 225 | 228 | 221 | 210 | 202 | 196 | 194 | 207 |
| Total W/O Target: | 174 | 183 | 187 | 202 | 194 | 192 | 189 | 183 | 172 | 170 | 165 | 165 | 181 |

# Engineering Staffing Summary - 2000

## Total Engineering Detail

| | Jan-00 | Feb-00 | Mar-00 | Apr-00 | May-00 | Jun-00 | Jul-00 | Aug-00 | Sep-00 | Oct-00 | Nov-00 | Dec-00 | 00 AVG (6 mo) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| IAM Firm | 38 | 37 | 38 | 40 | 34 | 34 | 31 | 31 | 31 | 31 | 31 | 31 | 34 |
| OSS Firm | 26 | 28 | 32 | 40 | 41 | 44 | 45 | 45 | 42 | 40 | 36 | 36 | 37 |
| HBS Firm | 11 | 11 | 11 | 14 | 13 | 10 | 10 | 6 | 2 | | | | 7 |
| E-Fin Firm | 6 | 6 | 6 | 4 | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 | 4 |
| P.S. Firm | 45 | 46 | 47 | 48 | 50 | 50 | 50 | 50 | 51 | 51 | 51 | 51 | 49 |
| Mil Firm | 33 | 33 | 31 | 29 | 25 | 24 | 23 | 21 | 19 | 19 | 18 | 18 | 24 |
| IIS Firm | 15 | 22 | 22 | 27 | 27 | 26 | 26 | 26 | 26 | 28 | 28 | 28 | 25 |
| IAM 50%Target | | 0 | 1 | 6 | 7 | 10 | 15 | 15 | 15 | 10 | 9 | 10 | 8 |
| OSS 50%Target | 5 | 5 | 6 | 5 | 4 | 4 | 5 | 4 | 4 | 4 | 4 | 4 | 4 |
| HBS 50%Target | | 1 | 4 | 5 | 6 | 6 | 6 | 6 | 8 | 8 | 8 | 5 | 5 |
| E-Fin 50%Target | | | | 1 | 2 | 3 | 3 | 2 | 1 | | | | 1 |
| P.S. 50% Target | | | | | | | | | | | | | |
| Mil 50%Target | | 1 | 2 | 3 | 3 | 4 | 4 | 3 | 3 | | | | 2 |
| IIS 50%Target | | | | 3 | 4 | 8 | 8 | 9 | 9 | 11 | 11 | 11 | 6 |
| Total: | 178 | 190 | 198 | 223 | 218 | 225 | 228 | 221 | 210 | 202 | 196 | 194 | 207 |
| Total W/O Target: | 174 | 183 | 187 | 202 | 194 | 192 | 189 | 183 | 172 | 170 | 165 | 165 | 181 |

3/20/00

# Telecommunications

| | Jan-00 | Feb-00 | Mar-00 | Apr-00 | May-00 | Jun-00 | Jul-00 | Aug-00 | Sep-00 | Oct-00 | Nov-00 | Dec-00 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***IAM Firm*** | 38.3 | 37.0 | 38.0 | 40.0 | 34.0 | 34.0 | 31.0 | 31.0 | 31.0 | 31.0 | 31.0 | 31.0 | | 5411250.0 | |
| ***OSS Firm*** | 25.5 | 28.0 | 31.5 | 39.5 | 40.5 | 43.5 | 44.5 | 44.5 | 41.5 | 39.5 | 35.5 | 35.5 | | 7172876.0 | 12584126.0 Tot F |
| ***IAM 50% Targ*** | | 0.3 | 0.5 | 5.5 | 6.5 | 9.5 | 15.0 | 15.0 | 15.0 | 10.0 | 9.0 | 10.0 | | 1604000.0 | |
| ***OSS 50% Targ*** | 4.5 | 5.0 | 5.5 | 4.5 | 4.0 | 4.0 | 4.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | | 1309500.0 | 2913500.0 50% T |
| **IAM F&T** | 38.3 | 37.3 | 38.5 | 45.5 | 40.5 | 43.5 | 46.0 | 46.0 | 46.0 | 41.0 | 40.0 | 41.0 | | 8619250.0 | |
| **OSS F&T** | 30.0 | 33.0 | 37.0 | 44.0 | 44.5 | 47.5 | 49.0 | 48.0 | 45.0 | 43.0 | 39.0 | 39.0 | | 9791876.0 | 18411126.0 Tot F&T |
| | | | | | | | | | | | | | Category | | |
| Nortel Multicast Car | 1.5 | | | | | | | | | | | | IAM | 36000.0 | Udi Nir |
| Nortel Multicast Ent | 4.0 | 5.0 | 4.0 | | | | | | | | | | IAM | 36000.0 | |
| Quarry | 3.0 | 3.0 | 3.0 | 2.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | IAM | 304000.0 | |
| ECI Telecom | 7.5 | 7.0 | 8.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | IAM | 1350000.0 | |
| ADC Teledatra NMS | 2.0 | 5.0 | 5.0 | 9.0 | 9.0 | 12.0 | 12.0 | 12.0 | 12.0 | 14.0 | 14.0 | 14.0 | IAM | 1440000.0 | |
| Process Software | 2.0 | | | | | | | | | | | | IAM | 34000.0 | Ran Sharon |
| IPD | 4.0 | 3.0 | 2.0 | 2.0 | 2.0 | 2.0 | | | | | | | IAM | 255000.0 | |
| Golden Channels | 2.3 | 2.0 | 2.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | IAM | 259250.0 | |
| ADC Teledatra Inter | 1.0 | 1.0 | 1.0 | 3.0 | 3.0 | 3.0 | 2.0 | 2.0 | 2.0 | | | | IAM | 306000.0 | |
| Gadline | | 1.0 | 1.0 | 3.0 | 3.0 | | | | | | | | IAM | | |
| Cisco | | | | | | | | | | | | | IAM | | |
| Intertools R&D | 6.0 | 4.0 | 4.0 | 4.0 | | | | | | | | | IAM | | |
| Bezeq DSL | 1.0 | 3.0 | 3.0 | 1.0 | | | | | | | | | IAM | 650000.0 | |
| Bezeq 13x | 4.0 | 3.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | IAM | 741000.0 | Eyal Miron |
| | | | | | | | | | | | | | | | |
| Bezeq MOP | 5.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | OSS | 272850.0 | |
| Bezeq assist to Reshet | | | | | | | | | | | | | OSS | 218280.0 | |
| Bezeq Maint Shotef | | | | | | | | | | | | | OSS | 670976.0 | |
| Bezeq 3rd party Maint | | | | | | | | | | | | | OSS | 214520.0 | |
| Telecom Consulting | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | OSS | 336000.0 | Orly |
| Bezeq Integrators | 1.0 | 1.0 | | | | | | | | | | | OSS | | |
| Bezeq Smart | 1.0 | 1.0 | 1.0 | | | | | | | | | | OSS | 37500.0 | |
| LCC | 3.3 | 4.0 | 4.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | OSS | 956250.0 | Oded Goren |
| HP CPM1;2;3 | 2.3 | 4.5 | 5.0 | 6.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | OSS | 1000000.0 | |
| CPM Support | 1.0 | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | OSS | 50000.0 | |
| Bezeq ESSB | | | | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | | | | | OSS | 725000.0 | |
| CPM Wirleline &Inter | | 1.0 | 2.0 | 2.0 | 2.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | OSS | 504000.0 | |
| Trend &MPR | | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | OSS | 300000.0 | |
| CPM Wireless | | | | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | | | | OSS | 500000.0 | |
| Bezeq Harhavot 99 | 0.5 | 1.0 | 1.0 | 4.0 | 4.0 | 4.0 | 5.0 | 5.0 | 4.0 | 4.0 | | | OSS | 585000.0 | Chen Michaeli |
| Bezeq Merkaz G Maint | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | OSS | 275000.0 | |
| Bezeq avtahat Gisha | 5.0 | 4.0 | 4.0 | 2.0 | 2.0 | 2.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | OSS | 310000.0 | |
| ESSB roadmap | | | | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | OSS | | |
| MOD Access7 | 2.0 | | | | | | | | | | | | | 30000.0 | |
| EC-Tel | | 1.0 | 2.0 | 2.0 | 2.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | OSS | 187500.0 | |
| | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Target Accounts*** | | | | | | | | | | | | | | | |
| Nortel enterprise | | | | | | | 2 | 2 | 2 | 2 | 2 | 2 | IAM | 216000.0 | Udi Nir |
| Nortel Firewall | | | | | | | | | | | | | IAM | | |
| Nortel Networks Ser | | | | | | | 4 | 4 | 4 | 5 | 5 | 5 | IAM | 486000.0 | |
| Nortel Carrier Multi | | | | | | | 1 | 1 | 1 | 1 | 1 | 1 | IAM | 108000.0 | |
| Ennovate | | | | 1 | 2 | 4 | 5 | 5 | 5 | | | | IAM | 330000.0 | |
| InfoLibrea Intertools | | | | 2 | 4 | 8 | 8 | 8 | 8 | 6 | 4 | 2 | IAM | 850000.0 | |
| Tevel | | 0.5 | 1 | 2 | 1 | 1 | | | | | | | IAM | 100000.0 | Ran Sharon |
| Pelephone Intertools | | | | | | | | | | | | | IAM | | |
| Videotron | | | | | | | | | | | | | IAM | | |
| BAS Intertools | | | | | | | | | | | | 6 | IAM | 108000.0 | |
| IPD addons | | | | | | | 2 | 2 | 2 | 2 | 2 | | IAM | 170000.0 | |
| Quarry | | | | 2 | 2 | 2 | 2 | 2 | 2 | | | | IAM | 216000.0 | |
| Golden Channels | | | | 2 | 2 | 2 | 2 | 2 | 2 | | | | IAM | 204000.0 | |
| Nortel DSL prov | | | | 2 | 2 | 2 | 4 | 4 | 4 | 4 | 4 | 4 | IAM | 420000.0 | |
| Bezeq Alcatel DSL Pro | | | | | | | | | | | | | IAM | | |
| | | | | | | | | | | | | | IAM | | |
| Nortel OIT | | 2 | 4 | 4 | 5 | 5 | 7 | 7 | 7 | 7 | 7 | 7 | OSS | 930000.0 | Udi Nir |
| HP IP | | | | | | | | | | | | | OSS | | |
| Cellcom ESSB | 5 | 5 | 4 | 2 | | | | | | | | | OSS | 500000.0 | Chen Michaeli |
| Pelephone ESSB | | | | | | | | | | | | | OSS | 500000.0 | |
| SS#7 Ahzaka Bez+Pele | | | | | | | | | | | | | OSS | 500000.0 | |
| Nemacs | 4 | 3 | 3 | 3 | 3 | 3 | 2 | | | | | | OSS | 189000.0 | |
| Telecom Consult | | | | | | | | | | | | | OSS | | |

# E-Finance

| | Jan-00 | Feb-00 | Mar-00 | Apr-00 | May-00 | Jun-00 | Jul-00 | Aug-00 | Sep-00 | Oct-00 | Nov-00 | Dec-00 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***E-Finance Firm*** | 6.0 | 6.0 | 6.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 1.0 | 1.0 | 1.0 | 1.0 | | 660000.0 |
| ***HBS Firm*** | 11.0 | 11.0 | 11.0 | 14.0 | 13.0 | 10.0 | 10.0 | 6.0 | 2.0 | | | | | 1473000.0 |
| ***P.S. Firm*** | 45.0 | 46.0 | 47.0 | 48.0 | 50.0 | 50.0 | 50.0 | 50.0 | 51.0 | 51.0 | 51.0 | 51.0 | | 5742000.0 |
| ***E-Finance 50% Target*** | | | | 1.0 | 2.0 | 2.5 | 2.5 | 2.0 | 1.0 | | | | | 198000.0 |
| ***HBS 50% Target*** | | 1.0 | 4.0 | 5.0 | 5.5 | 5.5 | 5.5 | 6.0 | 7.5 | 7.5 | 8.0 | 5.0 | | 1089000.0 |
| **P.S. 50% Target** | | | | | | | | | | | | | | |
| ***E-Finance F&T*** | 6.0 | 6.0 | 6.0 | 5.0 | 6.0 | 6.5 | 6.5 | 6.0 | 2.0 | 1.0 | 1.0 | 1.0 | | 858000.0 |
| ***HBS F&T*** | 11.0 | 12.0 | 15.0 | 19.0 | 18.5 | 15.5 | 15.5 | 12.0 | 9.5 | 7.5 | 8.0 | 5.0 | | 2562000.0 |
| ***P.S. F&T*** | 45.0 | 46.0 | 47.0 | 48.0 | 50.0 | 50.0 | 50.0 | 50.0 | 51.0 | 51.0 | 51.0 | 51.0 | | 5742000.0 |
| | | | | | | | | | | | | | ***Category*** | |
| RPS | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | | | | | E-Fin | 432000.0 |
| Neteos | 2.0 | 2.0 | 2.0 | | | | | | | | | | E-Fin | 108000.0 |
| Narkis | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | E-Fin | 120000.0 |
| | | | | | | | | | | | | | | |
| Mizrahi | | | | 3.0 | 3.0 | 3.0 | 3.0 | 2.0 | | | | | HBS | 252000.0 |
| Leumi | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 2.0 | | | | | HBS | 592000.0 |
| ServUright | 4.0 | 4.0 | 4.0 | 4.0 | 3.0 | | | | | | | | HBS | 323000.0 |
| VISA | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | | | | HBS | 306000.0 |
| IDEA R&D team | | | | | | | | | | | | | IDEA | |
| | | | | | | | | | | | | | | |
| Chicco IL | 40.0 | 41.0 | 42.0 | 43.0 | 44.0 | 44.0 | 44.0 | 44.0 | 44.0 | 44.0 | 44.0 | 44.0 | PS | 4662000.0 |
| Chicco USA | 5.0 | 5.0 | 5.0 | 5.0 | 6.0 | 6.0 | 6.0 | 6.0 | 7.0 | 7.0 | 7.0 | 7.0 | PS | 1080000.0 |
| | | | | | | | | | | | | | | |
| ***Target Accounts*** | | | | | | | | | | | | | | |
| Neteos | | | | 2 | 4 | 5 | 5 | 4 | 2 | | | | E-Fin | 396000.0 |
| RPS | | 1 | 2 | 3 | 3 | 3 | 3 | 3 | 6 | 6 | 6 | 2 | HBS | 684000.0 |
| Leumi | | | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | HBS | 378000.0 |
| Bala Virtual Bank | | 1 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 5 | IDEA | 576000.0 |
| Mizrahi Bank | | | 2 | 2 | 3 | 3 | 3 | 4 | 4 | 4 | 5 | | IDEA | 540000.0 |
| Chicco IL | | | | | | | | | | | | | PS | |

| | |
|---|---|
| 7875000.0 | |
| 1287000.0 | |
| 9162000.0 | |

# Military

| | Jan-00 | Feb-00 | Mar-00 | Apr-00 | May-00 | Jun-00 | Jul-00 | Aug-00 | Sep-00 | Oct-00 | Nov-00 | Dec-00 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | 18.0 | | | |
| ***Mil Firm*** | 33.0 | 33.0 | 31.0 | 29.0 | 25.0 | 24.0 | 23.0 | 21.0 | 19.0 | 19.0 | 18.0 | 28.0 | | | 4328000.0 |
| ***IIS Firm*** | 15.0 | 22.0 | 22.0 | 27.0 | 27.0 | 26.0 | 26.0 | 26.0 | 26.0 | 28.0 | 28.0 | | | | 4662000.0 |
| ***Mil 50% Target*** | | 1.0 | 1.5 | 2.5 | 2.5 | 4.0 | 4.0 | 3.0 | 2.5 | | | 11.0 | | | 378000.0 |
| ***IIS 50% Target*** | | | | 2.5 | 4.0 | 7.5 | 7.5 | 9.0 | 9.0 | 11.0 | 11.0 | 18.0 | | | 1215000.0 |
| ***Mil F&T*** | 33.0 | 34.0 | 32.5 | 31.5 | 27.5 | 28.0 | 27.0 | 24.0 | 21.5 | 19.0 | 18.0 | 39.0 | | | 4706000.0 |
| ***IIS F&T*** | 15.0 | 22.0 | 22.0 | 29.5 | 31.0 | 33.5 | 33.5 | 35.0 | 35.0 | 39.0 | 39.0 | | | | 5877000.0 |
| | | | | | | | | | | | | 10.0 | *Category* | | |
| Gov Israel Sformas | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 11.0 | 11.0 | 10.0 | 4.0 | Mil | | 2380000.0 |
| Ozav | 10.0 | 10.0 | 8.0 | 8.0 | 6.0 | 6.0 | 6.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | Mil | | 1258000.0 |
| Shob | 10.0 | 10.0 | 10.0 | 8.0 | 6.0 | 5.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | | Mil | | 690000.0 |
| | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | 7.0 | | | |
| AMHCIS | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 2.0 | IIS | | 1027000.0 |
| GIDS | 5.0 | 5.0 | 3.0 | 3.0 | 3.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 15.0 | IIS | | 736000.0 |
| TIES | 1.0 | 8.0 | 10.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 4.0 | IIS | | 2431000.0 | 8990000.0 |
| RIS support | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 4.0 | 4.0 | | IIS | | 468000.0 |
| ***Target Accounts*** | | | | | | | | | | | | | | | | 1593000.0 |
| Private Cast | | 2 | 3 | 5 | 5 | 8 | 8 | 6 | 5 | | | | Mil | | 756000.0 |
| | | | | | | | | | | | | 10 | | | | 10583000.0 |
| Neatherlands | | | | 5 | 8 | 10 | 10 | 10 | 10 | 10 | 10 | 12 | IIS | | 1530000.0 |
| India | | | | | | 5 | 5 | 8 | 8 | 12 | 12 | | IIS | | 900000.0 |

# ELRON SOFTWARE N.C.C. LTD.

FINANCIAL STATEMENTS

**As of December 31, 1998**

(In thousands of U.S. dollars)

# ELRON SOFTWARE N.C.C. LTD.

## FINANCIAL STATEMENTS AS OF DECEMBER 31, 1998

## CONTENTS



# # # # # # # #

LUBOSHITZ, KASIERER & CO
ARTHUR ANDERSEN

AUDITORS' REPORT TO THE SHAREHOLDERS

OF

**ELRON SOFTWARE N.C.C. LTD.**

We have audited the balance sheet of ELRON SOFTWARE N.C.C. LTD. (the "Company") as of December 31, 1998, and the related statement of income for the period from commencement of operations (November 30, 1998) to December 31, 1998. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel and in the United States, including those prescribed under the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1998, and the results of its operations for the period from commencement of operations (November 30, 1998) to December 31, 1998, in conformity with accounting principles generally accepted in Israel and in the United States (as applicable to the financial statements of the Company such principles are practically identical).

Pursuant to Section 211 of the Companies Ordinance (New Version), 1983, we state that we received all of the information and explanations which we requested and that our opinion on the financial statements is given based on the best information and explanations which we received and as reflected in the books of the Company.

Luboshitz Kasierer

**Certified Public Accountants (Isr.)**

Haifa, March 29, 1999

(9272-0198)

## ELRON SOFTWARE N.C.C. LTD.

### BALANCE SHEET
(In thousands of U.S. dollars)

| | Note | December 31 1998 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | | 37 |
| Trade receivables | (3) | 3,529 |
| Other receivables | (4) | 777 |
| Work in process | | 355 |
| | | 4,698 |
| LONG-TERM RECEIVABLES | | 201 |
| FIXED ASSETS | (5) | |
| Cost | | 1,938 |
| Less - accumulated depreciation | | 22 |
| | | 1,916 |
| OTHER ASSETS, NET | (1C) | 6,187 |
| | | 13,002 |
| CURRENT LIABILITIES | | |
| Short-term debt | (6) | 2,059 |
| Trade payables | (7) | 579 |
| Other payables | (8) | 4,048 |
| | | 6,686 |
| LONG-TERM LIABILITIES | | |
| Long-term loans | (9) | 5,502 |
| Accrued severance pay, net | (10) | 892 |
| | | 6,394 |
| Total liabilities | | 13,080 |
| CONTINGENCY AND COMMITMENTS | (11) | |
| SHAREHOLDERS' DEFICIENCY | | |
| Share capital | (12) | - |
| Accumulated deficit | | (78) |
| | | (78) |
| | | 13,002 |

M. Attias
Vice-President - Finance

Dr. J. Ben Zvi
Director

Date of approval of financial statements:
March 29, 1999

The notes to the financial statements form an integral part thereof.

## ELRON SOFTWARE N.C.C. LTD.

### STATEMENT OF INCOME
(In thousands of U.S. dollars)

| | Note | For the period from commencement of operations (*) to December 31 1998 |
|---|---|---|
| Revenues | | 1,255 |
| Cost of revenues | (13) | 1,086 |
| Gross profit | | 169 |
| Research and development costs | | 14 |
| Selling, marketing and administrative expenses | (14) | 165 |
| | | 179 |
| Operating loss | | (10) |
| Finance expenses, net | | 68 |
| Net loss | | (78) |

* November 30, 1998 - See Note 1 A.

The notes to the financial statements form an integral part thereof.

## ELRON SOFTWARE N.C.C. LTD.

## NOTES TO THE FINANCIAL STATEMENTS

(In thousands of U.S. dollars)

### Note 1 - GENERAL

A. ELRON SOFTWARE N.C.C. LTD. ("the Company") was incorporated and registered in Israel as a private company on October 27, 1998, and commenced operations on November 30, 1998. The Company develops and supplies software solution for the management of large, complex communications and internet networks. These financial statements are the first audited financial statements of the Company, and the statement of income accordingly reflects a one-month period ended December 31, 1998.

B. The Company is a wholly-owned subsidiary of Elron Software, Inc. ("ESI") a U.S.- registered company. ESI is a wholly-owned subsidiary of Elron Electronic Industries Ltd. ("Elron") an Israeli registered company which shares are traded on the NASDAQ National Market in the U.S. and on the Tel Aviv Stock Exchange.

C. The Company commenced operations subsequent to the acquisition of the principal operations and net assets of the N.C.C Communication System Group companies ("N.C.C. companies") by ESI, its wholly owned subsidiary, Elron Software N.C.C Export (1998) LTD., and the Company for a total consideration of $44 million. The Company paid $5,000 of this consideration for certain assets, liabilities and operations of NCC Network communication and Computer System (1983) Ltd. ("NCC"). Of this amount $1,248 was attributed to net liabilities and $6,248 was attributed to intangible assets. (including know-how, customer base and workforce) which are to be amortized over a period of 8 to 12 years.

Most of NCC's employees were transferred to the Company. NCC has undertaken to meet the full extent of NCC's severance pay obligation for these employees up to the date of the acquisition amounting to $430, which was deposited in a severance pay fund.

D. Pursuant to the abovementioned acquisition and according to an agreement signed between the Company and ESI in December 1998, the Company is entitled to use certain intellectual property purchased by ESI from the N.C.C. companies, in consideration for royalties at the rate of 4.8% of sales to third parties. The term of the agreement is for a period of eight years, but may be terminated earlier with prior notice.

ELRON SOFTWARE N.C.C. LTD.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
(In thousands of U.S. dollars)

Note 1 - GENERAL (Cont.)

E. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. A statement of cash flows has not been prepared as it would not provide significant additional information.

Note 2 - SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with accounting principles generally accepted in Israel and in the United States (as applicable to the financial statements of the Company such principles are practically identical).

The significant accounting policies followed in the preparation of the financial statements, are as follows:

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in U.S. dollars as the currency of the primary economic environment in which the operations of the Company are conducted is the U.S. dollar. A majority of the Company's finance is in U.S. dollar. Thus, the functional currency of the Company is the U.S. dollar.

Transactions and balances originally denominated in U.S. dollars are presented at their original amounts. Transactions and balances in other currencies are remeasured into U.S. dollars in accordance with principles identical to those set forth in Statement No. 52 of the Financial Accounting Standards Board of the United States (FASB). Exchange gains and losses from the aforementioned remeasurement (which are immaterial for the reported period) are reflected in the statement of income.

ELRON SOFTWARE N.C.C. LTD.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
(In thousands of U.S. dollars)

Note 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. CASH AND CASH EQUIVALENTS

All highly liquid investments (principally bank deposits) with an original maturity of three months or less are considered cash equivalents.

C. INVENTORIES

Inventories are stated at the lower of cost or market. Inventories include work in process, which consist of cost of materials, direct labor and production overhead.

D. FIXED ASSETS

Fixed assets are stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the period of the lease, including renewal option.

E. OTHER ASSETS

Know-how, customer base, workforce and other intangible assets are amortized by the straight-line method over a period of 8-12 years.

F. REVENUE RECOGNITION

Revenue derived from projects, related to software development, is recognized by the percentage of completion method, provided that a material portion of costs has been incurred or that material portions of milestones were achieved and where contract results can reasonably be estimated. Provision for losses, if any, on uncompleted contracts are made in the period when such losses are apparent.

G. RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to operations as incurred.

ELRON SOFTWARE N.C.C. LTD.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
(In thousands of U.S. dollars)

## Note 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

H. EXCHANGE RATE AND LINKED BALANCES

Balances in currencies other than U.S. dollar are stated at the representative rate of exchange at balance sheet date. The exchange rate of the U.S. dollar as of balance sheet date was $ 1 = NIS 4.16.

Balances linked to the Israeli Consumer Price Index are stated using the relevant published index.

I. FAIR VALUE OF FINANCIAL INSTRUMENTS

Unless otherwise noted, the carrying amount of financial instruments approximates fair value.

## Note 3 - TRADE RECEIVABLES

| | December 31 1998 |
|---|---|
| Open balances | 2,227 |
| Unbilled receivables | 1,302 |
| | 3,529 |

## Note 4 - OTHER RECEIVABLES

| | December 31 1998 |
|---|---|
| Related parties - current account | 586 |
| Prepaid expenses and other | 163 |
| Governments agencies | 28 |
| | 777 |

ELRON SOFTWARE N.C.C. LTD.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
(In thousands of U.S. dollars)

## Note 5 - FIXED ASSETS

| | Furniture and Equipment | Leasehold improvements | Computers and ancillary equipment | Motor vehicles | Total |
|---|---|---|---|---|---|
| COST | 146 | 1,554 | 148 | 90 | 1,938 |
| ACCUMULATED DEPRECIATION | 1 | 16 | 4 | 1 | 22 |
| NET BOOK VALUE As of December 31, 1998 | 145 | 1,538 | 144 | 89 | 1,916 |
| Annual rates of depreciation | 6%-7% | 12% | 15%-33% | 15 % | |

## Note 6 - SHORT-TERM DEBT

| | December 31 1998 |
|---|---|
| Loans from banks | 1,831 |
| Current maturities of long-term loans | 228 |
| | 2,059 |

The loans are denominated in New Israeli shekels and bear interest of 15% per annum.

## Note 7 - TRADE PAYABLES

| | December 31 1998 |
|---|---|
| Open balances | 496 |
| Checks payable | 83 |
| | 579 |

## ELRON SOFTWARE N.C.C. LTD.

### NOTES TO THE FINANCIAL STATEMENTS (Cont.)
(In thousands of U.S. dollars)

### Note 8 - OTHER PAYABLES

| | December 31 1998 |
|---|---|
| Payroll and related expenses (*) | 1,522 |
| Accrued expenses | 1,511 |
| NCC | 568 |
| Advances from customers | 360 |
| Others | 87 |
| | 4,048 |
| (*) Includes accrued vacation pay | 834 |

### Note 9 - LONG - TERM LOANS

| | Interest rate | December 31 1998 |
|---|---|---|
| Long-term loan from Elron | Libor + 1.5% | 4,200 |
| Long-term loans from banks | Libor + 1.4% | 1,530 |
| Less - current maturities | | 228 |
| | | 5,502 |

The maturities of the long-term loans for years subsequent to balance sheet date are as follows:

| | |
|---|---|
| First year (current maturities) | 228 |
| Second year | 228 |
| Third year | 1,628 |
| Fourth year | 1,628 |
| Fifth year | 1,628 |
| Sixth year and there after | 390 |
| | 5,502 |
| | 5,730 |

ELRON SOFTWARE N.C.C. LTD.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
(In thousands of U.S. dollars)

## Note 10 - ACCRUED SEVERANCE PAY, NET

In respect of the Company's severance pay obligation to its employees, deposits are made with a recognized pension fund, insurance policies and a severance pay fund. The amounts accumulated with the insurance companies and in the pension fund are not reflected in the balance sheet as they are not under the control or management of the Company. The deposits presented in the balance sheet include profits accumulated till balance sheet date. The amounts deposited may be withdrawn only after fulfillment of the obligation under the Severance Pay Low.

The accrual for severance pay presented in the balance sheet represents the liability not covered by the insurance policies, the pension fund and by the severance pay fund.

| | December 31 1998 |
|---|---|
| Accrued severance pay | 1,343 |
| Less - amount deposited with severance pay fund | 451 |
| | 892 |

## Note 11 - CONTINGENCY AND COMMITMENTS

A. The Company's main facilities in Petach-Tikava are rented under operating leases for periods of up to eight years ending in 2006. Minimum future rental payments in the years following balance sheet date are as follows:

| | |
|---|---|
| First year | 72 |
| Second year | 72 |
| Third year | 74 |
| Forth year | 76 |
| Fifth year | 76 |
| Sixth year and there after | 183 |
| | 553 |

B. Royalty commitment - see Note 1D.

ELRON SOFTWARE N.C.C. LTD.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)
(In thousands of U.S. dollars)

## Note 11 - CONTINGENCY AND COMMITMENTS (Cont.)

C. Unaudited information for U.S. GAAS purposes - the Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations.

The Company is presently implementing adjustments to its computerized systems for the Year 2000 Issue. Management estimates that the cost to be incurred in that connection are expected to be $228.

## Note 12 - SHARE CAPITAL

A. Share capital is composed of ordinary shares of NIS 1 par value.

| | December 31 1998 |
|---|---|
| | (Number of shares) |
| Authorized and paid-up | 35,700 |
| Issued and paid-up | 100 |

B. Some of the Company's employees were granted stock options under the stock option plan of ESI. The exercise price of the options is equal to the fair value of the shares at the date of grant and therefore no compensation costs were recorded.

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)
(In thousands of U.S. dollars)

## Note 13 - COST OF REVENUES

| | For the period from commencement of operations to December 31 1998 |
|---|---|
| Payroll and related expenses | 661 |
| Manufacturing expenses | 199 |
| Depreciation and amortization | 70 |
| Royalties to FSI | 82 |
| Motor vehicle, maintenance and other expenses | 74 |
| | 1,086 |

## Note 14 - SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

| | For the period from commencement of operations to December 31 1998 |
|---|---|
| Payroll and related expenses | 107 |
| Office rent and maintenance | 19 |
| Motor vehicle maintenance | 17 |
| Depreciation and amortization | 11 |
| Professional fees | 11 |
| | 165 |

## Note 15 - INCOME TAXES

A. The Company is assessed for tax purposes under the provisions of the Income Tax Law (Inflationary Adjustments), 1985. This law entitles the Company to a tax deduction for the preservation of equity invested in non-fixed assets (as defined). The deduction is measured by the change in the Consumer Price Index in Israel.

B. The Company has not received a final tax assessment since its incorporation.

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

## Note 16 - CONDENSED FINANCIAL STATEMENTS IN THOUSANDS OF NOMINAL SHEKELS

A. BALANCE SHEET

| | December 31 1998 |
|---|---|
| CURRENT ASSETS | |
| Cash and cash equivalents | 156 |
| Marketable securities | 20 |
| Trade receivables | 14,680 |
| Other receivables | 3,176 |
| Work in process | 1,486 |
| | 19,518 |
| LONG-TERM RECEIVABLES | 734 |
| FIXED ASSETS | |
| Cost | 8,122 |
| Less - accumulated depreciation | 90 |
| | 8,032 |
| OTHER ASSETS, NET | 25,940 |
| | 54,224 |
| CURRENT LIABILITIES | |
| Short-term debt | 8,567 |
| Trade payables | 2,410 |
| Other payables | 16,844 |
| | 27,821 |
| LONG-TERM LIABILITIES | |
| Long-term loans | 22,888 |
| Accrued severance pay, net | 3,711 |
| | 26,599 |
| Total liabilities | 54,420 |
| SHAREHOLDERS' DEFICIENCY | |
| Share capital | - |
| Accumulated deficit | (196) |
| | (196) |
| | 54,224 |


InterTools material

PRODUCT OVERVIEW

# InterTools

***A carrier-class solution consisting of a suite of integrated products enabling telecom service providers to handle infrastructure access markets - both wholesale Internet and E nterprise remote access - supply services and offer advanced management capabilities, all in one package.***

Elron Software Systems Integration's (ESSI) carrier-class premier product is **InterTools**, a sophisticated package of integrated telesoft components that allows service providers (CLECs, ILECs and MSOs) to introduce innovative Internet Access based services to multiple markets, including Internet wholesale (Progressive ISPs) and corporate-run virtual private network (VPN) services.

**InterTools** allows a service provider to extend cutting-edge services in both dial-up and broadband format, including access to a choice of multiple ISPs on demand without the need to subscribe to one or more of them on a regular basis.

**InterTools** also gives service providers the capability to provision services for narrow (e.g., ISDN. POTS) and broadband (e.g., Cable, DBS, Wireless, xDSL) markets, as well as a means of staying current with new market trends.

The bottom line: **InterTools** is a suite of integrated telesoft products enabling telecom service providers to establish an access service bureau addressing both wholesale Internet access and Enterprise remote access markets, enabling carriers, MSOs and network service providers to introduce new services to customers.


## Why Choose InterTools?

**InterTools** was designed so carriers and service providers can deploy flexible Internet access infrastructure and introduce services. Carriers will offering the innovative services to progressive ISPs, and to Corporates with VPNs relieving them of the need to attend to most traditional infrastructure concerns, enabling them instead to concentrate on core competencies enlarging their market share. Just some of the many advantages of **InterTools** include:

- **Network infrastructure transparency – InterTools** provides carriers with the ability to leverage existing network infrastructures and expand them using standard "off the shelf" components.
- **Narrow and broad band access – InterTools** supports both narrow (e.g., ISDN, PSTN) and broad band (e.g., cable, xDSL) Internet access solutions.
- **Scalability and high availability – InterTools** allows carriers the ability to scale with the growth of their customer base, and provides a redundant solution with high availability. Scalability is achieved for servers, processors, network infrastructure and access termination equipment.
- **Innovative Services – InterTools** enables multiple innovative services to be introduced by the Carrier such as bundling e-commerce to Carrier provided Internet Access.
- **Optimal Service management strength – InterTools** delivers carriers the capability to manage an overall system, and customers their respective subsystem from a single terminal, using a standard browser, while also giving them the ability to monitor service level agreements, analyze trends, forecast and plan capacity, in addition to system reconfiguration.
- **Superior billing and client service – InterTools** offers standard interfaces to a carrier's management information system for billing and customer care, to provide a smooth integration of the raw billing data while leveraging a carrier's existing systems.


## Who Needs InterTools?

Telecom service providers in any field will benefit from using **InterTools**, including

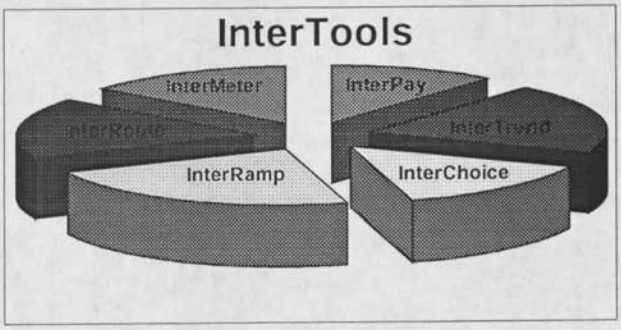
- Cable operators and MSOs;
- Voice and data CLECs and ILECs;
- Telephone companies introducing IP services over POTS, ISDN and xDSL access lines; and
- Vendors and systems integrators developing Internet access solutions and services for carriers and Enterprise remote access customers.

## What Comes with InterTools?

The **InterTools** suite of sophisticated telesoft components consists of six products bundled together to provide advanced management capabilities in single or group fashion. These are:

- **InterChoice**, which enables a carrier to provide its customers Internet access to one or more ISPs at any time, without the need to subscribe to a specific one. Billing is through the customer's carrier-bundled bill.
- **InterMeter**, which measures and displays the quality of service level of the ISP's connection to the Internet from the client's perspective. (This feature can be added as a component of **InterChoice** as well.)
- **InterPay**, which provides a carrier with the ability to handle micro transactions, with payment integrated into its bundled bill.
- **InterRamp**, which gives a carrier the ability to provide wholesale accounting and point of purchase services, leasing infrastructure and bandwidth to ISPs over any mode of access, including cable, cellular, DBS, ISDN, POTS and xDSL.

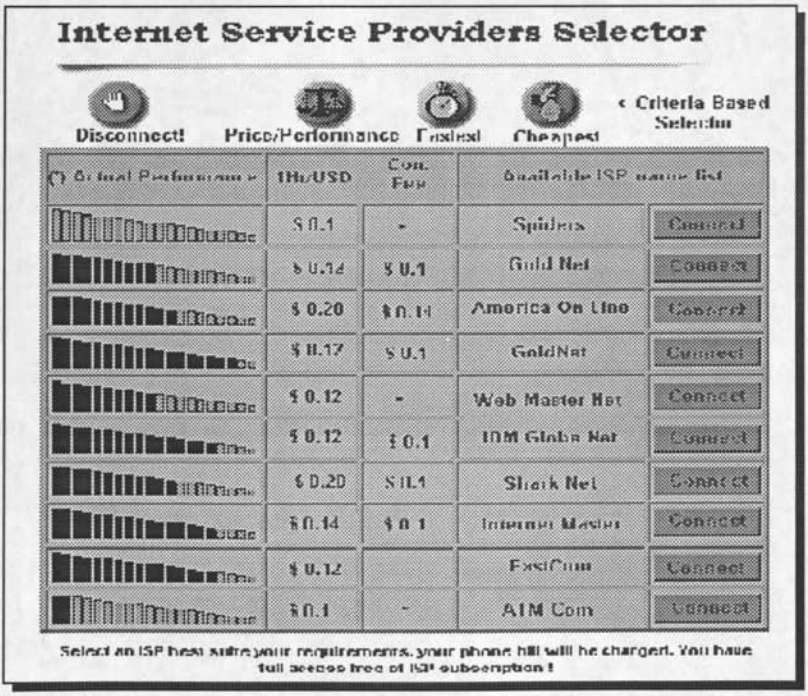

- **InterRoute**, which allows a carrier to offer low-cost flat fees by utilizing its Internet access infrastructure during off-peak hours.
- **InterTrend**, a service management toolkit for both carriers and ISPs and that includes tools for performance measurement; capacity/resource planning; service level agreement verification; and operations and service management.




White Paper

# InterTools: A White Paper

*This white paper explores the background of the Internet Access Market and provides a summary of the InterTools Product, market and product differentiation.*

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## Internet Access Market Background

Internet traffic is doubling every six months, with telecommuter, branch office and consumer demand for Internet access putting the heat on Internet service providers (ISPs). The demands for higher-speed access, bandwidth-consuming applications and constantly availability are driving ISPs to address complex scalability and management issues and leading them to re-engineer their infrastructures, technology upgrade investments and development of complex applications.

Those ISPs that design, build, maintain and upgrade their own networks must also continuously upgrade their network access equipment and computing infrastructure as well as modify and enhance their management applications. This is forcing many ISPs to outsource their access infrastructure and network management to third party wholesalers (CLECs, ILECs, MSOs and Network Service Providers), permitting the ISPs to focus on added-value applications (e.g., e-mail, on-line content). The wholesale agreements allow ISPs to reduce network access costs by leveraging an economy of scale that wholesale carriers offer through sharing infrastructure.

The carriers (CLECs, ILECs, MSOs and Network Service Providers) are better suited for delivering reliable and scalable network services, as they are experienced in network infrastructure development and provisioning management issues. They also are better suited to provide connectivity to public networks, dial-in remote access servers when wholesaling, and connectivity to ISPs. In some cases, those ISPs desiring direct relationships with their customers assume the responsibility for authentication, billing, and customer care services. Models are emerging where carriers take on certain parts of this responsibility, enabling ISPs to concentrate on more service applications. Wholesaler carriers also are extending services to offer Web hosting, Internet fax and voice over IP while ISPs are focusing more on content.

End users are not necessarily aware of their carriers or network service providers' involvement when accessing the ISPs. Wholesale carriers build networks based on carrier class remote access equipment, applications for network alarm and performance management, provisioning applications (in some cases), policy management applications and customer care and billing applications. Many issues are addressed and resolved by the carrier's network. These include supervision of port allocation; overflows and extreme conditions; authentication; authorization and accounting; IP address allocation and



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tunneling; performance monitoring; and generation of trend reports. The wholesale carrier is responsible for providing the ISP with a customer network management-oriented view of the segmented part of the access infrastructure relating to the ISP's customer access.

This trend in Internet access is similar to that of the telecommuting, relevant to corporations supporting remote access of telecommuters and customers. In 1997, there were about 7.5 million telecommuters in the United States alone. This has created an extensive outsourced virtual private network (VPN) capability from third-party carriers. With a remote access VPN, a user dials into a service provider point of presence and establishes a "tunnel" back to headquarters over the provider's network, authenticating itself to gain access to the corporate network. All things considered, an outsourcing strategy enables ISPs to concentrate more on marketing and service rather than technology.

According to Cahners InStat Group Consultants, by the end of 1999, nearly half of medium- and large-sized enterprises will outsource some or all of their remote access. The Gartner Group concurs, noting that enterprises are increasingly turning to service providers to configure, own and manage remote communications infrastructures.

Many companies are turning to VPNs as lower-cost alternatives to traditional dial-up access. VPN technologies such as tunneling, encryption and authentication provide secure links and give companies a high level of comfort about having valuable data pass over a provider's shared network. With a VPN, users replace their long-distance phone calls with a local call to the service provider's network, generating cost savings that can be substantial even if a company uses a consumption-based premium ISP access service that bills callers by hourly connect time.

## InterTools Product Summary

Elron Software Systems Integration's carrier-class pioneer offering, **InterTools**, is a suite of integrated Telesoft products enabling telecom service providers to establish an access service bureau addressing both wholesale Internet and Enterprise remote access markets. **InterTools** is sold to service providers and enables them to introduce innovative services to multiple markets. These include offering Internet wholesale and corporate VPN services, as well as customized ones that providers can offer in both dial-up and broadband (e.g., via cable access) modes, which include access to a choice of multiple ISPs on demand, without the need to subscribe to them on a regular basis. **InterTools** provides service providers the ability to provision services for narrow- (e.g., ISDN, POTS) and broadband (e.g., cable, DBS, wireless, xDSL) markets with a means to follow and capitalize on new market trends.



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The main characteristics and advantages of the **InterTools** suite of Telesoft products are described in the table below.

| PRODUCT | HIGHLIGHTS | MAIN ADVANTAGES |
|---|---|---|
| **InterRamp** | Gives carriers the ability to provide wholesale POP and accounting services, leasing infrastructure and bandwidth to ISPs, and corporate VPNs using multi-vendor access infrastructure. | Improves ISP service while decreasing total costs of ownership and operations.<br>Provides carriers new sources of revenue and helps to retain customer base in a competitive market. |
| **InterChoice** | Enables carriers to provide Internet access to one or more ISPs at any time, without having to subscribe to a specific provider. Customers can switch ISPs as many times as they wish during a call. Billing is included in the carrier's bundled bill. | Imparts flexibility of ISP choice to customers.<br>Improves carrier revenue and helps retain customer base.<br>Provides ISP with additional source of revenue. |
| **InterPay** | Provides carriers with the ability to handle micro-transactions, while payments are integrated in their bundled bill. | Creates new business opportunities for the carrier and e-commerce service providers.<br>No credit cards needed. |
| **InterRoute** | Lets carriers offer low-cost flat fees by utilizing Internet access infrastructure during off-peak hours. | The carrier and ISP can maximize usage of existing resources<br>Offers a comparatively low-cost service that appeals to sectors that otherwise would not use the Internet. |



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| | | |
|---|---|---|
| **InterTrend** | A service management toolkit for both the carrier and ISP, including integrated or stand-alone flexible solutions for performance management; capacity and resource planning; service level agreement (SLA) verification; and systems and operations management. | Carrier knows in advance if required to add resources.<br>Carrier knows in advance where to add needed resources.<br>ISP knows in advance if it will require more ports and/or bandwidth.<br>Differentiated by useful reports on service levels achieved for various users of shared infrastructure. |
| **InterMeter** | Measures and displays the quality of service of the ISP's connection to the Internet from the customer's perspective. Enables the user to connect to the fastest and/or most cost effective ISP (as an add-on to InterChoice) by simply pushing a button. | Gives customer the ability to view performance of various ISPs and choose one based on price/performance considerations alone.<br>Differentiated by capability of enabling access provider with means to offer different service level agreements based on continuous monitoring of service quality.<br>Carrier can monitor the quality of service it provides to customers. |

## Case Study: The Israeli Internet Access Market

Elron Software Systems Integration's background in Internet access infrastructure began nearly 15 years ago, when Elron Software Systems Integration supplied an access point system to the Israeli telephone company Bezeq, which provided brokered on-line services (mainly content) to the Israeli public, while billing the customer through a conventional telephone bill.

In 1996, when Internet access became a major market, Elron Software Systems Integration supplied Bezeq with an Internet access service provisioning system based on Cisco equipment with microcom modems and a special interface to telephone switches. The system uses TACACS authentication and provides Internet on-demand services (Elron Software Systems Integration's InterChoice), and has been operational since early 1996. The



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use of this system created a revolution in Internet access in the Israeli market, enabling Bezeq to provide Internet access infrastructure while enabling ISPs – all the major Israeli IPSs signed on -- to concentrate on marketing, content and value-added services rather than on infrastructure technology alone.

The Internet access infrastructure has been upgraded with thousands of ports, using new NAS equipment consisting of equipment from different vendors (e.g., Ascend; Bay Networks; Cisco; Livingston; and 3Com), all based on RADIUS. The system currently supports both old and new-generation equipment and provides ISDN and 56Kbps modem connections. It is based on Compaq Alpha with Open VMS and Windows NT. Today, the system works with more than 20 ISPs and supports Elron Software Systems Integration's InterChoice, InterMeter, and InterTrend services.

In December 1998, InterRamp support for the wholesale ISP Internet access market was introduced by Bezeq, based on InterTools. It gives the Israeli telephone company the ability to provide point of presence wholesale services for different ISPs.

In a parallel initiative, Elron Software Systems Integration is currently developing the same Internet access concepts in the traditional dial-up market for cable operators and also solving multiple-technology issues relating to cable access and tunneling to multiple ISPs. In early 1999, a leading Israeli cable operator signed up and announced it will soon (within the next few months) provide Internet access capabilities using InterTools

## InterTools Target Market

The trend today is to introduce Internet access services in telecom media packages as a complement to existing services while providing customers (primarily retail end users or small office/home office users) the ability to have multiple services based on their existing connectivity infrastructure. The service provider can more easily retain his existing customer base, especially in a deregulated market. Another important market trend direction is towards Internet protocol (IP) convergence, in which a carrier provides telecom services such as voice, video, fax, etc., as well as IP, as opposed to the existing situation where these services are not bundled.

In simplified terms, the crux of the mission is the ability to offer consumers Internet access services in the same simple manner as switching between television channels, turning on a light switch, or dialing a friend's telephone number.



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The primary market focus for InterTools products and concepts are :

**Dial-up Internet access** - Useful for environments where a carrier is providing Internet access (based on ISDN or POTS infrastructures), and especially for CAPs, CLECs, ILECs and RBOCs. In this setting, the customer is given the ability to access any Internet service in the same way he or she would make a telephone call or choose between different long-distance providers. In addition, InterTools provide the ability to use an existing ISP subscription in the same way a customer can use a pre paid telephone card.

**DSL Internet access** - This high-speed Internet access taps the segment of the market where the telecom is effecting termination of the DSL connection and providing access to ISPs based on the Carriers's infrastructure. In this situation the telecom owns the access infrastructure (the DSL is terminated in the CO, as opposed to dial-up access where it can be terminated on the ISP's premises). InterTools provides both Internet on-demand access (InterChoice) and the ability to choose a predetermined ISP (InterRamp). The target markets are the G.lite market (i.e., 1.5MB without splitters and rewiring) and other offshoots of xDSL (e.g., ADSL; HDSL; RADSL; VDSL, etc.). In this environment, InterTools provides the same value-added service in an "always on" environment while providing the customer with the ability to use this access in the same way as for a dial-up environment.

**Cable** - Targeted towards the high-speed Internet access segment of the market, where the cable operator/MSO is terminating the cable connection and providing access to ISP's based on his infrastructure. Here the MSO owns the access infrastructure (CATV is terminated in the CMTS as opposed to dial-up access where it can be terminated on the ISP's premises). InterTools provides both the Internet on-demand access (InterChoice) and the ability to choose a predetermined ISP (InterRamp). The target markets for both are the cable modem and the set top box niches. In this environment, InterTools provides the same value-added service in an "always on" environment while providing the customer with the ability to use this access in the same way as for a dial up environment.

Additionally, for the cable sector (as for other broadband Internet access, such as xDSL), an Internet-circulated draft (draft-ietf-ipcdn-tor-00.txt) written by M. StJohns from @Home Network, states the following:



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*"5. Advanced Requirements*
*5.1. Multi-ISP (Internet Service Provider)*
***Various laws and regulations on the books in the United States today require equal access from a subscriber telephone to all long-distance networks. At the current time, the same is generally not true (in the US) for other services such as IP or for services provided over the cable infrastructure. But, globally, the trend appears to be towards open access through whatever communication media is available."***

Given this trend, one requirement on future systems will almost certainly be to provide subscriber access through to multiple ISPs. The simplest implementation of this would permit multiple ISPs on the cable plant, but only permit the subscriber to be associated with one of them at a time. The second, more complex and unfortunately more probable to be required implementation is to permit the subscriber to be associated with multiple ISPs with the specific ISP association changing dynamically. E.g. Dad signs on and is serviced by an ISP paid for by his company. Mom and kids sign on and they are serviced by a residential, family oriented ISP. The last and most complex implementation would have a single cable modem servicing multiple ISPs simultaneously.

A Carrier should provide the mechanism to at least permit a subscriber to specify and use any of a number of IP dial tone providers (ISPs) on a fairly static basis. It should allow the subscriber to change ISPs as a service change - e.g., requiring cable operator intervention and some non-immediate timeframe such as 24 hours. It may allow the subscriber to use multiple ISPs dynamically, in a non-simultaneous manner. It may allow the subscriber to use multiple ISPs simultaneously.

If a CDS provides a multi-ISP capability, it must do so in a secure manner. Specifically, it must prevent subscribers from using ISPs to which they are not subscribed. It must prevent L2 traffic from one ISPs subscriber pool from "leaking" into another ISP's virtual network. It must permit the various ISPs appropriate access to manage their subscribers.
In the future, it is the author's belief that most of the above "shoulds" and "mays" will become "musts" as various legislative and regulatory actions take place. It may be in the best interest of a CDS developer to add the hooks to provide these services earlier rather than later."

**Wireless** - This is a high-speed Internet access segment of the market where the wireless provider terminates the spread spectrum radio connection and provides access to ISPs based on its infrastructure. In this situation, the wireless provider can own the access infrastructure or it can be purchased and managed by any corporation. This market includes cellular



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operators utilizing different technologies (AMPS; CDMA; GSM; TDMA, etc.) and any other specific wireless technology, such as LMDS, WLL, etc. InterTools provides both Internet on-demand access (InterChoice) and the ability to choose a predetermined ISP (InterRamp).

**DBS** - This is a high-speed Internet access segment of the market where the DBS provider terminates the DBS connection and provides access to ISPs based on its infrastructure. Here the DBS provider owns the access infrastructure (DBS is terminated in the satellite termination equipment as opposed to dial-up access where it can be terminated on the ISP's premises). InterTools provides both Internet on-demand access (InterChoice) and the ability to choose a predetermined ISP (InterRamp). In this environment, InterTools provides the same value-added service in an "always on" environment while providing the customer with the ability to use this access in the same way as for a dial-up environment.
According to a new report on this market, the following is excerpted from a December 1, 1998 article published by IDG entitled "Satellites Emerge as Broadband Contenders".

*"Satellites will emerge as a global option for broadband Internet services, edging past digital subscriber lines and gaining on cable modems through 2007, according to a new report. Broadband satellite service will be more widely available starting in 2002. Demand, particularly from rural areas, is expected to push the fledgling market to 39.6 million subscriber homes by 2007, trailing cable modems, which Pioneer Consulting expects to be in 46.78 million homes by then. While Pioneer analyst Scott Clavenna doesn't expect satellite to unseat cable modems for top place in the broadband access arena, satellite is more akin to the Internet and likely to draw online users who don't have reliable high-speed access from telephone companies or cable providers."*

**Utilities providers** - In this market utility providers (usually electricity or gas companies) own the infrastructure and can provide Internet access in the same way metering information is transferred from the meter located in the CPE. In this sector, InterTools provides both Internet on-demand access (InterChoice) and the ability to choose a predetermined ISP (InterRamp).

## InterTools Product Differentiation

InterTools stands in a league by itself, so the most significant differentiation is the uniqueness of its capabilities and the simplicity of its integration. However, in order to provide some level of evaluation the following sections offers some specific service advantages.



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## General Advantages

**Access media** - InterTools supports different types of NASs from different vendors, which provide the carrier the ability to leverage its existing NAS infrastructure. InterTools is well-suited for situations where carriers acquire ISPs or merge with other carriers. Additionally, it provides the carrier the ability to change or extend its NAS infrastructure without purchasing new service provision solutions.

**Narrow- and broadband access** - InterTools supports both narrow (e.g., ISDN, PSTN) and broadband Internet access (e.g., cable, xDSL). This functionality provides the carrier the ability to provision services using a single solution independent of access media termination systems (e.g., CMTS, DSLAM, NAS) and reduces the overall total cost of ownership.

**Network infrastructure transparency** - InterTools provides carriers the ability to leverage existing network infrastructure and extend it using standard commercial "off the shelf" network elements. InterTools supports the leading network elements in the markets and has the ability to be customized to other network elements.

**Management strengths** - InterTools gives carriers the ability to manage the overall system from a single point using a standard browser, while provide them with the additional ability to monitor service level agreements, analyze trends, forecast and plan capacity, and manage overall system configuration. In addition, it allows ISPs to monitor and verify service level agreements, and lets them manage their virtual part of the overall access system as if it belonged to them. The management system provides different types of reporting tools, including:

- Call distribution reports
- Resource utilization reports
- Capacity planning reports
- Statistical reports (e.g., busy hours, off-peak hours, call duration)
- Income reports
- Promotion impact reports
- Availability reports
- History comparison reports



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**Scalability and high availability** - InterTools provides carriers with the ability to scale with the growth of their customer base and provide a redundant solution with high availability. Scalability is done in terms of servers, processors, network infrastructure and number of access termination equipment.

**Flexibility** – InterTools provides carriers the ability to add functionality to their systems without interrupting service provisions. This includes support for enabling other types of access protocols beyond RADIUS (DSM-CC, diameter, etc.), the ability to add other InterTools services, adding new access termination equipment, and adding attributes and logic.

**Localization** - InterTools provides a localization functionality that offers the capability to support multilingual, date format, currency and different time zones (e.g., in cases where the access service is nationwide with different time zones), managed by a central system.

**Billing and customer care** – InterTools provides standard interfaces to carrier MIS systems for billing and customer care, to facilitate integration of raw billing data while leveraging the carrier's existing systems.

**Authorization** - InterTools provides authorization services, which provide carriers the ability to block consumers based on their calling identification or hardware identification. These are suitable for dial-up, xDSL and cable access.

## InterRamp Advantages

**ISP customer care** – InterTools provides ISPs with a way to outsource customer care to carrier systems so that full access services will be handled by carrier operators.

**Service level agreements** – InterTools provides service level agreements features for carriers and ISPs, with the flexibility to define port types (e.g., ISDN, PSTN, xDSL), numbers of ports and the ability to define overflow rules for the ISP (different prices per port or usage-based pricing).

**Fraud detection** - InterTools lets carriers and ISPs protect their customers from fraud detection by giving them the ability to define the calling/hardware identification from where they have Internet access, so that others will not have the ability to use customers' usernames/passwords.



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**Customers' detection** - InterTools allows the detection of target ISPs based on telephone/hardware identification or domain name.

**Proxy services** - InterTools provides RADIUS proxy services, normalizing the radius attributes for the specific access equipment types supported by the ISP, without the complexity of supporting different access equipment types on the ISP's side.

## InterChoice Advantages

InterChoice is a unique service provided by InterTools giving carriers the ability to place value-added access services on top of existing infrastructure and maximize utilization of network resources.

InterChoice provides the end user the ability to choose an ISP using a standard browser and without having any special client software, while the payment is integrated in the end user's bill, without being tied to a specific ISP or having to use credit cards.

InterChoice is built in a way that can provide different classes of service, using different network pipes to the ISP, and bills the customer according to the specific quality of service arrangement selected.



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## Appendix A – InterChoice Example

**Internet Service Providers Selector**

Disconnect! | Price/Performance | Fastest | Cheapest | < Criteria Based Selection

| (*) Actual Performance | 1Hr/USD | Con. Fee | Available ISP name list | |
|---|---|---|---|---|
| | $ 0.1 | - | Spiders | Connect |
| | $ 0.12 | $ 0.1 | Gold Net | Connect |
| | $ 0.20 | $ 0.14 | America On Line | Connect |
| | $ 0.12 | $ 0.1 | GoldNet | Connect |
| | $ 0.12 | - | Web Master Net | Connect |
| | $ 0.12 | $ 0.1 | IBM Globe Net | Connect |
| | $ 0.20 | $ 0.1 | Shark Net | Connect |
| | $ 0.14 | $ 0.1 | Internet Master | Connect |
| | $ 0.12 | - | FastCom | Connect |
| | $ 0.1 | - | AIM Com | Connect |

Select an ISP best suite your requirements, your phone bill will be charged. You have full access free of ISP subscription !



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As seen from the screenshot taken of InterChoice, as deployed by Bezeq for the dial-up market, this is a typical HTML page, as displayed to an InterChoice user. As part of this page, one can readily see the relevant list of ISPs (which may be random for each user or in a predefined order, according to the carrier's policy), the price per hour for each ISP including connection fee, and the price per hour. The actual performance is the result of the metering done by InterMeter and is integrated as a part of the page.

There are different ways to connect to the ISP:

- By selecting the connect button of each ISP, or
- By selecting the cheapest and fastest price/performance buttons on the top of the page.
- When the user wants to disconnect from the service he may do so in one of the following ways:
- By hanging up his modem connection (for dial-up services).
- By using the disconnect button, which provide users the ability to access other free services.
- By using connect button, which entails disconnecting from one ISP and connecting to another.



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ELRON SOFTWARE

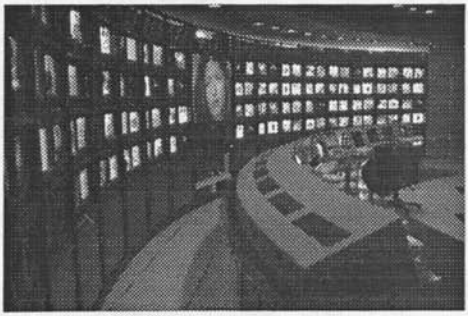
# InterTools™ for Cable Operators – A Success Story

## Golden Channels to Offer Advanced Digital Video and Data Services

### *Israel's Largest Cable Operator*

Established in 1989, Golden Channels is Israel's largest cable television operator. It is jointly owned by the international Aurec Group and local media companies. The Aurec Group is a leading provider of telecommunication, media and information services. It is owned by the Morris Kahn Group and the U.S. Telecommunications Inc. (formerly Southwestern Bell).

Golden Channels' cable television broadcasting franchise areas include the capital city of Jerusalem, major cities in the densely populated Tel-Aviv metropolitan area and towns and settlements in the north and south of Israel. Golden Channels' cable TV network passes more than 650,000 homes. Penetration rate has reached 66 percent, with 430,000 households currently subscribing to Golden Channels. It broadcasts 48 channels and more than 30 radio channels.



Golden Channels' control room

### *Golden Channels' Challenge*

Israel is expected to soon open its communication market for free competition. New operators are eager to enter the deregulated market. Golden Channels wants to maintain and increase its market share by introducing new services, thus generating multiple revenue streams from its cable network.

Golden Channels has started a transition from their traditional core business of analog entertainment video programming to a position as a full digital service provider of video, voice and data telecommunications services, thus becoming a multiple services operator (MSO).

Golden Channels will provide its subscribers with an array of innovative interactive services. Initially the upgraded network will allow the delivery of more channels, high-speed Internet access, Near-Video On Demand (NVOD) and Electronic Program Guides (EPGs). Other future services will include IP telephony, E-commerce, Virtual Private Networks (VPNs) and Video Conferencing.

Golden Channels must also comply with national regulations, requiring them to open their cable network to third-party ISP competition. This will allow consumers to obtain affordable, high-speed access to the Internet from the Internet service provider (ISP) of their choice.

Golden Channels is dedicated to provide an open access high-speed cable Internet system. This despite declarations by technological giants, such as AT&T, that open access over broadband is problematic.

> *"AT&T and @Home executives responded today saying that the trial project had ignored technical issues that would be problematic in a large-scale rollout of an open-access cable system."*

Time-to-market is critical for Golden Channels, as a massive rollout of competitive digital subscriber lines (DSL) for high-speed Internet access was expected.

### *Golden Channels Chose Elron Software*

Golden Channels chose Elron Software's InterTools to provide the Internet access solution. Elron Software is also the turnkey system integrator with responsibility for the integration of Golden Channels' MIS-systems (customer care and billing), network management system (NMS) and hardware from different vendors.

> *"After a rigorous competition Elron Software InterTools was the clear winner providing the following:*
>
> - *A qualified system integrator with turnkey responsibility*
> - *A field-proven open access solution enabling us a record-fast deployment and time-to-market"*

states Amos Kohn, VP of engineering and technology at Golden Channels.

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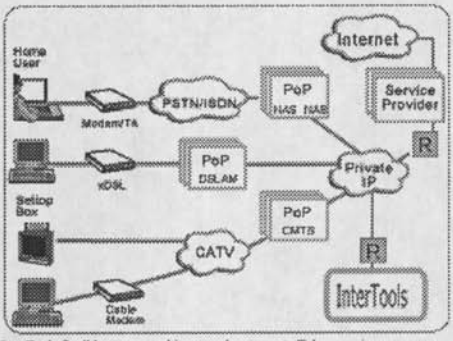
## InterTools a 24x7 Solution

Elron Software's patent pending InterTools is a unique sophisticated package of integrated telesoft components. InterTools supports multiple services operators (MSOs) in introducing IP-based services to multiple markets, such as ISP wholesale (open access), subscription-free Internet connection for end-users, virtual private networks (VPNs) and added-value services. The figure shows InterTools flexible system architecture that also supports Telco narrow and broadband access technologies for roaming.




InterTools flexible system architecture also supports Telco roaming

InterTools is a carrier-class solution that will guarantee the cable operator's customers Internet access 24 hours a day, seven days a week. InterTools has been built with scalability and redundancy (hot standby) in mind. To boost performance it also includes load balancing.

## InterTools Components

**InterTools** consists of five products, which are used to build scalable and customized solutions for the cable operator.

- **InterAccess**, the basic platform, provides RADIUS Authentication, Authorization and Accounting services.
- **InterChoice**, enables a carrier to provide its customers with Internet access to one or more ISPs.
- **InterRamp**, gives a carrier the ability to provide ISP wholesale, with customer care, accounting and billing.
- **InterTrend,** provides statistical data for both carrier and ISPs.
- **InterPay**, provides a carrier with the ability to handle all types of financial transactions.

## Golden Channels Open Access Solution

Golden Channels' network topology consists of a SDH backbone that connects the single Master Headend with its franchise regions' Sub Headends. All subscribers are connected using advanced distribution networks of the HFC type. It is a HFC protected ring infrastructure, with between 120 to 500 homes passed per fiber optic node. All Cable Modem Termination Systems (CMTSs), Cable Modems (CMs) should be DOCSIS and Set-top Boxes (STBs) DVB/RC compliant.

Golden Channels' network includes web cashing to avoid Internet bottlenecks and speed up web page access for its subscribers.

All ISPs are connected to an Internet Gateway at the Master Headend. InterTools will, upon user selection, provision and configure the network dynamically, and direct outgoing an incoming traffic to the selected ISP. The ubiquitous RADIUS protocol is used for authentication, authorization and accounting (AAA).

Elron Software has integrated InterTools with Golden Channels' operations support system (OSS) for customer care, allowing self-registration and automated provisioning of the services.

## ISP Selection

Golden Channels' customers can connect to the Internet via the ISP he has a subscription to. Customers that have subscriptions to several ISPs can choose the ISP from a user-friendly web portal. They can even get Internet access to other ISPs at any time without prior subscription. Billing will be through the customer's regular cable bill.

Golden Channels' web portal provides personalization capabilities, which enables the end user to customize and simplify the web portal interface.

The web portal is invoked using a standard web browser and the customer does not need to install any additional software.

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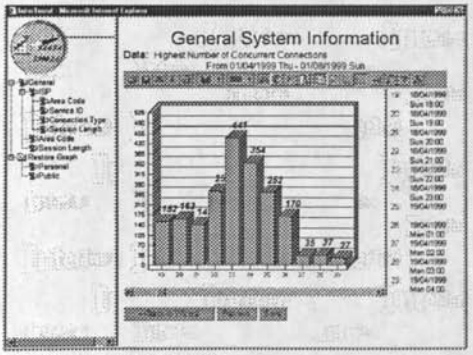
Selection of ISP

## Performance Management with Resource Planning

InterTools includes statistical tools for performance management, capacity and resource planning, service level agreement verification (SLA), and operations and service management.

The statistical data package is extremely powerful and flexible. The exact layout of the available reports and data is customized for each carrier and ISP. All the reports are prepared in advance, by dedicated scripts, to ensure fast response time.



Verification of service level agreement

## Customer Care with Self-Registration

Elron Software has integrated InterTools with Golden Channels' customer care. A subscriber can from his cable modem or set-top box, via the web, register for Internet access services. An automated provisioning process follows the registration, which will enable the subscriber to be on-line immediately. This self-provisioning enables a rapid deployment of cable modems and set-top boxes, supporting the addition of thousands of new subscribers every week. The customer is able to purchase and install his cable modem/set-top box by himself, without any need for a visit from a technician.

## Flexible Billing Models

Golden Channels wants to have freedom of billing methods. Their marketing and sales department will be able to use in a convenient way, flat rate, time based and usage based billing.

InterTools enables all billing methods and supports different business models both for subscribers and ISPs. It creates uniform call data records (CDRs) for the accounting.

Elron Software performed a smooth integration with Golden Channels' billing and customer care systems.

## Your Cablesoft Partner

Elron Software has been providing advanced solutions for major carriers since 1983. We are part of the Elron group, a $1.2 billion multi-national company. Our over 400 engineers are well experienced in providing a customized solution that fits you completely.

## Become Part of the Internet Market

InterTools is a field-proven 24x7 hours solution, with an installed base both at Telcos and Cables. Today InterTools enables you to become a MSO and be a part of the exploding Internet market. InterTools offers you an attractive and comprehensive Internet access service package.

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ELRON SOFTWARE

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The information herein is accurate at the time of printing and subject to change without notice.

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Web Site: www.ncc.co.il

***Creative Solutions***

# Facsimile Transmittal

15. HP Agreement

| | | | |
|---|---|---|---|
| To: | Mr. Burton Grad | Fax: | 203-222-8728 |
| From: | Moshe Attias | Date: | 03.15.00 |
| Re: | | Pages: | 14 |

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply

Dear Mr. Grad,

Following our phone conversation, enclosed please find a copy of the contract between HP & Elron Software.

The rest of the papers will be sending to you later on.

Regards,
Moshe Attias

HEWLETT PACKARD

CONTRACT Exhibit TM10MTSD

**CONTRACT**

**BETWEEN**

**HEWLETT-PACKARD LIMITED**

**AND**

**ELRON SOFTWARE INC**

HEWLETT® PACKARD

CONTRACT

Exhibit TM10M1SD

**Table Of Contents**

**Sections of the Agreement**



**Exhibits to the Agreement**

HEWLETT PACKARD

CONTRACT

Exhibit TM10MTSD

WHEREAS

Hewlett-Packard (HP) UK Limited's Telecom Systems Division is engaged in the business of developing, marketing and selling SS7 Link Monitoring Systems (LMS) to Telecommunications companies worldwide;

AND

Elron Software NCC (ELRON) is in the business of developing, marketing and selling Software products to its customers worldwide;

NOW THEREFORE

HP and Elron desire to enter into an Agreement to provide for the parties to work together to derive mutual business benefits from developing, marketing and selling Link Monitoring System solutions for Business Intelligence which may include certain of Elron's Software Products; and it is intended that such solutions shall be offered for sale through HP's Sales Channels both to HP's existing telecoms customers and to any other customers desiring to purchase such solutions;

IN CONSEQUENCE OF THE ABOVE THE FOLLOWING AGREEMENT IS MADE:

This Contract Agreement ("Agreement") is made between HEWLETT-PACKARD LIMITED (hereinafter referred to as HP), having a registered place of business in England and Elron Software NCC Export (1998) Limited (hereinafter referred to as Elron), having a registered place of business in Israel, as of <insert effective date> ("Effective Date").

The purpose of this Agreement is to set forth the mutually agreeable terms and conditions under which Elron shall supply Product Deliverables and/or provide Services.

## 1. DEFINITIONS

a) **"Change Order"** means an agreed upon change or modification to this Agreement and its Exhibits as detailed in Section 7 below and in Exhibit 2.

b) **"End Customer"** means a Customer for which HP will carry out a Project, which may include supply of a System and/or associated services.

c) **"End Customer Acceptance"** means End Customer's acceptance of the System pursuant to the Master Agreement between HP and End Customer.

d) **"Customer Site"** means any location at which Elron shall deliver software and/or services.

e) **"Installation Site"** means any location within the Customer Site where Elron's deliverables shall be installed and put into operational service.

f) **"Master Agreement"** means any proposed or signed agreement between HP and an End Customer.

g) **"Project"** means an End Customer's requirement for a System together with any associated services.

h) **"Elron Deliverable"** means any item of software to be provided by Elron.

i) **"Elron Schedule"** means the schedule for delivery, installation and End Customer Acceptance as defined in Exhibit 8.

j) **"Elron Services"** means the design, development, consultancy, implementation, education, training, or other services (excluding Elron Support) to be provided by Elron under this Agreement as detailed in Exhibit 11.

k) **"Elron Specification"** means the specification(s) for the Elron Deliverable(s) set forth in Exhibit 7.

l) **"Elron Software"** means any software with its associated documentation as defined in Exhibit 7.

m) "Elron Support" means any support services to be provided by Elron as defined in Exhibit 1.

n) **"System"** means collectively all the hardware and software to be installed at the Installation Site(s).

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o) Call Performance Manager means a particular Elron software application formally known by various names including IRMA, CFA etc.

## 2. FLOW DOWN

a) a)Elron acknowledges that certain terms and conditions in Master Agreement(s) may require to be incorporated into this Agreement; in which case Elron and HP agree that all such relevant Master Agreement terms and conditions will be binding upon Elron once incorporated herein by means of a Change Order. In the event that Elron and HP cannot agree upon the incorporation of such terms, then HP has in its sole discretion the right not to enter into such a Master Agreement.

## 3. ELRON OBLIGATIONS

a) Elron shall supply their Deliverables and/or provide Services and/or Support in Accordance with the terms and conditions contained in this Agreement, including but not limited to the Specification detailed in Exhibit 7, the listing of Software in Exhibit 4, the Services set forth in Exhibit 11, and the Support set forth in Exhibit 1.

b) On the dates defined in Exhibit 8 or any subsequent amendment thereto, Elron shall deliver such Deliverables, Services and/or Support to HP or HP's End Customer as defined in Exhibit 8.

c) Elron grants to HP a license to use any and all Software deliverables supplied hereunder in accordance with the license terms defined in Exhibit 3. HP shall have the right to sublicense such Software to its End Customers upon payment of the appropriate OEM Resale fee to Elron as defined in Exhibit 6.

d) In performing its obligations hereunder, Elron shall cooperate fully with HP in meeting the requirements of any Master Agreement. The parties will negotiate in good faith to resolve any dispute between them regarding this Agreement. If such negotiations do not resolve the dispute to the satisfaction of both parties then the Project Managers will escalate the matter to their superior, who will meet and attempt to reach a mutually agreeable resolution of the dispute. If such negotiation and meetings do not resolve the dispute to the satisfaction of both parties then each party will nominate as its representative one senior executive of the rank of General Manager or higher for HP and an equivalent rank for Elron. These representatives will meet in person and alone (except for one assistant allowed for each party) and will attempt in good faith to resolve the dispute. This meeting will be a required prerequisite before either party may seek judicial or governmental resolution of the dispute, except for either party's right to seek injunctive relief. The parties may agree to pursue any other additional mutually acceptable dispute resolution method but such pursuit will not modify the above-stated prerequisite.

e Elron shall appoint a representative to supervise and coordinate Elron's performance of its obligations under this Agreement. The representative will provide professional and prompt liaison with HP and have the necessary expertise and authority to act on Elron's behalf in performing this Agreement. Elron's representative will attend progress meetings with HP and will provide to HP regular progress reports, at times and in formats reasonably agreed by the parties.

f All Elron personnel shall be adequately trained and qualified to perform the tasks they are assigned. All Elron personnel shall meet the licensing, security, labor and site requirements for the locale where the Elron Services and/or Elron Support are being performed.

g Time is of the essence in the performance of this Agreement. Elron agrees to meet each milestone in the Schedule on the date set forth in Exhibit 8. Elron shall provide prompt written notice to HP of any actual or anticipated delays in meeting the Elron Schedule, such notice to include a detailed plan to recover the time lost because of such delay.

h. In the event that Elron fails to fulfill an obligation by the date specified in Exhibit 8, Elron shall at the request of HP and in addition to HP's other rights and remedies, arrange all such additional resources as are necessary to fulfill that obligation as early as practicable thereafter, at no additional charge to HP or End Customer. Delay in delivery caused by Elron, shall be considered a material breach of this Agreement.

i) From time to time HP may request Elron to develop a custom product or modifications to standard product in order to meet the requirements of HP's End Customer base. Elron agrees to provide such services to HP on commercially reasonable terms during the term of this Agreement. Such development work shall be the subject of a Change Order hereto, which shall, inter alia, define the terms, conditions and ownership of the products of such efforts.

## 4. HP OBLIGATIONS

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a) HP will comply with the general obligations stated below, together with the payment obligations as described in Exhibit 6. Elron is entitled to rely upon HP's timely and satisfactory performance of these and only these obligations.

b) HP will provide Elron with access to, and use of, all information, data, documentation, computer time, facilities, working space and office services reasonably required to permit Elron to perform Elron's obligations hereunder, including technical support through the agreement period.

c) HP will appoint a representative as Elron's contact. The HP representative will provide professional and prompt liaison with Elron and have the necessary expertise and authority to bind HP.

d) The HP representative will attend progress meetings scheduled between HP and Elron at regular intervals, to maintain clear and open channels of communication, to minimize problems and to facilitate planning.

e) HP will be the sole point of contact with any End Customer and representatives of End Customer in connection with any Project. Elron shall not have any direct contact with Customer on matters arising from or related to the business contemplated under this Agreement without the prior consent of HP.

f) HP will provide all the required End customer's facility access (security, coordination, etc.) enabling Elron staff to perform their tasks.

g) Time is of the essence in the performance of this Agreement. HP agrees to meet each Milestone in the Schedule on the date set forth in Exhibit B. HP shall provide prompt written notice to Elron of any actual or anticipated delays in meeting the HP Schedule, such notice to include a detailed plan to recover the time lost because of such delay.

## 6. PRICE AND PAYMENT

a) The net prices for Elron's Deliverables and Services are specified in Exhibit 6. No payment shall be due to Elron for additional or different deliverables or services rendered other than those described herein unless Elron obtains an Approved Change Order pursuant to Section 7 below for such deliverables or services and any associated fees.

b) Elron shall issue invoices in accordance with the payment schedule specified in Exhibit 6. HP will pay all invoices within 45 days from the later of Acceptance (based on Exhibit 9 and Clause 8 hereof) or date of invoice.

## 8. TITLE AND RISK

a) Elron shall bear the risk of loss and damage for each individual Deliverable until arrival either at the Customer Site or at HP, as the case may be. Thereafter, risk of loss and damage for each individual Deliverable will pass to HP or End Customer as set forth in the Master Agreement.

b) Title to Elron Deliverables will pass to HP on delivery to HP or to Customer Site, whichever occurs first.

## 7. CHANGE ORDERS

a) Requests and recommendations for Change Orders will be made in writing in the form attached as Exhibit 2. All changes shall be strictly subject to mutual agreement of both parties hereto.

b) Upon HP's submission of a Change Order, Elron shall advise HP of the resultant impact on cost and Schedule and will provide such information as will permit HP to determine the reasonableness of the cost and Schedule impact. HP and Elron shall negotiate in good faith reasonable adjustment of cost and/or schedule terms. After reaching agreement on such cost and schedule terms, Elron shall proceed with the Change Order to meet the revised Elron Schedule. Pending agreement, Elron shall continue to perform and be paid as if such Change Order had not been requested or recommended.

## 8. ACCEPTANCE

a) HP's acceptance of Elron's Deliverables and/or Services will occur at the time of End Customer Acceptance. In the case of Elron's Software deliverables, the acceptance criteria for same are set

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forth in Exhibit 9. An Acceptance Period commences upon Elron's notice to HP that acceptance activities may begin. The Acceptance Period shall be 30 calendar days, unless agreed otherwise for a particular Project. If Acceptance is delayed by End Customer's acts of omissions or default, and in consequence is not completed by the end of the Acceptance Period, the Elron Software deliverable will be deemed accepted by default for the purposes of payment; and HP shall pay Elron those sums due in accordance with Exhibit 6 hereof. Acceptance by default shall not relieve Elron of the obligation to complete any services which Elron has been contracted to provide, including but not limited to any Acceptance Testing activities, and Elron shall resume performance of any such obligations as soon as the cause of the delay has been remedied. If the scope of Elron's obligations increases beyond that originally contracted for as a result of Acceptance by default, Elron may request a Change Order be issued and agreed to fund any additional efforts required to achieve Acceptance. In the case of Elron's services, the parties acknowledge that the acceptance criteria may vary according to the nature of said services; however the parties agree to raise a Change Order to incorporate specific acceptance criteria into this Agreement as may be necessary.

b) If at completion of Acceptance Testing activities End Customer does not accept the System then: (I) where Elron is responsible in whole or in part for such non acceptance, Elron shall take such steps as may be reasonably required to ensure End Customer Acceptance.(II) where HP is responsible for such non-acceptance, HP shall take such steps as may be reasonably required to ensure End Customer Acceptance; if in such circumstances HP's actions do not result in Acceptance being achieved within a further 30 day period, Elron's deliverable shall be deemed accepted by default as per Clause 8a hereof and handled as prescribed therein. Elron shall have the right to escalate this matter.

c) If Elron fails to ensure End Customer Acceptance as set out in Section 8.b. above within an additional cure period of 30 (thirty) days,following written notice of same from HP, HP shall have the right to remedy, or to hire a third party to remedy, such failure at Elron's expense not to exceed each project's OEM Resale fee.

## 9. WARRANTIES

a) **Elron Deliverables.**

1) For a period of one year following End Customer Acceptance (or HP's acceptance based on criteria defined in Exhibit 9), Elron warrants that Elron Software will not fail to execute its programming instructions due to defects in materials and workmanship when properly installed and used in the System. Elron further warrants that Elron Software will substantially conform to the Elron Specifications in Exhibit 7 and to specific technical information about such Elron Software which is published by Elron in Elron's product manuals and datasheets in effect on the date Elron ships such Elron Software. Elron also warrants that Elron Software will interoperate with the System, provided that Elron has received a full description of the System and its specifications and on the condition that the End Customer uses the System according to these specifications.

2) During the applicable warranty period, Elron shall test and remedy, without charge to HP or End Customer, any and all portions of the Elron Deliverables which HP or End Customer reports as defective or non-conforming. Elron shall investigate, replace or begin to correct defective or non conforming Elron Deliverables immediately upon notice and will continue diligently in accordance with any response time commitment from Hr to End Customer, until the defective or non-conforming Elron Deliverables are corrected, providing written progress reports as requested by HP.

3) During the applicable warranty period, if Elron is unable to remedy any defective or non-conforming Elron Deliverables within a reasonable period of time from the time of HP's written notification (not to exceed any response time commitment from HP to End Customer which will be shared with Elron), HP will have the right, in addition to all other rights available to HP under this Agreement and in law or equity, to either: (i) return the Elron Deliverables to Elron and receive a refund of all payments made by Hr to Elron under this Agreement; (ii) return an individual Elron Deliverable to Elron and receive a full refund of all payments made by HP to Elron under this Agreement for Deliverable which has been returned; or (iii) keep the Elron Deliverables under the same rights set forth in Section 11 below. If HP elects to return all or part of the Elron Deliverables, Elron shall pay Hr for all additional amounts incurred by HP to acquire such Deliverables from a third party above the price specified in Exhibit 6 (not to exceed the total amount of the OEM Resale and other fees due to Elron under this Agreement.) Note : For the NTT Project only, these amounts are not to exceed the value of $125,000, being the consideration payable. If HP elects to keep the Elron Deliverables, HP may withhold any and all remaining payments due hereunder and Elron shall pay HP any additional costs incurred by HP in remedying the defective or non conforming Elron Deliverables, to the extent that such costs exceed the amount HP would have paid Elron under this Agreement but for Elron's failure to remedy the defective or non-conforming Elron Deliverables.

4) Elron warrants and represents that enhancements, upgrades, new releases, and new versions of Elron Deliverables will interoperate with the System based on Exhibit 7.

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b) Elron warrants and represents that each Elron Deliverable (including but not limited to Software and firmware, and all enhancements, upgrades, new releases and new versions thereof) delivered under this Agreement will be able to accurately process data (including, but no limited to, calculating, comparing and sequencing) from, into and between the twentieth and twenty-first centuries, including leap year calculations, when used in accordance with the product documentation provided by Elron, provided that all other products of HP and the End Users (e.g. hardware, software, firmware) used in combination with the Elron Deliverables properly exchange date data with it. If this Agreement requires that specific Elron Deliverable must perform as a system in accordance with the foregoing warranty, then that warranty shall apply to those Elron Deliverables as a system. The duration of this warranty shall be from the date of Customer Acceptance through January 31,2001, and the remedies available for breach of this warranty shall be defined in, and subject to, the terms and limitations of the warranties contained in this Agreement. Nothing in this warranty shall be construed to limit any rights or remedies provided elsewhere in this Agreement with respect to matters other than Year 2000 performance.

b) **Elron Services and Support.** Elron warrants and represents that it is fully competent to perform the Services and the Support and possesses the necessary expertise and financial resources. Elron further warrants and represents that it will provide all Services and Support contracted for hereunder with reasonable care, skill and diligence in a professional and workmanlike manner using suitably qualified and experienced personnel consistent with the highest standards and common practices in the industry.

c) **No Conflict.** Elron warrants and represents that it is under no obligation or restriction nor shall it assume any such obligation or restriction which would in any way interfere with or be inconsistent with, or present a conflict of interest concerning, the supply of Elron Deliverables or the performance of Elron Services or Elron Support under this Agreement.

d) **Noninfringement.** Elron warrants and represents that its Deliverables, Services and Support do not and will not violate or infringe any third party intellectual property rights, including without limitation, patent, trade secret, copyright, trademark, trade dress, utility model, industrial design, mask work or moral rights, and that Elron is not aware of any facts upon which such a claim could be made.

e) **Title and Authority.** Elron warrants and represents that it is the rightful owner of all rights, title and interest in Elron's Deliverables and that it has all rights necessary to grant the licenses granted and to make the assignments made under this Agreement

f) **Warranty Exclusion** Notwithstanding the sub-sections above of this Section 9, Elron shall have no warranty obligations if: (i) the End Customer has used or is using the Elron Deliverables in a manner that does not conform to Elron's written instructions or the provisions of Elron's documentation provided with the Deliverables; (ii) the End Customer or any third party has modified or attempted to modify the Elron Deliverables; (iii) the Elron Deliverable has been subjected to any extreme power surge or electromagnetic field; (iv) the End Customer has unreasonably refused to implement any changes recommended by Elron, (v) the warranty failure is due to HP or End Customer's implementation of incompatible changes or modifications to system components.

## 10. SUPPORT

a) Elron shall provide Support as detailed in Exhibit 1, and HP will make payments for such Support as detailed in Exhibit 6.

b) Elron shall maintain an inventory of equipment and trained personnel to support Elron Deliverables for at least five years from the date of last manufacture of such Deliverables. If after five years Elron does not continue to provide such support, Elron shall make available to HP all relevant manufacturing drawings and/or source code for the sole purpose of enabling HP to perform its obligations to existing End Customer, including support obligations. In the event that HP should make further sale(s) of Elron Deliverables beyond the date of Elron's discontinuance of support, Elron shall continue to receive any OEM Resale fee(s) due in accordance with Exhibit 6 hereof in respect of such sale(s).

c) Upon request by HP, Elron shall maintain a complete and current copy of the source code for Elron Software covered by Section 11.c. below in an escrow account selected by HP and pursuant to the terms of an escrow agreement approved by the parties, the terms of which shall ensure HP access to the source code for the sole purpose of performing its contractual obligations to End Customer in the event that it is demonstrated (as shall be detailed in the escrow agreement) that Elron is

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unable to perform its obligations hereunder. If HP makes such a request, all escrow fees will be borne by HP. The escrow account should placed in Israel, enabling an access for Elron.

## 11. INTELLECTUAL PROPERTY RIGHTS

a) All copyrights and other intellectual property rights existing prior to the Effective Date will belong to the party that owned such rights immediately prior to the Effective Date.

b) Any copyrights and other intellectual property rights which may arise or be created during the course of, and for the purpose of executing this Agreement, shall be retained by the originating party.

c) In the event that Elron provides to HP, pursuant to this Agreement, any Elron Deliverables, specifications or related documentation which have been developed independent of, and not for purposes of, this Agreement, Elron grants HP a non-exclusive, worldwide, perpetual and irrevocable license to such items as will permit HP to perform its contractual obligations to End Customer(s), including without limitation granting sublicenses to End Customer to use and exploit such Elron Deliverables as part of the System for the purposes set forth in any Master Agreement; subject to payment of the appropriate licence fee to Elron as defined in Exhibit 6.

d) No licences, express or implied, under any patents, copyrights, trade secrets or trademarks are granted by HP to Elron hereunder.

e) Elron asserts ownership of the Intellectual Property rights for the IRMA application (as defined in Exhibit 7 hereof; and HP shall not challenge or dispute such assertion during the course of this Agreement.

## 12. INDEMNITIES AND INSURANCE

a) Elron shall defend, indemnify and hold harmless HP and Customer from all claims, losses, liabilities, damages, costs and expenses (including legal and expert witness fees) suffered by reason of any third party claim to ownership of or any interest in any Elron Deliverable, Elron Services, Elron Support, or any portion thereof, including any claim made or any suit or proceeding brought against HP or End Customer insofar as it is based on an allegation that any portion of the Elron Deliverables, Elron Services or Elron Support infringes or violates any patent, copyright, trademark, trade secret, utility model, industrial design, mask work, moral right or other intellectual property right. If the use of the Elron Deliverables, Elron Services, or Elron Support, or any part thereof, is enjoined, Elron shall, at its sole expense and option: (i) procure for HP and Customer the right to continue using the Elron Deliverables, Elron Services or Elron Support; (ii) replace the Elron Deliverables, Elron Services or Elron Support with a non-infringing version of equivalent function and performance; or (iii) modify the Elron Deliverables, Elron Services or Elron Support to be non-infringing without detracting from function or performance.

b) Subject to clause 14; Elron agrees to defend, indemnify and hold harmless HP, its agents and employees, and Customer against all claims, losses, liabilities and damages, and to pay all claims, judgments, awards, costs and expenses (including attorney and expert witness fees) arising directly from Elron's negligent acts or omissions under this Agreement.

c) During the term of this Agreement, Elron shall maintain in full force and effect, at Elron's own expense, the insurance coverages and policy limits specified in Exhibit 5.

d) Certificates of insurance evidencing the required coverages and limits shall be furnished to HP before any work is commenced hereunder and will provide that there will be no cancellation or reduction of coverage without 30 days prior written notice to HP. The insurance policies shall cover Elron's activities in all jurisdictions where the Projects are located. If reasonably requested by HP, the insurance policies will be written by an insurance company with a rating specified by HP. Elron shall furnish copies of any endorsements subsequently issued which amend coverage or policy limits. Such policies shall name HP as an additional insured.

## 13. CONFIDENTIAL INFORMATION

a) In the event that Elron receives information from or belonging to End Customer, Elron agrees to execute such confidentiality agreement as End Customer may require prior to receiving same.

b) Any Confidential Information which may require to be exchanged between the parties during the course of this Agreement shall be handled in accordance with the Non Disclosure Agreement dated 2 May, 1999 which is hereby made a part of this Agreement by means of this reference.

## 14. REMEDIES AND LIABILITIES

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EXCEPT AS SPECIFICALLY PROVIDED FOR HEREIN:

a) IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR LOSS OF ACTUAL OR ANTICIPATED PROFITS, LOSS OF GOODWILL, LOSS OF BUSINESS, LOSS OF ANTICIPATED SAVINGS, LOSS OF REVENUE, LOSS OF DATA, OR, WITHOUT LIMITATION, FOR SPECIAL, INDIRECT OR CONSEQUENTIAL LOSS AND DAMAGE WHETHER ARISING OUT OF THE SUPPLY FUNCTIONING OR USE OF THE DELIVERABLES OR ANY OTHER OBLIGATIONS ASSUMED BY EITHER PARTY UNDER THIS AGREEMENT, AND WHETHER ARISING IN CONTRACT OR TORT, INCLUDING IN EACH CASE NEGLIGENCE, OR OTHERWISE HOWSOEVER AND WHETHER OR NOT EACH PARTY HAS ADVISED THE OTHER OF THE POSSIBILITY OF SUCH LOSS.

b) NOTHING IN THIS AGREEMENT SHALL EXCLUDE OR RESTRICT EITHER PARTY'S LIABILITY FOR DEATH OR PERSONAL INJURY CAUSED BY THE NEGLIGENCE OF THAT PARTY.

c) APART FROM THE LIABILITIES ASSOCIATED WITH INSURANCE IN EXHIBIT 5, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY AMOUNT GREATER THAN THE VALUE OF AN INDIVIDUAL PROJECT FOR A PARTICULAR CUSTOMER UNDER WHICH SUCH LIABILITY ARISES.

d) The parties agree that the NTT Japan project is a "crash" project, and that any broad form commercial penalties (such as Liquidated Damages) prescribed in the Master Agreement for that project shall not be flowed down from HP to Elron. These special circumstances shall be taken into consideration in the event that any default on Elron's part should arise during the execution of the NTT Japan project.

## 15. TERM AND TERMINATION

a) This Agreement will commence on the Effective Date and will continue (notwithstanding prior termination as provided for in c) below) until the later of i) both parties have fulfilled all of their obligations, including warranty and Support or ii)31 July 2002.

b) In the event that any Master Agreement is terminated, HP may terminate the affected portion of this Agreement forthwith upon no less than seven days advance notice in writing. Elron shall provide HP with any and all work in progress or completed pursuant to that Master Agreement. HP will pay Elron an equitable amount, based on the rates in Exhibit 6, for i) such delivered work or work in progress at the time of termination ii)actual labour hours travel and material costs incurred to return Elron's staff and equipment to Elron's base after the date of termination ; such amounts shall specifically exclude any OEM Resale fee payments provided that HP has not licensed an Elron Deliverable to the affected End Customer.Upon such termination, HP will make any payments then owed Elron, unless End Customer's termination is due to acts or omissions of Elron such as would constitute a breach of this Agreement.

c) This Agreement may be terminated immediately upon notice in writing:

1) By either party if the other party is in material breach of any of its obligations under this Agreement and fails to remedy the breach for a period of 30 days after a written notice by the other party which specifies the material breach.

2) By either party, if the other party has a receiver appointed, or an assignee for the benefit of creditors, or in the event of any insolvency or inability to pay debts as they become due by the other party, except as may be prohibited by applicable bankruptcy laws.

3) By either party, in the event of a Force Majeure circumstance, subject to Section 16.i. below.

dupon termination of this Agreement for any reason, Elron shall provide HP with any and all work in progress according to the procedure described in clause 15b) herein or completed pursuant to the Agreement. HP will pay Elron an equitable amount for such delivered work in progress. If the termination is due to acts or omissions of Elron such as would constitute a breach of this Agreement, HP will be untitled to deduct from these amounts payable to Elron any amount to which HP will be entitled in connection with such termination.

e) In the event this Agreement is terminated by HP pursuant to Section 15.c.1 because of Elron's breach, Elron shall reimburse HP (not to exceed the total amount of the OEM Resale fee and other fees due to Elron under this Agreement) for all reasonable costs of completing any Project incurred by HP that are greater than the amount HP would have paid Elron but for Elron's breach. This Section 15.e will not be construed as limiting or restricting any rights that HP may have against Elron for breach of this Agreement, and HP expressly reserves all such rights.

f) Upon termination of this Agreement or completion of Elron's performance, whichever occurs first, Elron shall promptly return to HP all materials provided by HP or Customer under this Agreement and all written Confidential Information of HP or Customer then held by Elron. HP shall promptly return to Elron all materials provided by Elron and all written Confidential Information of Elron

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then held by HP, except for the materials which are required by HP in order to perform its obligations to End Customers under the Master Agreements incorporated herein.

g) To the extent that any warranty, support, or other continuing obligation on Elron extends beyond the date of termination of this Agreement; all applicable Sections of this Agreement will continue to apply until such time as Elron's performance of its obligations is completed. Additionally, Sections 11 (Intellectual Property Rights) and 13 (Confidential Information) shall survive any termination of this Agreement. After termination of this Agreement, no further new business shall be transacted without Elron's prior agreement.

**16. GENERAL**

a) **Health and Safety.** Elron shall conduct its activities so that its equipment, working conditions and methods are safe and without risk to health for its own, HP's and End Customer's employees as well as for any other users of the location in which Elron is conducting its activities.

b) **Quality.** Elron shall maintain an objective quality program for the Elron Deliverables supplied pursuant to this Agreement. Elron's program will be in accordance with the current revision of Elron's quality system requirements (being an ISO9000 approved company) . Elron shall, upon HP's request, provide to HP copies of Elron's program and supporting test documentation, . Independent quality checks will be made by Elron periodically to assure quality performance. HP may also perform random quality checks of Elron's work pursuant to this Agreement. HP will coordinate with Elron the time of such checks. Elron shall provide a timely response and correction to any quality issues identified.For the IRMA Project delivery to NTT Japan only, Elron and HP agree to waive such QA procedural tasks in the interests of meeting the schedule requirements. This waiver does not allow basic quality requirements to be waived for deliveries to NTT Japan or any future projects.

c) **Right To Inspect.** HP shall have the right to inspect all of Elron's work under this Agreement, including Elron's manufacturing processes, at any time during normal working hours and in coordination with Elron, 7 days ahead. HP's inspection may be for any reason reasonably related to this Agreement, including to assure Elron's compliance with HP's requirements.

d) **Non-Restrictive Relationship.** Nothing in this Agreement shall be construed so as to preclude HP from developing, acquiring, marketing or providing products or services which may perform the same or similar functions as the Elron Deliverables and Elron Services, , all subject to HP's confidentiality undertaking as per Section 13 above. In addition, nothing in this Agreement shall be construed as to preclude Elron from selling and marketing any of its products and services to any other party.

e) **No Publicity.** Elron agrees not to publicize or disclose to any third party without the prior written consent of HP, either the terms of this Agreement or the fact of its existence and execution, or the participation of any End Customer(s), except as may be necessary to comply with other obligations and duties set forth in Exhibit 10 of this Agreement, or except as may be necessary to comply with any disclosure requirement under any law or regulation. In the event Elron is required to make such disclosure, Elron shall as a matter of courtesy inform HP of same as soon as is reasonably practical before such disclosure takes place.

f) **No Joint Venture.** Nothing contained in this Agreement shall be construed as creating a joint venture, partnership, or employment relationship between the parties hereto, nor shall either party have the right, power or authority to create any obligation or duty, express, implied, or of any other nature on behalf of the other.

g) **No Assignment.** Unless otherwise agreed in writing by HP, Elron shall not assign or transfer its rights, including through change in control of ownership, (namely, change of more than 50% of the shares) or delegate its responsibilities under this Agreement. Elron will be entitled, however, to assign or transfer its rights and obligations hereunder, in a framework of any restructuring undertaken by Elron or by its direct or indirect parent company, to any subsidiary of Elron, and/or any entity who is under the same control as Elron. Any purported assignment or delegation by Elron, including the attempted contracting of all or any portion of the work to be provided under this Agreement, shall be null and void.

h) **Export Administration Regulations.** Each party agrees to comply with all applicable laws and regulations which may govern the export of Elron Deliverables.

i) **Force Majeure.** Non-performance of either party will be excused to the extent that performance is rendered impossible or delayed by strike, fire, flood, governmental acts or orders or restrictions or other similar reason where failure to perform is beyond the control of and not caused by the negligence of the non-performing party ("Force Majeure"), provided that the non performing party gives prompt notice of such conditions to the other party and makes all reasonable efforts to perform. Should a circumstance of Force Majeure last more than thirty (30) days, each party may by written notice to the other party terminate this Agreement. Upon such termination, neither party

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will be liable to the other party, except for Section 15(d) which will apply in the event of such termination.

j) **Compliance With Laws.** Elron must perform its activities under this Agreement in compliance with all applicable national and local government requirements, including environmental, licensing and permit laws, rules, regulations, orders and ordinances, which may apply in the various jurisdictions where Elron's activities may be performed

k) **Non-Solicitation.** During the term of this Agreement, neither party shall directly solicit the other party's personnel associated with the Project for employment.

l) **Notices.** All notices required under this Agreement shall be in writing and shall be sent to the address of the recipient set out below, or such other address as the recipient may designate by notice given in accordance with this Section. Any such notice may be delivered by hand, by overnight courier, by first class pre-paid letter or by facsimile transmission, and shall be deemed to have been received as set forth below

1) By hand delivery - at the time of delivery;

2) By overnight courier - 40 hours after the date of delivery to courier with evidence of delivery from the courier;

3) By first class mail - 96 hours after the date of mailing;

4) By facsimile - immediately upon transmission provided a confirming copy is sent by first class pre-paid, by overnight courier or by hand by the end of the next business day.

m) For purposes of this Section the address of each party will be:

Hewlett Packard:

Telecom Systems Division

South Queensferry

Edinburgh EH30 9TG

United Kingdom

Elron Software:

20 Shenkar Street

Petach Tikva

49513 Israel

n) **Right of access.** Each party shall permit access to the other's respective facilities as reasonably required in connection with work hereunder. No charge shall be levied for such access.

o) **Waiver.** Neither party's failure to exercise any of its rights under this Agreement shall constitute or be deemed to constitute a waiver or forfeiture of such rights. Waiver of a breach of this Agreement will not be deemed a waiver of any future breach. Any waiver shall be in writing and signed by each party's representative.

p) **Severability.** If any term or provision of this Agreement is held to be illegal or unenforceable, the validity or enforceability of the remainder of this Agreement shall not be affected.

q) **Exhibits.** The following documents are attached hereto as exhibits, the terms of which are hereby incorporated by reference in their entirety:

1 Support Requirements

2 Change Order Process

3 Software License Terms

4 HI Application Environment and Interface Control Document

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1 Support Requirements
2 Change Order Process
3 Software License Terms
4 BT Application Environment and Interface Control Document
5 Insurance Requirements
6 Pricing, Ordering and Payment (Product Specific)
7 Specification (Product Specific)
8 Project Plan And Data Requirements List (Product Specific)
9 Acceptance Criteria (Product Specific)
10 Marcom (Product Specific)
11 Services Deliverables (Project Specific)
12 Special Terms (Project Specific)

q) **Precedence.** In the event of conflict between the provisions of this Agreement and any attached Exhibit, the provisions of this Agreement shall to the extent of such conflict take precedence.

r) **Entire Agreement.** This Agreement and its Exhibits constitute the entire agreement between HP and Elron and supersede all prior or contemporaneous communications, representations, and agreements, whether oral or written, regarding the subject matter of this Agreement, other than those made fraudulently. Neither party's additional or different terms and conditions shall apply. No modifications of, or amendments to, the terms of this Agreement shall be valid unless in writing and signed by a duly authorized representative of each party.

xix) **Applicable Law.** This Agreement is made under and shall be construed in accordance with the laws of England. In the event that a dispute is not resolved by the parties themselves, such dispute shall be submitted to the exclusive jurisdiction of the English courts in London or such other place as the parties mutually agree.

**7.NOVATION CLAUSE**

Elron acknowledges that as part of the proposed HP demerger, it is expected that the measurement business carried on by HP will be transferred to a new UK company ("UK MeasurementCo"). Elron, HP and UK Measurement Co hereby agree to the novation of this contract by which UK MeasurementCo will be substituted for HP as party to this contract. The novation of this contract shall be effective on the date that MeasurementCo executes this novation clause (the "Novation Date"). This novation will not otherwise add to or alter Elron's rights, duties and obligations under this Agreement.

AGREED TO:

Authorized Representative Signature

Name: ARIE NAHAV / JUDITH ATTIAS

Title: General Manger / VP finances

Address: 20 Shenkar St.
Kiryat Arieh
Petach Tikva, 49518
Israel

AGREED TO:
HP:

Authorized Representative Signature

Name:

Title:

Address:

FRACT

Exhibit TM10MTSD

NOVATION ACCEPTED:

Authorized Eiron Signatory:

Name: ERIE RAHAV / MOSHE ATTIAS

Title: General Manager / VP finances

Date: Aug. 19a/99

NOVATION ACCEPTED:

Authorized MF Signatory:

Name:

Title:

Date:

NOVATION ACCEPTED:

Authorized MeasurementCo Signatory:

Name:

Title:

Date:

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Exhibit TM10MTSD

5 Insurance Requirements

6 Pricing, Ordering and Payment (Product Specific)

7 Specification (Product Specific)

8 Project Plan and Date Requirements List (Product Specific)

9 Acceptance Criteria (Product Specific)

10 Marcom (Product Specific)

11 Services Deliverables (Project Specific)

12 Special Terms (Project Specific)

q) **Precedence.** In the event of conflict between the provisions of this Agreement and any attached Exhibit, the provisions of this Agreement shall to the extent of such conflict take precedence.

r) **Entire Agreement.** This Agreement and its Exhibits constitute the entire agreement between HP and Elron and supersede all prior or contemporaneous communications, representations, and agreements, whether oral or written, regarding the subject matter of this Agreement, other than those made fraudulently. Neither party's additional or different terms and conditions shall apply. No modifications of, or amendments to, the terms of this Agreement shall be valid unless in writing and signed by a duly authorized representative of each party.

s) **Applicable Law.** This Agreement is made under and shall be construed in accordance with the laws of England. In the event that a dispute is not resolved by the parties themselves, such dispute shall be submitted to the exclusive jurisdiction of the English courts in London or such other place as the parties mutually agree.

**17.NOVATION CLAUSE**

Elron acknowledges that as part of the proposed HP demerger, it is expected that the measurement business carried on by HP will be transferred to a new UK company ("UK MeasurementCo"). Elron, HP and UK MeasurementCo hereby agree to the novation of this contract by which UK MeasurementCo will be substituted for HP as party to this contract. The novation of this contract shall be effective on the date that MeasurementCo executes this novation clause (the "Novation Date"). This novation will not otherwise add to or alter Elron's rights, duties and obligations under this Agreement.

AGREED TO:

Authorized Representative Signature

Name:

Title:

Address:

NOVATION ACCEPTED:

AGREED TO:
HP:

Authorized Representative Signature

Name:

Title:

Address:

NOVATION ACCEPTED :

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Exhibit TM10MTSD

_Authorized Elron Signatory:

Name:

Title:

Date:

_Authorized HP Signatory:

Name:

Title:

Date:

NOVATION ACCEPTED:

_Authorized MeasurementCo Signatory:

Name:

Title:

Date:

ELRON
ELECTRONIC INDUSTRIES LTD.


ELRON
ELECTRONIC INDUSTRIES LTD.



# Dear Shareholders

We hereby present unaudited financial results for the second quarter ended June 30, 1999.

Net income of the Company for the second quarter of 1999 was approximately $16.4 million or, $0.78 per share. Net income in the second quarter of 1998 amounted to approximately $3.1 million, or $0.15 per share.

In the six months ended June 30, 1999, net income amounted to approximately $21.1 million, or $1 per share. Net income in the first six months of 1998 amounted to approximately $43.7 million, or $2.15 per share.

The major contribution to the net income in the second quarter of 1999 was a gain, net after tax, of approximately $19.7 million, resulting from the sale of Elron holdings in Elbit Medical Imaging ("EMI"), for $127.8 million in addition to $17.2 million dividend received from EMI.

The major contribution to the net income in the first six months of 1998 was $36.5 million resulted from the completion of the sale of EMI ultrasound division to GE Medical Systems.

Sales of Elron's wholly-owned U.S. subsidiary, Elron Software Inc., in the second quarter and first six months of 1999, amounted to approximately $9.8 million and $18.9 million respectively. Sales in the same periods of 1998 amounted to approximately $3.5 million and $7.7 million respectively.

The sales resulting from the system integration activity, acquired in December 1998, are the main reason for the increase in sales.

Elron's Board of Directors declared a second quarter dividend of $0.5 per share. The dividend will be paid on September 6, 1999 to shareholders of record at the close of business on August 24, 1999. The Company will deduct income tax at source at a rate currently estimated to be 25%.

Uzia Galil, Chairman and Chief Executive Officer of the Company, said: "Elron has today the necessary resources to implement its strategy to create value for its shareholders from its present holdings and in building operational activities primarily in software, communication and Internet related activities. As we announced last week, Mr. Ami Erel, the current President and CEO of Bezek, will join Elron in the near future and will take over from me the position of Chairman and CEO of Elron. I will continue to support Elron and the Elron companies in every possible way, as needed, and intend, together with Elron, to create new valuable ventures for the new millennium".

U. Galil

Uzia Galil — August 8, 1999
Chairman & Chief Executive Officer

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(US Dollars in Thousands except per share amounts)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| | (Unaudited) | | (Unaudited) | |
| **Income** | | | | |
| Sales | $ 9,826 | $ 3,540 | $ 18,871 | $ 7,700 |
| Company's share in income (loss) of affiliated companies, net | (599) | 807 | 92 | 36,640 |
| Gain from disposal of and changes in holdings in affiliated companies | 31,425 | 526 | 31,169 | 1,890 |
| Other income, net | (346) | 3,659 | 5,628 | 8,721 |
| Finance income | 1,375 | 457 | 1,683 | 914 |
| | 41,681 | 8,989 | 57,443 | 55,865 |
| **Costs and Expenses** | 13,204 | 5,931 | 24,258 | 12,128 |
| Income before tax | 28,477 | 3,058 | 33,185 | 43,737 |
| Provision for tax | 12,113 | - | 12,113 | - |
| **Net income** | **$ 16,364** | **$ 3,058** | **$ 21,072** | **$ 43,737** |
| **Basic net income per share** | $ 0.78 | $ 0.15 | $ 1 | $ 2.15 |
| Weighted average number of shares (thousands) | 21,117 | 20,368 | 21,085 | 20,335 |
| **Diluted net income per share** | $ 0.77 | $ 0.15 | $ 0.99 | $ 2.10 |
| Weighted average number of shares (thousands) | 21,179 | 20,542 | 21,152 | 20,561 |

## CONDENSED CONSOLIDATED BALANCE SHEETS
(US Dollars in thousands)

| | June 30, | | December 31, |
|---|---|---|---|
| | 1999 | 1998 | 1998 |
| | (Unaudited) | | (Audited) |
| **Current Assets** | $ 174,648 | $ 30,640 | $ 35,165 |
| **Investments and long-term balances** | | | |
| -Investments in affiliated companies | 103,801 | 213,422 | 218,437 |
| -Other investments | 14,288 | 16,414 | 16,317 |
| -Long-term deposits and debentures | 6,800 | 10,603 | - |
| | 124,889 | 240,439 | 234,754 |
| **Fixed Assets, net** | 3,917 | 1,251 | 3,293 |
| **Other assets, net** | 30,969 | 7,754 | 32,512 |
| | **$ 334,423** | **$ 280,084** | **$ 305,724** |
| **Current liabilities** | $ 38,595 | $ 8,667 | $ 14,656 |
| **Long term liabilities** | 42,376 | 9,700 | 40,919 |
| **Shareholders' equity** | 253,452 | 261,717 | 250,149 |
| | **$ 334,423** | **$ 280,084** | **$ 305,724** |


Board of Directors
Uzia Galil - Chairman
Gideon S. Erhard
Jacob Eshel
Emmanuel Gill
Dr. Yael Ilan
Frank J. Klein
Prof. Ilan Meshoulam
Lenny Recanati
Dr. Yoram A. Turbowicz

Officers
Uzia Galil - Chairman of the Board & Chief Executive Officer
Dr. Jacov (Koby) Ben-Zvi - Senior V.P. Business Development
President & CEO - Elron Software Inc.
Doron Birger - V.P. Finance & Corporate Secretary
Arie Amit - V.P. Information Technology

Joint Auditors
Luboshitz, Kasierer
(a member firm of Arthur Andersen)
Ratzkovsky Fried & Co.



Corporate Headquarters
Elron Electronic Industries Ltd.
Advanced Technology Center
P.O.B. 1573, Haifa 31015, Israel
Tel. 972(4) 854-5000
Fax.972(4) 855-0248
Web site:http://www.elron.com
Email: elron@elron.net

Offices in the U.S.A.:
Elron Software Inc.
7 New England Executive Park
Burlington, MA. 01803-0977
Tel. (781) 993-6000
Fax.(781) 993-6001
Web site: www.elronsw.com

Elron Technologies, Inc.
666 Fifth Avenue
New York, N.Y. 10103
Tel. (212) 935-3110
Fax. (212) 541-2448
Email: yjk@elron.net


Wholly-owned subsidiaries
Elron Software Inc.
Elron Technologies, Inc.

Affiliates
Public
Elbit Ltd.
Elbit Systems Ltd.
Elbit Vision Systems (through Elbit Ltd.)
Zoran Corporation
NetManage Inc.
LOGAL Educational Software and Systems Ltd.

Private
Chip Express Corporation
NetVision Ltd.
Mediagate
DEP/RDC Rafael Development Corporation Ltd.
Ornetix Technologies Ltd.
Servicesoft Technologies, Inc.
ArelNet Ltd.
Oren Semiconductor Inc.
Witcom Ltd.
Given Imaging

Gemini Israel Fund, L.P.


Transfer Agent & Registrar
American Stock Transfer & Trust Company
40 Wall Street
New York, N.Y. 10005

Investor Relations - U.S.A
Yung Jin Kim
Tel. (212) 935-3110
Fax. (212) 541-2448

Subj: **[Fwd: Fw: Koby's presentation for the management meet**
Date: 1/10/00 5:38:37 AM Eastern Standard Time
From: ybert@ibm.net (Yair Bar-Touv)
Reply-to: ybert@ibm.net
To: burtgrad@aol.com

File: FwKobysp.txt (876191 bytes)
DL Time (31200 bps): < 8 minutes

Hello Burt,

Attached is a general presentation of Elron Software as positioned today. I'll use this as a starting point in my discussions with you.

My numbers are: Office 781-9936011; my admins Sandra is at 781-9936108; my mobile is 781-8836010

I'll try to contact you on Monday at 10:30 am to provide a short overview.

Regards

Yair

———————— Headers ————————
Return-Path: <ybert@ibm.net>
Received: from rly-yg05.mx.aol.com (rly-yg05.mail.aol.com [172.18.147.5]) by air-yg01.mail.aol.com (v67.7) with ESMTP; Mon, 10 Jan 2000 05:38:36 -0500
Received: from prserv.net (out5.prserv.net [165.87.194.243]) by rly-yg05.mx.aol.com (v67.7) with ESMTP; Mon, 10 Jan 2000 05:38:23 -0500
Received: from ibm.net ([32.100.55.93]) by prserv.net (out5) with SMTP
id <20000110103426243O2vnqi2e>; Mon, 10 Jan 2000 10:34:26 +0000
Message-ID: <3878EDB3.B905DA24@ibm.net>
Date: Sun, 09 Jan 2000 12:21:08 -0800
From: Yair Bar-Touv <ybert@ibm.net>
Reply-To: ybert@ibm.net
Organization: Elron Software
X-Mailer: Mozilla 4.7 [en] (WinNT; I)
X-Accept-Language: en
MIME-Version: 1.0
To: burtgrad@aol.com
Subject: [Fwd: Fw: Koby's presentation for the management meeting]
Content-Type: multipart/mixed;
boundary="————36BB65C324F1EB9BCD527BCE"

Hi,
Attached you will find Koby's presentation .In our conference on Tuesday we shall discuss it's content.
Regards,
Arie
-


# Elron Software
# Board Meeting 19/12/1999



ELRON
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# Agenda

- Year 1999 Summary
- Year 2000 Plan
- Internet Policy Management Company - proposed spin-off



ELRON SOFTWARE

# Elron Software

# 1999 Summary



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# Mission Statement

To develop, market and support innovative network management solutions that enable e-business and maximize the profitability and performance of enterprises, carriers and service providers

# About Elron Software

| | |
|---|---|
| 1999 Revenue: | $41 million (forecast) |
| Founded: | November, 1997 |
| Employees: | 400 worldwide |
| Headquarters: | Burlington, MA USA |
| Regional Offices: | London, UK<br>Tel Aviv, Israel<br>San Diego, CA USA |



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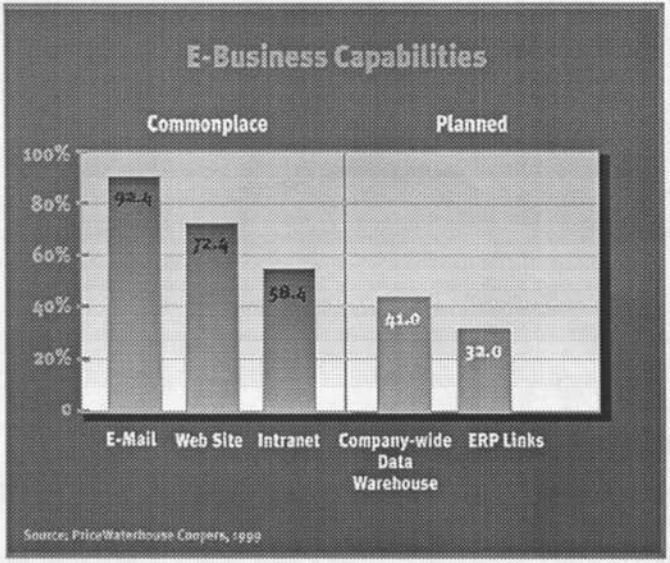
# E-Business Defined

- "E-business occurs whenever customers and partners interact electronically."
  -- Forbes, 10/25/99

- "e-busi·ness: The transformation of key business processes through Internet technologies."
  -- IBM, 10/99



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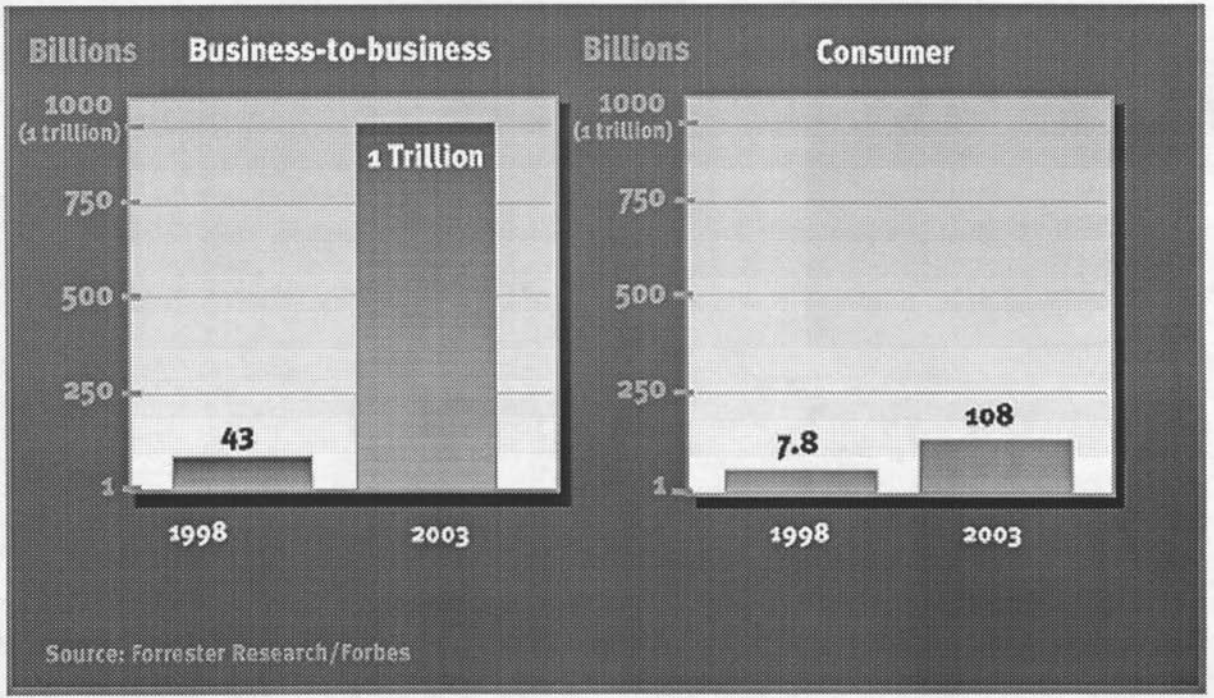
# E-Business Market Growth



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# The Elron Opportunity

- Capitalize on aggressive growth areas of network management that enables e-business

- Provide integrated solutions and services for:
  - Enterprises
  - Service Providers
  - Carriers

- Enable target markets to deliver key functionality their consumers need



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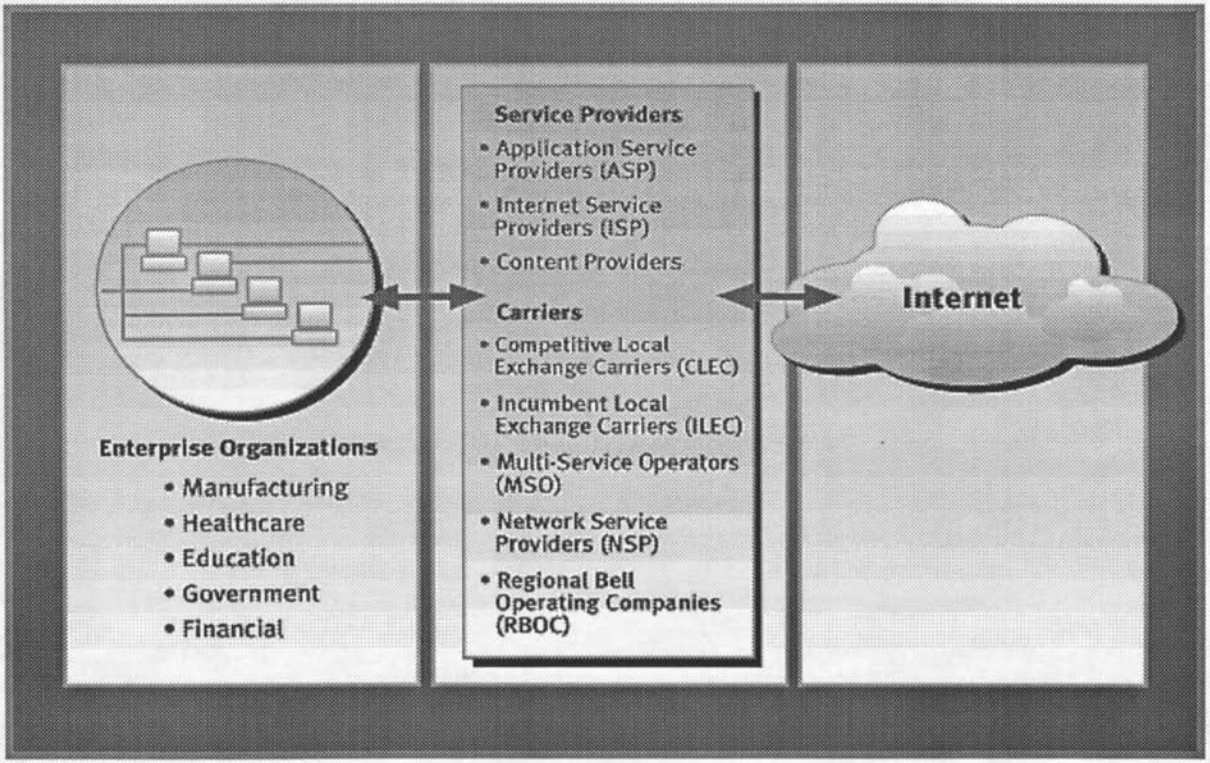
# Our E-Business Players



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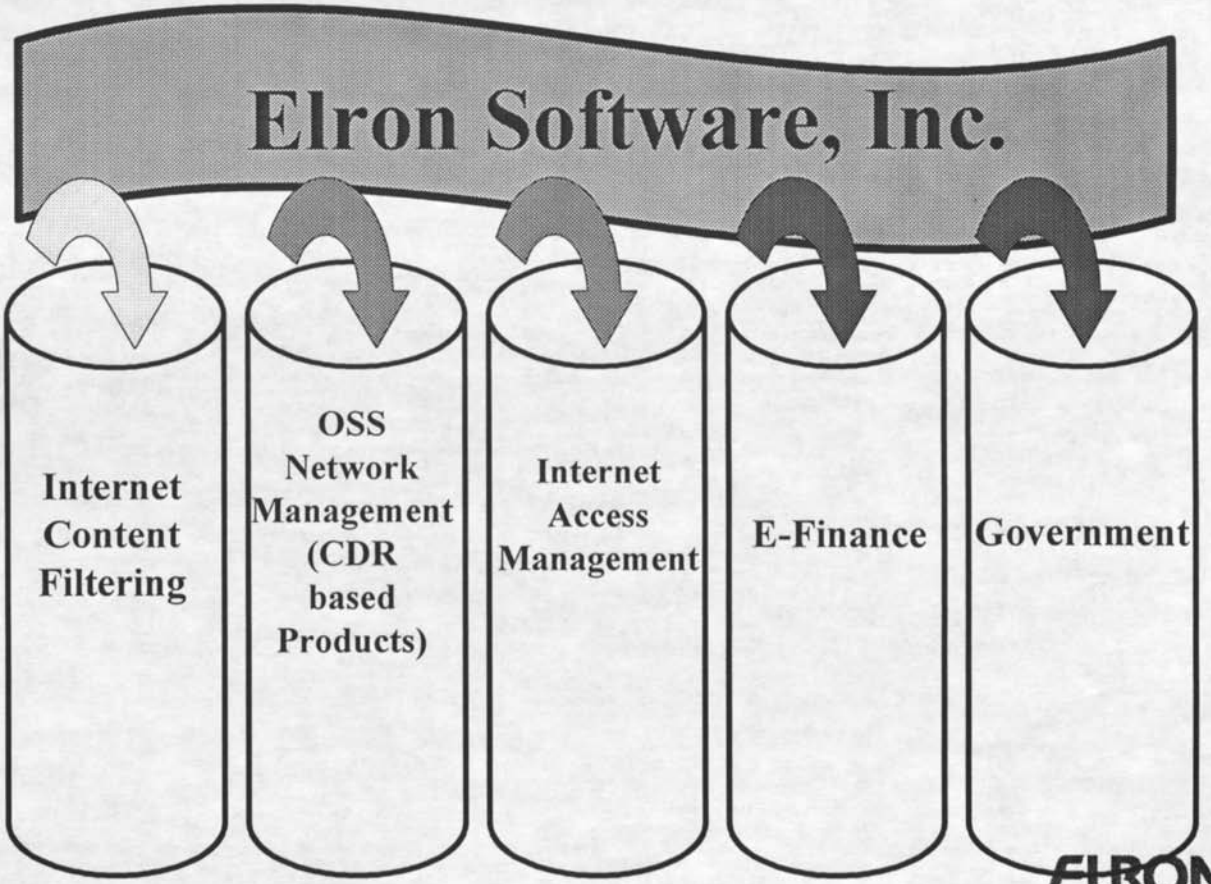
# Elron Lines of Business



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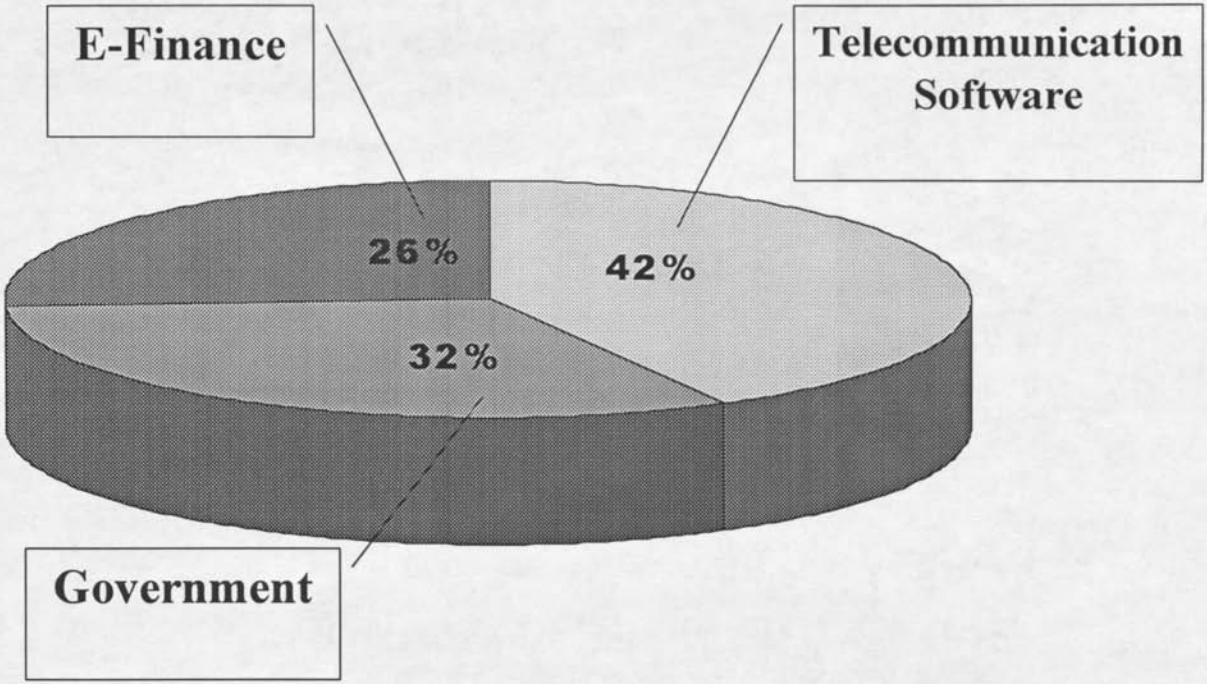
# System Integration - 1999

## *Revenue by Lines of Business*



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# System Integration - 1999

- From $23M in 1998 to $28M in 1999; 21% growth in revenue
- Israel - $21.3M ; USA - $6.7M
- 60% of Revenue from 7 clients: MOD, Bezeq, El-Op, Marconi, Balal, Golden Channels, Quary
- Average Billing Rates $79/Hour (2000 billable hours / year)
- Invested $1.15M in "pure" R&D



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# System Integration - 1999

- End of 1999 headcount - 290
- End of 1999 developers headcount - 240
- Number of US employees - 23
- 24% Turn Over !! 106 added; 57 left
- Manpower utilization: 93%
- Billable per headcount - $142,000



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# System Integration - 1999

## *Achievements*

- Stabilized operation following NCC acquisition
- 21% growth in revenue; 11% in profit
- Established strategic partnership around two products;
  - HP/Agilent - Call Performance Manager (CPM)
  - EI-Op - Imagery Information Systems
- Initiate working relationship with Nortel and ECI



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# System Integration - 1999

## *Achievements (cont.)*

- Golden Channels - $1.6M Intertools based project

- End of 1998 - 25 projects
  End of 1999 - 43 projects

- Main New Custmers;
  HP (Agilent), ECI, Golden Channels, El-Op (Turkey)



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# System Integration - 1999

## *Achievements (cont.)*

- Began engineering group in Burlington
- Increased marketing activities;
  Supercom 99 (Atlnata), Telecom Geneva (with HP), Paris air show (Salon du Bourget), HP user group, Termip user group

# System Integration - 1999

## *Major Open Issues*

- High attrition rate 24%
- Human Resources requires significant improvement
- Lack of second line management
- Continued US infrastructure build-up
- Organize around lines of business; from "projects" to "products"

# System Integration - 1999

## *Major Open Issues*

- Bid failures;
  - Golden Lines
  - Partner
- Delay in Israel Electrical Company project milestone

# Internet Products - 1999

## *Achievements*

- Enterprise scalable version of Internet Manager has been shipped in July
- Launch of Message Inspector in May 1999
- IDC identified Internet Manager as No. 1 best selling corporate Internet Access Control product
- Reposition the division as an Internet Policy Management / Content Filtering company



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# Internet Products - 1999

## *Achievements (cont.)*

- Closed Enterprise deals for content filtering products;
  - US Air National Guard ($480K IM)
  - Lawrence Livermore National Labs ($140k MI)
  - Wall Mart ($65k IM)
  - Lockheed Martin ($50k IM)
  - 20th Century Fox ($50K IM,MI)
  - Veterans Administration ($43K IM)

# Internet Products - 1999

## *Achievements (cont.)*

- Relocate offices to new facilities in Burlington MA
- Increased corporate awareness - strong press and media coverage
- Began partnerships and OEM activities ; Critical Path, Frontier, USAnet, Bell Atlantic, Data General, Unifies ail
- Hired VP Sales - Mike Crismond, effective November 1.



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# Internet Products - 1999

## *Major Open Issues*

- Spin-off of Internet Policy Management as an independent company
- In Process of hiring new CEO to lead a potential spin-off
- Bandwidth Optimizer - poor results

# Elron Software

# Year 2000 Plan



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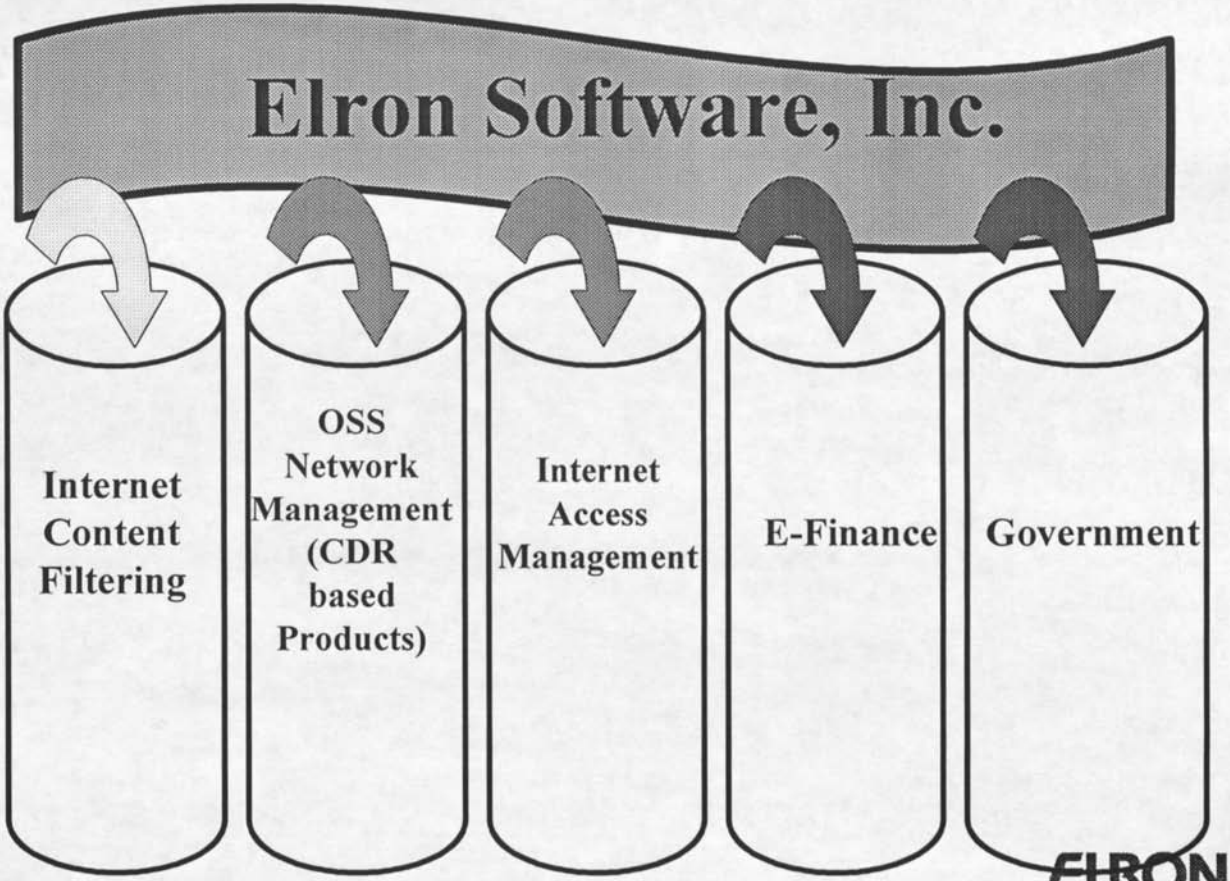
# Existing Lines of Business



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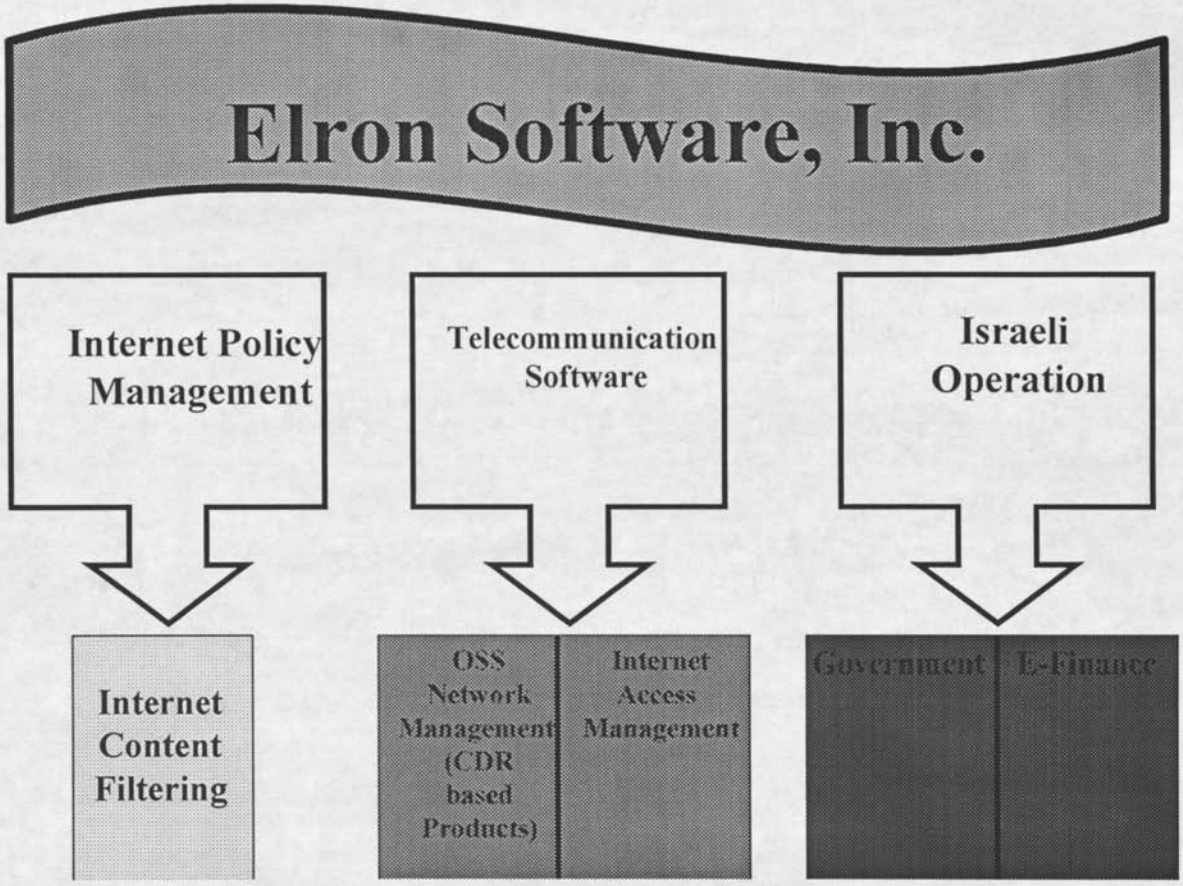
# Year 2000 Lines of Business



# Internet Policy Management Company



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# Internet Policy Management

## *Mission Statement*

Internet Policy
Management Solutions
for Enterprise Class Networks



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# Internet Policy Management

## *Content Filtering: The Problem*

- Organizations must address the risks of providing Internet connectivity:
  - Legal liability
  - Employee productivity
  - Network slowdowns
- Service Providers are looking for new sources of revenue

# Internet Policy Management

## *The Elron Solution:*


- The CommandView product family includes:
  - Internet Manager, the market leader for managing corporate web surfing
  - Message Inspector, the only context-sensitive content filtering solution for E-mail, FTP and Newsgroups
- **Unique capability:** inspection technology checks content of web sites and context of e-messages faster and more accurate



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# Internet Policy Management

## *Market Size*

- Corporate web filtering market - $250M by 2003
- E-mail, Newsgroups, FTP and Chat filtering - $1.2B by 2003



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# Internet Policy Management

## *Key intellectual property*

- Full Text Analysis (FTA) Patents -
  - Statistical Dynamics Ranking - approved
  - Automatic Collection identification - pending
  - Automatic statistic-based SPAM detection - pending
- Exclusive web site classification with SmartList™



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# Internet Policy Management

## *Key intellectual property*

- CommandView Architecture provides:
  - Gating Services
  - Shared Services
  - Java based central policy and reporting console



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# Internet Policy Management

## *Competitive Differentiation*

- Only Full Text Analysis (FTA) for web, E-mail, Newsgroups and FTP
- Most flexibility to fit organizational policy needs
- High performance engine providing most scalable solution



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# Internet Policy Management

## Customer List





- More than 3,500 organizations rely on Internet Manager and Message Inspector:
  - 20th Century Fox
  - The Coca Cola Bottling Company
  - City of Boston
  - Westinghouse
  - US Army Corps of Engineers
  - Chanel
  - Ford Motor Company



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# Internet Policy Management

## *Five Key Initiatives*

- CommandView SMB (Baseline Business)
- CommandView Enterprise
- CommandView SP
- Brand and Corporate Profile Building
- Partnerships and OEM



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# Internet Policy Management

## Legacy - Action Items

- SofTrack - sell customer list
- Y2K - Continue support through 2000
- FireWall / Bandwidth Optimizer - investigate sale / OEM



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# The Re-Organization of the System Integration Division around Product Lines

# System Integration

## *Year 2000 Objectives*

- A US TeleSoft product company based on licensable products bundled with projects; Intertools, CPM, AMOS
- Two lines of business in TeleSoft; IP and CDR based



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# System Integration

## *Year 2000 Objectives*

- Main Customers: Nortel Networks, Bezeq, Golden Channels, NTT communications, Ericsson, Pelephone, HP/Agilent

- Only the Israeli operation will focus on Government and E-Finance



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# System Integration

## *Year 2000 Objectives*

- Recruit high level management for new organization
- Initiate search for TeleSoft acquisition in the US
- Revenue aimed at 38 Million



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# System Integration

## *Year 2000 Objectives*

- Significant R&D investment in CDR applications
- Intertools product positioning
- Develop and execute transition plan to restructure the organization; H&R, Sales & Marketing, Business Development, Operations



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BG

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BURTGRAD@AOL.COM

Elron Software, Inc.
P.O.B. 1573
Haifa 31015
ISRAEL

Attention: Mr. Doron Birger

Invoice #2972

March 22, 2000

Project: #217-8

*INVOICE*

**Project: Valuation of Assets and Liabilities to be Sold to Elron Telesoft, Inc. by Elron Software, Inc.**

| | |
|---|---|
| Upon signing of Agreement dated March 22, 2000 | $5,000.00 |

# Star Technologies

## 1. Introduction

STAR is a very skilled software projects company. It takes responsibility for developing and delivering complete, turn-key system solutions to various mission critical systems in several sectors of business: telecom and networking, banking and financial services, military data communications, and a few others. During its years of operation, STAR has accumulated expertise in the following areas of technology:

- State of the art software engineering methodologies for large-scale software systems development
- Telephony Network Management (TMN)
- Data Network Management
- Network Performance Management
- Internet Technologies (TCP/IP, HTTP, PPP)
- Internet Routing and Access Technologies
- Bank Branch Systems
- Secure Remote Access
- Home/Corporate Secure On-Line Banking
- Internet Based Home Banking
- Internet Based Information Systems
- Military Messaging Systems
- Imagery Systems
- Data Transport over Military Tactical Radio

## 2. Technology assets of STAR

The assets of STAR fall into the following categories:

- A management team experienced in the business processes of STAR.
- A core group of approximately 60 senior software engineers, project managers and division managers, who have common skill sets in software engineering, project management, and the actual technologies in which STAR is engaged.
- Other professional workers - teams of engineers with prior experience in each of the technologies listed above.
- Engineering "know how" (which exists in the knowledge of those engineers) from past projects, encompassing basic technologies, design of previous systems, and familiarity with a large body of existing code in the various projects the company has delivered.
- Actual design documents of all previous projects, together with people who know them.
- Existing code ("black") – code which definitely belongs to customers of past projects, but STAR can negotiate re-use and re-sale if and when the opportunity arises.

STAR has been doing projects for Bezeq for many years. Bezeq projects constitute approximately 18% of STAR's annual income. In a large portion of these projects, STAR has developed large scale, real time network management systems. This activity and accumulated expertise put STAR in a leadership position in this specialized field of Telephony Network Management.

Telephony Network Management (TMN) is the set of technologies used by Telephone Companies all over the world to manage the telephone networks. Along with the technologies there is a multi-billion dollar market for software, systems, and services for TMN. This market is expected to grow at a very high rate, due to the current deregulation in world telephony, and the blurring of boundaries and rising competition between telephone networks, cable networks, and cellular systems. Appendix A below contains an excerpt from a recent report by Lehman Brothers, describing the "TMN Industry". We believe that STAR's expertise and proficiency in TMN is one of its most important assets.

The most prominent TMN system developed by STAR is in the "Merkaz Gibuy" project for Bezeq. The project started in 1990 and has been going on since then, with additions, enhancements and modifications. The system is called "AMOS" – Administration, Maintenance, and Operations System. It is a real-time management system, running on Digital "Alpha" computers. AMOS is connected to all of Bezeq's 230 telephone exchanges, spread out all over Israel. STAR developed specific interfaces to the (proprietary) management ports of Alcatel System-12, Nortel (Telrad) DMS-100, and Teledata telephone exchanges. AMOS uses various standard and proprietary protocols for interaction with the telephone exchanges. An AMOS operator's console shows a graphic map of the entire Israeli telephone network, with colors indicating the status of each and every telephone exchange. The system generates alarms for faults in the telephone network. By "zooming in" on a region or a specific exchange, the operator can obtain detailed information describing the configuration parameters, the current load, and various alarm and fault indicators for each of the exchange's functions. Logging of events is automatic. The system provides rich and flexible reporting capabilities from the log files.

AMOS also provides the operator with the ability to perform control operations in the telephone network. The operator can change the settings of parameters within each exchange, perform remote tests, and perform various actions in order to bypass or correct failures in the network.

The main AMOS system is deployed at a Bezeq facility. An operational backup system, which is connected on-line to the telephone network, is installed at STAR premises, to be used as a disaster recovery system in case the main system is damaged for any reason.

STAR is now engaged in a project of upgrading and enhancing AMOS. The system is being ported to Windows NT platform, and over 100 new functions are being added. The project is scheduled for completion by 10/98.

STAR wants to enhance AMOS in a way that will make it into a sellable "product".

A second large scale management system which was developed by STAR for Bezeq is the "Access 7" system, for monitoring and management of the CCSS7 signaling network of the Israeli telephone network. CCSS7 (Common Channel Signaling System #7) is a modern control protocol used by telephone exchanges for the purpose of setting up inter-exchange telephone calls. During the early 1990's, Bezeq upgraded the entire telephone network and deployed a country wide CCSS7 network, which allows Bezeq to provide advanced services (such as call-waiting, call-back, calling number identification, and more) and ISDN services in the telephone network.

STAR developed and installed for Bezeq a Surveillance System for the Signaling System # 7 - Full deployment of national coverage for surveillance of Signaling links providing Alarm collection, Traffic Monitoring, Call Trace and Protocol Analysis as well as Q.752 Statistic collection. A similar project is now in progress for Pelephone – a cellular network operator.

The system is based on a specific HP product for interaction with CCSS7 systems. The system provides status monitoring and reporting, load monitoring and analysis, fault alarms, and re-routing capabilities. A function of load trend analysis and planning is also provided.

Bill Verification is a derivative project, designed to use data from Call Detail Records to verify the billing by other service operators.

Another project in this area is the "CellSight" system, developed for a US cellular operator – LCC of McLean, VA. CellSight is a network performance analysis tool for cellular networks.

CellSIGHT is the first tool of its kind that can both monitor and analyze statistics from telecommunications network components such as switches and OMCs. CellSIGHT has multiple applications for a wireless network operation. It allows RF and System Performance Engineers to isolate traffic congestion, identify overloaded control channels, and monitor key network performance metrics such as blocked call statistics, dropped call statistics, overall quality of radio links, and handover failures. Operations and Optimization Engineers use CellSIGHT to identify day-to-day network problems such as congestion, drops on the air interface, and fixed network utilization. Traffic Engineers use it to forecast medium-to-long-term site and network provisioning, and to evaluate usage patterns. And CellSIGHT provides management with customized reports on market, regional, and overall network performance.

STAR also developed Q3 Mediation Devices (MD) for Bezeq's management systems. A Q3 Mediation Device translates the proprietary network management protocol of a specific type of devices into a standard network management protocol (typically CMIP) which is used by the carrier's Operations Support Systems. "Q3 Mediation Devices" are defined in ITU international standards as a means of enabling communications between "legacy systems" and modern network management systems, which are obliged to use CMIP (Common Management Information Protocol) in communicating with managed devices.

STAR performed the development and management of an International tender for Intelligent Network (IN) services for two leading Telecom operators (Bezeq and Pelephone). Tasks included the analysis of architecture of SMS (Service Management System), SCP (Service Control Point), integration with existing SSPs (Service Switching Points), Integration with existing MIS, integration into existing TMN network, Definition of Intelligent Network Services to be supported.

### 3.3 Data Network Management

STAR has considerable experience and expertise in the field of data network management, with Bezeq, again, as the largest customer. STAR's experience in this field is diverse. It has developed management applications that run on the popular HP OpenView and IBM Netview platforms, stand-alone network management systems, and embedded SNMP agents for various network devices. Expertise in network management is rather scarce in the marketplace. With the opening of the Israeli telecom market to competition, demand for this capability will increase.

STAR's entry into the field of developing embedded software is noteworthy, as this field is markedly different from all other activities the company is engaged in. Developing embedded software requires different hardware and software tools, different methods and procedures, and different skills than those used for "ordinary" software development. STAR won a contract for developing an SNMP agent to a US customer, at a stage where it had no experience in embedded systems whatsoever. It hired experienced engineers in this field, and quickly became a competent developer of embedded systems. Our discussions with people from Racal Datacom, STAR's customer for embedded applications, confirmed their satisfaction with the quality of the delivered products.

STAR performed additional projects of adaptation of SNMP agents into various networking devices, for several customers. These included development of SNMP agents for ISDN PBXs (Teleos), ADSL/HDSL modems (Orckit), and X.400 MTAs.

Another large network management project was performed by STAR for Bezeq. It involved the design and implementation of a Network Management System which provide the operator an overall view of the SIFRANET Network. Sifranet is the infrastructure through which Bezeq provides digital leased lines to customers in

Israel. Major customers of Sifranet include all of the large banks, all of the Israeli ISP's, and the majority of industrial and high-tech companies in Israel. Sifranet provides leased line services at speeds ranging from 64 Kbps through 2 Mbps. It is based on high speed multiplexers by Newbrige, Superate and Timeplex.

STAR's network management system allows Bezeq to install a management station at the customer premises, which gives the customer complete status of his leased lines throughout the network. STAR has aspirations to turn this system into a resellable product.

STAR also developed a diagnostic tool for the Sifranet network, using Expert System technologies.

STAR was involved as professional consultant to Bezeq in performing interoperability testing of a pilot public ATM network with multi vendor ATM switches for determination of issues required for Telecommunications operator to run a public ATM service. Issues examined include security, Network Management of multi-vendor ATM network, billing, interoperability, application support.

Other projects where STAR developed network management systems include the following:

- Development of Performance application for Frame Relay Access Devices on HP OpenView.
- Development of a Network Management application for a private X.400 Message Handling Network based on X.400 MTAs .
- Management app developed on Netview 6000.
- Embedding a Netview Service Point Agent in to a Network Access Device.
- Development of an SNMP agent in a low cost DSU/CSU.
- Research and Development into Browser Based Management e.g. Network Management of Web components with Browser look and feel Graphical User Interface.

### 3.4 Network Performance Management

Network performance management is a sub-area of network management. STAR has experience in this area for both data and voice networks. STAR developed tools for identifying bottlenecks and problem areas, tools for actively measuring the performance of network elements, and tools for predicting growth patterns and planning network expansion.

Among STAR's project in this area are components of the CellSIGHT system (mentioned previously) developed for LCC, components of the CCSS7 surveillance system, components of the AMOS system, and the InterTrend and InterMeter components of the InterTools package.

BG

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work copy

February 24, 1999

Mr. Koby Ben-Zvi
Elron Electronic Industries Ltd.
P. O. B. 1573
Haifa 31015
ISRAEL

Dear Koby:

At your request, Burton Grad Associates, Inc. (BGAI) has determined the value of the 3,600,000 common stock shares in the Elron Software, Inc. Employee Stock Option Plan (ESOP) as of December 31, 1998. This value is based upon the fair market value of Elron as of December 31, 1998 and the number of other preferred and common shares of Elron stock outstanding at that date.

The attached report describes and carries through the valuation process; it includes appendices providing source data and detailing the calculations.

Based on this analysis, BGAI values the 3,600,000 Elron Software, Inc. ESOP common stock shares as worth $0.1569 per share as of December 31, 1998.

Sincerely,

Burton Grad

Enclosure
BG:4087
cc: Mr. Doron Birger

# Table of Contents

## SECTION I. Objectives and Work Process

At your request, Burton Grad Associates, Inc. (BGAI) has valued the 3,600,000 shares of common stock assigned to the Elron Software, Inc. (Elron) Employee Stock Option Plan (ESOP) as of December 31, 1998. This per share value is based upon the fair market value of Elron Software as of December 31, 1998 and the total number of outstanding common and preferred shares as of that date.

### Work Process

1. Determined the fair market value of Elron's NMD Cambridge Operations using its trailing twelve-month revenue and operating income and a BGAI projection of future revenue and operating income.

2. Determined the fair market value of Elron's NCC business based principally on price paid for the acquisition in December 1998.

3. Determined the business enterprise value for Elron, making necessary adjustments for tangible assets and liabilities. This is equivalent to the fair market value of Elron's equity as of the valuation date, if Elron were a public company. This was discounted to establish equivalent private company value.

4. The Elron fair market value was then divided by the number of outstanding preferred, common and ESOP common shares to yield current value per share.

5. For the ESOP shares, the price/share was discounted to recognize that those options represent only a minority interest.

## SECTION II. Valuation of Elron Software, Inc.

In 1997, Elron Software, Inc. was established by Elron Electronics Industries, Ltd. (EEI) to pursue aggressive worldwide growth, principally through the acquisition, development and marketing of advanced, high technology systems and applications software products. Elron Software plans to grow primarily by acquiring under-performing software product marketing companies (U. S. or Europe-based) and then acquiring or licensing advanced technologies or products from Israel-based companies. This combination should yield high revenue growth and high returns on both the acquisition costs and the additional capital investments required.

Elron Software has made two acquisitions so far:

- ON Technology's Management and Network Security business in Cambridge, Massachusetts on October 29, 1997 (NMD Cambridge Operations)
- NCC's total operations in Israel, Europe and the U. S. on December 3, 1998 (NCC)

The valuation of Elron Software consists of valuing each of these business units separately and then determining the overall company value, considering balance sheet items.

### A. Cambridge Based Operations

The Elron Software operation in Cambridge provides a variety of communications-related software products to small and medium customers, primarily in the Americas. The 1997 pro forma revenue for this operation was $22,200,000 Because of the previous integration with the rest of the ON Technology organization, the operating income figures for 1997 are not available.

In 1998, the Elron Cambridge revenues were $13,991,000 and the operating income was $(1,867,000) (see Appendix B-1). The Elron projection for Cambridge for 1999 shows a revenue plan of $18,245,000 and on operating income projection of $880,000 (see Appendix B-2).

The Cambridge operations are in a highly competitive marketplace, both for products and for customers; as of year end 1998, Elron Cambridge had not yet marketed any unique, high value products or identified any special market niches. However, remarketing licenses have been negotiated with Israeli companies for new technologies and products which should support the more optimistic 1999 revenue projections. Costs have been brought under better control so that the operating income objectives for 1999 can be achieved if revenue objectives are realized.

Elron Cambridge has not yet prepared any long-term forecasts, but it is BGAI's opinion that the selected market segment will continue to grow and that Elron Cambridge will continue to be a valuable secondary player in that market, growing with the long-term trends and producing reasonable operating income.

Using public market valuation criteria, a $15-$20 million software products company, benefiting from the growth in communications and Internet-related systems, would be valued at 1.5-2.5 times revenue, assuming a 20% per year growth rate and a 15% operating income margin. Unfortunately, Elron Cambridge's track record does not meet these criteria. Therefore, at best, Elron Cambridge would currently be valued (as a public company) at one times twelve months trailing revenue or $14,000,000. Since there were no profits in 1998, no earnings-based public market ratios are applicable.

The public market-based valuation must be reduced to recognize the lower value placed on a private company. Using a 30% discount, the market-based value would be $9,800,000.

Looking forward, BGAI believes that Elron Cambridge should be able to grow at 20% per year and by 2001 generate a pre-tax 15% operating income. If so, the net present value of the projected five-year after-tax cash flow from this business would be $7,023,000, assuming a discount rate of 15% (see Appendix B-4).

Blending the market-based and the projected cash flow values on a 50-50 basis, the Elron Cambridge operations would be valued at $8,412,000 without any adjustments for balance sheet assets or liabilities.

As a matter of reasonableness, the purchase price in November 1997 was $13,081,000 plus assets of $4,846,000 less liabilities of $684,000. This yields an effective acquisition cost of $8,919,000 (see Appendix B-3). Because of the lower revenues and substantial losses in 1998, BGAI believes that the value of Elron Cambridge would have decreased somewhat during 1998.

## B. NCC Acquisition

NCC has been a successful Israel-based high technology professional services firm with high profile customers, primarily in Israel. The custom programs which NCC has designed and implemented have been used to provide high performance communications and Internet related functions. The pro forma NCC Income Statement for 1998 is shown in Appendix C-1.

However, NCC was acquired by Elron Software primarily for its in-process R&D technologies which are being incorporated in future products to be sold on a worldwide basis to major telecommunications, banking and other business and government institutions.

While there are aggressive plans for NCC's growth in both product and professional services revenues, it is much too soon after the acquisition to attribute any incremental value to this new operation above the acquisition price paid.

Elron paid $44,855,000 to acquire all of the assets of NCC (see Appendix C-2), including $870,000 in acquisition transaction costs, but obtained net tangible assets (less liabilities) of $3,362,000. This constitutes a net effective acquisition cost of $41,493,000. This is the figure which will be used for the NCC value.

## C. Company Valuation

From the results of the calculations in II A and II B, the overall value of Elron Software can be calculated as $49,905,000 as of December 31, 1998.

However, in acquiring the ON Technology operations and NCC, Elron incurred a major amount of debt both to buy the assets and to fund the losses in Elron Cambridge. As of December 31, 1998, Elron Software's balance sheet (Appendix D-1) shows $37,800,000 of long-term debt with the remainder of the assets and liabilities being reasonably in balance (although somewhat on the negative side because of $2,355,000 due to EEI). In addition, the two new subsidiaries, Elron Software NCC and Elron Software NCC Export, have $4,200,000 and $4,685,000 in debt respectively which are not shown on the Elron Software Cambridge statements. The total debt of $46,685,000 (Appendix D-2) must be deducted from the computed company value. This results in a net equity value of $3,220,000.

## SECTION III. Valuation of Stock

As of December 31, 1998, per Appendix D-2, Elron Software had issued and outstanding 7.2 million shares of common stock and 13.2 million shares of preferred stock, all of which were held by Elron Electronics (EEI). In addition, Elron Software had provided 3.6 million shares of Elron Software to its Employee Stock Option Plan (ESOP). The common stock in the ESOP is exercisable at $.50/share to company employees in the United States and Israel over a two to seven-year period.

The preferred stock has a first liquidity provision, but is otherwise identical to the common stock. Since all of the outstanding preferred and common shares (other than in the ESOP) are held by EEI, BGAI has valued them equally, not discounting the majority held common shares for lack of the liquidity provision.

The company value of $3,220,000, divided by 24.0 million shares, would give a value of $.1342 per share.

However, if all of the 3.6 million ESOP-held common shares could and had been exercised on December 31, 1998, then the company value would have been increased by $1.8 million ($.50/share); the new total value would have been $5,020,000. Dividing that figure by 24.0 million shares gives a value of $.2092 per share.

Since the ESOP shares would, in total, only represent a minority interest of less than 20% versus the majority interest of EEI of over 80%, the value of these minority ESOP shares should be reduced by 25%. This yields a December 31, 1998 value of $.1569 per share for the 3.6 million shares held in the Employee Stock Option Plan as of that date.

NOT USED

## HyperBranch Forecast Assumptions

**A. Large Financial Institutions** (average 3,000 seats)

**Number of New Licenses (banks only)**

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | Total |
|---|---|---|---|---|---|---|---|---|
| Americas | 0 | 1 | 2 | 3 | 4 | 5 | 5 | 20 |
| International | 0 | 2 | 3 | 4 | 4 | 4 | 4 | 21 |

- No new sales after 2005
- Price/Sale
  Americas - $600k
  International - $600k
- Upgrades/Add-ons (same for large/medium/small and for Americas and International)
  + 5%/year on installed base for 1999-2005 (.33 of maintenance revenue); drops for 2006-2008
- Professional Services (same for large/medium/small and for Americas and International)
  20% of new license fee
- Maintenance and Support (same for large/medium/small and for Americas and International)
  Fee is 15% of revenue on installed base
  100% initial maintenance
  5%/year erosion on installed base for 1999-2003; 10% for 2004-2005; 15% for 2006; 20% for 2007; 25% for 2008

**B. Medium Financial Institutions** (average 2,000 seats)

**Number of New Licenses (bank only)**

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | Total |
|---|---|---|---|---|---|---|---|---|
| Americas | 0 | 1 | 2 | 3 | 3 | 3 | 3 | 15 |
| International | 0 | 2 | 2 | 2 | 3 | 3 | 3 | 15 |

- No new sales after 2005
- Price/Sale
  Americas - $450k
  International - $450k

**C. Small Financial Institutions** (average 1,200 seats)

**Number of New Licenses (bank only)**

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | Total |
|---|---|---|---|---|---|---|---|---|
| Americas | 0 | 1 | 2 | 2 | 2 | 2 | 1 | 10 |
| International | 0 | 1 | 2 | 3 | 3 | 3 | 3 | 15 |

- No new sales after 2005
- Price/Sale
  Americas - $300k
  International - $300k

## Cost and NPV Valuation Assumptions - HyperBranch

| General Information | Americas and International | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Tax Rate | 38% | | | | | | | | | |
| Elron Return on Investment | 25% | | | | | | | | | |
| Cost of $ (Prime Rate) | 7.75% | | | | | | | | | |
| Discount Rate | 20% after tax | | | | | | | | | |
| Operation Costs | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 |
| Cost of Revenue product delivery and professional services | .15 | .15 | .15 | .14 | .13 | .12 | .11 | .10 | .10 | .10 |
| R&D Cost maintenance improvement extension | .15 | .15 | .15 | .14 | .13 | .12 | .11 | .10 | .10 | .10 |
| Marketing, Sales and Support | .40 | .40 | .35 | .34 | .33 | .32 | .31 | .25 | .25 | .25 |
| G&A | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 |
| Operating Income | .15 | .15 | .20 | .23 | .26 | .29 | .32 | .40 | .40 | .40 |

**Assumptions**

- R&D will not include any separately priced enhancements except those in current development plans nor any replacement products
- 30% of R&D subsidized by Israeli government R&D funding (not used as adjustment)
- 100% ownership by NCC of all technologies used for HyperBranch
- None of these NCC technologies have ever been used in a released product

## % Completion Analysis - InterTools

| Intertools | ($000) | (% of R&D) |
|---|---|---|
| R&D work performed 1/1/98 through 12/2/98 (acq. date) | 600 | 67% |
| R&D work required 12/3/98 - through 3/31/99 (FAS86) | 300* | 33% |
| Total R&D through FAS86 | 900 | 100% |
| Development work required 4/1/99 - 6/30/99 FAS86 through Release | 300* | |
| Total Development costs | 1200 | |

* Estimate that $525,000 of this $600,000 will be spent during calendar year 1999

## % Completion Analysis - HyperBranch

| HyperBranch | ($000) | (% of R&D) |
|---|---|---|
| R&D Work performed from 1/1/98 through 12/2/98 (acquisition date) | 232 | 52% |
| R&D Work required 12/3/98-4/30/99 (FAS86) | 216* | 48% |
| Total R&D through FAS86 | 448 | 100% |
| Development Work required 5/1/99 - 12/31/99 FAS86 through Release | 414* | |
| Total Development Cost | 862 | |

* Estimate that $600,000 of this $630,000 will be spent during calendar year 1999

## % Completion Analysis - InterTools

| Intertools | ($000) | (% of R&D) |
|---|---|---|
| R&D work performed 1/1/98 through 12/2/98 (acq. date) | 600 | 67% |
| R&D work required 12/3/98 - through 3/31/99 (FAS86) | 300* | 33% |
| Total R&D through FAS86 | 900 | 100% |
| Development work required 4/1/99 - 6/30/99 FAS86 through Release | 300* | |
| Total Development costs | 1200 | |

* Estimate that $525,000 of this $600,000 will be spent during calendar year 1999

## % Completion Analysis - HyperBranch

| HyperBranch | ($000) | (% of R&D) |
|---|---|---|
| R&D Work performed from 1/1/98 through 12/2/98 (acquisition date) | 232 | 52% |
| R&D Work required 12/3/98-4/30/99 (FAS86) | 216* | 48% |
| Total R&D through FAS86 | 448 | 100% |
| Development Work required 5/1/99 - 12/31/99 FAS86 through Release | 414* | |
| Total Development Cost | 862 | |

* Estimate that $600,000 of this $630,000 will be spent during calendar year 1999

| | N | O | P | Q | R | S | T | U | V | W | X | Y |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **Projections for HyperBranch - Revenues (Americas)** | | | | | | | | | | | 21 |
| 2 | | | | | | | | | | | | |
| 3 | **($000)** | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **Total** |
| 4 | | | | | | | | | | | | |
| 5 | **New Product Licenses** | | | | | | | | | | | |
| 6 | Large Financial Institutions | | | | | | | | | | | |
| 7 | # of New Customers | 0 | 1 | 2 | 3 | 4 | 5 | 5 | 0 | 0 | 0 | 20 |
| 8 | Revenue - Licenses | 0 | 600 | 1200 | 1800 | 2400 | 3000 | 3000 | 0 | 0 | 0 | 12000 |
| 9 | Cumulative Revenue - Licenses | 0 | 600 | 1800 | 3600 | 6000 | 9000 | 12000 | 12000 | 12000 | 12000 | |
| 10 | Medium Financial Institutions | | | | | | | | | | | |
| 11 | # of New Customers | 0 | 1 | 2 | 3 | 3 | 3 | 3 | 0 | 0 | 0 | 15 |
| 12 | Revenue - Licenses | 0 | 450 | 900 | 1350 | 1350 | 1350 | 1350 | 0 | 0 | 0 | 6750 |
| 13 | Cumulative Revenue - Licenses | 0 | 450 | 1350 | 2700 | 4050 | 5400 | 6750 | 6750 | 6750 | 6750 | |
| 14 | Small Financial Institutions | | | | | | | | | | | |
| 15 | # of New Customers | 0 | 1 | 2 | 2 | 2 | 2 | 1 | 0 | 0 | 0 | 10 |
| 16 | Revenue - Licenses | 0 | 300 | 600 | 600 | 600 | 600 | 300 | 0 | 0 | 0 | 3000 |
| 17 | Cumulative Revenue - Licenses | 0 | 300 | 900 | 1500 | 2100 | 2700 | 3000 | 3000 | 3000 | 3000 | |
| 18 | **Total - New License Revenue** | 0 | 1350 | 2700 | 3750 | 4350 | 4950 | 4650 | 0 | 0 | 0 | 21750 |
| 19 | | | | | | | | | | | | |
| 20 | **Upgrades/Add-ons - Revenue** | | | | | | | | | | | |
| 21 | Large Financial Institutions | 0 | 0 | 28 | 85 | 169 | 267 | 385 | 356 | 236 | 91 | 1617 |
| 22 | Medium Financial Institutions | 0 | 0 | 21 | 63 | 127 | 180 | 230 | 198 | 132 | 51 | 1002 |
| 23 | Small Financial Institutions | 0 | 0 | 14 | 42 | 70 | 93 | 115 | 87 | 58 | 22 | 502 |
| 24 | **Total Upgrade Revenue** | 0 | 0 | 63 | 190 | 366 | 540 | 730 | 642 | 426 | 165 | 3122 |
| 25 | **Cumulative Total-Upgrade Revenues** | 0 | 0 | 63 | 254 | 620 | 1159 | 1889 | 2531 | 2957 | 3122 | |
| 26 | | | | | | | | | | | | |
| 27 | **Professional Services** | | | | | | | | | | | |
| 28 | Large Financial Institutions | 0 | 120 | 240 | 360 | 480 | 600 | 600 | 0 | 0 | 0 | 2400 |
| 29 | Medium Financial Institutions | 0 | 90 | 180 | 270 | 270 | 270 | 270 | 0 | 0 | 0 | 1350 |
| 30 | Small Financial Institutions | 0 | 60 | 120 | 120 | 120 | 120 | 60 | 0 | 0 | 0 | 600 |
| 31 | **Total Professional Services** | 0 | 270 | 540 | 750 | 870 | 990 | 930 | 0 | 0 | 0 | 4350 |
| 32 | | | | | | | | | | | | |
| 33 | | | | | | | | | | | | |
| 34 | | | | | | | | | | | | |
| 35 | | | | | | | | | | | | |
| 36 | **Maintenance** | | | | | | | | | | | |
| 37 | Large Financial Institutions | 0 | 90 | 270 | 539 | 897 | 1298 | 1676 | 1478 | 1218 | 927 | 8391 |
| 38 | Medium Financial Institutions | 0 | 68 | 202 | 404 | 605 | 774 | 934 | 824 | 679 | 517 | 5007 |
| 39 | Small Financial Institutions | 0 | 45 | 135 | 224 | 314 | 386 | 410 | 362 | 298 | 227 | 2401 |
| 40 | **Total Maintenance** | 0 | 203 | 607 | 1168 | 1817 | 2458 | 3020 | 2663 | 2194 | 1670 | 15799 |
| 41 | | | | | | | | | | | | |
| 42 | **Total Revenues** | | | | | | | | | | | |
| 43 | Large Financial Institutions | 0 | 810 | 1738 | 2783 | 3946 | 5164 | 5661 | 1834 | 1454 | 1018 | 24409 |
| 44 | Medium Financial Institutions | 0 | 608 | 1303 | 2088 | 2352 | 2574 | 2784 | 1022 | 810 | 568 | 14109 |
| 45 | Small Financial Institutions | 0 | 405 | 869 | 987 | 1104 | 1200 | 885 | 449 | 356 | 249 | 6503 |
| 46 | | | | | | | | | | | | |
| 47 | **Grand Total Revenue** | 0 | 1823 | 3910 | 5858 | 7403 | 8938 | 9330 | 3305 | 2620 | 1835 | 45021 |
| 48 | | | | | | | | | | | | |
| 49 | | | | | | | | | | | | |
| 50 | | | | | | | | | | | | |

| | N | O | P | Q | R | S | T | U | V | W | X | Y |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 51 | | **Revenue Worksheets - HyperBranch (Americas)** | | | | | | | | | | 22 |
| 52 | | | | | | | | | | | | |
| 53 | **($000)** | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **Total** |
| 54 | | | | | | | | | | | | |
| 55 | | | | | | | | | | | | |
| 56 | Large Unit License Fee | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | |
| 57 | Medium Unit License Fee | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | |
| 58 | Small Unit License Fee | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | |
| 59 | | | | | | | | | | | | |
| 60 | **Upgrades/Add-ons** <ratio to maint base> | | | | | | | | | | | |
| 61 | Large | .33 | .33 | .33 | .33 | .33 | .33 | .33 | .25 | .20 | .10 | |
| 62 | Medium | .33 | .33 | .33 | .33 | .33 | .33 | .33 | .25 | .20 | .10 | |
| 63 | Small | .33 | .33 | .33 | .33 | .33 | .33 | .33 | .25 | .20 | .10 | |
| 64 | | | | | | | | | | | | |
| 65 | Professional Services <ratio to new lic> | | | | | | | | | | | |
| 66 | Large | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | |
| 67 | Medium | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | |
| 68 | Small | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | |
| 69 | | | | | | | | | | | | |
| 70 | **Maintenance Calculation - Large** | | | | | | | | | | | |
| 71 | Previous Year Maintenance | | 0 | 90 | 270 | 539 | 897 | 1298 | 1676 | 1478 | 1218 | |
| 72 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 73 | Remaining Maintenance | 0 | 0 | 86 | 256 | 512 | 808 | 1168 | 1424 | 1182 | 913 | 6349 |
| 74 | New Licenses and New Upgrades | 0 | 600 | 1228 | 1885 | 2569 | 3267 | 3385 | 356 | 236 | 91 | |
| 75 | Maintenance/License Price Ratio | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 76 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 77 | New License/Upgrade Maintenance | 0 | 90 | 184 | 283 | 385 | 490 | 508 | 53 | 35 | 14 | 2043 |
| 78 | **Total Maintenance-Large Revenue** | 0 | 90 | 270 | 539 | 897 | 1298 | 1676 | 1478 | 1218 | 927 | 8391 |
| 79 | | | | | | | | | | | | |
| 80 | **Maintenance Calculation - Medium** | | | | | | | | | | | |
| 81 | Previous Year Maintenance | | 0 | 68 | 202 | 404 | 605 | 774 | 934 | 824 | 679 | |
| 82 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 83 | Remaining Maintenance | 0 | 0 | 64 | 192 | 384 | 545 | 697 | 794 | 659 | 509 | 3844 |
| 84 | New Licenses and New Upgrades | 0 | 450 | 921 | 1413 | 1477 | 1530 | 1580 | 198 | 132 | 51 | |
| 85 | Maintenance/License Price Ratio | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 86 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 87 | New License/Upgrade Maintenance | 0 | 68 | 138 | 212 | 222 | 229 | 237 | 30 | 20 | 8 | 1163 |
| 88 | **Total Maintenance-Medium Revenue** | 0 | 68 | 202 | 404 | 605 | 774 | 934 | 824 | 679 | 517 | 5007 |
| 89 | | | | | | | | | | | | |
| 90 | **Maintenance Calculation - Small** | | | | | | | | | | | |
| 91 | Previous Year Maintenance | | 0 | 45 | 135 | 224 | 314 | 386 | 410 | 362 | 298 | |
| 92 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 93 | Remaining Maintenance | 0 | 0 | 43 | 128 | 213 | 282 | 348 | 348 | 289 | 223 | 1875 |
| 94 | New Licenses and New Upgrades | 0 | 300 | 614 | 642 | 670 | 693 | 415 | 87 | 58 | 22 | |
| 95 | Maintenance/License Price Ratio | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 96 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 97 | New License/Upgrade Maintenance | 0 | 45 | 92 | 96 | 101 | 104 | 62 | 13 | 9 | 3 | 525 |
| 98 | **Total Maintenance - Small** | 0 | 45 | 135 | 224 | 314 | 386 | 410 | 362 | 298 | 227 | 2401 |
| 99 | | | | | | | | | | | | |
| 100 | | | | | | | | | | | | |

| | N | O | P | Q | R | S | T | U | V | W | X | Y |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 101 | **Projections for HyperBranch - Revenues (International)** | | | | | | | | | | | 23 |
| 102 | | | | | | | | | | | | |
| 103 | **($000)** | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **Total** |
| 104 | | | | | | | | | | | | |
| 105 | **New Product Licenses** | | | | | | | | | | | |
| 106 | Large Financial Institutions | | | | | | | | | | | |
| 107 | # of New Customers | 0 | 2 | 3 | 4 | 4 | 4 | 4 | 0 | 0 | 0 | 21 |
| 108 | Revenue - Licenses | 0 | 1200 | 1800 | 2400 | 2400 | 2400 | 2400 | 0 | 0 | 0 | 12600 |
| 109 | Cumulative Revenue - Licenses | 0 | 1200 | 3000 | 5400 | 7800 | 10200 | 12600 | 12600 | 12600 | 12600 | |
| 110 | Medium Financial Institutions | | | | | | | | | | | |
| 111 | # of New Customers | 0 | 2 | 2 | 2 | 3 | 3 | 3 | 0 | 0 | 0 | 15 |
| 112 | Revenue - Licenses | 0 | 900 | 900 | 900 | 1350 | 1350 | 1350 | 0 | 0 | 0 | 6750 |
| 113 | Cumulative Revenue - Licenses | 0 | 900 | 1800 | 2700 | 4050 | 5400 | 6750 | 6750 | 6750 | 6750 | |
| 114 | Small Financial Institutions | | | | | | | | | | | |
| 115 | # of New Customers | 0 | 1 | 2 | 3 | 3 | 3 | 3 | 0 | 0 | 0 | 15 |
| 116 | Revenue - Licenses | 0 | 300 | 600 | 900 | 900 | 900 | 900 | 0 | 0 | 0 | 4500 |
| 117 | Cumulative Revenue - Licenses | 0 | 300 | 900 | 1800 | 2700 | 3600 | 4500 | 4500 | 4500 | 4500 | |
| 118 | **Total - New License Revenue** | 0 | 2400 | 3300 | 4200 | 4650 | 4650 | 4650 | 0 | 0 | 0 | 23850 |
| 119 | | | | | | | | | | | | |
| 120 | **Upgrades/Add-ons - Revenue** | | | | | | | | | | | |
| 121 | Large Financial Institutions | 0 | 0 | 56 | 141 | 253 | 346 | 434 | 370 | 246 | 95 | 1941 |
| 122 | Medium Financial Institutions | 0 | 0 | 42 | 85 | 127 | 180 | 230 | 198 | 132 | 51 | 1044 |
| 123 | Small Financial Institutions | 0 | 0 | 14 | 42 | 84 | 120 | 153 | 132 | 88 | 34 | 668 |
| 124 | **Total Upgrade Revenue** | 0 | 0 | 113 | 268 | 464 | 646 | 817 | 700 | 465 | 180 | 3653 |
| 125 | **Cumulative Total-Upgrade Revenues** | 0 | 0 | 113 | 381 | 845 | 1491 | 2308 | 3008 | 3474 | 3653 | |
| 126 | | | | | | | | | | | | |
| 127 | **Professional Services** | | | | | | | | | | | |
| 128 | Large Financial Institutions | 0 | 240 | 360 | 480 | 480 | 480 | 480 | 0 | 0 | 0 | 2520 |
| 129 | Medium Financial Institutions | 0 | 180 | 180 | 180 | 270 | 270 | 270 | 0 | 0 | 0 | 1350 |
| 130 | Small Financial Institutions | 0 | 60 | 120 | 180 | 180 | 180 | 180 | 0 | 0 | 0 | 900 |
| 131 | **Total Professional Services** | 0 | 480 | 660 | 840 | 930 | 930 | 930 | 0 | 0 | 0 | 4770 |
| 132 | | | | | | | | | | | | |
| 133 | | | | | | | | | | | | |
| 134 | | | | | | | | | | | | |
| 135 | | | | | | | | | | | | |
| 136 | **Maintenance** | | | | | | | | | | | |
| 137 | Large Financial Institutions | 0 | 180 | 449 | 808 | 1166 | 1461 | 1740 | 1535 | 1264 | 963 | 9566 |
| 138 | Medium Financial Institutions | 0 | 135 | 270 | 404 | 605 | 774 | 934 | 823 | 678 | 516 | 5139 |
| 139 | Small Financial Institutions | 0 | 45 | 135 | 269 | 404 | 516 | 623 | 549 | 452 | 344 | 3338 |
| 140 | **Total Maintenance** | 0 | 360 | 854 | 1481 | 2174 | 2751 | 3296 | 2907 | 2395 | 1823 | 18043 |
| 141 | | | | | | | | | | | | |
| 142 | **Total Revenues** | | | | | | | | | | | |
| 143 | Large Financial Institutions | 0 | 1620 | 2666 | 3829 | 4299 | 4687 | 5054 | 1904 | 1510 | 1057 | 26627 |
| 144 | Medium Financial Institutions | 0 | 1215 | 1392 | 1568 | 2352 | 2574 | 2784 | 1022 | 810 | 567 | 14283 |
| 145 | Small Financial Institutions | 0 | 405 | 869 | 1392 | 1568 | 1716 | 1856 | 681 | 540 | 378 | 9406 |
| 146 | | | | | | | | | | | | |
| 147 | **Grand Total Revenue** | 0 | 3240 | 4927 | 6789 | 8219 | 8977 | 9694 | 3607 | 2860 | 2003 | 50316 |
| 148 | | | | | | | | | | | | |
| 149 | | | | | | | | | | | | |
| 150 | | | | | | | | | | | | |

| | N | O | P | Q | R | S | T | U | V | W | X | Y |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 151 | **Revenue Worksheets - HyperBranch (International)** | | | | | | | | | | | 24 |
| 152 | | | | | | | | | | | | |
| 153 | **($000)** | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **Total** |
| 154 | | | | | | | | | | | | |
| 155 | | | | | | | | | | | | |
| 156 | Large Unit License Fee | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | |
| 157 | Medium Unit License Fee | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | |
| 158 | Small Unit License Fee | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | |
| 159 | | | | | | | | | | | | |
| 160 | **Upgrades/Add-ons** <ratio to maint base> | | | | | | | | | | | |
| 161 | Large | .33 | .33 | .33 | .33 | .33 | .33 | .33 | .25 | .20 | .10 | |
| 162 | Medium | .33 | .33 | .33 | .33 | .33 | .33 | .33 | .25 | .20 | .10 | |
| 163 | Small | .33 | .33 | .33 | .33 | .33 | .33 | .33 | .25 | .20 | .10 | |
| 164 | | | | | | | | | | | | |
| 165 | Professional Services <ratio to new lic> | | | | | | | | | | | |
| 166 | Large | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | |
| 167 | Medium | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | |
| 168 | Small | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | |
| 169 | | | | | | | | | | | | |
| 170 | **Maintenance Calculation - Large** | | | | | | | | | | | |
| 171 | Previous Year Maintenance | | 0 | 180 | 449 | 808 | 1166 | 1461 | 1740 | 1535 | 1264 | |
| 172 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 173 | Remaining Maintenance | 0 | 0 | 171 | 427 | 768 | 1049 | 1315 | 1479 | 1228 | 948 | 7385 |
| 174 | New Licenses and New Upgrades | 0 | 1200 | 1856 | 2541 | 2653 | 2746 | 2834 | 370 | 246 | 95 | |
| 175 | Maintenance/License Price Ratio | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 176 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 177 | New License/Upgrade Maintenance | 0 | 180 | 278 | 381 | 398 | 412 | 425 | 55 | 37 | 14 | 2181 |
| 178 | **Total Maintenance-Large Revenue** | 0 | 180 | 449 | 808 | 1166 | 1461 | 1740 | 1535 | 1264 | 963 | 9566 |
| 179 | | | | | | | | | | | | |
| 180 | **Maintenance Calculation - Medium** | | | | | | | | | | | |
| 181 | Previous Year Maintenance | | 0 | 135 | 270 | 404 | 605 | 774 | 934 | 823 | 678 | |
| 182 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 183 | Remaining Maintenance | 0 | 0 | 128 | 256 | 384 | 545 | 697 | 794 | 659 | 509 | 3970 |
| 184 | New Licenses and New Upgrades | 0 | 900 | 942 | 985 | 1477 | 1530 | 1580 | 198 | 132 | 51 | |
| 185 | Maintenance/License Price Ratio | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 186 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 187 | New License/Upgrade Maintenance | 0 | 135 | 141 | 148 | 221 | 229 | 237 | 30 | 20 | 8 | 1169 |
| 188 | **Total Maintenance-Medium Revenue** | 0 | 135 | 270 | 404 | 605 | 774 | 934 | 823 | 678 | 516 | 5139 |
| 189 | | | | | | | | | | | | |
| 190 | **Maintenance Calculation - Small** | | | | | | | | | | | |
| 191 | Previous Year Maintenance | | 0 | 45 | 135 | 269 | 404 | 516 | 623 | 549 | 452 | |
| 192 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 193 | Remaining Maintenance | 0 | 0 | 43 | 128 | 256 | 363 | 465 | 529 | 439 | 339 | 2563 |
| 194 | New Licenses and New Upgrades | 0 | 300 | 614 | 942 | 984 | 1020 | 1053 | 132 | 88 | 34 | |
| 195 | Maintenance/License Price Ratio | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 196 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 197 | New License/Upgrade Maintenance | 0 | 45 | 92 | 141 | 148 | 153 | 158 | 20 | 13 | 5 | 775 |
| 198 | **Total Maintenance - Small** | 0 | 45 | 135 | 269 | 404 | 516 | 623 | 549 | 452 | 344 | 3338 |
| 199 | | | | | | | | | | | | |
| 200 | | | | | | | | | | | | |

| | N | O | P | Q | R | S | T | U | V | W | X | Y |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 201 | **Costs for HyperBranch Technologies Worldwide** | | | | | | | | | | | |
| 202 | | | | | | | | | | | | **25** |
| 203 | | | | | | | | | | | | |
| 204 | | | | | | **Projected** | | | | | | **Total** |
| 205 | **($000)** | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **1999-2005** |
| 206 | | | | | | | | | | | | |
| 207 | **Americas** | | | | | | | | | | | |
| 208 | Revenues | 0 | 1823 | 3910 | 5858 | 7403 | 8938 | 9330 | 3305 | 2620 | 1835 | 45021 |
| 209 | | | | | | | | | | | | |
| 210 | Cost of revenues rate | .15 | .15 | .15 | .14 | .13 | .12 | .11 | .10 | .10 | .10 | |
| 211 | cost | 0 | 273 | 587 | 820 | 962 | 1073 | 1026 | 330 | 262 | 183 | 5517 |
| 212 | Marketing and sales rate | .40 | .40 | .35 | .34 | .33 | .32 | .31 | .25 | .25 | .25 | |
| 213 | cost | 0 | 729 | 1369 | 1992 | 2443 | 2860 | 2892 | 826 | 655 | 459 | 14224 |
| 214 | R and D rate | | .15 | .15 | .14 | .13 | .12 | .11 | .10 | .10 | .10 | |
| 215 | cost | 300 | 273 | 587 | 820 | 962 | 1073 | 1026 | 330 | 262 | 183 | 5817 |
| 216 | G and A rate | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 217 | cost | 0 | 273 | 587 | 879 | 1110 | 1341 | 1399 | 496 | 393 | 275 | 6753 |
| 218 | **Total Costs- Americas** | 300 | 1549 | 3128 | 4511 | 5478 | 6346 | 6344 | 1983 | 1572 | 1101 | 32312 |
| 219 | **Cost/Revenue Ratio** | | .85 | .80 | .77 | .74 | .71 | .68 | .60 | .60 | .60 | |
| 220 | | | | | | | | | | | | |
| 221 | **International** | | | | | | | | | | | |
| 222 | Revenues | 0 | 3240 | 4927 | 6789 | 8219 | 8977 | 9694 | 3607 | 2860 | 2003 | 50316 |
| 223 | | | | | | | | | | | | |
| 224 | Cost of revenues rate | .15 | .15 | .15 | .14 | .13 | .12 | .11 | .10 | .10 | .10 | |
| 225 | cost | 0 | 486 | 739 | 950 | 1068 | 1077 | 1066 | 361 | 286 | 200 | 6235 |
| 226 | Marketing and sales rate | .40 | .40 | .35 | .34 | .33 | .32 | .31 | .25 | .25 | .25 | |
| 227 | cost | 0 | 1296 | 1724 | 2308 | 2712 | 2873 | 3005 | 902 | 715 | 501 | 16036 |
| 228 | R and D rate | | .15 | .15 | .14 | .13 | .12 | .11 | .10 | .10 | .10 | |
| 229 | cost | 300 | 486 | 739 | 950 | 1068 | 1077 | 1066 | 361 | 286 | 200 | 6535 |
| 230 | G and A rate | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 231 | cost | 0 | 486 | 739 | 1018 | 1233 | 1347 | 1454 | 541 | 429 | 300 | 7547 |
| 232 | **Total Costs - International** | 300 | 2754 | 3941 | 5228 | 6082 | 6374 | 6592 | 2164 | 1716 | 1202 | 36353 |
| 233 | | | | | | | | | | | | |
| 234 | **Cost/Revenue Ratio** | -- | .85 | .80 | .77 | .74 | .71 | .68 | .60 | .60 | .60 | |
| 235 | | | | | | | | | | | | |
| 236 | **Total Costs - Worldwide** | 600 | 4303 | 7070 | 9738 | 11560 | 12720 | 12936 | 4147 | 3288 | 2303 | 68665 |
| 237 | | | | | | | | | | | | |
| 238 | | | | | | | | | | | | |
| 239 | | | | | | | | | | | | |
| 240 | | | | | | | | | | | | |
| 241 | | | | | | | | | | | | |
| 242 | | | | | | | | | | | | |
| 243 | | | | | | | | | | | | |
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| 246 | | | | | | | | | | | | |
| 247 | | | | | | | | | | | | |
| 248 | | | | | | | | | | | | |
| 249 | | | | | | | | | | | | |
| 250 | | | | | | | | | | | | |

| | N | O | P | Q | R | S | T | U | V | W | X | Y |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 251 | | **Net Present Value - HyperBranch Technologies** | | | | | | | | | | 26 |
| 252 | | | | | | | | | | | | |
| 253 | | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **Total** |
| 254 | **Intertools - Americas** | | | | | | | | | | | |
| 255 | Revenue | 0 | 1823 | 3910 | 5858 | 7403 | 8938 | 9330 | 3305 | 2620 | 1835 | 45021 |
| 256 | Operating Cost Ratio | 1.0 | .15 | .20 | .23 | .26 | .29 | .32 | .40 | .40 | .40 | |
| 257 | Operating Income | -300 | 273 | 782 | 1347 | 1925 | 2592 | 2986 | 1322 | 1048 | 734 | 12709 |
| 258 | Tax Rate | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | |
| 259 | Operating Income After Tax | -186 | 169 | 485 | 835 | 1193 | 1607 | 1851 | 820 | 650 | 455 | 7879 |
| 260 | NPV Factors | .917 | .764 | .637 | .530 | .442 | .368 | .307 | .256 | .213 | .178 | |
| 261 | NPV | -171 | 129 | 309 | 443 | 528 | 592 | 568 | 210 | 139 | 81 | 2828 |
| 262 | Completion Ratio | .52 | .52 | .52 | .52 | .52 | .52 | .52 | .52 | .52 | .52 | |
| 263 | Allocable Value | -89 | 67 | 161 | 230 | 274 | 308 | 295 | 109 | 72 | 42 | 1470 |
| 264 | | | | | | | | | | | | |
| 265 | | | | | | | | | | | | |
| 266 | | | | | | | | | | | | |
| 267 | | | | | | | | | | | | |
| 268 | | | | | | | | | | | | |
| 269 | | | | | | | | | | | | |
| 270 | | | | | | | | | | | | |
| 271 | | | | | | | | | | | | |
| 272 | | | | | | | | | | | | |
| 273 | | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **Total** |
| 274 | **Intertools - International** | | | | | | | | | | | |
| 275 | Revenue | 0 | 3240 | 4927 | 6789 | 8219 | 8977 | 9694 | 3607 | 2860 | 2003 | 50316 |
| 276 | Operating Cost Ratio | 1.0 | .15 | .20 | .23 | .26 | .29 | .32 | .40 | .40 | .40 | |
| 277 | Operating Income | -300 | 486 | 985 | 1561 | 2137 | 2603 | 3102 | 1443 | 1144 | 801 | 13963 |
| 278 | Tax Rate | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | |
| 279 | Operating Income After Tax | -186 | 301 | 611 | 968 | 1325 | 1614 | 1923 | 895 | 709 | 497 | 8657 |
| 280 | NPV Factors | .917 | .764 | .637 | .530 | .442 | .368 | .307 | .256 | .213 | .178 | |
| 281 | NPV | -171 | 230 | 389 | 514 | 586 | 595 | 590 | 229 | 151 | 88 | 3201 |
| 282 | Completion Ratio | .52 | .52 | .52 | .52 | .52 | .52 | .52 | .52 | .52 | .52 | |
| 283 | Allocable Value | -89 | 120 | 202 | 267 | 305 | 309 | 307 | 119 | 79 | 46 | 1665 |
| 284 | | | | | | | | | | | | |
| 285 | Total Worldwide NPV | -341 | 360 | 698 | 957 | 1113 | 1187 | 1159 | 439 | 290 | 169 | 6029 |
| 286 | Total Worldwide Allocable | -177 | 187 | 363 | 497 | 579 | 617 | 602 | 228 | 151 | 88 | 3135 |
| 287 | | | | | | | | | | | | |
| 288 | | | | | | | | | | | | |
| 289 | | | | | | | | | | | | |
| 290 | | | | | | | | | | | | |
| 291 | Selected Discount Rate - Americas | .20 | | | | | | | | | | |
| 292 | | | | | | | | | | | | |
| 293 | Selected Discount Rate - International | .20 | | | | | | | | | | |
| 294 | | | | | | | | | | | | |
| 295 | | | | | | | | | | | | |
| 296 | | | | | | | | | | | | |
| 297 | | | | | | | | | | | | |
| 298 | | | | | | | | | | | | |
| 299 | | | | | | | | | | | | |
| 300 | | | | | | | | | | | | |

ELRON SOFTWAR N.C.C

#137

ELRON SOFTWARE N.C.C.
Creative Solutions

20 Shenkar St. Kiryat Aryeh,
Petach Tikva, 49513 Israel
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Fax: +972-3-925-4747
Web Site: www.ncc.co.il

# facsimile transmittal

To: Burton Grad Fax: 06-6792170

From: Moshe Attias (by Guy Sassow) Date:

Re: Pages: (including cover page) 1+3

CC:

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

Notes:

Hi Burton Grad

Attached are the following sheets:

1) Assets and Liabilities of ESS, as of December 1999 (2 pages)

2) Average wages of Employees divided into categories (1 page)

Moshe revieweed and Confirm these details

Have a nice day

Guy Sassow.

ELRON ELECTRONIC INDUSTRIES

VCC

Creative Solutions

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Petach Tikva, 49513 Israel
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Web Site: www.vcc.co.il

# facsimile transmittal

To: Mr Burton Grad Room # 210

Fax:

From: Moshe Alfias

Date:

No.:

Pages:

Notes:

Do NOT change from 5243

## Information Required for Intangibles Valuation

1999 1. List of principal Elron/NCC customers for preceding three years and the revenues from each of these accounts for each year

skip (2.) Analysis of Elron/NCC customer base including contract and project history

✓ 1988-1999 3. Financial statements for Elron Software for the preceding ~~three~~ two years separated by principal lines of business (Cambridge and NCC)

✓4. Effective Elron tax rates (U.S. federal and state and international ) for budget purposes as of 1/1/00 36%

✓5. Historic Elron rate of return on investments and its current cost of money 15-20%

✓ 1999 + 2000 6. Organization chart for Elron/NCC, with number of employees by function

Yair 7. Descriptions of previous Elron/NCC projects and deliverables

" 8. List, description, size and market share of principal competitors to Elron/NCC

✓2000 9. Elron/NCC operating and strategic financial forecasts

Yair 10. Elron/NCC business and strategic plans for telecommunications products and technologies to be sold including planned products, marketing and distribution channels, types of services, pricing approaches, development projects, etc.

11. Technical analysis of Elron/NCC in-process research and development activities in terms of applications, industries and system functionality

12. Description of existing and proposed products, their principal functions and platforms for operation

13. Major markets (size if available), competition and prospective market share for Americas and international

14. Estimate of when products or offerings will be released and available for delivery in both the Americas and internationally

NO Yair - CDR Appointment ✓ 15. Pricing plans for new licenses, upgrades/add-ons, maintenance and other services (Americas and international)

5243

16. Estimates of new customers and revenues from new licenses (Americas and international)

17. Projections of ratio between upgrades/add-ons and installed base (Americas and international)

18. Projections of ratio of services revenue to new license revenues and to upgrades/add-ons, if appropriate (Americas and international)

19. Projections of initial acceptance rate of maintenance on both new licenses and on upgrades/add-ons; projections on maintenance erosion rates after first year. Are there any planned "free" maintenance periods and, if so, how long? (Americas and international)

20. Expected marketable product life in terms of sales of new licenses and continued support of customers. Indicate whether newer technologies are likely to obsolete these new products (Americas and international)

21. Identify the expected operating costs

- Cost of revenues
- Marketing, sales and support
- Research and development
- General and administrative

22. Projections of non-product related professional services revenue and associated personnel and support costs.

Subj: **FW: Valuation of Assets / Liabilities to be sold to Elron Telesof t**
Date: 3/15/00 7:17:50 AM Eastern Standard Time
From: Moshea@ncc.co.il (Moshe Attias)
To: burtgrad@aol.com ('burtgrad@aol.com')

—Original Message—
From: Moshe Attias
Sent: â îøô 15 2000 14:09
To: 'BURTORAD@AOL.COM'
Subject: Valuation of Assets / Liabilities to be sold to Elron Telesoft

Dear Mr Burton.

I received the fax that you sent to Mr. Doron Birger regarding the information required for intangibles valuation.

I will take care of it except of paragraphs 7, 8, 10, 11, 12, 13, 14 & 20 that I will ask Yair Bar-Touv to take care of.

Best Regards,

Moshe Attias

———————— Headers ————————
Return-Path: <Moshea@ncc.co.il>
Received: from rly-yg01.mx.aol.com (rly-yg01.mail.aol.com [172.18.147.1]) by air-yg01.mail.aol.com (v69.28) with ESMTP; Wed, 15 Mar 2000 07:17:50 -0500
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id <G70D2SQC>; Wed, 15 Mar 2000 14:14:59 +0200
Message-ID: <0F0F605F7DF3D3118709009027E0011D06F0AC@EXCHANGE1>
From: Moshe Attias <Moshea@ncc.co.il>
To: "'burtgrad@aol.com'" <burtgrad@aol.com>
Subject: FW: Valuation of Assets / Liabilities to be sold to Elron Telesof
t
Date: Wed, 15 Mar 2000 14:14:58 +0200
MIME-Version: 1.0
X-Mailer: Internet Mail Service (5.5.2650.21)
Content-Type: text/plain;
charset="iso-8859-8"
Content-Transfer-Encoding: quoted-printable

BURTON GRAD ASSOCIATES, INC.
7 WHITNEY STREET EXTENSION
WESTPORT, CONNECTICUT 06880
(203) 222-8718 FAX: (203) 222-8728
E-MAIL: BURTGRAD@AOL.COM

***Date:*** March 13, 2000

***To:*** Doron Birger

***From:*** Burton Grad

***Subject:*** Valuation of Assets/Liabilities to be Sold to Elron Telesoft

In order to start the Elron Telesoft valuation process, I would like to have you fax or E-mail to me the items listed in the attached Appendix A. This is the same type of materials which I received about one year ago in order to value the NCC intangibles as of December 3, 1998.

In addition, please provide a fairly detailed picture of 1999 revenues and costs for the Elron/NCC operations, separately classifying types of revenues and costs for the products and professional services activities. Also, provide me with a December 31, 1999 balance sheet showing what assets and liabilities will be sold to Elron Telesoft. In addition, if you have any patents (or patents pending), please provide me with some relevant information so we can assign a value.

Given your urgency, please fax or E-mail whatever materials you can as soon as you can. You can FedEx hard copies if some of the materials are tough to read. Please note our new address.

After I see the materials, I will be able to give you an estimate of the schedule and costs.

Subj: **Elron Telesoft (from Moshe Attias)**
Date: 3/15/2000 1:33:36 PM Eastern Standard Time
From: guysa@ncc.co.il (Guy Sasson)
To: burtgrad@aol.com (Burton Grad)

File: ElronTel.mim (804962 bytes)
DL Time (50666 bps): < 4 minutes

[This e-mail contains a MIME (Multipurpose Internet Mail Extensions) file. The file was specially formatted to be sent over the Internet. For more information on opening the attached file, go to Keyword: MIME.]

---

Hello Burton Grad,
I'm working with Moshe Attias.
Attached are the following spreadsheets (I'll send them also by fax):

1) List of Customers and their revenues for the year 1999.

2) Estimate of delivery of products for the years 1999 and 2000.

3)Combined Financial Statements as of 1999.(we have the financial statements of 1998 only in hard copy so I'll send it to you by fax only).

4) The budget for the year 2000 (total+3 lines of business).

5) The budget for the year 1999.

Guy Sasson.

<<Customers1999.xls>> <<Products.xls>> <<Combined12-99.xls>> <<Combined Profit and Loss2000.xls>> <<profit and loss budget1999.xls>>

Combined Fin 12-99
Customers 1999
Products
Profit + Loss budget

---------- Headers ----------
Return-Path: <guysa@ncc.co.il>
Received: from rly-yc03.mx.aol.com (rly-yc03.mail.aol.com [172.18.149.35]) by air-yc03.mail.aol.com (v69.28) with ESMTP; Wed, 15 Mar 2000 13:33:34 -0500
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id <G70D2STX>; Wed, 15 Mar 2000 20:30:04 +0200
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From: Guy Sasson <guysa@ncc.co.il>
To: Burton Grad <burtgrad@aol.com>
Subject: Elron Telesoft (from Moshe Attias)
Date: Wed, 15 Mar 2000 20:30:04 +0200
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Content-Type: multipart/mixed;
boundary="—_=_NextPart_000_01BF8EAC.7B66104E"

Elron/NCC Customers - 1999

Appendix G-1

| Num | Customer | Revenues For 1999 In U.S. Thousands | Product | Telecom Service | E-finance Service | Govt Serv |
|---|---|---|---|---|---|---|
| 1 | Bezek | 3,808 | | | | |
| 2 | Leumi Bank | 1,720 | | | | |
| 3 | Hapoalim Bank | 1,100 | | | | |
| 4 | Mizrahi Bank | 450 | | | | |
| 5 | Visa red | 170 | | | | |
| 6 | Retired Persons Services | 170 | | | | |
| 7 | Ministry of Defense | 1,095 | | | | |
| 8 | Prime Minister Office | 4,565 | | | | |
| 9 | Compaq | 480 | | | | |
| 10 | Elbit | 800 | | | | |
| 11 | I.B.M change | 200 | | | | |
| 12 | The Stock Exgengeo of Tel-Aviv | 290 • | | | | |
| 13 | ECI Telecom | 560 • | | | | |
| 14 | Bay Networks Inc. (today Nortel) | 320 • | | | | |
| 15 | Quarry Technologies | 1,390 | | | | |
| 16 | Hynex | 130 • | | | | |
| 17 | Netec e | 250 | | | | |
| 18 | Golden Channels | 1,545 • | | | | |
| 19 | Process Software Corporate | 460 • | | | | |
| 20 | Clicknet Software Corporate | 300 • | | | | |
| 21 | Pelephone | 530 • | | | | |
| 22 | HP | 300 | | | | |
| 23 | LCC (today Ericsson NetQual) | 880 | | | | |
| 24 | ELOP | 2,590 • | | | | |
| 25 | Marconi Integrated System | 1,430 | | | | |
| 26 | Citibank | 200 • | | | | |
| 27 | John Hancock | 300 · | | | | |
| | Others | 1,839 | | | | |
| | Total | 27,872 | 1845 | 9108 | 6439 | 10480 |

individual co. #'s from attached page

Elron Software MCC - Revenues for 1999 divided to Customers in 3 lines of Business

| Num | Customer | Revenues For 1999 In U.S. Thousands | Telecom Products | Telecom | E-Finance | Government | Total |
|---|---|---|---|---|---|---|---|
| 1 | Barak | 3,600 | | 1,304 | | | 3,606 |
| 2 | Leumi Bank | 1,720 | | | 1,720 | | 1,720 |
| 3 | Hapoalim Bank | 1,100 | | | 1,100 | | 1,100 |
| 4 | Mizrahi Bank | 450 | | | 450 | | 450 |
| 5 | Visa | 170 | | | 170 | | 170 |
| 6 | Retierd Persons Services | 170 | | | 170 | | 170 |
| 7 | Ministry of Defense | 1,095 | | | | 1,095 | 1,095 |
| 8 | Prime Minister Office | 4,565 | | | | 4,565 | 4,565 |
| 9 | Compaq | 480 | | 480 | | | 480 |
| 10 | Elbit | 600 | | | | 600 | 600 |
| 11 | I.B.M | 200 | | | 200 | | 200 |
| 12 | The Stock Exchange of Tel-Aviv | 290 | | | 290 | | 290 |
| 13 | ECI Telecom | 560 | | 560 | | | 560 |
| 14 | Bay Networks Inc. (today Nortel) | 320 | | 320 | | | 320 |
| 15 | Quarry Technologies | 1,390 | | 1,390 | | | 1,390 |
| 16 | Hynex | 130 | | 130 | | | 130 |
| 17 | Netect | 250 | | 250 | | | 250 |
| 18 | Golden Channels | 1,545 | 1,545 | | | | 1,545 |
| 19 | Process Software Corporate | 480 | | 480 | | | 480 |
| 20 | Clicknet Software Corporate | 300 | | 300 | | | 300 |
| 21 | Polephone | 630 | | 630 | | | 630 |
| 22 | HP | 300 | 300 | | | | 300 |
| 23 | LCC (today Ericsson NetQual) | 880 | | 880 | | | 880 |
| 24 | ELOP | 2,550 | | | | 2,550 | 2,550 |
| 25 | Marconi Integrated System | 1,430 | | | | 1,430 | 1,430 |
| 26 | Citibank | 200 | | | 200 | | 200 |
| 27 | Johan Hancock | 300 | | | 300 | | 300 |
| | Others | 1,829 | | | 1,829 | | 1,829 |
| | Total | 27,572 | 1,845 | 5,109 | 5,429 | 10,480 | 27,572 |

Fax sent by : 29/03/00 13:06 Pg: 2/6

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **Projections for InterTools Technologies - Revenues (Americas)** | | | | | | | | | | | 11 |
| 2 | | | | | | | | | | | | |
| 3 | **($000)** | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **Total** |
| 4 | | | | | | | | | | | | |
| 5 | **New Product Licenses** | | | | | | | | | | | |
| 6 | Communications Service Providers | | | | | | | | | | | |
| 7 | # of New Customers | 1 | 3 | 5 | 8 | 10 | 8 | 6 | 0 | 0 | 0 | 41 |
| 8 | Revenue - Licenses | 1000 | 3000 | 5000 | 8000 | 10000 | 8000 | 6000 | 0 | 0 | 0 | 41000 |
| 9 | Cumulative Revenue - Licenses | 1000 | 4000 | 9000 | 17000 | 27000 | 35000 | 41000 | 41000 | 41000 | 41000 | |
| 10 | Corporate | | | | | | | | | | | |
| 11 | # of New Customers | 1 | 2 | 4 | 6 | 8 | 10 | 10 | 0 | 0 | 0 | 41 |
| 12 | Revenue - Licenses | 300 | 600 | 1200 | 1800 | 2400 | 3000 | 3000 | 0 | 0 | 0 | 12300 |
| 13 | Cumulative Revenue - Licenses | 300 | 900 | 2100 | 3900 | 6300 | 9300 | 12300 | 12300 | 12300 | 12300 | |
| 14 | Vertical Network Service | | | | | | | | | | | |
| 15 | # of New Customers | 0 | 2 | 3 | 4 | 5 | 5 | 5 | 0 | 0 | 0 | 24 |
| 16 | Revenue - Licenses | 0 | 1000 | 1500 | 2000 | 2500 | 2500 | 2500 | 0 | 0 | 0 | 12000 |
| 17 | Cumulative Revenue - Licenses | 0 | 1000 | 2500 | 4500 | 7000 | 9500 | 12000 | 12000 | 12000 | 12000 | |
| 18 | **Total - New License Revenue** | 1300 | 4600 | 7700 | 11800 | 14900 | 13500 | 11500 | 0 | 0 | 0 | 65300 |
| 19 | | | | | | | | | | | | |
| 20 | **Upgrades/Add-ons - Revenue** | | | | | | | | | | | |
| 21 | CSP | 0 | 95 | 386 | 881 | 1685 | 2573 | 3272 | 2667 | 1835 | 1094 | 14490 |
| 22 | Corporate | 0 | 57 | 179 | 431 | 832 | 1329 | 1974 | 1895 | 1308 | 728 | 8732 |
| 23 | Vertical NSP | 0 | 0 | 190 | 500 | 949 | 1473 | 2040 | 1882 | 1299 | 722 | 9055 |
| 24 | **Total Upgrade Revenue** | 0 | 152 | 754 | 1812 | 3466 | 5376 | 7286 | 6445 | 4442 | 2544 | 32277 |
| 25 | **Cumulative Total-Upgrade Reve** | 0 | 152 | 907 | 2719 | 6185 | 11561 | 18847 | 25292 | 29733 | 32277 | |
| 26 | | | | | | | | | | | | |
| 27 | **Professional Services** | | | | | | | | | | | |
| 28 | CSP | 500 | 1500 | 2500 | 4000 | 5000 | 4000 | 3000 | 0 | 0 | 0 | 20500 |
| 29 | Corporate | 150 | 300 | 600 | 900 | 1200 | 1500 | 1500 | 0 | 0 | 0 | 6150 |
| 30 | Vertical NSP | 0 | 500 | 750 | 1000 | 1250 | 1250 | 1250 | 0 | 0 | 0 | 6000 |
| 31 | **Total Professional Services** | 650 | 2300 | 3850 | 5900 | 7450 | 6750 | 5750 | 0 | 0 | 0 | 32650 |
| 32 | | | | | | | | | | | | |
| 33 | | | | | | | | | | | | |
| 34 | | | | | | | | | | | | |
| 35 | | | | | | | | | | | | |
| 36 | **Maintenance** | | | | | | | | | | | |
| 37 | CSP | 150 | 607 | 1384 | 2647 | 4268 | 5427 | 6275 | 5734 | 4862 | 3811 | 35166 |
| 38 | Corporate | 45 | 141 | 341 | 659 | 1110 | 1649 | 2230 | 2180 | 1940 | 1564 | 11859 |
| 39 | Vertical NSP | 0 | 150 | 396 | 751 | 1231 | 1704 | 2214 | 2165 | 1927 | 1553 | 12091 |
| 40 | **Total Maintenance** | 195 | 898 | 2121 | 4057 | 6609 | 8780 | 10720 | 10078 | 8729 | 6928 | 59116 |
| 41 | | | | | | | | | | | | |
| 42 | **Total Revenues** | | | | | | | | | | | |
| 43 | CSP | 1650 | 5202 | 9271 | 15529 | 20953 | 20000 | 18548 | 8401 | 6697 | 4905 | 111156 |
| 44 | Corporate | 495 | 1098 | 2319 | 3789 | 5543 | 7478 | 8704 | 4075 | 3248 | 2292 | 39041 |
| 45 | Vertical NSP | 0 | 1650 | 2835 | 4251 | 5930 | 6927 | 8004 | 4047 | 3225 | 2276 | 39146 |
| 46 | | | | | | | | | | | | |
| 47 | **Grand Total Revenue** | 2145 | 7950 | 14426 | 23569 | 32425 | 34406 | 35255 | 16523 | 13170 | 9472 | 189343 |
| 48 | | | | | | | | | | | | |
| 49 | | | | | | | | | | | | |
| 50 | | | | | | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 51 | | **Revenue Worksheets - InterTools Technologies(Americas)** | | | | | | | | | | 12 |
| 52 | | | | | | | | | | | | |
| 53 | **($000)** | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **Total** |
| 54 | | | | | | | | | | | | |
| 55 | | | | | | | | | | | | |
| 56 | CSP Unit License Fee | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | |
| 57 | Corporate Unit License Fee | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | |
| 58 | VNSP Unit License Fee | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | |
| 59 | | | | | | | | | | | | |
| 60 | **Upgrades/Add-ons** <ratio to maint base> | | | | | | | | | | | |
| 61 | CSP | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .5 | .4 | .3 | |
| 62 | Corporate | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.0 | .75 | .5 | |
| 63 | VNSP | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.0 | .75 | .5 | |
| 64 | | | | | | | | | | | | |
| 65 | Professional Services <ratio to new lic> | | | | | | | | | | | |
| 66 | CSP | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | |
| 67 | Corporate | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | |
| 68 | VNSP | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | |
| 69 | | | | | | | | | | | | |
| 70 | **Maintenance Calculation - CSP** | | | | | | | | | | | |
| 71 | Previous Year Maintenance | | 150 | 607 | 1384 | 2647 | 4268 | 5427 | 6275 | 5734 | 4862 | |
| 72 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 73 | Remaining Maintenance | 0 | 143 | 576 | 1315 | 2515 | 3841 | 4884 | 5334 | 4587 | 3647 | 26842 |
| 74 | New Licenses and New Upgrad | 1000 | 3095 | 5386 | 8881 | 11685 | 10573 | 9272 | 2667 | 1835 | 1094 | |
| 75 | Maintenance/License Price Rati | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 76 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 77 | New License/Upgrade Maintena | 150 | 464 | 808 | 1332 | 1753 | 1586 | 1391 | 400 | 275 | 164 | 8323 |
| 78 | **Total Maintenance-CSP Revenu** | 150 | 607 | 1384 | 2647 | 4268 | 5427 | 6275 | 5734 | 4862 | 3811 | 35166 |
| 79 | | | | | | | | | | | | |
| 80 | **Maintenance Calculation - Corporate** | | | | | | | | | | | |
| 81 | Previous Year Maintenance | | 45 | 141 | 341 | 659 | 1110 | 1649 | 2230 | 2180 | 1940 | |
| 82 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 83 | Remaining Maintenance | 0 | 43 | 134 | 324 | 626 | 999 | 1484 | 1895 | 1744 | 1455 | 8704 |
| 84 | New Licenses and New Upgrad | 300 | 657 | 1379 | 2231 | 3232 | 4329 | 4974 | 1895 | 1308 | 728 | |
| 85 | Maintenance/License Price Rati | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 86 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 87 | New License/Upgrade Maintena | 45 | 99 | 207 | 335 | 485 | 649 | 746 | 284 | 196 | 109 | 3155 |
| 88 | **Total Maintenance-Corporate Re** | 45 | 141 | 341 | 659 | 1110 | 1649 | 2230 | 2180 | 1940 | 1564 | 11859 |
| 89 | | | | | | | | | | | | |
| 90 | **Maintenance Calculation - Vertical NSP** | | | | | | | | | | | |
| 91 | Previous Year Maintenance | | 0 | 150 | 396 | 751 | 1231 | 1704 | 2214 | 2165 | 1927 | |
| 92 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 93 | Remaining Maintenance | 0 | 0 | 143 | 376 | 714 | 1108 | 1534 | 1882 | 1732 | 1445 | 8933 |
| 94 | New Licenses and New Upgrad | 0 | 1000 | 1690 | 2500 | 3449 | 3973 | 4540 | 1882 | 1299 | 722 | |
| 95 | Maintenance/License Price Rati | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 96 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 97 | New License/Upgrade Maintena | 0 | 150 | 253 | 375 | 517 | 596 | 681 | 282 | 195 | 108 | 3158 |
| 98 | **Total Maintenance - Vertical NS** | 0 | 150 | 396 | 751 | 1231 | 1704 | 2214 | 2165 | 1927 | 1553 | 12091 |
| 99 | | | | | | | | | | | | |
| 100 | | | | | | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 101 | **Projections for InterTools Technologies - Revenues (International)** | | | | | | | | | | | 13 |
| 102 | | | | | | | | | | | | |
| 103 | **($000)** | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
| 104 | | | | | | | | | | | | |
| 105 | **New Product Licenses** | | | | | | | | | | | |
| 106 | Communications Service Providers | | | | | | | | | | | |
| 107 | # of New Customers | 2 | 4 | 6 | 8 | 10 | 10 | 8 | 0 | 0 | 0 | 48 |
| 108 | Revenue - Licenses | 1500 | 3000 | 4500 | 6000 | 7500 | 7500 | 6000 | 0 | 0 | 0 | 36000 |
| 109 | Cumulative Revenue - Licenses | 1500 | 4500 | 9000 | 15000 | 22500 | 30000 | 36000 | 36000 | 36000 | 36000 | |
| 110 | Corporate | | | | | | | | | | | |
| 111 | # of New Customers | 0 | 1 | 3 | 5 | 7 | 9 | 9 | 0 | 0 | 0 | 34 |
| 112 | Revenue - Licenses | 0 | 200 | 600 | 1000 | 1400 | 1800 | 1800 | 0 | 0 | 0 | 6800 |
| 113 | Cumulative Revenue - Licenses | 0 | 200 | 800 | 1800 | 3200 | 5000 | 6800 | 6800 | 6800 | 6800 | |
| 114 | Vertical Network Service | | | | | | | | | | | |
| 115 | # of New Customers | 0 | 1 | 2 | 3 | 4 | 5 | 5 | 0 | 0 | 0 | 20 |
| 116 | Revenue - Licenses | 0 | 400 | 800 | 1200 | 1600 | 2000 | 2000 | 0 | 0 | 0 | |
| 117 | Cumulative Revenue - Licenses | 0 | 400 | 1200 | 2400 | 4000 | 6000 | 8000 | 8000 | 8000 | 8000 | |
| 118 | **Total - New License Revenue** | 1500 | 3600 | 5900 | 8200 | 10500 | 11300 | 9800 | 0 | 0 | 0 | 50800 |
| 119 | | | | | | | | | | | | |
| 120 | **Upgrades/Add-ons - Revenue** | | | | | | | | | | | |
| 121 | CSP | 0 | 143 | 436 | 886 | 1499 | 2163 | 2821 | 2351 | 1618 | 965 | 12881 |
| 122 | Corporate | 0 | 0 | 38 | 157 | 368 | 649 | 1024 | 1014 | 700 | 389 | 4340 |
| 123 | Vertical NSP | 0 | 0 | 76 | 238 | 499 | 826 | 1250 | 1214 | 837 | 466 | 5405 |
| 124 | **Total Upgrade Revenue** | 0 | 143 | 550 | 1281 | 2366 | 3637 | 5095 | 4579 | 3155 | 1820 | 22626 |
| 125 | **Cumulative Total-Upgrade Reve** | 0 | 143 | 693 | 1974 | 4339 | 7977 | 13071 | 17651 | 20806 | 22626 | |
| 126 | | | | | | | | | | | | |
| 127 | **Professional Services** | | | | | | | | | | | |
| 128 | CSP | 750 | 1500 | 2250 | 3000 | 3750 | 3750 | 3000 | 0 | 0 | 0 | 18000 |
| 129 | Corporate | 0 | 100 | 300 | 500 | 700 | 900 | 900 | 0 | 0 | 0 | 3400 |
| 130 | Vertical NSP | 0 | 200 | 400 | 600 | 800 | 1000 | 1000 | 0 | 0 | 0 | 4000 |
| 131 | **Total Professional Services** | 750 | 1800 | 2950 | 4100 | 5250 | 5650 | 4900 | 0 | 0 | 0 | 25400 |
| 132 | | | | | | | | | | | | |
| 133 | | | | | | | | | | | | |
| 134 | | | | | | | | | | | | |
| 135 | | | | | | | | | | | | |
| 136 | **Maintenance** | | | | | | | | | | | |
| 137 | CSP | 225 | 685 | 1391 | 2355 | 3587 | 4677 | 5533 | 5056 | 4287 | 3360 | 31156 |
| 138 | Corporate | 0 | 30 | 124 | 292 | 542 | 855 | 1193 | 1167 | 1038 | 837 | 6078 |
| 139 | Vertical NSP | 0 | 60 | 188 | 395 | 690 | 1045 | 1428 | 1396 | 1242 | 1001 | 7444 |
| 140 | **Total Maintenance** | 225 | 775 | 1704 | 3041 | 4819 | 6577 | 8154 | 7618 | 6567 | 5199 | 44679 |
| 141 | | | | | | | | | | | | |
| 142 | **Total Revenues** | | | | | | | | | | | |
| 143 | CSP | 2475 | 5328 | 8578 | 12240 | 16335 | 18090 | 17353 | 7407 | 5905 | 4325 | 98037 |
| 144 | Corporate | 0 | 330 | 1062 | 1948 | 3011 | 4204 | 4917 | 2181 | 1738 | 1226 | 20618 |
| 145 | Vertical NSP | 0 | 660 | 1464 | 2433 | 3588 | 4870 | 5678 | 2609 | 2079 | 1467 | 24849 |
| 146 | | | | | | | | | | | | |
| 147 | **Grand Total Revenue** | 2475 | 6318 | 11104 | 16621 | 22934 | 27165 | 27949 | 12197 | 9722 | 7018 | 143504 |
| 148 | | | | | | | | | | | | |
| 149 | | | | | | | | | | | | |
| 150 | | | | | | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 151 | | **Revenue Worksheets - InterTools Technologies (International)** | | | | | | | | | | 14 |
| 152 | | | | | | | | | | | | |
| 153 | **($000)** | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
| 154 | | | | | | | | | | | | |
| 155 | | | | | | | | | | | | |
| 156 | CSP Unit License Fee | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | |
| 157 | Corporate Unit License Fee | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | |
| 158 | VNSP Unit License Fee | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | |
| 159 | | | | | | | | | | | | |
| 160 | **Upgrades/Add-ons** <ratio to maint base> | | | | | | | | | | | |
| 161 | CSP | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .5 | .4 | .3 | |
| 162 | Corporate | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.0 | .75 | .5 | |
| 163 | VNSP | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.0 | .75 | .5 | |
| 164 | | | | | | | | | | | | |
| 165 | Professional Services <ratio to new lic> | | | | | | | | | | | |
| 166 | CSP | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | |
| 167 | Corporate | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | |
| 168 | VNSP | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | |
| 169 | | | | | | | | | | | | |
| 170 | **Maintenance Calculation - CSP** | | | | | | | | | | | |
| 171 | Previous Year Maintenance | | 225 | 685 | 1391 | 2355 | 3587 | 4677 | 5533 | 5056 | 4287 | |
| 172 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 173 | Remaining Maintenance | 0 | 214 | 651 | 1322 | 2237 | 3228 | 4210 | 4703 | 4044 | 3215 | 23824 |
| 174 | New Licenses and New Upgrad | 1500 | 3143 | 4936 | 6886 | 8999 | 9663 | 8821 | 2351 | 1618 | 965 | |
| 175 | Maintenance/License Price Rati | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 176 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 177 | New License/Upgrade Maintena | 225 | 471 | 740 | 1033 | 1350 | 1449 | 1323 | 353 | 243 | 145 | 7332 |
| 178 | **Total Maintenance-CSP Revenu** | 225 | 685 | 1391 | 2355 | 3587 | 4677 | 5533 | 5056 | 4287 | 3360 | 31156 |
| 179 | | | | | | | | | | | | |
| 180 | **Maintenance Calculation - Corporate** | | | | | | | | | | | |
| 181 | Previous Year Maintenance | | 0 | 30 | 124 | 292 | 542 | 855 | 1193 | 1167 | 1038 | |
| 182 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 183 | Remaining Maintenance | 0 | 0 | 29 | 118 | 277 | 488 | 770 | 1014 | 933 | 779 | 4407 |
| 184 | New Licenses and New Upgrad | 0 | 200 | 638 | 1157 | 1768 | 2449 | 2824 | 1014 | 700 | 389 | |
| 185 | Maintenance/License Price Rati | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 186 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 187 | New License/Upgrade Maintena | 0 | 30 | 96 | 174 | 265 | 367 | 424 | 152 | 105 | 58 | 1671 |
| 188 | **Total Maintenance-Corporate Re** | 0 | 30 | 124 | 292 | 542 | 855 | 1193 | 1167 | 1038 | 837 | 6078 |
| 189 | | | | | | | | | | | | |
| 190 | **Maintenance Calc. - Vertical NSP** | | | | | | | | | | | |
| 191 | Previous Year Maintenance | | 0 | 60 | 188 | 395 | 690 | 1045 | 1428 | 1396 | 1242 | |
| 192 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 193 | Remaining Maintenance | 0 | 0 | 57 | 179 | 375 | 621 | 940 | 1214 | 1116 | 932 | 5433 |
| 194 | New Licenses and New Upgrad | 0 | 400 | 876 | 1438 | 2099 | 2826 | 3250 | 1214 | 837 | 466 | |
| 195 | Maintenance/License Price Rati | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 196 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 197 | New License/Upgrade Maintena | 0 | 60 | 131 | 216 | 315 | 424 | 488 | 182 | 126 | 70 | 2011 |
| 198 | **Total Maintenance-Vertical NSP** | 0 | 60 | 188 | 395 | 690 | 1045 | 1428 | 1396 | 1242 | 1001 | 7444 |
| 199 | | | | | | | | | | | | |
| 200 | | | | | | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 201 | **Costs for InterTools Technologies Worldwide** | | | | | | | | | | | |
| 202 | | | | | | | | | | | | 15 |
| 203 | | | | | | | | | | | | |
| 204 | | | | | | Projected | | | | | | Total |
| 205 | ($000) | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 1999-200 |
| 206 | | | | | | | | | | | | |
| 207 | **Americas** | | | | | | | | | | | |
| 208 | Revenues | 2145 | 7950 | 14426 | 23569 | 32425 | 34406 | 35255 | 16523 | 13170 | 9472 | 189343 |
| 209 | | | | | | | | | | | | |
| 210 | Cost of revenues rate | .20 | .20 | .19 | .18 | .17 | .16 | .15 | .10 | .10 | .10 | |
| 211 | cost | 429 | 1590 | 2741 | 4242 | 5512 | 5505 | 5288 | 1652 | 1317 | 947 | 29225 |
| 212 | Marketing and sales rate | .35 | .35 | .34 | .33 | .32 | .31 | .30 | .25 | .25 | .25 | |
| 213 | cost | 751 | 2783 | 4905 | 7778 | 10376 | 10666 | 10577 | 4131 | 3293 | 2368 | 57626 |
| 214 | R and D rate | .15 | .15 | .14 | .13 | .12 | .11 | .10 | .10 | .10 | .10 | |
| 215 | cost | 322 | 1193 | 2020 | 3064 | 3891 | 3785 | 3526 | 1652 | 1317 | 947 | 21716 |
| 216 | G and A rate | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 217 | cost | 322 | 1193 | 2164 | 3535 | 4864 | 5161 | 5288 | 2478 | 1976 | 1421 | 28401 |
| 218 | **Total Costs- Americas** | 1823 | 6758 | 11829 | 18620 | 24643 | 25116 | 24679 | 9914 | 7902 | 5683 | 136968 |
| 219 | **Cost/Revenue Ratio** | .85 | .85 | .82 | .79 | .76 | .73 | .70 | .60 | .60 | .60 | |
| 220 | | | | | | | | | | | | |
| 221 | **International** | | | | | | | | | | | |
| 222 | Revenues | 2475 | 6318 | 11104 | 16621 | 22934 | 27165 | 27949 | 12197 | 9722 | 7018 | 143504 |
| 223 | | | | | | | | | | | | |
| 224 | Cost of revenues rate | .20 | .20 | .19 | .18 | .17 | .16 | .15 | .10 | .10 | .10 | |
| 225 | cost | 495 | 1264 | 2110 | 2992 | 3899 | 4346 | 4192 | 1220 | 972 | 702 | 22192 |
| 226 | Marketing and sales rate | .35 | .35 | .34 | .33 | .32 | .31 | .30 | .25 | .25 | .25 | |
| 227 | cost | 866 | 2211 | 3775 | 5485 | 7339 | 8421 | 8385 | 3049 | 2431 | 1755 | 43717 |
| 228 | R and D rate | .15 | .15 | .14 | .13 | .12 | .11 | .10 | .10 | .10 | .10 | |
| 229 | cost | 371 | 948 | 1555 | 2161 | 2752 | 2988 | 2795 | 1220 | 972 | 702 | 16463 |
| 230 | G and A rate | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 231 | cost | 371 | 948 | 1666 | 2493 | 3440 | 4075 | 4192 | 1830 | 1458 | 1053 | 21526 |
| 232 | **Total Costs - International** | 2104 | 5371 | 9105 | 13131 | 17430 | 19830 | 19564 | 7318 | 5833 | 4211 | 103897 |
| 233 | | | | | | | | | | | | 103897 |
| 234 | **Cost/Revenue Ratio** | .85 | .85 | .82 | .79 | .76 | .73 | .70 | .60 | .60 | .60 | |
| 235 | | | | | | | | | | | | |
| 236 | **Total Costs - Worldwide** | 3927 | 12129 | 20934 | 31751 | 42073 | 44947 | 44243 | 17232 | 13736 | 9894 | 240865 |
| 237 | | | | | | | | | | | | |
| 238 | | | | | | | | | | | | |
| 239 | | | | | | | | | | | | |
| 240 | | | | | | | | | | | | |
| 241 | | | | | | | | | | | | |
| 242 | | | | | | | | | | | | |
| 243 | | | | | | | | | | | | |
| 244 | | | | | | | | | | | | |
| 245 | | | | | | | | | | | | |
| 246 | | | | | | | | | | | | |
| 247 | | | | | | | | | | | | |
| 248 | | | | | | | | | | | | |
| 249 | | | | | | | | | | | | |
| 250 | | | | | | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 201 | **Costs for InterTools Technologies Worldwide** | | | | | | | | | | | |
| 202 | | | | | | | | | | | | 15 |
| 203 | | | | | | | | | | | | |
| 204 | | | | | | Projected | | | | | | Total |
| 205 | ($000) | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 1999-200 |
| 206 | | | | | | | | | | | | |
| 207 | **Americas** | | | | | | | | | | | |
| 208 | Revenues | 2145 | 7950 | 14426 | 23569 | 32425 | 34406 | 35255 | 16523 | 13170 | 9472 | 189343 |
| 209 | | | | | | | | | | | | |
| 210 | Cost of revenues rate | .20 | .20 | .19 | .18 | .17 | .16 | .15 | .10 | .10 | .10 | |
| 211 | cost | 429 | 1590 | 2741 | 4242 | 5512 | 5505 | 5288 | 1652 | 1317 | 947 | 29225 |
| 212 | Marketing and sales rate | .35 | .35 | .34 | .33 | .32 | .31 | .30 | .25 | .25 | .25 | |
| 213 | cost | 751 | 2783 | 4905 | 7778 | 10376 | 10666 | 10577 | 4131 | 3293 | 2368 | 57626 |
| 214 | R and D rate | .15 | .15 | .14 | .13 | .12 | .11 | .10 | .10 | .10 | .10 | |
| 215 | cost | 322 | 1193 | 2020 | 3064 | 3891 | 3785 | 3526 | 1652 | 1317 | 947 | 21716 |
| 216 | G and A rate | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 217 | cost | 322 | 1193 | 2164 | 3535 | 4864 | 5161 | 5288 | 2478 | 1976 | 1421 | 28401 |
| 218 | **Total Costs- Americas** | 1823 | 6758 | 11829 | 18620 | 24643 | 25116 | 24679 | 9914 | 7902 | 5683 | 136968 |
| 219 | **Cost/Revenue Ratio** | .85 | .85 | .82 | .79 | .76 | .73 | .70 | .60 | .60 | .60 | |
| 220 | | | | | | | | | | | | |
| 221 | **International** | | | | | | | | | | | |
| 222 | Revenues | 2475 | 6318 | 11104 | 16621 | 22934 | 27165 | 27949 | 12197 | 9722 | 7018 | 143504 |
| 223 | | | | | | | | | | | | |
| 224 | Cost of revenues rate | .20 | .20 | .19 | .18 | .17 | .16 | .15 | .10 | .10 | .10 | |
| 225 | cost | 495 | 1264 | 2110 | 2992 | 3899 | 4346 | 4192 | 1220 | 972 | 702 | 22192 |
| 226 | Marketing and sales rate | .35 | .35 | .34 | .33 | .32 | .31 | .30 | .25 | .25 | .25 | |
| 227 | cost | 866 | 2211 | 3775 | 5485 | 7339 | 8421 | 8385 | 3049 | 2431 | 1755 | 43717 |
| 228 | R and D rate | .15 | .15 | .14 | .13 | .12 | .11 | .10 | .10 | .10 | .10 | |
| 229 | cost | 371 | 948 | 1555 | 2161 | 2752 | 2988 | 2795 | 1220 | 972 | 702 | 16463 |
| 230 | G and A rate | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 231 | cost | 371 | 948 | 1666 | 2493 | 3440 | 4075 | 4192 | 1830 | 1458 | 1053 | 21526 |
| 232 | **Total Costs - International** | 2104 | 5371 | 9105 | 13131 | 17430 | 19830 | 19564 | 7318 | 5833 | 4211 | 103897 |
| 233 | | | | | | | | | | | | 103897 |
| 234 | **Cost/Revenue Ratio** | .85 | .85 | .82 | .79 | .76 | .73 | .70 | .60 | .60 | .60 | |
| 235 | | | | | | | | | | | | |
| 236 | **Total Costs - Worldwide** | 3927 | 12129 | 20934 | 31751 | 42073 | 44947 | 44243 | 17232 | 13736 | 9894 | 240865 |
| 237 | | | | | | | | | | | | |
| 238 | | | | | | | | | | | | |
| 239 | | | | | | | | | | | | |
| 240 | | | | | | | | | | | | |
| 241 | | | | | | | | | | | | |
| 242 | | | | | | | | | | | | |
| 243 | | | | | | | | | | | | |
| 244 | | | | | | | | | | | | |
| 245 | | | | | | | | | | | | |
| 246 | | | | | | | | | | | | |
| 247 | | | | | | | | | | | | |
| 248 | | | | | | | | | | | | |
| 249 | | | | | | | | | | | | |
| 250 | | | | | | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 251 | | Net Present Value - InterTools Technologies | | | | | | | | | | 16 |
| 252 | | | | | | | | | | | | |
| 253 | | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
| 254 | Intertools - Americas | | | | | | | | | | | |
| 255 | Revenue | 2145 | 7950 | 14426 | 23569 | 32425 | 34406 | 35255 | 16523 | 13170 | 9472 | 189343 |
| 256 | Operating Cost Ratio | .15 | .15 | .18 | .21 | .24 | .27 | .30 | .40 | .40 | .40 | |
| 257 | Operating Income | 322 | 1193 | 2597 | 4950 | 7782 | 9290 | 10577 | 6609 | 5268 | 3789 | 52375 |
| 258 | Tax Rate | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | |
| 259 | Operating Income After Tax | 199 | 739 | 1610 | 3069 | 4825 | 5760 | 6557 | 4098 | 3266 | 2349 | 32473 |
| 260 | NPV Factors | .917 | .764 | .637 | .530 | .442 | .368 | .307 | .256 | .213 | .178 | |
| 261 | NPV | 183 | 565 | 1025 | 1628 | 2133 | 2122 | 2013 | 1048 | 696 | 417 | 11830 |
| 262 | Completion Ratio | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .67 | |
| 263 | Allocable Value | 123 | 378 | 687 | 1091 | 1429 | 1422 | 1349 | 702 | 467 | 280 | 7926 |
| 264 | | | | | | | | | | | | |
| 265 | | | | | | | | | | | | |
| 266 | | | | | | | | | | | | |
| 267 | | | | | | | | | | | | |
| 268 | | | | | | | | | | | | |
| 269 | | | | | | | | | | | | |
| 270 | | | | | | | | | | | | |
| 271 | | | | | | | | | | | | |
| 272 | | | | | | | | | | | | |
| 273 | | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
| 274 | Intertools - International | | | | | | | | | | | |
| 275 | Revenue | 2475 | 6318 | 11104 | 16621 | 22934 | 27165 | 27949 | 12197 | 9722 | 7018 | 143504 |
| 276 | Operating Cost Ratio | .15 | .15 | .18 | .21 | .24 | .27 | .30 | .40 | .40 | .40 | |
| 277 | Operating Income | 371 | 948 | 1999 | 3490 | 5504 | 7334 | 8385 | 4879 | 3889 | 2807 | 39607 |
| 278 | Tax Rate | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | |
| 279 | Operating Income After Tax | 230 | 588 | 1239 | 2164 | 3413 | 4547 | 5198 | 3025 | 2411 | 1741 | 24556 |
| 280 | NPV Factors | .917 | .764 | .637 | .530 | .442 | .368 | .307 | .256 | .213 | .178 | |
| 281 | NPV | 211 | 449 | 789 | 1148 | 1509 | 1675 | 1596 | 774 | 514 | 309 | 8973 |
| 282 | Completion Ratio | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .67 | |
| 283 | Allocable Value | 141 | 301 | 529 | 769 | 1011 | 1122 | 1069 | 518 | 344 | 207 | 6012 |
| 284 | | | | | | | | | | | | |
| 285 | Total Worldwide NPV | 394 | 1014 | 1814 | 2776 | 3642 | 3797 | 3609 | 1822 | 1210 | 727 | 20804 |
| 286 | Total Worldwide Allocable | 264 | 679 | 1215 | 1860 | 2440 | 2544 | 2418 | 1221 | 811 | 487 | 13938 |
| 287 | | | | | | | | | | | | |
| 288 | | | | | | | | | | | | |
| 289 | | | | | | | | | | | | |
| 290 | | | | | | | | | | | | |
| 291 | Selected Discount Rate - America | .20 | | | | | | | | | | |
| 292 | | | | | | | | | | | | |
| 293 | Selected Discount Rate - Internatio | .20 | | | | | | | | | | |
| 294 | | | | | | | | | | | | |
| 295 | | | | | | | | | | | | |
| 296 | | | | | | | | | | | | |
| 297 | | | | | | | | | | | | |
| 298 | | | | | | | | | | | | |
| 299 | | | | | | | | | | | | |
| 300 | | | | | | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **Projections for CDR Technologies - Revenues (Americas)** | | | | | | | | | | | 11 |
| 2 | | | | | | | | | | | | |
| 3 | **($000)** | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **Total** |
| 4 | | | | | | | | | | | | |
| 5 | **New Product Licenses** | | | | | | | | | | | |
| 6 | Communications Service Providers | | | | | | | | | | | |
| 7 | # of New Customers | 1 | 3 | 5 | 8 | 10 | 8 | 6 | 0 | 0 | 0 | 41 |
| 8 | Revenue - Licenses | 1000 | 3000 | 5000 | 8000 | 10000 | 8000 | 6000 | 0 | 0 | 0 | 41000 |
| 9 | Cumulative Revenue - Licenses | 1000 | 4000 | 9000 | 17000 | 27000 | 35000 | 41000 | 41000 | 41000 | 41000 | |
| 10 | Corporate | | | | | | | | | | | |
| 11 | # of New Customers | 1 | 2 | 4 | 6 | 8 | 10 | 10 | 0 | 0 | 0 | 41 |
| 12 | Revenue - Licenses | 300 | 600 | 1200 | 1800 | 2400 | 3000 | 3000 | 0 | 0 | 0 | 12300 |
| 13 | Cumulative Revenue - Licenses | 300 | 900 | 2100 | 3900 | 6300 | 9300 | 12300 | 12300 | 12300 | 12300 | |
| 14 | Vertical Network Service | | | | | | | | | | | |
| 15 | # of New Customers | 0 | 2 | 3 | 4 | 5 | 5 | 5 | 0 | 0 | 0 | 24 |
| 16 | Revenue - Licenses | 0 | 1000 | 1500 | 2000 | 2500 | 2500 | 2500 | 0 | 0 | 0 | 12000 |
| 17 | Cumulative Revenue - Licenses | 0 | 1000 | 2500 | 4500 | 7000 | 9500 | 12000 | 12000 | 12000 | 12000 | |
| 18 | **Total - New License Revenue** | 1300 | 4600 | 7700 | 11800 | 14900 | 13500 | 11500 | 0 | 0 | 0 | 65300 |
| 19 | | | | | | | | | | | | |
| 20 | **Upgrades/Add-ons - Revenue** | | | | | | | | | | | |
| 21 | CSP | 0 | 95 | 386 | 881 | 1685 | 2573 | 3272 | 2667 | 1835 | 1094 | 14490 |
| 22 | Corporate | 0 | 57 | 179 | 431 | 832 | 1329 | 1974 | 1895 | 1308 | 728 | 8732 |
| 23 | Vertical NSP | 0 | 0 | 190 | 500 | 949 | 1473 | 2040 | 1882 | 1299 | 722 | 9055 |
| 24 | **Total Upgrade Revenue** | 0 | 152 | 754 | 1812 | 3466 | 5376 | 7286 | 6445 | 4442 | 2544 | 32277 |
| 25 | **Cumulative Total-Upgrade Reve** | 0 | 152 | 907 | 2719 | 6185 | 11561 | 18847 | 25292 | 29733 | 32277 | |
| 26 | | | | | | | | | | | | |
| 27 | **Professional Services** | | | | | | | | | | | |
| 28 | CSP | 500 | 1500 | 2500 | 4000 | 5000 | 4000 | 3000 | 0 | 0 | 0 | 20500 |
| 29 | Corporate | 150 | 300 | 600 | 900 | 1200 | 1500 | 1500 | 0 | 0 | 0 | 6150 |
| 30 | Vertical NSP | 0 | 500 | 750 | 1000 | 1250 | 1250 | 1250 | 0 | 0 | 0 | 6000 |
| 31 | **Total Professional Services** | 650 | 2300 | 3850 | 5900 | 7450 | 6750 | 5750 | 0 | 0 | 0 | 32650 |
| 32 | | | | | | | | | | | | |
| 33 | | | | | | | | | | | | |
| 34 | | | | | | | | | | | | |
| 35 | | | | | | | | | | | | |
| 36 | **Maintenance** | | | | | | | | | | | |
| 37 | CSP | 150 | 607 | 1384 | 2647 | 4268 | 5427 | 6275 | 5734 | 4862 | 3811 | 35166 |
| 38 | Corporate | 45 | 141 | 341 | 659 | 1110 | 1649 | 2230 | 2180 | 1940 | 1564 | 11859 |
| 39 | Vertical NSP | 0 | 150 | 396 | 751 | 1231 | 1704 | 2214 | 2165 | 1927 | 1553 | 12091 |
| 40 | **Total Maintenance** | 195 | 898 | 2121 | 4057 | 6609 | 8780 | 10720 | 10078 | 8729 | 6928 | 59116 |
| 41 | | | | | | | | | | | | |
| 42 | **Total Revenues** | | | | | | | | | | | |
| 43 | CSP | 1650 | 5202 | 9271 | 15529 | 20953 | 20000 | 18548 | 8401 | 6697 | 4905 | 111156 |
| 44 | Corporate | 495 | 1098 | 2319 | 3789 | 5543 | 7478 | 8704 | 4075 | 3248 | 2292 | 39041 |
| 45 | Vertical NSP | 0 | 1650 | 2835 | 4251 | 5930 | 6927 | 8004 | 4047 | 3225 | 2276 | 39146 |
| 46 | | | | | | | | | | | | |
| 47 | **Grand Total Revenue** | 2145 | 7950 | 14426 | 23569 | 32425 | 34406 | 35255 | 16523 | 13170 | 9472 | 189343 |
| 48 | | | | | | | | | | | | |
| 49 | | | | | | | | | | | | |
| 50 | | | | | | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 51 | **Revenue Worksheets - CDR Technologies (Americas)** | | | | | | | | | | | 12 |
| 52 | | | | | | | | | | | | |
| 53 | **($000)** | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **Total** |
| 54 | | | | | | | | | | | | |
| 55 | | | | | | | | | | | | |
| 56 | CSP Unit License Fee | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | |
| 57 | Corporate Unit License Fee | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | |
| 58 | VNSP Unit License Fee | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | |
| 59 | | | | | | | | | | | | |
| 60 | **Upgrades/Add-ons** <ratio to maint base> | | | | | | | | | | | |
| 61 | CSP | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .5 | .4 | .3 | |
| 62 | Corporate | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.0 | .75 | .5 | |
| 63 | VNSP | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.0 | .75 | .5 | |
| 64 | | | | | | | | | | | | |
| 65 | Professional Services <ratio to new lic> | | | | | | | | | | | |
| 66 | CSP | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | |
| 67 | Corporate | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | |
| 68 | VNSP | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | |
| 69 | | | | | | | | | | | | |
| 70 | **Maintenance Calculation - CSP** | | | | | | | | | | | |
| 71 | Previous Year Maintenance | | 150 | 607 | 1384 | 2647 | 4268 | 5427 | 6275 | 5734 | 4862 | |
| 72 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 73 | Remaining Maintenance | 0 | 143 | 576 | 1315 | 2515 | 3841 | 4884 | 5334 | 4587 | 3647 | 26842 |
| 74 | New Licenses and New Upgrad | 1000 | 3095 | 5386 | 8881 | 11685 | 10573 | 9272 | 2667 | 1835 | 1094 | |
| 75 | Maintenance/License Price Ratio | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 76 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 77 | New License/Upgrade Maintena | 150 | 464 | 808 | 1332 | 1753 | 1586 | 1391 | 400 | 275 | 164 | 8323 |
| 78 | **Total Maintenance-CSP Revenue** | 150 | 607 | 1384 | 2647 | 4268 | 5427 | 6275 | 5734 | 4862 | 3811 | 35166 |
| 79 | | | | | | | | | | | | |
| 80 | **Maintenance Calculation - Corporate** | | | | | | | | | | | |
| 81 | Previous Year Maintenance | | 45 | 141 | 341 | 659 | 1110 | 1649 | 2230 | 2180 | 1940 | |
| 82 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 83 | Remaining Maintenance | 0 | 43 | 134 | 324 | 626 | 999 | 1484 | 1895 | 1744 | 1455 | 8704 |
| 84 | New Licenses and New Upgrad | 300 | 657 | 1379 | 2231 | 3232 | 4329 | 4974 | 1895 | 1308 | 728 | |
| 85 | Maintenance/License Price Ratio | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 86 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 87 | New License/Upgrade Maintena | 45 | 99 | 207 | 335 | 485 | 649 | 746 | 284 | 196 | 109 | 3155 |
| 88 | **Total Maintenance-Corporate Re** | 45 | 141 | 341 | 659 | 1110 | 1649 | 2230 | 2180 | 1940 | 1564 | 11859 |
| 89 | | | | | | | | | | | | |
| 90 | **Maintenance Calculation - Vertical NSP** | | | | | | | | | | | |
| 91 | Previous Year Maintenance | | 0 | 150 | 396 | 751 | 1231 | 1704 | 2214 | 2165 | 1927 | |
| 92 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 93 | Remaining Maintenance | 0 | 0 | 143 | 376 | 714 | 1108 | 1534 | 1882 | 1732 | 1445 | 8933 |
| 94 | New Licenses and New Upgrad | 0 | 1000 | 1690 | 2500 | 3449 | 3973 | 4540 | 1882 | 1299 | 722 | |
| 95 | Maintenance/License Price Ratio | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 96 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 97 | New License/Upgrade Maintena | 0 | 150 | 253 | 375 | 517 | 596 | 681 | 282 | 195 | 108 | 3158 |
| 98 | **Total Maintenance - Vertical NSP** | 0 | 150 | 396 | 751 | 1231 | 1704 | 2214 | 2165 | 1927 | 1553 | 12091 |
| 99 | | | | | | | | | | | | |
| 100 | | | | | | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 101 | **Projections for CDR Technologies - Revenues (International)** | | | | | | | | | | | 13 |
| 102 | | | | | | | | | | | | |
| 103 | **($000)** | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **Total** |
| 104 | | | | | | | | | | | | |
| 105 | **New Product Licenses** | | | | | | | | | | | |
| 106 | Communications Service Providers | | | | | | | | | | | |
| 107 | # of New Customers | 2 | 4 | 6 | 8 | 10 | 10 | 8 | 0 | 0 | 0 | 48 |
| 108 | Revenue - Licenses | 1500 | 3000 | 4500 | 6000 | 7500 | 7500 | 6000 | 0 | 0 | 0 | 36000 |
| 109 | Cumulative Revenue - Licenses | 1500 | 4500 | 9000 | 15000 | 22500 | 30000 | 36000 | 36000 | 36000 | 36000 | |
| 110 | Corporate | | | | | | | | | | | |
| 111 | # of New Customers | 0 | 1 | 3 | 5 | 7 | 9 | 9 | 0 | 0 | 0 | 34 |
| 112 | Revenue - Licenses | 0 | 200 | 600 | 1000 | 1400 | 1800 | 1800 | 0 | 0 | 0 | 6800 |
| 113 | Cumulative Revenue - Licenses | 0 | 200 | 800 | 1800 | 3200 | 5000 | 6800 | 6800 | 6800 | 6800 | |
| 114 | Vertical Network Service | | | | | | | | | | | |
| 115 | # of New Customers | 0 | 1 | 2 | 3 | 4 | 5 | 5 | 0 | 0 | 0 | 20 |
| 116 | Revenue - Licenses | 0 | 400 | 800 | 1200 | 1600 | 2000 | 2000 | 0 | 0 | 0 | |
| 117 | Cumulative Revenue - Licenses | 0 | 400 | 1200 | 2400 | 4000 | 6000 | 8000 | 8000 | 8000 | 8000 | |
| 118 | **Total - New License Revenue** | 1500 | 3600 | 5900 | 8200 | 10500 | 11300 | 9800 | 0 | 0 | 0 | 50800 |
| 119 | | | | | | | | | | | | |
| 120 | **Upgrades/Add-ons - Revenue** | | | | | | | | | | | |
| 121 | CSP | 0 | 143 | 436 | 886 | 1499 | 2163 | 2821 | 2351 | 1618 | 965 | 12881 |
| 122 | Corporate | 0 | 0 | 38 | 157 | 368 | 649 | 1024 | 1014 | 700 | 389 | 4340 |
| 123 | Vertical NSP | 0 | 0 | 76 | 238 | 499 | 826 | 1250 | 1214 | 837 | 466 | 5405 |
| 124 | **Total Upgrade Revenue** | 0 | 143 | 550 | 1281 | 2366 | 3637 | 5095 | 4579 | 3155 | 1820 | 22626 |
| 125 | **Cumulative Total-Upgrade Reve** | 0 | 143 | 693 | 1974 | 4339 | 7977 | 13071 | 17651 | 20806 | 22626 | |
| 126 | | | | | | | | | | | | |
| 127 | **Professional Services** | | | | | | | | | | | |
| 128 | CSP | 750 | 1500 | 2250 | 3000 | 3750 | 3750 | 3000 | 0 | 0 | 0 | 18000 |
| 129 | Corporate | 0 | 100 | 300 | 500 | 700 | 900 | 900 | 0 | 0 | 0 | 3400 |
| 130 | Vertical NSP | 0 | 200 | 400 | 600 | 800 | 1000 | 1000 | 0 | 0 | 0 | 4000 |
| 131 | **Total Professional Services** | 750 | 1800 | 2950 | 4100 | 5250 | 5650 | 4900 | 0 | 0 | 0 | 25400 |
| 132 | | | | | | | | | | | | |
| 133 | | | | | | | | | | | | |
| 134 | | | | | | | | | | | | |
| 135 | | | | | | | | | | | | |
| 136 | **Maintenance** | | | | | | | | | | | |
| 137 | CSP | 225 | 685 | 1391 | 2355 | 3587 | 4677 | 5533 | 5056 | 4287 | 3360 | 31156 |
| 138 | Corporate | 0 | 30 | 124 | 292 | 542 | 855 | 1193 | 1167 | 1038 | 837 | 6078 |
| 139 | Vertical NSP | 0 | 60 | 188 | 395 | 690 | 1045 | 1428 | 1396 | 1242 | 1001 | 7444 |
| 140 | **Total Maintenance** | 225 | 775 | 1704 | 3041 | 4819 | 6577 | 8154 | 7618 | 6567 | 5199 | 44679 |
| 141 | | | | | | | | | | | | |
| 142 | **Total Revenues** | | | | | | | | | | | |
| 143 | CSP | 2475 | 5328 | 8578 | 12240 | 16335 | 18090 | 17353 | 7407 | 5905 | 4325 | 98037 |
| 144 | Corporate | 0 | 330 | 1062 | 1948 | 3011 | 4204 | 4917 | 2181 | 1738 | 1226 | 20618 |
| 145 | Vertical NSP | 0 | 660 | 1464 | 2433 | 3588 | 4870 | 5678 | 2609 | 2079 | 1467 | 24849 |
| 146 | | | | | | | | | | | | |
| 147 | **Grand Total Revenue** | 2475 | 6318 | 11104 | 16621 | 22934 | 27165 | 27949 | 12197 | 9722 | 7018 | 143504 |
| 148 | | | | | | | | | | | | |
| 149 | | | | | | | | | | | | |
| 150 | | | | | | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 151 | **Revenue Worksheets - CDR Technologies (International)** | | | | | | | | | | | 14 |
| 152 | | | | | | | | | | | | |
| 153 | **($000)** | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
| 154 | | | | | | | | | | | | |
| 155 | | | | | | | | | | | | |
| 156 | CSP Unit License Fee | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | |
| 157 | Corporate Unit License Fee | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | |
| 158 | VNSP Unit License Fee | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | |
| 159 | | | | | | | | | | | | |
| 160 | **Upgrades/Add-ons** <ratio to maint base> | | | | | | | | | | | |
| 161 | CSP | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .5 | .4 | .3 | |
| 162 | Corporate | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.0 | .75 | .5 | |
| 163 | VNSP | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.0 | .75 | .5 | |
| 164 | | | | | | | | | | | | |
| 165 | Professional Services <ratio to new lic> | | | | | | | | | | | |
| 166 | CSP | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | |
| 167 | Corporate | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | |
| 168 | VNSP | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | |
| 169 | | | | | | | | | | | | |
| 170 | **Maintenance Calculation - CSP** | | | | | | | | | | | |
| 171 | Previous Year Maintenance | | 225 | 685 | 1391 | 2355 | 3587 | 4677 | 5533 | 5056 | 4287 | |
| 172 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 173 | Remaining Maintenance | 0 | 214 | 651 | 1322 | 2237 | 3228 | 4210 | 4703 | 4044 | 3215 | 23824 |
| 174 | New Licenses and New Upgrad | 1500 | 3143 | 4936 | 6886 | 8999 | 9663 | 8821 | 2351 | 1618 | 965 | |
| 175 | Maintenance/License Price Ratio | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 176 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 177 | New License/Upgrade Maintena | 225 | 471 | 740 | 1033 | 1350 | 1449 | 1323 | 353 | 243 | 145 | 7332 |
| 178 | **Total Maintenance-CSP Revenue** | 225 | 685 | 1391 | 2355 | 3587 | 4677 | 5533 | 5056 | 4287 | 3360 | 31156 |
| 179 | | | | | | | | | | | | |
| 180 | **Maintenance Calculation - Corporate** | | | | | | | | | | | |
| 181 | Previous Year Maintenance | | 0 | 30 | 124 | 292 | 542 | 855 | 1193 | 1167 | 1038 | |
| 182 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 183 | Remaining Maintenance | 0 | 0 | 29 | 118 | 277 | 488 | 770 | 1014 | 933 | 779 | 4407 |
| 184 | New Licenses and New Upgrad | 0 | 200 | 638 | 1157 | 1768 | 2449 | 2824 | 1014 | 700 | 389 | |
| 185 | Maintenance/License Price Ratio | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 186 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 187 | New License/Upgrade Maintena | 0 | 30 | 96 | 174 | 265 | 367 | 424 | 152 | 105 | 58 | 1671 |
| 188 | **Total Maintenance-Corporate Re** | 0 | 30 | 124 | 292 | 542 | 855 | 1193 | 1167 | 1038 | 837 | 6078 |
| 189 | | | | | | | | | | | | |
| 190 | **Maintenance Calc. - Vertical NSP** | | | | | | | | | | | |
| 191 | Previous Year Maintenance | | 0 | 60 | 188 | 395 | 690 | 1045 | 1428 | 1396 | 1242 | |
| 192 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 193 | Remaining Maintenance | 0 | 0 | 57 | 179 | 375 | 621 | 940 | 1214 | 1116 | 932 | 5433 |
| 194 | New Licenses and New Upgrad | 0 | 400 | 876 | 1438 | 2099 | 2826 | 3250 | 1214 | 837 | 466 | |
| 195 | Maintenance/License Price Ratio | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 196 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 197 | New License/Upgrade Maintena | 0 | 60 | 131 | 216 | 315 | 424 | 488 | 182 | 126 | 70 | 2011 |
| 198 | **Total Maintenance-Vertical NSP** | 0 | 60 | 188 | 395 | 690 | 1045 | 1428 | 1396 | 1242 | 1001 | 7444 |
| 199 | | | | | | | | | | | | |
| 200 | | | | | | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 201 | **Costs for CDR Technologies Worldwide** | | | | | | | | | | | |
| 202 | | | | | | | | | | | | **15** |
| 203 | | | | | | | | | | | | |
| 204 | | Projected | | | | | | | | | | Total |
| 205 | **($000)** | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **1999-2005** |
| 206 | | | | | | | | | | | | |
| 207 | **Americas** | | | | | | | | | | | |
| 208 | Revenues | 2145 | 7950 | 14426 | 23569 | 32425 | 34406 | 35255 | 16523 | 13170 | 9472 | 189343 |
| 209 | | | | | | | | | | | | |
| 210 | Cost of revenues rate | .20 | .20 | .19 | .18 | .17 | .16 | .15 | .10 | .10 | .10 | |
| 211 | cost | 429 | 1590 | 2741 | 4242 | 5512 | 5505 | 5288 | 1652 | 1317 | 947 | 29225 |
| 212 | Marketing and sales rate | .35 | .35 | .34 | .33 | .32 | .31 | .30 | .25 | .25 | .25 | |
| 213 | cost | 751 | 2783 | 4905 | 7778 | 10376 | 10666 | 10577 | 4131 | 3293 | 2368 | 57626 |
| 214 | R and D rate | .15 | .15 | .14 | .13 | .12 | .11 | .10 | .10 | .10 | .10 | |
| 215 | cost | 322 | 1193 | 2020 | 3064 | 3891 | 3785 | 3526 | 1652 | 1317 | 947 | 21716 |
| 216 | G and A rate | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 217 | cost | 322 | 1193 | 2164 | 3535 | 4864 | 5161 | 5288 | 2478 | 1976 | 1421 | 28401 |
| 218 | **Total Costs- Americas** | 1823 | 6758 | 11829 | 18620 | 24643 | 25116 | 24679 | 9914 | 7902 | 5683 | 136968 |
| 219 | **Cost/Revenue Ratio** | .85 | .85 | .82 | .79 | .76 | .73 | .70 | .60 | .60 | .60 | |
| 220 | | | | | | | | | | | | |
| 221 | **International** | | | | | | | | | | | |
| 222 | Revenues | 2475 | 6318 | 11104 | 16621 | 22934 | 27165 | 27949 | 12197 | 9722 | 7018 | 143504 |
| 223 | | | | | | | | | | | | |
| 224 | Cost of revenues rate | .20 | .20 | .19 | .18 | .17 | .16 | .15 | .10 | .10 | .10 | |
| 225 | cost | 495 | 1264 | 2110 | 2992 | 3899 | 4346 | 4192 | 1220 | 972 | 702 | 22192 |
| 226 | Marketing and sales rate | .35 | .35 | .34 | .33 | .32 | .31 | .30 | .25 | .25 | .25 | |
| 227 | cost | 866 | 2211 | 3775 | 5485 | 7339 | 8421 | 8385 | 3049 | 2431 | 1755 | [illegible]71 |
| 228 | R and D rate | .15 | .15 | .14 | .13 | .12 | .11 | .10 | .10 | .10 | .10 | |
| 229 | cost | 371 | 948 | 1555 | 2161 | 2752 | 2988 | 2795 | 1220 | 972 | 702 | |
| 230 | G and A rate | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 231 | cost | 371 | 948 | 1666 | 2493 | 3440 | 4075 | 4[illegible]2 | 1830 | 1458 | 1053 | |
| 232 | **Total Costs - International** | 2104 | 5371 | 9105 | 13131 | 17430 | 1983 | | [illegible] | [illegible] | [illegible] | |
| 233 | | | | | | | | | | | | |
| 234 | **Cost/Revenue Ratio** | .85 | .85 | .82 | .79 | .76 | .7 | | | | | |
| 235 | | | | | | | | | | | | |
| 236 | **Total Costs - Worldwide** | 3927 | 12129 | 20934 | 31751 | 42073 | 4494 | | | | | |
| 237 | | | | | | | | | | | | |
| 238 | | | | | | | | | | | | |
| 239 | | | | | | | | | | | | |
| 240 | | | | | | | | | | | | |
| 241 | | | | | | | | | | | | |
| 242 | | | | | | | | | | | | |
| 243 | | | | | | | | | | | | |
| 244 | | | | | | | | | | | | |
| 245 | | | | | | | | | | | | |
| 246 | | | | | | | | | | | | |
| 247 | | | | | | | | | | | | |
| 248 | | | | | | | | | | | | |
| 249 | | | | | | | | | | | | |
| 250 | | | | | | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 251 | | Net Present Value - CDR Technologies | | | | | | | | | | 16 |
| 252 | | | | | | | | | | | | |
| 253 | | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
| 254 | Intertools - Americas | | | | | | | | | | | |
| 255 | Revenue | 2145 | 7950 | 14426 | 23569 | 32425 | 34406 | 35255 | 16523 | 13170 | 9472 | 189343 |
| 256 | Operating Cost Ratio | .15 | .15 | .18 | .21 | .24 | .27 | .30 | .40 | .40 | .40 | |
| 257 | Operating Income | 322 | 1193 | 2597 | 4950 | 7782 | 9290 | 10577 | 6609 | 5268 | 3789 | 52375 |
| 258 | Tax Rate | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | |
| 259 | Operating Income After Tax | 199 | 739 | 1610 | 3069 | 4825 | 5760 | 6557 | 4098 | 3266 | 2349 | 32473 |
| 260 | NPV Factors | .917 | .764 | .637 | .530 | .442 | .368 | .307 | .256 | .213 | .178 | |
| 261 | NPV | 183 | 565 | 1025 | 1628 | 2133 | 2122 | 2013 | 1048 | 696 | 417 | 11830 |
| 262 | Completion Ratio | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .67 | |
| 263 | Allocable Value | 123 | 378 | 687 | 1091 | 1429 | 1422 | 1349 | 702 | 467 | 280 | 7926 |
| 264 | | | | | | | | | | | | |
| 265 | | | | | | | | | | | | |
| 266 | | | | | | | | | | | | |
| 267 | | | | | | | | | | | | |
| 268 | | | | | | | | | | | | |
| 269 | | | | | | | | | | | | |
| 270 | | | | | | | | | | | | |
| 271 | | | | | | | | | | | | |
| 272 | | | | | | | | | | | | |
| 273 | | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
| 274 | Intertools - International | | | | | | | | | | | |
| 275 | Revenue | 2475 | 6318 | 11104 | 16621 | 22934 | 27165 | 27949 | 12197 | 9722 | 7018 | 143504 |
| 276 | Operating Cost Ratio | .15 | .15 | .18 | .21 | .24 | .27 | .30 | .40 | .40 | .40 | |
| 277 | Operating Income | 371 | 948 | 1999 | 3490 | 5504 | 7334 | 8385 | 4879 | 3889 | 2807 | 39607 |
| 278 | Tax Rate | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | |
| 279 | Operating Income After Tax | 230 | 588 | 1239 | 2164 | 3413 | 4547 | 5198 | 3025 | 2411 | 1741 | 24556 |
| 280 | NPV Factors | .917 | .764 | .637 | .530 | .442 | .368 | .307 | .256 | .213 | .178 | |
| 281 | NPV | 211 | 449 | 789 | 1148 | 1509 | 1675 | 1596 | 774 | 514 | 309 | 8973 |
| 282 | Completion Ratio | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .67 | |
| 283 | Allocable Value | 141 | 301 | 529 | 769 | 1011 | 1122 | 1069 | 518 | 344 | 207 | 6012 |
| 284 | | | | | | | | | | | | |
| 285 | Total Worldwide NPV | 394 | 1014 | 1814 | 2776 | 3642 | 3797 | 3609 | 1822 | 1210 | 727 | 20804 |
| 286 | Total Worldwide Allocable | 264 | 679 | 1215 | 1860 | 2440 | 2544 | 2418 | 1221 | 811 | 487 | 13938 |
| 287 | | | | | | | | | | | | |
| 288 | | | | | | | | | | | | |
| 289 | | | | | | | | | | | | |
| 290 | | | | | | | | | | | | |
| 291 | Selected Discount Rate - Americas | .20 | | | | | | | | | | |
| 292 | | | | | | | | | | | | |
| 293 | Selected Discount Rate - Internatio | .20 | | | | | | | | | | |
| 294 | | | | | | | | | | | | |
| 295 | | | | | | | | | | | | |
| 296 | | | | | | | | | | | | |
| 297 | | | | | | | | | | | | |
| 298 | | | | | | | | | | | | |
| 299 | | | | | | | | | | | | |
| 300 | | | | | | | | | | | | |

| Function and Technology Mapping Definitions | |
|---|---|
| **Function** | |
| Full | Product feature is available in the specified release to the extent needed to satisfy market requirements for new product |
| Partial | Product feature is available but does not fully satisfy market requirements for new product |
| N/A | Product feature has essentially not been implemented |
| **Reuse in New Product*** | |
| None | Substantially no reuse of any existing technology |
| Requirements | Existing product provides a requirements definition of product features/functionality |
| Specifications | Existing product provides a functional specification for product usage |
| Design | Existing product's technical design is being used substantially in the future product |
| Code | Existing software source code is being used substantially in the future product |
| **Market Value** | |
| High | Critical to customer buying the product; would not buy without it |
| Medium | Valuable to customer buying the product, but lack of it would not, by itself, preclude the purchase, though in combination with other factors, could be a purchase stopper |
| Low | Limited significance to most prospects; nice to have, but would not pay extra for it |

* If none or only requirements or specifications are reused in new product, then core technologies contribution is considered to be low. If design or code is reused, then core technologies contribution is considered to be an appropriate percentage for that function.

**Eureka:Portal**
**Content Server and Content Administrator**
**IPR&D Code Name: "Wolf"**

| Functions/Technologies | Exist in Current Product | Type of Reuse | Reuse (%) | Market Significance | Core Technology Contribution (%) | Market Weighting Factor |
|---|---|---|---|---|---|---|
| **Content Server** | | | | | | |
| Newspage | P | R, S | 20 | H | 6.5 | .013 |
| Messengers | P | C | 75 | H | 6.5 | .049 |
| Channels | P | C | 95 | M | 2.0 | .019 |
| Profile | F | C | 100 | H | 6.5 | .065 |
| Library | P | C | 50 | H | 6.5 | .033 |
| Multimedia Newspage | N | none | 0 | M | 2.0 | 0 |
| XML Interface | N | none | 0 | H | 15.0 | 0 |
| Message Boards | N | none | 0 | M | 1.5 | 0 |
| Security Model | N | none | 0 | H | 4.5 | 0 |
| Subgroups | N | none | 0 | H | 4.5 | 0 |
| Pangaea Support | N | none | 0 | H | 4.5 | 0 |
| Raptor Support | N | none | 0 | M | 1.0 | 0 |
| Unix Install | P | C | 40 | L | 1.0 | .004 |
| NT Install | P | C | 40 | L | 1.0 | .004 |
| XML APT | N | none | 0 | H | 15.0 | 0 |
| **Content Administrator** | | | | | | |
| Add Users | P | C | 50 | M | .75 | .004 |
| Delete Users | P | C | 50 | M | .75 | .004 |
| Add Groups | P | C | 75 | M | .75 | .006 |
| Modify Groups | P | C | 75 | M | .75 | .006 |
| Display Logs | P | R, S | 20 | L | .25 | .001 |
| Tree Framework | N | none | 0 | L | .25 | 0 |
| Pluggable Module | N | none | 0 | H | 2.5 | 0 |
| **Search Engine** | P | R, S | 20 | H | 16.0 | .032 |
| **Core Technologies Value** | | | | | | **.240** |
| **New Technologies Value** | | | | | | **.760** |
| **Total** | | | | | | **1.000** |

**Eureka:Reporter**
**Report Designer and Report Server**
**IPR&D Code Name: "Raptor"**

| Functions/Technologies | Exist in Current Product | Type of Reuse | Reuse (%) | Market Significance | Core Technology Contribution (%) | Market Weighting Factor |
|---|---|---|---|---|---|---|
| **Report Designer** | | | | | | |
| Query Generator | P | Code | 80 | H | 6.25 | .050 |
| Crosstabs Reports | F | Code | 90 | M | .94 | .008 |
| Child Reports | F | Code | 80 | M | .94 | .008 |
| Hot Object Reports | F | Code | 90 | H | 6.25 | .056 |
| Query Wizard | F | Code | 90 | M | .94 | .008 |
| QuickQuery Interface | F | Code | 100 | M | .94 | .009 |
| FreeForm Interface | F | Code | 90 | H | 6.25 | .056 |
| Export to TM1 | F | Code | 90 | L | .31 | .003 |
| Export to Other Formats | P | Code | 100 | L | .31 | .003 |
| Conditional Output Control | P | Code | 90 | L | .31 | .003 |
| Value Translation | P | Code | 90 | L | .31 | .003 |
| Charting | P | None | 0 | H | 6.25 | 0 |
| Report Bursting | P | Code | 30 | H | 12.5 | .038 |
| XML API | N | None | 0 | H | 12.5 | 0 |
| **Report Viewer (Client)** | P | Code | 80 | M | 2.3 | .018 |
| **Report Viewer (Active X)** | P | Spec | 10 | H | 7.7 | .008 |
| **Metadata File Manager** | | | | | | |
| Import from other databases | F | Code | 80 | M | 4.3 | .034 |
| Automatic label importing | F | Code | 90 | L | 1.4 | .013 |
| **Report Server Manager** | P | Code | 60 | M | 4.3 | .026 |
| **Cross Platform Report Server** | | | | | | |
| Scheduler | P | None | 0 | H | 15.6 | 0 |
| Load Balancing | N | None | 0 | M | 4.7 | 0 |
| Open API | N | None | 0 | M | 4.7 | 0 |
| **Core Technologies Value** | | | | | | **.344** |
| **New Technologies Value** | | | | | | **.656** |
| **Total** | | | | | | **1.000** |

**Eureka:Strategy**
**ROLAP**
**IPR&D Code Name: "Tahoe"**

| Functions/Technologies | Exist in Current Product | Type of Reuse | Reuse (%) | Market Significance | Core Technology Contribution (%) | Market Weighting Factor |
|---|---|---|---|---|---|---|
| **User Interface** | | | | | | |
| Report Definition | P | None | 0 | H | 2.5 | 0 |
| Report Display | P | None | 0 | H | 2.5 | 0 |
| Charting | P | None | 0 | H | 2.5 | 0 |
| Drill (shared with Web) | P | None | 0 | H | 2.5 | 0 |
| Add-ins (shared) | P | None | 0 | M | 1.0 | 0 |
| Agents/Schedule | P | None | 0 | M | 1.0 | 0 |
| Batch Reports | P | None | 0 | M | 1.0 | 0 |
| Profile Editor | P | Req. | 10 | M | 1.0 | .001 |
| Filters | P | Non | 0 | H | 2.5 | 0 |
| Limits | P | None | 0 | H | 2.5 | 0 |
| Calculations | P | None | 0 | H | 2.5 | 0 |
| Category | P | Req. | 10 | M | 1.0 | .001 |
| Prompting | N | None | 0 | H | 2.5 | 0 |
| Report Wizard | N | None | 0 | M | 1.0 | 0 |
| Metadata Editors | N | None | 0 | M | 1.0 | 0 |
| **Web Interface** | | | | | | |
| Report Display | P | Req | 10 | H | 6.1 | .006 |
| Directory Display | P | Req | 10 | M | 1.8 | .002 |
| Prompting | P | Req | 10 | H | 6.1 | .006 |
| **Server** | | | | | | |
| Olap Engine | P | Code | 40 | H | 10.0 | .040 |
| Report Writer | P | Code | 40 | H | 2.2 | .009 |
| Database Manager | P | None | 0 | H | 2.2 | 0 |
| Database Cache | N | None | 0 | H | 2.2 | 0 |
| ODBC | N | None | 0 | M | .6 | 0 |
| Driller | P | Code | 50 | H | 2.2 | .011 |
| Mime | P | Code | 60 | L | .2 | .001 |
| Locale | N | None | 0 | L | .2 | 0 |
| Location Server | N | None | 0 | M | .6 | 0 |
| File | N | None | 0 | M | .6 | 0 |
| Font Server | N | None | 0 | L | .2 | 0 |
| Result Server | N | None | 0 | L | .2 | 0 |
| Calculation Engine | P | Req | 10 | H | 10.0 | .010 |
| Pivoter | N | None | 0 | M | .6 | 0 |
| Security | N | None | 0 | H | 2.7 | 0 |
| Scheduler | P | None | 0 | H | 2.7 | 0 |
| Metadata | N | None | 0 | H | 10.0 | 0 |
| API | N | None | 0 | M | .8 | 0 |
| Scripting Language | P | None | 0 | M | .8 | 0 |

**Eureka:Strategy**
(continued)

| Functions/Technologies | Exist in Current Product | Type of Reuse | Reuse (%) | Market Significance | Core Technology Contribution (%) | Market Weighting Factor |
|---|---|---|---|---|---|---|
| **Converters** | | | | | | |
| Text | P | Code | 50 | L | .4 | .002 |
| HTML | P | Code | 30 | H | 6.0 | .018 |
| Excel | P | None | 0 | M | 1.2 | 0 |
| Alberta Stream | N | None | 0 | L | .4 | 0 |
| **Migration Tools** | N | None | 0 | M | 2.0 | 0 |
| Core Technologies Value | | | | | | .107 |
| New Technologies Value | | | | | | .893 |
| Total | | | | | | 1.000 |

# Eureka:Portal – % Completion Analysis

| People | P-months | Cost/Month | Cost | % Complete |
|---|---|---|---|---|
| **Start to Acquisition Date (5/98 – 8/99)** | | | | |
| Development | 24 | $5,500 | $132,000 | |
| test | 5 | 4,250 | 21,250 | |
| Documentation | 4 | 4,500 | 18,000 | |
| Subtotal | 33 | | $171,250 | 61.9% |
| **Acquisition Date to FAS86 Date (9/99 – 10/99)** | | | | |
| Development | 12 | $5,500 | $66,000 | |
| Test | 5 | 4,250 | 21,250 | |
| Documentation | 4 | 4,500 | 18,000 | |
| Subtotal | 21 | | $105,250 | 38.1% |
| **Total for Phases I and II** | | | $276,500 | 100% |
| **FAS86 Date to General Release Date (11/99 – 1/00)** | | | | |
| Development | 6 | $5,500 | $33,000 | |
| Test | 5 | 4,250 | 21,250 | |
| Documentation | 3 | 4,500 | 13,500 | |
| Subtotal | 14 | | $67,750 | |
| **Grand Total** | | | $344,250 | |

## Eureka:Reporter – % Completion Analysis

| People | P-months | Cost/Month | Cost | % Complete |
|---|---|---|---|---|
| **Start to Acquisition Date (5/98 – 8/99)** | | | | |
| Development | 43 | $5,500 | $236,500 | |
| Test | 7 | 4,250 | 29,750 | |
| Documentation | 1 | 4,500 | 4,500 | |
| Subtotal | 51 | | $270,750 | 71.7% |
| **Acquisition Date to FAS86 Date (9/99 – 10/99)** | | | | |
| Development | 10 | $5,500 | $55,000 | |
| Test | 9 | 4,250 | 38,250 | |
| Documentation | 3 | 4,500 | 13,500 | |
| Subtotal | 22 | | ~~$377,500~~ 106,750 | 28.3% |
| **Total for Phases I and II** | | | $377,500 | 100% |
| **FAS86 Date to General Release Date (11/99 – 1/00)** | | | | |
| Development | 13 | $5,500 | $71,500 | |
| Test | 11 | 4,250 | 46,750 | |
| Documentation | 2 | 4,500 | 9,000 | |
| Subtotal | 26 | | $127,750 | |
| **Grand Total** | | | $504,750 | |

## Eureka:Strategy – % Completion Analysis

| People | P-months | Cost/Month | Cost | % Complete |
|---|---|---|---|---|
| **Start to Acquisition Date (1/96 – 8/99)** | | | | |
| Development | 763 | $5,500 | $4,196,500 | |
| Test | 89 | 4,250 | 378,250 | |
| Documentation | 69 | 4,500 | 310,500 | |
| Subtotal | 921 | | $4,885,250 | 90.0% |
| **Acquisition Date to FAS86 Date (9/99 – 12/99)** | | | | |
| Development | 74 | $5,500 | $407,000 | |
| Test | 21 | 4,250 | 89,250 | |
| Documentation | 11 | 4,500 | 49,500 | |
| Subtotal | 106 | | $545,750 | 10.0% |
| **Total for Phases I and II** | | | $5,431,000 | 100% |
| **FAS86 Date to General Release Date (1/00 – 3/00)** | | | | |
| Development | 124 | $5,500 | $682,000 | |
| Test | 26 | 4,250 | 110,500 | |
| Documentation | 18 | 4,500 | 81,000 | |
| Subtotal | 168 | | $873,500 | |
| **Grand Total** | | | $6,304,500 | |

## Information Advantage: Current Products Valuation

| | A | B | C | D | E | F | G |
|---|---|---|---|---|---|---|---|
| 351 | | | | | | | |
| 352 | | | | | | | 18 |
| 353 | | Projected | | | | | |
| 354 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 355 | **Worldwide Summary - Portal** | | | | | | |
| 356 | Revenue | 3757 | 1571 | 943 | 0 | 0 | 6271 |
| 357 | Operating income | 1127 | 471 | 283 | 0 | 0 | 1881 |
| 358 | Operating Income after tax | 709 | 295 | 177 | 0 | 0 | 1180 |
| 359 | NPV | 663 | 239 | 125 | 0 | 0 | 1027 |
| 360 | | | | | | | |
| 361 | **Worldwide Summary - Report Server** | | | | | | |
| 362 | Revenue | 12338 | 7039 | 3868 | 0 | 0 | 23246 |
| 363 | Operating income | 3701 | 2112 | 1160 | 0 | 0 | 6974 |
| 364 | Operating Income after tax | 2348 | 1331 | 731 | 0 | 0 | 4409 |
| 365 | NPV | 2195 | 1082 | 517 | 0 | 0 | 3793 |
| 366 | | | | | | | |
| 367 | **Worldwide Sum - Cube Server** | | | | | | |
| 368 | Revenue | 3731 | 4302 | 4017 | 2948 | 1774 | 16772 |
| 369 | Operating income | 1119 | 1290 | 1205 | 1179 | 710 | 5504 |
| 370 | Operating Income after tax | 719 | 830 | 775 | 758 | 456 | 3538 |
| 371 | NPV | 673 | 675 | 548 | 466 | 244 | 2604 |
| 372 | | | | | | | |
| 373 | **Worldwide Summary - Rolap** | | | | | | |
| 374 | Revenue | 18636 | 9066 | 4961 | 0 | 0 | 32665 |
| 375 | Operating income | 5591 | 2720 | 1488 | 0 | 0 | 9799 |
| 376 | Operating Income after tax | 3556 | 1710 | 935 | 0 | 0 | 6202 |
| 377 | NPV | 3324 | 1390 | 661 | 0 | 0 | 5375 |
| 378 | | | | | | | |
| 379 | **Worldwide Summary - Q&E** | | | | | | |
| 380 | Revenue | 1021 | 997 | 926 | 851 | 701 | 4496 |
| 381 | Operating income | 306 | 299 | 278 | 340 | 281 | 1504 |
| 382 | Operating Income after tax | 196 | 191 | 177 | 217 | 179 | 961 |
| 383 | NPV | 183 | 155 | 125 | 134 | 96 | 693 |
| 384 | | | | | | | |
| 385 | **Worldwide Summary - IQ Classic** | | | | | | |
| 386 | Revenue | 5357 | 5232 | 4976 | 4678 | 3873 | 24115 |
| 387 | Operating income | 1607 | 1570 | 1493 | 1871 | 1549 | 8090 |
| 388 | Operating Income after tax | 1032 | 1008 | 959 | 1202 | 995 | 5197 |
| 389 | NPV | 965 | 820 | 678 | 739 | 532 | 3733 |
| 390 | | | | | | | |
| 391 | **Worldwide Summary - IA Current Products** | | | | | | |
| 392 | Revenue | 44840 | 28210 | 19690 | 8477 | 6348 | 107565 |
| 393 | Operating income | 13452 | 8463 | 5907 | 3391 | 2539 | 33752 |
| 394 | Operating Income after tax | 8561 | 5365 | 3754 | 2177 | 1630 | 21487 |
| 395 | NPV | 8002 | 4361 | 2654 | 1338 | 871 | 17226 |
| 396 | | | | | | | |
| 397 | | | | | | | |
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| | A | B | C | D | E | F | G |
|---|---|---|---|---|---|---|---|
| 1 | **Revenues - Portal (North America - Direct)** | | | | | | 11 |
| 2 | | | | | | | |
| 3 | | Projected | | | | | |
| 4 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 5 | | | | | | | |
| 6 | **New Product Licenses** | | | | | | |
| 7 | New license rate | | 0 | 0 | 0 | 0 | |
| 8 | New license revenue | 1000 | 0 | 0 | 0 | 0 | 1000 |
| 9 | | | | | | | |
| 10 | **Add-ons/Upgrades** | | | | | | |
| 11 | Add-on rate | 1.11 | 1.11 | 1.11 | 0 | 0 | |
| 12 | Add-on revenue | 360 | 473 | 284 | 0 | 0 | 1117 |
| 13 | | | | | | | |
| 14 | **Services** | | | | | | |
| 15 | Services rate | .30 | .30 | .30 | .30 | .30 | |
| 16 | Services revenue | 300 | 0 | 0 | 0 | 0 | 300 |
| 17 | | | | | | | |
| 18 | **Maintenance Revenue** | 569 | 512 | 307 | 0 | 0 | 1388 |
| 19 | | | | | | | |
| 20 | **Total Revenue** | 2228 | 985 | 591 | 0 | 0 | 3805 |
| 21 | | | | | | | |
| 22 | **Maintenance Calculations** | | | | | | |
| 23 | Previous year maintenance | 360 | 569 | 512 | 307 | 0 | |
| 24 | Retention rate | .90 | .75 | .50 | 0 | 0 | |
| 25 | Remaining maintenance | 324 | 427 | 256 | 0 | 0 | 1006 |
| 26 | New + add-on license revenue | 1360 | 473 | 284 | 0 | 0 | |
| 27 | Maint./license rate | .18 | .18 | .18 | .18 | .18 | |
| 28 | Conversion rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 29 | New license maintenance revenue | 245 | 85 | 51 | 0 | 0 | 381 |
| 30 | **Total Maintenance** | 569 | 512 | 307 | 0 | 0 | 1388 |
| 31 | | | | | | | |
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| | A | B | C | D | E | F | G |
|---|---|---|---|---|---|---|---|
| 51 | | | | | | | |
| 52 | **Revenues - Portal (North America - Channel)** | | | | | | 12 |
| 53 | | Projected | | | | | |
| 54 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 55 | | | | | | | |
| 56 | **New Product Licenses** | | | | | | |
| 57 | New license rate | | 0 | 0 | 0 | 0 | |
| 58 | New license revenue | 500 | 0 | 0 | 0 | 0 | 500 |
| 59 | | | | | | | |
| 60 | **Add-ons/Upgrades** | | | | | | |
| 61 | Add-on rate | 1.11 | 1.11 | 1.11 | 1.11 | 1.11 | |
| 62 | Add-on revenue | 180 | 237 | 142 | 0 | 0 | 559 |
| 63 | | | | | | | |
| 64 | **Services** | | | | | | |
| 65 | Services rate | .25 | .25 | .25 | .25 | .25 | |
| 66 | Services revenue | 125 | 0 | 0 | 0 | 0 | 125 |
| 67 | | | | | | | |
| 68 | **Maintenance Revenue** | 284 | 256 | 154 | 0 | 0 | 694 |
| 69 | | | | | | | |
| 70 | **Total Revenue** | 1089 | 493 | 296 | 0 | 0 | 1877 |
| 71 | | | | | | | |
| 72 | **Maintenance Calculations** | | | | | | |
| 73 | Previous year maintenance | 180 | 284 | 256 | 154 | 0 | |
| 74 | Retention rate | .90 | .75 | .50 | 0 | 0 | |
| 75 | Remaining maintenance | 162 | 213 | 128 | 0 | 0 | 503 |
| 76 | New + add-on license revenue | 680 | 237 | 142 | 0 | 0 | |
| 77 | Maint./license rate | .18 | .18 | .18 | .18 | .18 | |
| 78 | Conversion rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 79 | New license maintenance revenue | 122 | 43 | 26 | 0 | 0 | 191 |
| 80 | **Total Maintenance** | 284 | 256 | 154 | 0 | 0 | 694 |
| 81 | | | | | | | |
| 82 | | | | | | | |
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| | A | B | C | D | E | F | G |
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| 101 | | | | | | | |
| 102 | **Revenues - Portal (International - Direct)** | | | | | | 13 |
| 103 | | Projected | | | | | |
| 104 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 105 | | | | | | | |
| 106 | **New Product Licenses** | | | | | | |
| 107 | New license rate | | 0 | 0 | 0 | 0 | |
| 108 | New license revenue | 200 | 0 | 0 | 0 | 0 | 200 |
| 109 | | | | | | | |
| 110 | **Add-ons/Upgrades** | | | | | | |
| 111 | Add-on rate | 1.11 | 1.11 | 1.11 | 1.11 | 1.11 | |
| 112 | Add-on revenue | 0 | 30 | 18 | 0 | 0 | 48 |
| 113 | | | | | | | |
| 114 | **Services** | | | | | | |
| 115 | Services rate | .30 | .30 | .30 | .30 | .30 | |
| 116 | Services revenue | 60 | 0 | 0 | 0 | 0 | 60 |
| 117 | | | | | | | |
| 118 | **Maintenance Revenue** | 36 | 32 | 19 | 0 | 0 | 88 |
| 119 | | | | | | | |
| 120 | **Total Revenue** | 296 | 62 | 37 | 0 | 0 | 396 |
| 121 | | | | | | | |
| 122 | **Maintenance Calculations** | | | | | | |
| 123 | Previous year maintenance | 0 | 36 | 32 | 19 | 0 | |
| 124 | Retention rate | .90 | .75 | .50 | 0 | 0 | |
| 125 | Remaining maintenance | 0 | 27 | 16 | 0 | 0 | 43 |
| 126 | New + add-on license revenue | 200 | 30 | 18 | 0 | 0 | |
| 127 | Maint./license rate | .18 | .18 | .18 | .18 | .18 | |
| 128 | Conversion rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 129 | New license maintenance revenue | 36 | 5 | 3 | 0 | 0 | 45 |
| 130 | **Total Maintenance** | 36 | 32 | 19 | 0 | 0 | 88 |
| 131 | | | | | | | |
| 132 | | | | | | | |
| 133 | | | | | | | |
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| | A | B | C | D | E | F | G |
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| 151 | | | | | | | |
| 152 | **Revenues - Portal (International - Channel)** | | | | | | 14 |
| 153 | | Projected | | | | | |
| 154 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 155 | | | | | | | |
| 156 | **New Product Licenses** | | | | | | |
| 157 | New license rate | | 0 | 0 | 0 | 0 | |
| 158 | New license revenue | 100 | 0 | 0 | 0 | 0 | 100 |
| 159 | | | | | | | |
| 160 | **Add-ons/Upgrades** | | | | | | |
| 161 | Add-on rate | 1.11 | 1.11 | 1.11 | 1.11 | 1.11 | |
| 162 | Add-on revenue | 0 | 15 | 9 | 0 | 0 | 24 |
| 163 | | | | | | | |
| 164 | **Services** | | | | | | |
| 165 | Services rate | .25 | .25 | .25 | .25 | .25 | |
| 166 | Services revenue | 25 | 0 | 0 | 0 | 0 | 25 |
| 167 | | | | | | | |
| 168 | **Maintenance Revenue** | 18 | 16 | 10 | 0 | 0 | 44 |
| 169 | | | | | | | |
| 170 | **Total Revenue** | 143 | 31 | 19 | 0 | 0 | 193 |
| 171 | | | | | | | |
| 172 | **Maintenance Calculations** | | | | | | |
| 173 | Previous year maintenance | 0 | 18 | 16 | 10 | 0 | |
| 174 | Retention rate | .90 | .75 | .50 | 0 | 0 | |
| 175 | Remaining maintenance | 0 | 14 | 8 | 0 | 0 | 22 |
| 176 | New + add-on license revenue | 100 | 15 | 9 | 0 | 0 | |
| 177 | Maint./license rate | .18 | .18 | .18 | .18 | .18 | |
| 178 | Conversion rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 179 | New license maintenance revenue | 18 | 3 | 2 | 0 | 0 | 22 |
| 180 | **Total Maintenance** | 18 | 16 | 10 | 0 | 0 | 44 |
| 181 | | | | | | | |
| 182 | | | | | | | |
| 183 | | | | | | | |
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| 200 | | | | | | | |

| | A | B | C | D | E | F | G |
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| 201 | **Costs - Portal (North America)** | | | | | | 15 |
| 202 | | | | | | | |
| 203 | | Projected | | | | | |
| 204 | | | | | | | |
| 205 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 206 | | | | | | | |
| 207 | **Direct** | | | | | | |
| 208 | Revenues | 2228 | 985 | 591 | 0 | 0 | 3805 |
| 209 | | | | | | | |
| 210 | Cost of revenues rate | .10 | .10 | .10 | .10 | .10 | |
| 211 | cost | 223 | 99 | 59 | 0 | 0 | 380 |
| 212 | Marketing and sales rate | .30 | .30 | .30 | .25 | .25 | |
| 213 | cost | 669 | 296 | 177 | 0 | 0 | 1141 |
| 214 | R and D rate | .15 | .15 | .15 | .10 | .10 | |
| 215 | cost | 334 | 148 | 89 | 0 | 0 | 571 |
| 216 | G and A rate | .15 | .15 | .15 | .15 | .15 | |
| 217 | cost | 334 | 148 | 89 | 0 | 0 | 571 |
| 218 | **Total Costs- Direct** | 1560 | 690 | 414 | 0 | 0 | 2663 |
| 219 | **Cost/Revenue Ratio - Direct** | .70 | .70 | .70 | 1.00 | 1.00 | |
| 220 | | | | | | | |
| 221 | **Channel** | | | | | | |
| 222 | Revenues | 1089 | 493 | 296 | 0 | 0 | 1877 |
| 223 | | | | | | | |
| 224 | Cost of revenues rate | .10 | .10 | .10 | .10 | .10 | |
| 225 | cost | 109 | 49 | 30 | 0 | 0 | 188 |
| 226 | Marketing and sales rate | .30 | .30 | .30 | .25 | .25 | |
| 227 | cost | 327 | 148 | 89 | 0 | 0 | 563 |
| 228 | R and D rate | .15 | .15 | .15 | .10 | .10 | |
| 229 | cost | 163 | 74 | 44 | 0 | 0 | 282 |
| 230 | G and A rate | .15 | .15 | .15 | .15 | .15 | |
| 231 | cost | 163 | 74 | 44 | 0 | 0 | 282 |
| 232 | **Total Costs - Channel** | 762 | 345 | 207 | 0 | 0 | 1314 |
| 233 | | | | | | | |
| 234 | **Cost/Revenue Ratio - Channel** | .70 | .70 | .70 | 1.00 | 1.00 | |
| 235 | | | | | | | |
| 236 | **Total Costs - North America** | 2322 | 1035 | 621 | 0 | 0 | 3977 |
| 237 | | | | | | | |
| 238 | **Total Revenue - North America** | 3318 | 1478 | 887 | 0 | 0 | 5682 |
| 239 | | | | | | | |
| 240 | **Revenue-Costs - North America** | 995 | 443 | 266 | 0 | 0 | 1705 |
| 241 | | | | | | | |
| 242 | | | | | | | |
| 243 | | | | | | | |
| 244 | | | | | | | |
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| | A | B | C | D | E | F | G |
|---|---|---|---|---|---|---|---|
| 251 | | | | | | | |
| 252 | **Costs - Portal (International)** | | | | | | 16 |
| 253 | | | | | | | |
| 254 | | Projected | | | | | |
| 255 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 256 | | | | | | | |
| 257 | **Direct** | | | | | | |
| 258 | Revenues | 296 | 62 | 37 | 0 | 0 | 396 |
| 259 | | | | | | | |
| 260 | Cost of revenues rate | .10 | .10 | .10 | .10 | .10 | |
| 261 | cost | 30 | 6 | 4 | 0 | 0 | 40 |
| 262 | Marketing and sales rate | .30 | .30 | .30 | .25 | .25 | |
| 263 | cost | 89 | 19 | 11 | 0 | 0 | 119 |
| 264 | R and D rate | .15 | .15 | .15 | .10 | .10 | |
| 265 | cost | 44 | 9 | 6 | 0 | 0 | 59 |
| 266 | G and A rate | .15 | .15 | .15 | .15 | .15 | |
| 267 | cost | 44 | 9 | 6 | 0 | 0 | 59 |
| 268 | **Total Costs- Direct** | 207 | 44 | 26 | 0 | 0 | 277 |
| 269 | **Cost/Revenue Ratio - Direct** | .70 | .70 | .70 | 1.00 | 1.00 | |
| 270 | | | | | | | |
| 271 | **Channel** | | | | | | |
| 272 | Revenues | 143 | 31 | 19 | 0 | 0 | 193 |
| 273 | | | | | | | |
| 274 | Cost of revenues rate | .10 | .10 | .10 | .10 | .10 | |
| 275 | cost | 14 | 3 | 2 | 0 | 0 | 19 |
| 276 | Marketing and sales rate | .30 | .30 | .30 | .25 | .25 | |
| 277 | cost | 43 | 9 | 6 | 0 | 0 | 58 |
| 278 | R and D rate | .15 | .15 | .15 | .10 | .10 | |
| 279 | cost | 21 | 5 | 3 | 0 | 0 | 29 |
| 280 | G and A rate | .15 | .15 | .15 | .15 | .15 | |
| 281 | cost | 21 | 5 | 3 | 0 | 0 | 29 |
| 282 | **Total Costs - Channel** | 100 | 22 | 13 | 0 | 0 | 135 |
| 283 | | | | | | | |
| 284 | **Cost/Revenue Ratio - Channel** | .70 | .70 | .70 | 1.00 | 1.00 | |
| 285 | | | | | | | |
| 286 | **Total Costs - International** | 307 | 65 | 39 | 0 | 0 | 412 |
| 287 | | | | | | | |
| 288 | **Total Revenue - International** | 439 | 94 | 56 | 0 | 0 | 589 |
| 289 | | | | | | | |
| 290 | **Revenue-Costs -International** | 132 | 28 | 17 | 0 | 0 | 177 |
| 291 | | | | | | | |
| 292 | | | | | | | |
| 293 | | | | | | | |
| 294 | | | | | | | |
| 295 | | | | | | | |
| 296 | | | | | | | |
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| 298 | | | | | | | |
| 299 | | | | | | | |
| 300 | | | | | | | |

| | A | B | C | D | E | F | G |
|---|---|---|---|---|---|---|---|
| 301 | **Net Present Value - Portal (Worldwide)** | | | | | | 17 |
| 302 | | | | | | | |
| 303 | | | | Projected | | | |
| 304 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 305 | | | | | | | |
| 306 | **Portal (North America)** | | | | | | |
| 307 | Revenue | 3318 | 1478 | 887 | 0 | 0 | 5682 |
| 308 | Operating Income Ratio | .30 | .30 | .30 | 0 | 0 | |
| 309 | Operating Income | 995 | 443 | 266 | 0 | 0 | 1705 |
| 310 | Tax Rate | .38 | .38 | .38 | .38 | 0.38 | |
| 311 | Operating Income After Tax | 617 | 275 | 165 | 0 | 0 | 1057 |
| 312 | NPV Factors | .935 | .813 | .707 | .615 | .534 | |
| 313 | NPV | 577 | 223 | 117 | 0 | 0 | 917 |
| 314 | | | | | | | |
| 315 | Discount Rate - Americas | 0.15 | | | | | |
| 316 | | | | | | | |
| 317 | | | | | | | |
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| 324 | | | | | | | |
| 325 | | | | | | | |
| 326 | **Portal (International)** | | | | | | |
| 327 | Revenue | 439 | 94 | 56 | 0 | 0 | 589 |
| 328 | Operating Income Ratio | .30 | .30 | .30 | .00 | .00 | |
| 329 | Operating Income | 132 | 28 | 17 | 0 | 0 | 177 |
| 330 | Tax Rate | .30 | .30 | .30 | .30 | .30 | |
| 331 | Operating Income After Tax | 92 | 20 | 12 | 0 | 0 | 124 |
| 332 | NPV Factors | .935 | .813 | .707 | .615 | .534 | |
| 333 | NPV | 86 | 16 | 8 | 0 | 0 | 110 |
| 334 | | | | | | | |
| 335 | Discount Rate - International | 0.15 | | | | | |
| 336 | | | | | | | |
| 337 | | | | | | | |
| 338 | | | | | | | |
| 339 | | | | | | | |
| 340 | | | | | | | |
| 341 | | | | | | | |
| 342 | **Worldwide Summary--Portal** | | | | | | |
| 343 | Revenue | 3757 | 1571 | 943 | 0 | 0 | 6271 |
| 344 | Operating income | 1127 | 471 | 283 | 0 | 0 | 1881 |
| 345 | Operating Income after tax | 709 | 295 | 177 | 0 | 0 | 1180 |
| 346 | NPV | 663 | 239 | 125 | 0 | 0 | 1027 |
| 347 | | | | | | | |
| 348 | | | | | | | |
| 349 | | | | | | | |
| 350 | | | | | | | |

| | H | I | J | K | L | M | N |
|---|---|---|---|---|---|---|---|
| 1 | **Revenues - Report Server (North America - Direct)** | | | | | | 21 |
| 2 | | | | | | | |
| 3 | | Projected | | | | | |
| 4 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 5 | | | | | | | |
| 6 | **New Product Licenses** | | | | | | |
| 7 | New license rate | | 0 | 0 | 0 | 0 | |
| 8 | New license revenue | 1500 | 0 | 0 | 0 | 0 | 1500 |
| 9 | | | | | | | |
| 10 | **Add-ons/Upgrades** | | | | | | |
| 11 | Add-on rate | .55 | .55 | .55 | .55 | .55 | |
| 12 | Add-on revenue | 1815 | 1608 | 883 | 0 | 0 | 4306 |
| 13 | | | | | | | |
| 14 | **Services** | | | | | | |
| 15 | Services rate | .50 | .50 | .50 | .50 | .50 | |
| 16 | Services revenue | 750 | 0 | 0 | 0 | 0 | 750 |
| 17 | | | | | | | |
| 18 | **Maintenance Revenue** | 3897 | 3212 | 1765 | 0 | 0 | 8874 |
| 19 | | | | | | | |
| 20 | **Total Revenue** | 7962 | 4820 | 2648 | 0 | 0 | 15430 |
| 21 | | | | | | | |
| 22 | **Maintenance Calculations** | | | | | | |
| 23 | Previous year maintenance | 3667 | 3897 | 3212 | 1765 | 0 | |
| 24 | Retention rate | .90 | .75 | .50 | 0 | 0 | |
| 25 | Remaining maintenance | 3300 | 2923 | 1606 | 0 | 0 | 7829 |
| 26 | New + add-on license revenue | 3315 | 1608 | 883 | 0 | 0 | |
| 27 | Maint./license rate | .18 | .18 | .18 | .18 | .18 | |
| 28 | Conversion rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 29 | New license maintenance revenue | 597 | 289 | 159 | 0 | 0 | 1045 |
| 30 | **Total Maintenance** | 3897 | 3212 | 1765 | 0 | 0 | 8874 |
| 31 | | | | | | | |
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| | H | I | J | K | L | M | N |
|---|---|---|---|---|---|---|---|
| 51 | | | | | | | |
| 52 | **Revenues - Report Server (North America - Channel)** | | | | | | 22 |
| 53 | | Projected | | | | | |
| 54 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 55 | | | | | | | |
| 56 | **New Product Licenses** | | | | | | |
| 57 | New license rate | | 0 | 0 | 0 | 0 | |
| 58 | New license revenue | 500 | 0 | 0 | 0 | 0 | 500 |
| 59 | | | | | | | |
| 60 | **Add-ons/Upgrades** | | | | | | |
| 61 | Add-on rate | 0.55 | .55 | .55 | .55 | .55 | |
| 62 | Add-on revenue | 495 | 445 | 245 | 0 | 0 | 1185 |
| 63 | | | | | | | |
| 64 | **Services** | | | | | | |
| 65 | Services rate | .50 | .50 | .50 | .50 | .50 | |
| 66 | Services revenue | 100 | 0 | 0 | 0 | 0 | 100 |
| 67 | | | | | | | |
| 68 | **Maintenance Revenue** | 1079 | 889 | 489 | 0 | 0 | 2457 |
| 69 | | | | | | | |
| 70 | **Total Revenue** | 2174 | 1335 | 733 | 0 | 0 | 4242 |
| 71 | | | | | | | |
| 72 | **Maintenance Calculations** | | | | | | |
| 73 | Previous year maintenance | 1000 | 1079 | 889 | 489 | 0 | |
| 74 | Retention rate | .90 | .75 | .50 | 0 | 0 | |
| 75 | Remaining maintenance | 900 | 809 | 445 | 0 | 0 | 2154 |
| 76 | New + add-on license revenue | 995 | 445 | 245 | 0 | 0 | |
| 77 | Maint./license rate | .18 | .18 | .18 | .18 | .18 | |
| 78 | Conversion rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 79 | New license maintenance revenue | 179 | 80 | 44 | 0 | 0 | 303 |
| 80 | **Total Maintenance** | 1079 | 889 | 489 | 0 | 0 | 2457 |
| 81 | | | | | | | |
| 82 | | | | | | | |
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| 101 | | | | | | | |
| 102 | **Revenues - Report Server (International - Direct)** | | | | | | 23 |
| 103 | | Projected | | | | | |
| 104 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 105 | | | | | | | |
| 106 | **New Product Licenses** | | | | | | |
| 107 | New license rate | | 0 | 0 | 0 | 0 | |
| 108 | New license revenue | 600 | 0 | 0 | 0 | 0 | 600 |
| 109 | | | | | | | |
| 110 | **Add-ons/Upgrades** | | | | | | |
| 111 | Add-on rate | .55 | .55 | .55 | .55 | .55 | |
| 112 | Add-on revenue | 214 | 221 | 122 | 0 | 0 | 557 |
| 113 | | | | | | | |
| 114 | **Services** | | | | | | |
| 115 | Services rate | .50 | .50 | .50 | .50 | .50 | |
| 116 | Services revenue | 300 | 0 | 0 | 0 | 0 | 300 |
| 117 | | | | | | | |
| 118 | **Maintenance Revenue** | 536 | 442 | 243 | 0 | 0 | 1221 |
| 119 | | | | | | | |
| 120 | **Total Revenue** | 1651 | 663 | 364 | 0 | 0 | 2678 |
| 121 | | | | | | | |
| 122 | **Maintenance Calculations** | | | | | | |
| 123 | Previous year maintenance | 433 | 536 | 442 | 243 | 0 | |
| 124 | Retention rate | .90 | .75 | .50 | 0 | 0 | |
| 125 | Remaining maintenance | 390 | 402 | 221 | 0 | 0 | 1013 |
| 126 | New + add-on license revenue | 814 | 221 | 122 | 0 | 0 | |
| 127 | Maint./license rate | .18 | .18 | .18 | .18 | .18 | |
| 128 | Conversion rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 129 | New license maintenance revenue | 147 | 40 | 22 | 0 | 0 | 208 |
| 130 | **Total Maintenance** | 536 | 442 | 243 | 0 | 0 | 1221 |
| 131 | | | | | | | |
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|---|---|---|---|---|---|---|---|
| 151 | | | | | | | |
| 152 | **Revenues - Report Server (International - Channel)** | | | | | | 24 |
| 153 | | Projected | | | | | |
| 154 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 155 | | | | | | | |
| 156 | **New Product Licenses** | | | | | | |
| 157 | New license rate | | 0 | 0 | 0 | 0 | |
| 158 | New license revenue | 200 | 0 | 0 | 0 | 0 | 200 |
| 159 | | | | | | | |
| 160 | **Add-ons/Upgrades** | | | | | | |
| 161 | Add-on rate | .55 | .55 | .55 | .55 | .55 | |
| 162 | Add-on revenue | 72 | 74 | 41 | 0 | 0 | 186 |
| 163 | | | | | | | |
| 164 | **Services** | | | | | | |
| 165 | Services rate | .50 | .50 | .50 | .50 | .50 | |
| 166 | Services revenue | 100 | 0 | 0 | 0 | 0 | 100 |
| 167 | | | | | | | |
| 168 | **Maintenance Revenue** | 179 | 148 | 81 | 0 | 0 | 409 |
| 169 | | | | | | | |
| 170 | **Total Revenue** | 551 | 222 | 122 | 0 | 0 | 895 |
| 171 | | | | | | | |
| 172 | **Maintenance Calculations** | | | | | | |
| 173 | Previous year maintenance | 145 | 179 | 148 | 81 | 0 | |
| 174 | Retention rate | .90 | .75 | .50 | 0 | 0 | |
| 175 | Remaining maintenance | 131 | 135 | 74 | 0 | 0 | 339 |
| 176 | New + add-on license revenue | 272 | 74 | 41 | 0 | 0 | |
| 177 | Maint./license rate | .18 | .18 | .18 | .18 | .18 | |
| 178 | Conversion rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 179 | New license maintenance revenue | 49 | 13 | 7 | 0 | 0 | 70 |
| 180 | **Total Maintenance** | 179 | 148 | 81 | 0 | 0 | 409 |
| 181 | | | | | | | |
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| 201 | | | | | | | |
| 202 | **Costs - Report Server (North America)** | | | | | | 25 |
| 203 | | | | | | | |
| 204 | | Projected | | | | | Total |
| 205 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 206 | | | | | | | |
| 207 | **Direct** | | | | | | |
| 208 | Revenues | 7962 | 4820 | 2648 | 0 | 0 | 15430 |
| 209 | | | | | | | |
| 210 | Cost of revenues rate | .10 | .10 | .10 | .10 | .10 | |
| 211 | cost | 796 | 482 | 265 | 0 | 0 | 1543 |
| 212 | Marketing and sales rate | .30 | .30 | .30 | .25 | .25 | |
| 213 | cost | 2389 | 1446 | 795 | 0 | 0 | 4629 |
| 214 | R and D rate | .15 | .15 | .15 | .10 | .10 | |
| 215 | cost | 1194 | 723 | 397 | 0 | 0 | 2315 |
| 216 | G and A rate | .15 | .15 | .15 | .15 | .15 | |
| 217 | cost | 1194 | 723 | 397 | 0 | 0 | 2315 |
| 218 | **Total Costs- Direct** | 5574 | 3374 | 1854 | 0 | 0 | 10801 |
| 219 | **Cost/Revenue Ratio - Direct** | .70 | .70 | .70 | 1.00 | 1.00 | |
| 220 | | | | | | | |
| 221 | **Channel** | | | | | | |
| 222 | Revenues | 2174 | 1335 | 733 | 0 | 0 | 4242 |
| 223 | | | | | | | |
| 224 | Cost of revenues rate | .10 | .10 | .10 | .10 | .10 | |
| 225 | cost | 217 | 133 | 73 | 0 | 0 | 424 |
| 226 | Marketing and sales rate | .30 | .30 | .30 | .25 | .25 | |
| 227 | cost | 652 | 400 | 220 | 0 | 0 | 1273 |
| 228 | R and D rate | .15 | .15 | .15 | .10 | .10 | |
| 229 | cost | 326 | 200 | 110 | 0 | 0 | 636 |
| 230 | G and A rate | .15 | .15 | .15 | .15 | .15 | |
| 231 | cost | 326 | 200 | 110 | 0 | 0 | 636 |
| 232 | **Total Costs - Channel** | 1522 | 934 | 513 | 0 | 0 | 2969 |
| 233 | | | | | | | |
| 234 | **Cost/Revenue Ratio - Channel** | .70 | .70 | .70 | 1.00 | 1.00 | |
| 235 | | | | | | | |
| 236 | **Total Costs - North America** | 7095 | 4308 | 2367 | 0 | 0 | 13771 |
| 237 | | | | | | | |
| 238 | **Total Revenue - North America** | 10136 | 6154 | 3382 | 0 | 0 | 19672 |
| 239 | | | | | | | |
| 240 | **Revenue-Costs - North America** | 3041 | 1846 | 1015 | 0 | 0 | 5902 |
| 241 | | | | | | | |
| 242 | | | | | | | |
| 243 | | | | | | | |
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| 251 | | | | | | | |
| 252 | **Costs - Report Server (International)** | | | | | | 26 |
| 253 | | | | | | | |
| 254 | | Projected | | | | | |
| 255 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 256 | | | | | | | |
| 257 | **Direct** | | | | | | |
| 258 | Revenues | 1651 | 663 | 364 | 0 | 0 | 2678 |
| 259 | | | | | | | |
| 260 | Cost of revenues rate | .10 | .10 | .10 | .10 | .10 | |
| 261 | cost | 165 | 66 | 36 | 0 | 0 | 268 |
| 262 | Marketing and sales rate | .30 | .30 | .30 | .25 | .25 | |
| 263 | cost | 495 | 199 | 109 | 0 | 0 | 803 |
| 264 | R and D rate | .15 | .15 | .15 | .10 | .10 | |
| 265 | cost | 248 | 99 | 55 | 0 | 0 | 402 |
| 266 | G and A rate | .15 | .15 | .15 | .15 | .15 | |
| 267 | cost | 248 | 99 | 55 | 0 | 0 | 402 |
| 268 | **Total Costs- Direct** | 1155 | 464 | 255 | 0 | 0 | 1875 |
| 269 | **Cost/Revenue Ratio - Direct** | .70 | .70 | .70 | 1.00 | 1.00 | |
| 270 | | | | | | | |
| 271 | **Channel** | | | | | | |
| 272 | Revenues | 551 | 222 | 122 | 0 | 0 | 895 |
| 273 | | | | | | | |
| 274 | Cost of revenues rate | .10 | .10 | .10 | .10 | .10 | |
| 275 | cost | 55 | 22 | 12 | 0 | 0 | 90 |
| 276 | Marketing and sales rate | .30 | .30 | .30 | .25 | .25 | |
| 277 | cost | 165 | 67 | 37 | 0 | 0 | 269 |
| 278 | R and D rate | .15 | .15 | .15 | .10 | .10 | |
| 279 | cost | 83 | 33 | 18 | 0 | 0 | 134 |
| 280 | G and A rate | .15 | .15 | .15 | .15 | .15 | |
| 281 | cost | 83 | 33 | 18 | 0 | 0 | 134 |
| 282 | **Total Costs - Channel** | 386 | 155 | 85 | 0 | 0 | 627 |
| 283 | | | | | | | |
| 284 | **Cost/Revenue Ratio - Channel** | .70 | .70 | .70 | 1.00 | 1.00 | |
| 285 | | | | | | | |
| 286 | **Total Costs - International** | 1541 | 620 | 340 | 0 | 0 | 2501 |
| 287 | | | | | | | |
| 288 | **Total Revenue - International** | 2202 | 885 | 486 | 0 | 0 | 3573 |
| 289 | | | | | | | |
| 290 | **Revenue-Costs -International** | 661 | 266 | 146 | 0 | 0 | 1072 |
| 291 | | | | | | | |
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| 301 | | | | | | | |
| 302 | **Net Present Value - Report Server (Worldwide)** | | | | | | 27 |
| 303 | | Projected | | | | | |
| 304 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 305 | | | | | | | |
| 306 | **Report Server (North America)** | | | | | | |
| 307 | Revenue | 10136 | 6154 | 3382 | 0 | 0 | 19672 |
| 308 | Operating Income Ratio | .30 | .30 | .30 | 0 | 0 | |
| 309 | Operating Income | 3041 | 1846 | 1015 | 0 | 0 | 5902 |
| 310 | Tax Rate | .38 | .38 | .38 | .38 | .38 | |
| 311 | Operating Income After Tax | 1885 | 1145 | 629 | 0 | 0 | 3659 |
| 312 | NPV Factors | .935 | .813 | .707 | .615 | .534 | |
| 313 | NPV | 1762 | 930 | 445 | 0 | 0 | 3137 |
| 314 | | | | | | | |
| 315 | Discount Rate - Americas | 0.15 | | | | | |
| 316 | | | | | | | |
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| 324 | | | | | | | |
| 325 | | | | | | | |
| 326 | **Report Server (International)** | | | | | | |
| 327 | Revenue | 2202 | 885 | 486 | 0 | 0 | 3573 |
| 328 | Operating Income Ratio | .30 | .30 | .30 | 0 | 0 | |
| 329 | Operating Income | 661 | 266 | 146 | 0 | 0 | 1072 |
| 330 | Tax Rate | .30 | .30 | .30 | .30 | .30 | |
| 331 | Operating Income After Tax | 462 | 186 | 102 | 0 | 0 | 750 |
| 332 | NPV Factors | .935 | .813 | .707 | .615 | .534 | |
| 333 | NPV | 432 | 151 | 72 | 0 | 0 | 656 |
| 334 | | | | | | | |
| 335 | Discount Rate - International | 0.15 | | | | | |
| 336 | | | | | | | |
| 337 | | | | | | | |
| 338 | | | | | | | |
| 339 | | | | | | | |
| 340 | | | | | | | |
| 341 | | | | | | | |
| 342 | **Worldwide Summary--Report Server** | | | | | | |
| 343 | Revenue | 12338 | 7039 | 3868 | 0 | 0 | 23246 |
| 344 | Operating income | 3701 | 2112 | 1160 | 0 | 0 | 6974 |
| 345 | Operating Income after tax | 2348 | 1331 | 731 | 0 | 0 | 4409 |
| 346 | NPV | 2195 | 1082 | 517 | 0 | 0 | 3793 |
| 347 | | | | | | | |
| 348 | | | | | | | |
| 349 | | | | | | | |
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| | O | P | Q | R | S | T | U |
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| 1 | **Revenues - Cube Server (North America - Direct)** | | | | | | 31 |
| 2 | | | | | | | |
| 3 | | Projected | | | | | |
| 4 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 5 | | | | | | | |
| 6 | **New Product Licenses** | | | | | | |
| 7 | New license rate | | 1.00 | .75 | .50 | .25 | |
| 8 | New license revenue | 1500 | 1500 | 1125 | 563 | 141 | 4828 |
| 9 | | | | | | | |
| 10 | **Add-ons/Upgrades** | | | | | | |
| 11 | Add-on rate | .55 | .55 | .55 | .55 | .55 | |
| 12 | Add-on revenue | 99 | 232 | 363 | 408 | 353 | 1454 |
| 13 | | | | | | | |
| 14 | **Services** | | | | | | |
| 15 | Services rate | .40 | .40 | .40 | .40 | .40 | |
| 16 | Services revenue | 600 | 600 | 450 | 225 | 56 | 1931 |
| 17 | | | | | | | |
| 18 | **Maintenance Revenue** | 468 | 733 | 927 | 916 | 730 | 3775 |
| 19 | | | | | | | |
| 20 | **Total Revenue** | 2667 | 3064 | 2865 | 2112 | 1280 | 11988 |
| 21 | | | | | | | |
| 22 | **Maintenance Calculations** | | | | | | |
| 23 | Previous year maintenance | 200 | 468 | 733 | 927 | 916 | |
| 24 | Retention rate | .90 | .90 | .90 | .80 | .70 | |
| 25 | Remaining maintenance | 180 | 421 | 659 | 742 | 642 | 2644 |
| 26 | New + add-on license revenue | 1599 | 1732 | 1488 | 970 | 493 | |
| 27 | Maint./license rate | .18 | .18 | .18 | .18 | .18 | |
| 28 | Conversion rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 29 | New license maintenance revenue | 288 | 312 | 268 | 175 | 89 | 1131 |
| 30 | **Total Maintenance** | 468 | 733 | 927 | 916 | 730 | 3775 |
| 31 | | | | | | | |
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| | O | P | Q | R | S | T | U |
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| 51 | | | | | | | |
| 52 | **Revenues - Cube Server (North America - Channel)** | | | | | | 32 |
| 53 | | Projected | | | | | |
| 54 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 55 | | | | | | | |
| 56 | **New Product Licenses** | | | | | | |
| 57 | New license rate | 0 | 0 | 0 | 0 | 0 | 0 |
| 58 | New license revenue | 0 | 0 | 0 | 0 | 0 | 0 |
| 59 | | | | | | | |
| 60 | **Add-ons/Upgrades** | | | | | | |
| 61 | Add-on rate | 0 | 0 | 0 | 0 | 0 | 0 |
| 62 | Add-on revenue | 0 | 0 | 0 | 0 | 0 | 0 |
| 63 | | | | | | | |
| 64 | **Services** | | | | | | |
| 65 | Services rate | 0 | 0 | 0 | 0 | 0 | 0 |
| 66 | Services revenue | 0 | 0 | 0 | 0 | 0 | 0 |
| 67 | | 0 | 0 | 0 | 0 | 0 | 0 |
| 68 | **Maintenance Revenue** | 0 | 0 | 0 | 0 | 0 | 0 |
| 69 | | 0 | 0 | 0 | 0 | 0 | 0 |
| 70 | **Total Revenue** | 0 | 0 | 0 | 0 | 0 | 0 |
| 71 | | | | | | | |
| 72 | **Maintenance Calculations** | | | | | | |
| 73 | Previous year maintenance | 0 | 0 | 0 | 0 | 0 | 0 |
| 74 | Retention rate | 0 | 0 | 0 | 0 | 0 | 0 |
| 75 | Remaining maintenance | 0 | 0 | 0 | 0 | 0 | 0 |
| 76 | New + add-on license revenue | 0 | 0 | 0 | 0 | 0 | 0 |
| 77 | Maint./license rate | 0 | 0 | 0 | 0 | 0 | 0 |
| 78 | Conversion rate | 0 | 0 | 0 | 0 | 0 | 0 |
| 79 | New license maintenance revenue | 0 | 0 | 0 | 0 | 0 | 0 |
| 80 | **Total Maintenance** | 0 | 0 | 0 | 0 | 0 | 0 |
| 81 | | | | | | | |
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| | O | P | Q | R | S | T | U |
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| 101 | | | | | | | |
| 102 | **Revenues - Cube Server (International - Direct)** | | | | | | 33 |
| 103 | | Projected | | | | | |
| 104 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 105 | | | | | | | |
| 106 | **New Product Licenses** | | | | | | |
| 107 | New license rate | | 1.00 | .75 | .50 | .25 | |
| 108 | New license revenue | 650 | 650 | 488 | 244 | 61 | 2092 |
| 109 | | | | | | | |
| 110 | **Add-ons/Upgrades** | | | | | | |
| 111 | Add-on rate | .55 | .55 | .55 | .55 | .55 | |
| 112 | Add-on revenue | 12 | 70 | 127 | 151 | 133 | 493 |
| 113 | | | | | | | |
| 114 | **Services** | | | | | | |
| 115 | Services rate | .40 | .40 | .40 | .40 | .40 | |
| 116 | Services revenue | 260 | 260 | 195 | 98 | 24 | 837 |
| 117 | | | | | | | |
| 118 | **Maintenance Revenue** | 142 | 257 | 342 | 345 | 276 | 1362 |
| 119 | | | | | | | |
| 120 | **Total Revenue** | 1064 | 1237 | 1152 | 836 | 494 | 4784 |
| 121 | | | | | | | |
| 122 | **Maintenance Calculations** | | | | | | |
| 123 | Previous year maintenance | 25 | 142 | 257 | 342 | 345 | |
| 124 | Retention rate | .90 | .90 | .90 | .80 | .70 | |
| 125 | Remaining maintenance | 23 | 128 | 231 | 274 | 241 | 896 |
| 126 | New + add-on license revenue | 662 | 720 | 615 | 394 | 194 | |
| 127 | Maint./license rate | .18 | .18 | .18 | .18 | .18 | |
| 128 | Conversion rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 129 | New license maintenance revenue | 119 | 130 | 111 | 71 | 35 | 465 |
| 130 | **Total Maintenance** | 142 | 257 | 342 | 345 | 276 | 1362 |
| 131 | | | | | | | |
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| | O | P | Q | R | S | T | U |
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| 151 | | | | | | | |
| 152 | **Revenues - Cube Server (International - Channel)** | | | | | | 34 |
| 153 | | Projected | | | | | |
| 154 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | Total FY00-FY04 |
| 155 | | | | | | | |
| 156 | **New Product Licenses** | | | | | | |
| 157 | New license rate | 0 | 0 | 0 | 0 | 0 | 0 |
| 158 | New license revenue | 0 | 0 | 0 | 0 | 0 | 0 |
| 159 | | | | | | | |
| 160 | **Add-ons/Upgrades** | | | | | | |
| 161 | Add-on rate | 0 | 0 | 0 | 0 | 0 | 0 |
| 162 | Add-on revenue | 0 | 0 | 0 | 0 | 0 | 0 |
| 163 | | | | | | | |
| 164 | **Services** | | | | | | |
| 165 | Services rate | 0 | 0 | 0 | 0 | 0 | 0 |
| 166 | Services revenue | 0 | 0 | 0 | 0 | 0 | 0 |
| 167 | | 0 | 0 | 0 | 0 | 0 | 0 |
| 168 | **Maintenance Revenue** | 0 | 0 | 0 | 0 | 0 | 0 |
| 169 | | 0 | 0 | 0 | 0 | 0 | 0 |
| 170 | **Total Revenue** | 0 | 0 | 0 | 0 | 0 | 0 |
| 171 | | | | | | | |
| 172 | **Maintenance Calculations** | | | | | | |
| 173 | Previous year maintenance | 0 | 0 | 0 | 0 | 0 | 0 |
| 174 | Retention rate | 0 | 0 | 0 | 0 | 0 | 0 |
| 175 | Remaining maintenance | 0 | 0 | 0 | 0 | 0 | 0 |
| 176 | New + add-on license revenue | 0 | 0 | 0 | 0 | 0 | 0 |
| 177 | Maint./license rate | 0 | 0 | 0 | 0 | 0 | 0 |
| 178 | Conversion rate | 0 | 0 | 0 | 0 | 0 | 0 |
| 179 | New license maintenance revenue | 0 | 0 | 0 | 0 | 0 | 0 |
| 180 | **Total Maintenance** | 0 | 0 | 0 | 0 | 0 | 0 |
| 181 | | | | | | | |
| 182 | | | | | | | |
| 183 | | | | | | | |
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| 190 | | | | | | | |
| 191 | | | | | | | |
| 192 | | | | | | | |
| 193 | | | | | | | |
| 194 | | | | | | | |
| 195 | | | | | | | |
| 196 | | | | | | | |
| 197 | | | | | | | |
| 198 | | | | | | | |
| 199 | | | | | | | |
| 200 | | | | | | | |

| | O | P | Q | R | S | T | U |
|---|---|---|---|---|---|---|---|
| 201 | **Costs - Cube Server (North America)** | | | | | | 35 |
| 202 | | | | | | | |
| 203 | | Projected | | | | | |
| 204 | | | | | | | Total |
| 205 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | FY00-FY04 |
| 206 | | | | | | | |
| 207 | **Direct** | | | | | | |
| 208 | Revenues | 2667 | 3064 | 2865 | 2112 | 1280 | 11988 |
| 209 | | | | | | | |
| 210 | Cost of revenues rate | .10 | .10 | .10 | .10 | .10 | |
| 211 | cost | 267 | 306 | 286 | 211 | 128 | 1199 |
| 212 | Marketing and sales rate | .30 | .30 | .30 | .25 | .25 | |
| 213 | cost | 800 | 919 | 859 | 528 | 320 | 3427 |
| 214 | R and D rate | .15 | .15 | .15 | .10 | .10 | |
| 215 | cost | 400 | 460 | 430 | 211 | 128 | 1629 |
| 216 | G and A rate | .15 | .15 | .15 | .15 | .15 | |
| 217 | cost | 400 | 460 | 430 | 317 | 192 | 1798 |
| 218 | **Total Costs- Direct** | 1867 | 2145 | 2005 | 1267 | 768 | 8052 |
| 219 | **Cost/Revenue Ratio - Direct** | .70 | .70 | .70 | .60 | .60 | |
| 220 | | | | | | | |
| 221 | **Channel** | | | | | | |
| 222 | Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| 223 | | | | | | | |
| 224 | Cost of revenues rate | .10 | .10 | .10 | .10 | .10 | |
| 225 | cost | 0 | 0 | 0 | 0 | 0 | 0 |
| 226 | Marketing and sales rate | .30 | .30 | .30 | .25 | .25 | |
| 227 | cost | 0 | 0 | 0 | 0 | 0 | 0 |
| 228 | R and D rate | .15 | .15 | .15 | .10 | .10 | |
| 229 | cost | 0 | 0 | 0 | 0 | 0 | 0 |
| 230 | G and A rate | .15 | .15 | .15 | .15 | .15 | |
| 231 | cost | 0 | 0 | 0 | 0 | 0 | 0 |
| 232 | **Total Costs - Channel** | 0 | 0 | 0 | 0 | 0 | 0 |
| 233 | | | | | | | |
| 234 | **Cost/Revenue Ratio - Channel** | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | |
| 235 | | | | | | | |
| 236 | **Total Costs - North America** | 1867 | 2145 | 2005 | 1267 | 768 | 8052 |
| 237 | | | | | | | |
| 238 | **Total Revenue - North America** | 2667 | 3064 | 2865 | 2112 | 1280 | 11988 |
| 239 | | | | | | | |
| 240 | **Revenue-Costs - North America** | 800 | 919 | 859 | 845 | 512 | 3936 |
| 241 | | | | | | | |
| 242 | | | | | | | |
| 243 | | | | | | | |
| 244 | | | | | | | |
| 245 | | | | | | | |
| 246 | | | | | | | |
| 247 | | | | | | | |
| 248 | | | | | | | |
| 249 | | | | | | | |
| 250 | | | | | | | |

| | O | P | Q | R | S | T | U |
|---|---|---|---|---|---|---|---|
| 251 | | | | | | | |
| 252 | **Costs - Cube Server (International)** | | | | | | 36 |
| 253 | | | | | | | |
| 254 | | Projected | | | | | Total |
| 255 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | FY00-FY04 |
| 256 | | | | | | | |
| 257 | **Direct** | | | | | | |
| 258 | Revenues | 1064 | 1237 | 1152 | 836 | 494 | 4784 |
| 259 | | | | | | | |
| 260 | Cost of revenues rate | .10 | .10 | .10 | .10 | .10 | |
| 261 | cost | 106 | 124 | 115 | 84 | 49 | 478 |
| 262 | Marketing and sales rate | .30 | .30 | .30 | .25 | .25 | |
| 263 | cost | 319 | 371 | 346 | 209 | 124 | 1369 |
| 264 | R and D rate | .15 | .15 | .15 | .10 | .10 | |
| 265 | cost | 160 | 186 | 173 | 84 | 49 | 651 |
| 266 | G and A rate | .15 | .15 | .15 | .15 | .15 | |
| 267 | cost | 160 | 186 | 173 | 125 | 74 | 718 |
| 268 | **Total Costs- Direct** | 745 | 866 | 806 | 502 | 296 | 3216 |
| 269 | **Cost/Revenue Ratio - Direct** | .70 | .70 | .70 | .60 | .60 | |
| 270 | | | | | | | |
| 271 | **Channel** | | | | | | |
| 272 | Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| 273 | | | | | | | |
| 274 | Cost of revenues rate | .10 | .10 | .10 | .10 | .10 | |
| 275 | cost | 0 | 0 | 0 | 0 | 0 | 0 |
| 276 | Marketing and sales rate | .30 | .30 | .30 | .25 | .25 | |
| 277 | cost | 0 | 0 | 0 | 0 | 0 | 0 |
| 278 | R and D rate | .15 | .15 | .15 | .10 | .10 | |
| 279 | cost | 0 | 0 | 0 | 0 | 0 | 0 |
| 280 | G and A rate | .15 | .15 | .15 | .15 | .15 | |
| 281 | cost | 0 | 0 | 0 | 0 | 0 | 0 |
| 282 | **Total Costs - Channel** | 0 | 0 | 0 | 0 | 0 | 0 |
| 283 | | | | | | | |
| 284 | **Cost/Revenue Ratio - Channel** | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | |
| 285 | | | | | | | |
| 286 | **Total Costs - International** | 745 | 866 | 806 | 502 | 296 | 3216 |
| 287 | | | | | | | |
| 288 | **Total Revenue - International** | 1064 | 1237 | 1152 | 836 | 494 | 4784 |
| 289 | | | | | | | |
| 290 | **Revenue-Costs -International** | 319 | 371 | 346 | 335 | 198 | 1568 |
| 291 | | | | | | | |
| 292 | | | | | | | |
| 293 | | | | | | | |
| 294 | | | | | | | |
| 295 | | | | | | | |
| 296 | | | | | | | |
| 297 | | | | | | | |
| 298 | | | | | | | |
| 299 | | | | | | | |
| 300 | | | | | | | |

| | O | P | Q | R | S | T | U |
|---|---|---|---|---|---|---|---|
| 301 | | | | | | | |
| 302 | **Net Present Value - Cube Server (Worldwide)** | | | | | | 37 |
| 303 | | Projected | | | | | Total |
| 304 | ($000) | FY00 | FY01 | FY02 | FY03 | FY04 | FY00-FY04 |
| 305 | | | | | | | |
| 306 | **CubeServer (North America)** | | | | | | |
| 307 | Revenue | 2667 | 3064 | 2865 | 2112 | 1280 | 11988 |
| 308 | Operating Income Ratio | .30 | .30 | .30 | .40 | .40 | |
| 309 | Operating Income | 800 | 919 | 859 | 845 | 512 | 3936 |
| 310 | Tax Rate | .38 | .38 | .38 | .38 | .38 | |
| 311 | Operating Income After Tax | 496 | 570 | 533 | 524 | 317 | 2440 |
| 312 | NPV Factors | .935 | .813 | .707 | .615 | .534 | |
| 313 | NPV | 464 | 463 | 377 | 322 | 170 | 1795 |
| 314 | | | | | | | |
| 315 | Discount Rate - Americas | 0.15 | | | | | |
| 316 | | | | | | | |
| 317 | | | | | | | |
| 318 | | | | | | | |
| 319 | | | | | | | |
| 320 | | | | | | | |
| 321 | | | | | | | |
| 322 | | | | | | | |
| 323 | | | | | | | |
| 324 | | | | | | | |
| 325 | | | | | | | |
| 326 | **CubeServer (International)** | | | | | | |
| 327 | Revenue | 1064 | 1237 | 1152 | 836 | 494 | 4784 |
| 328 | Operating Income Ratio | .30 | .30 | .30 | .40 | .40 | |
| 329 | Operating Income | 319 | 371 | 346 | 335 | 198 | 1568 |
| 330 | Tax Rate | .30 | .30 | .30 | .30 | .30 | |
| 331 | Operating Income After Tax | 223 | 260 | 242 | 234 | 138 | 1098 |
| 332 | NPV Factors | .935 | .813 | .707 | .615 | .534 | |
| 333 | NPV | 209 | 211 | 171 | 144 | 74 | 809 |
| 334 | | | | | | | |
| 335 | Discount Rate - International | 0.15 | | | | | |
| 336 | | | | | | | |
| 337 | | | | | | | |
| 338 | | | | | | | |
| 339 | | | | | | | |
| 340 | | | | | | | |
| 341 | | | | | | | |
| 342 | **Worldwide Summary--CubeServer** | | | | | | |
| 343 | Revenue | 3731 | 4302 | 4017 | 2948 | 1774 | 16772 |
| 344 | Operating income | 1119 | 1290 | 1205 | 1179 | 710 | 5504 |
| 345 | Operating Income after tax | 719 | 830 | 775 | 758 | 456 | 3538 |
| 346 | NPV | 673 | 675 | 548 | 466 | 244 | 2604 |
| 347 | | | | | | | |
| 348 | | | | | | | |
| 349 | | | | | | | |
| 350 | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | **Projections for InterTools - Revenues (Americas)** | | | | | | | | | | | 11 |
| 2 | | | | | | | | | | | | |
| 3 | ($000) | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
| 4 | | | | | | | | | | | | |
| 5 | **New Product Licenses** | | | | | | | | | | | |
| 6 | Communications Service Providers | | | | | | | | | | | |
| 7 | # of New Customers | 1 | 3 | 5 | 8 | 10 | 8 | 6 | 0 | 0 | 0 | 41 |
| 8 | Revenue - Licenses | 1000 | 3000 | 5000 | 8000 | 10000 | 8000 | 6000 | 0 | 0 | 0 | 41000 |
| 9 | Cumulative Revenue - Licenses | 1000 | 4000 | 9000 | 17000 | 27000 | 35000 | 41000 | 41000 | 41000 | 41000 | |
| 10 | Corporate | | | | | | | | | | | |
| 11 | # of New Customers | 1 | 2 | 4 | 6 | 8 | 10 | 10 | 0 | 0 | 0 | 41 |
| 12 | Revenue - Licenses | 300 | 600 | 1200 | 1800 | 2400 | 3000 | 3000 | 0 | 0 | 0 | 12300 |
| 13 | Cumulative Revenue - Licenses | 300 | 900 | 2100 | 3900 | 6300 | 9300 | 12300 | 12300 | 12300 | 12300 | |
| 14 | Vertical Network Service | | | | | | | | | | | |
| 15 | # of New Customers | 0 | 2 | 3 | 4 | 5 | 5 | 5 | 0 | 0 | 0 | 24 |
| 16 | Revenue - Licenses | 0 | 1000 | 1500 | 2000 | 2500 | 2500 | 2500 | 0 | 0 | 0 | 12000 |
| 17 | Cumulative Revenue - Licenses | 0 | 1000 | 2500 | 4500 | 7000 | 9500 | 12000 | 12000 | 12000 | 12000 | |
| 18 | **Total - New License Revenue** | 1300 | 4600 | 7700 | 11800 | 14900 | 13500 | 11500 | 0 | 0 | 0 | 65300 |
| 19 | | | | | | | | | | | | |
| 20 | **Upgrades/Add-ons - Revenue** | | | | | | | | | | | |
| 21 | CSP | 0 | 95 | 386 | 881 | 1685 | 2573 | 3272 | 2667 | 1835 | 1094 | 14490 |
| 22 | Corporate | 0 | 57 | 179 | 431 | 832 | 1329 | 1974 | 1895 | 1308 | 728 | 8732 |
| 23 | Vertical NSP | 0 | 0 | 190 | 500 | 949 | 1473 | 2040 | 1882 | 1299 | 722 | 9055 |
| 24 | **Total Upgrade Revenue** | 0 | 152 | 754 | 1812 | 3466 | 5376 | 7286 | 6445 | 4442 | 2544 | 32277 |
| 25 | **Cumulative Total-Upgrade Revenues** | 0 | 152 | 907 | 2719 | 6185 | 11561 | 18847 | 25292 | 29733 | 32277 | |
| 26 | | | | | | | | | | | | |
| 27 | **Professional Services** | | | | | | | | | | | |
| 28 | CSP | 500 | 1500 | 2500 | 4000 | 5000 | 4000 | 3000 | 0 | 0 | 0 | 20500 |
| 29 | Corporate | 150 | 300 | 600 | 900 | 1200 | 1500 | 1500 | 0 | 0 | 0 | 6150 |
| 30 | Vertical NSP | 0 | 500 | 750 | 1000 | 1250 | 1250 | 1250 | 0 | 0 | 0 | 6000 |
| 31 | **Total Professional Services** | 650 | 2300 | 3850 | 5900 | 7450 | 6750 | 5750 | 0 | 0 | 0 | 32650 |
| 32 | | | | | | | | | | | | |
| 33 | | | | | | | | | | | | |
| 34 | | | | | | | | | | | | |
| 35 | | | | | | | | | | | | |
| 36 | **Maintenance** | | | | | | | | | | | |
| 37 | CSP | 150 | 607 | 1384 | 2647 | 4268 | 5427 | 6275 | 5734 | 4862 | 3811 | 35166 |
| 38 | Corporate | 45 | 141 | 341 | 659 | 1110 | 1649 | 2230 | 2180 | 1940 | 1564 | 11859 |
| 39 | Vertical NSP | 0 | 150 | 396 | 751 | 1231 | 1704 | 2214 | 2165 | 1927 | 1553 | 12091 |
| 40 | **Total Maintenance** | 195 | 898 | 2121 | 4057 | 6609 | 8780 | 10720 | 10078 | 8729 | 6928 | 59116 |
| 41 | | | | | | | | | | | | |
| 42 | **Total Revenues** | | | | | | | | | | | |
| 43 | CSP | 1650 | 5202 | 9271 | 15529 | 20953 | 20000 | 18548 | 8401 | 6697 | 4905 | 111156 |
| 44 | Corporate | 495 | 1098 | 2319 | 3789 | 5543 | 7478 | 8704 | 4075 | 3248 | 2292 | 39041 |
| 45 | Vertical NSP | 0 | 1650 | 2835 | 4251 | 5930 | 6927 | 8004 | 4047 | 3225 | 2276 | 39146 |
| 46 | | | | | | | | | | | | |
| 47 | **Grand Total Revenue** | 2145 | 7950 | 14426 | 23569 | 32425 | 34406 | 35255 | 16523 | 13170 | 9472 | 189343 |
| 48 | | | | | | | | | | | | |
| 49 | | | | | | | | | | | | |
| 50 | | | | | | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 51 | | **Revenue Worksheets - InterTools (Americas)** | | | | | | | | | | 12 |
| 52 | | | | | | | | | | | | |
| 53 | **($000)** | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **Total** |
| 54 | | | | | | | | | | | | |
| 55 | | | | | | | | | | | | |
| 56 | CSP Unit License Fee | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | 1000 | |
| 57 | Corporate Unit License Fee | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | |
| 58 | VNSP Unit License Fee | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | |
| 59 | | | | | | | | | | | | |
| 60 | **Upgrades/Add-ons** <ratio to maint base> | | | | | | | | | | | |
| 61 | CSP | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .5 | .4 | .3 | |
| 62 | Corporate | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.0 | .75 | .5 | |
| 63 | VNSP | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.0 | .75 | .5 | |
| 64 | | | | | | | | | | | | |
| 65 | Professional Services <ratio to new lic> | | | | | | | | | | | |
| 66 | CSP | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | |
| 67 | Corporate | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | |
| 68 | VNSP | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | |
| 69 | | | | | | | | | | | | |
| 70 | **Maintenance Calculation - CSP** | | | | | | | | | | | |
| 71 | Previous Year Maintenance | | 150 | 607 | 1384 | 2647 | 4268 | 5427 | 6275 | 5734 | 4862 | |
| 72 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 73 | Remaining Maintenance | 0 | 143 | 576 | 1315 | 2515 | 3841 | 4884 | 5334 | 4587 | 3647 | 26842 |
| 74 | New Licenses and New Upgrades | 1000 | 3095 | 5386 | 8881 | 11685 | 10573 | 9272 | 2667 | 1835 | 1094 | |
| 75 | Maintenance/License Price Ratio | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 76 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 77 | New License/Upgrade Maintenance | 150 | 464 | 808 | 1332 | 1753 | 1586 | 1391 | 400 | 275 | 164 | 8323 |
| 78 | **Total Maintenance-CSP Revenue** | 150 | 607 | 1384 | 2647 | 4268 | 5427 | 6275 | 5734 | 4862 | 3811 | 35166 |
| 79 | | | | | | | | | | | | |
| 80 | **Maintenance Calculation - Corporate** | | | | | | | | | | | |
| 81 | Previous Year Maintenance | | 45 | 141 | 341 | 659 | 1110 | 1649 | 2230 | 2180 | 1940 | |
| 82 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 83 | Remaining Maintenance | 0 | 43 | 134 | 324 | 626 | 999 | 1484 | 1895 | 1744 | 1455 | 8704 |
| 84 | New Licenses and New Upgrades | 300 | 657 | 1379 | 2231 | 3232 | 4329 | 4974 | 1895 | 1308 | 728 | |
| 85 | Maintenance/License Price Ratio | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 86 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 87 | New License/Upgrade Maintenance | 45 | 99 | 207 | 335 | 485 | 649 | 746 | 284 | 196 | 109 | 3155 |
| 88 | **Total Maintenance-Corporate Revenue** | 45 | 141 | 341 | 659 | 1110 | 1649 | 2230 | 2180 | 1940 | 1564 | 11859 |
| 89 | | | | | | | | | | | | |
| 90 | **Maintenance Calculation - Vertical NSP** | | | | | | | | | | | |
| 91 | Previous Year Maintenance | | 0 | 150 | 396 | 751 | 1231 | 1704 | 2214 | 2165 | 1927 | |
| 92 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 93 | Remaining Maintenance | 0 | 0 | 143 | 376 | 714 | 1108 | 1534 | 1882 | 1732 | 1445 | 8933 |
| 94 | New Licenses and New Upgrades | 0 | 1000 | 1690 | 2500 | 3449 | 3973 | 4540 | 1882 | 1299 | 722 | |
| 95 | Maintenance/License Price Ratio | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 96 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 97 | New License/Upgrade Maintenance | 0 | 150 | 253 | 375 | 517 | 596 | 681 | 282 | 195 | 108 | 3158 |
| 98 | **Total Maintenance - Vertical NSP Revenu** | 0 | 150 | 396 | 751 | 1231 | 1704 | 2214 | 2165 | 1927 | 1553 | 12091 |
| 99 | | | | | | | | | | | | |
| 100 | | | | | | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 101 | **Projections for InterTools - Revenues (International)** | | | | | | | | | | | 13 |
| 102 | | | | | | | | | | | | |
| 103 | ($000) | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
| 104 | | | | | | | | | | | | |
| 105 | **New Product Licenses** | | | | | | | | | | | |
| 106 | Communications Service Providers | | | | | | | | | | | |
| 107 | # of New Customers | 2 | 4 | 6 | 8 | 10 | 10 | 8 | 0 | 0 | 0 | 48 |
| 108 | Revenue - Licenses | 1500 | 3000 | 4500 | 6000 | 7500 | 7500 | 6000 | 0 | 0 | 0 | 36000 |
| 109 | Cumulative Revenue - Licenses | 1500 | 4500 | 9000 | 15000 | 22500 | 30000 | 36000 | 36000 | 36000 | 36000 | |
| 110 | Corporate | | | | | | | | | | | |
| 111 | # of New Customers | 0 | 1 | 3 | 5 | 7 | 9 | 9 | 0 | 0 | 0 | 34 |
| 112 | Revenue - Licenses | 0 | 200 | 600 | 1000 | 1400 | 1800 | 1800 | 0 | 0 | 0 | 6800 |
| 113 | Cumulative Revenue - Licenses | 0 | 200 | 800 | 1800 | 3200 | 5000 | 6800 | 6800 | 6800 | 6800 | |
| 114 | Vertical Network Service | | | | | | | | | | | |
| 115 | # of New Customers | 0 | 1 | 2 | 3 | 4 | 5 | 5 | 0 | 0 | 0 | 20 |
| 116 | Revenue - Licenses | 0 | 400 | 800 | 1200 | 1600 | 2000 | 2000 | 0 | 0 | 0 | |
| 117 | Cumulative Revenue - Licenses | 0 | 400 | 1200 | 2400 | 4000 | 6000 | 8000 | 8000 | 8000 | 8000 | |
| 118 | **Total - New License Revenue** | 1500 | 3600 | 5900 | 8200 | 10500 | 11300 | 9800 | 0 | 0 | 0 | 50800 |
| 119 | | | | | | | | | | | | |
| 120 | **Upgrades/Add-ons - Revenue** | | | | | | | | | | | |
| 121 | CSP | 0 | 143 | 436 | 886 | 1499 | 2163 | 2821 | 2351 | 1618 | 965 | 12881 |
| 122 | Corporate | 0 | 0 | 38 | 157 | 368 | 649 | 1024 | 1014 | 700 | 389 | 4340 |
| 123 | Vertical NSP | 0 | 0 | 76 | 238 | 499 | 826 | 1250 | 1214 | 837 | 466 | 5405 |
| 124 | **Total Upgrade Revenue** | 0 | 143 | 550 | 1281 | 2366 | 3637 | 5095 | 4579 | 3155 | 1820 | 22626 |
| 125 | **Cumulative Total-Upgrade Revenues** | 0 | 143 | 693 | 1974 | 4339 | 7977 | 13071 | 17651 | 20806 | 22626 | |
| 126 | | | | | | | | | | | | |
| 127 | **Professional Services** | | | | | | | | | | | |
| 128 | CSP | 750 | 1500 | 2250 | 3000 | 3750 | 3750 | 3000 | 0 | 0 | 0 | 18000 |
| 129 | Corporate | 0 | 100 | 300 | 500 | 700 | 900 | 900 | 0 | 0 | 0 | 3400 |
| 130 | Vertical NSP | 0 | 200 | 400 | 600 | 800 | 1000 | 1000 | 0 | 0 | 0 | 4000 |
| 131 | **Total Professional Services** | 750 | 1800 | 2950 | 4100 | 5250 | 5650 | 4900 | 0 | 0 | 0 | 25400 |
| 132 | | | | | | | | | | | | |
| 133 | | | | | | | | | | | | |
| 134 | | | | | | | | | | | | |
| 135 | | | | | | | | | | | | |
| 136 | **Maintenance** | | | | | | | | | | | |
| 137 | CSP | 225 | 685 | 1391 | 2355 | 3587 | 4677 | 5533 | 5056 | 4287 | 3360 | 31156 |
| 138 | Corporate | 0 | 30 | 124 | 292 | 542 | 855 | 1193 | 1167 | 1038 | 837 | 6078 |
| 139 | Vertical NSP | 0 | 60 | 188 | 395 | 690 | 1045 | 1428 | 1396 | 1242 | 1001 | 7444 |
| 140 | **Total Maintenance** | 225 | 775 | 1704 | 3041 | 4819 | 6577 | 8154 | 7618 | 6567 | 5199 | 44679 |
| 141 | | | | | | | | | | | | |
| 142 | **Total Revenues** | | | | | | | | | | | |
| 143 | CSP | 2475 | 5328 | 8578 | 12240 | 16335 | 18090 | 17353 | 7407 | 5905 | 4325 | 98037 |
| 144 | Corporate | 0 | 330 | 1062 | 1948 | 3011 | 4204 | 4917 | 2181 | 1738 | 1226 | 20618 |
| 145 | Vertical NSP | 0 | 660 | 1464 | 2433 | 3588 | 4870 | 5678 | 2609 | 2079 | 1467 | 24849 |
| 146 | | | | | | | | | | | | |
| 147 | **Grand Total Revenue** | 2475 | 6318 | 11104 | 16621 | 22934 | 27165 | 27949 | 12197 | 9722 | 7018 | 143504 |
| 148 | | | | | | | | | | | | |
| 149 | | | | | | | | | | | | |
| 150 | | | | | | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 151 | | **Revenue Worksheets - InterTools (International)** | | | | | | | | | | 14 |
| 152 | | | | | | | | | | | | |
| 153 | **($000)** | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **Total** |
| 154 | | | | | | | | | | | | |
| 155 | | | | | | | | | | | | |
| 156 | CSP Unit License Fee | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | |
| 157 | Corporate Unit License Fee | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | |
| 158 | VNSP Unit License Fee | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | |
| 159 | | | | | | | | | | | | |
| 160 | **Upgrades/Add-ons** <ratio to maint base> | | | | | | | | | | | |
| 161 | CSP | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .5 | .4 | .3 | |
| 162 | Corporate | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.0 | .75 | .5 | |
| 163 | VNSP | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 | 1.0 | .75 | .5 | |
| 164 | | | | | | | | | | | | |
| 165 | Professional Services <ratio to new lic> | | | | | | | | | | | |
| 166 | CSP | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | |
| 167 | Corporate | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | |
| 168 | VNSP | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | .5 | |
| 169 | | | | | | | | | | | | |
| 170 | **Maintenance Calculation - CSP** | | | | | | | | | | | |
| 171 | Previous Year Maintenance | | 225 | 685 | 1391 | 2355 | 3587 | 4677 | 5533 | 5056 | 4287 | |
| 172 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 173 | Remaining Maintenance | 0 | 214 | 651 | 1322 | 2237 | 3228 | 4210 | 4703 | 4044 | 3215 | 23824 |
| 174 | New Licenses and New Upgrades | 1500 | 3143 | 4936 | 6886 | 8999 | 9663 | 8821 | 2351 | 1618 | 965 | |
| 175 | Maintenance/License Price Ratio | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 176 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 177 | New License/Upgrade Maintenance | 225 | 471 | 740 | 1033 | 1350 | 1449 | 1323 | 353 | 243 | 145 | 7332 |
| 178 | **Total Maintenance-CSP Revenue** | 225 | 685 | 1391 | 2355 | 3587 | 4677 | 5533 | 5056 | 4287 | 3360 | 31156 |
| 179 | | | | | | | | | | | | |
| 180 | **Maintenance Calculation - Corporate** | | | | | | | | | | | |
| 181 | Previous Year Maintenance | | 0 | 30 | 124 | 292 | 542 | 855 | 1193 | 1167 | 1038 | |
| 182 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 183 | Remaining Maintenance | 0 | 0 | 29 | 118 | 277 | 488 | 770 | 1014 | 933 | 779 | 4407 |
| 184 | New Licenses and New Upgrades | 0 | 200 | 638 | 1157 | 1768 | 2449 | 2824 | 1014 | 700 | 389 | |
| 185 | Maintenance/License Price Ratio | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 186 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 187 | New License/Upgrade Maintenance | 0 | 30 | 96 | 174 | 265 | 367 | 424 | 152 | 105 | 58 | 1671 |
| 188 | **Total Maintenance-Corporate Revenue** | 0 | 30 | 124 | 292 | 542 | 855 | 1193 | 1167 | 1038 | 837 | 6078 |
| 189 | | | | | | | | | | | | |
| 190 | **Maintenance Calc. - Vertical NSP** | | | | | | | | | | | |
| 191 | Previous Year Maintenance | | 0 | 60 | 188 | 395 | 690 | 1045 | 1428 | 1396 | 1242 | |
| 192 | Retention Rate | .95 | .95 | .95 | .95 | .95 | .90 | .90 | .85 | .80 | .75 | |
| 193 | Remaining Maintenance | 0 | 0 | 57 | 179 | 375 | 621 | 940 | 1214 | 1116 | 932 | 5433 |
| 194 | New Licenses and New Upgrades | 0 | 400 | 876 | 1438 | 2099 | 2826 | 3250 | 1214 | 837 | 466 | |
| 195 | Maintenance/License Price Ratio | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 196 | Initial Maintenance Rate | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 197 | New License/Upgrade Maintenance | 0 | 60 | 131 | 216 | 315 | 424 | 488 | 182 | 126 | 70 | 2011 |
| 198 | **Total Maintenance-Vertical NSP Rev** | 0 | 60 | 188 | 395 | 690 | 1045 | 1428 | 1396 | 1242 | 1001 | 7444 |
| 199 | | | | | | | | | | | | |
| 200 | | | | | | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 201 | **Costs for InterTools Technologies Worldwide** | | | | | | | | | | | |
| 202 | | | | | | | | | | | | **15** |
| 203 | | | | | | | | | | | | |
| 204 | | | | | | **Projected** | | | | | | **Total** |
| 205 | **($000)** | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **1999-2005** |
| 206 | | | | | | | | | | | | |
| 207 | **Americas** | | | | | | | | | | | |
| 208 | Revenues | 2145 | 7950 | 14426 | 23569 | 32425 | 34406 | 35255 | 16523 | 13170 | 9472 | 189343 |
| 209 | | | | | | | | | | | | |
| 210 | Cost of revenues rate | .20 | .20 | .19 | .18 | .17 | .16 | .15 | .10 | .10 | .10 | |
| 211 | cost | 429 | 1590 | 2741 | 4242 | 5512 | 5505 | 5288 | 1652 | 1317 | 947 | 29225 |
| 212 | Marketing and sales rate | .35 | .35 | .34 | .33 | .32 | .31 | .30 | .25 | .25 | .25 | |
| 213 | cost | 751 | 2783 | 4905 | 7778 | 10376 | 10666 | 10577 | 4131 | 3293 | 2368 | 57626 |
| 214 | R and D rate | .15 | .15 | .14 | .13 | .12 | .11 | .10 | .10 | .10 | .10 | |
| 215 | cost | 322 | 1193 | 2020 | 3064 | 3891 | 3785 | 3526 | 1652 | 1317 | 947 | 21716 |
| 216 | G and A rate | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 217 | cost | 322 | 1193 | 2164 | 3535 | 4864 | 5161 | 5288 | 2478 | 1976 | 1421 | 28401 |
| 218 | **Total Costs- Americas** | 1823 | 6758 | 11829 | 18620 | 24643 | 25116 | 24679 | 9914 | 7902 | 5683 | 136968 |
| 219 | **Cost/Revenue Ratio** | .85 | .85 | .82 | .79 | .76 | .73 | .70 | .60 | .60 | .60 | |
| 220 | | | | | | | | | | | | |
| 221 | **International** | | | | | | | | | | | |
| 222 | Revenues | 2475 | 6318 | 11104 | 16621 | 22934 | 27165 | 27949 | 12197 | 9722 | 7018 | 143504 |
| 223 | | | | | | | | | | | | |
| 224 | Cost of revenues rate | .20 | .20 | .19 | .18 | .17 | .16 | .15 | .10 | .10 | .10 | |
| 225 | cost | 495 | 1264 | 2110 | 2992 | 3899 | 4346 | 4192 | 1220 | 972 | 702 | 22192 |
| 226 | Marketing and sales rate | .35 | .35 | .34 | .33 | .32 | .31 | .30 | .25 | .25 | .25 | |
| 227 | cost | 866 | 2211 | 3775 | 5485 | 7339 | 8421 | 8385 | 3049 | 2431 | 1755 | 43717 |
| 228 | R and D rate | .15 | .15 | .14 | .13 | .12 | .11 | .10 | .10 | .10 | .10 | |
| 229 | cost | 371 | 948 | 1555 | 2161 | 2752 | 2988 | 2795 | 1220 | 972 | 702 | 16463 |
| 230 | G and A rate | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 231 | cost | 371 | 948 | 1666 | 2493 | 3440 | 4075 | 4192 | 1830 | 1458 | 1053 | 21526 |
| 232 | **Total Costs - International** | 2104 | 5371 | 9105 | 13131 | 17430 | 19830 | 19564 | 7318 | 5833 | 4211 | 103897 |
| 233 | | | | | | | | | | | | 103897 |
| 234 | **Cost/Revenue Ratio** | .85 | .85 | .82 | .79 | .76 | .73 | .70 | .60 | .60 | .60 | |
| 235 | | | | | | | | | | | | |
| 236 | **Total Costs - Worldwide** | 3927 | 12129 | 20934 | 31751 | 42073 | 44947 | 44243 | 17232 | 13736 | 9894 | 240865 |
| 237 | | | | | | | | | | | | |
| 238 | | | | | | | | | | | | |
| 239 | | | | | | | | | | | | |
| 240 | | | | | | | | | | | | |
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| 249 | | | | | | | | | | | | |
| 250 | | | | | | | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 251 | **Net Present Value - InterTools Technologies** | | | | | | | | | | | 16 |
| 252 | | | | | | | | | | | | |
| 253 | | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
| 254 | **Intertools - Americas** | | | | | | | | | | | |
| 255 | Revenue | 2145 | 7950 | 14426 | 23569 | 32425 | 34406 | 35255 | 16523 | 13170 | 9472 | 189343 |
| 256 | Operating Cost Ratio | .15 | .15 | .18 | .21 | .24 | .27 | .30 | .40 | .40 | .40 | |
| 257 | Operating Income | 322 | 1193 | 2597 | 4950 | 7782 | 9290 | 10577 | 6609 | 5268 | 3789 | 52375 |
| 258 | Tax Rate | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | |
| 259 | Operating Income After Tax | 199 | 739 | 1610 | 3069 | 4825 | 5760 | 6557 | 4098 | 3266 | 2349 | 32473 |
| 260 | NPV Factors | .917 | .764 | .637 | .530 | .442 | .368 | .307 | .256 | .213 | .178 | |
| 261 | NPV | 183 | 565 | 1025 | 1628 | 2133 | 2122 | 2013 | 1048 | 696 | 417 | 11830 |
| 262 | Completion Ratio | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .67 | |
| 263 | Allocable Value | 123 | 378 | 687 | 1091 | 1429 | 1422 | 1349 | 702 | 467 | 280 | 7926 |
| 264 | | | | | | | | | | | | |
| 265 | | | | | | | | | | | | |
| 266 | | | | | | | | | | | | |
| 267 | | | | | | | | | | | | |
| 268 | | | | | | | | | | | | |
| 269 | | | | | | | | | | | | |
| 270 | | | | | | | | | | | | |
| 271 | | | | | | | | | | | | |
| 272 | | | | | | | | | | | | |
| 273 | | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
| 274 | **Intertools - International** | | | | | | | | | | | |
| 275 | Revenue | 2475 | 6318 | 11104 | 16621 | 22934 | 27165 | 27949 | 12197 | 9722 | 7018 | 143504 |
| 276 | Operating Cost Ratio | .15 | .15 | .18 | .21 | .24 | .27 | .30 | .40 | .40 | .40 | |
| 277 | Operating Income | 371 | 948 | 1999 | 3490 | 5504 | 7334 | 8385 | 4879 | 3889 | 2807 | 39607 |
| 278 | Tax Rate | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | |
| 279 | Operating Income After Tax | 230 | 588 | 1239 | 2164 | 3413 | 4547 | 5198 | 3025 | 2411 | 1741 | 24556 |
| 280 | NPV Factors | .917 | .764 | .637 | .530 | .442 | .368 | .307 | .256 | .213 | .178 | |
| 281 | NPV | 211 | 449 | 789 | 1148 | 1509 | 1675 | 1596 | 774 | 514 | 309 | 8973 |
| 282 | Completion Ratio | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .67 | .67 | |
| 283 | Allocable Value | 141 | 301 | 529 | 769 | 1011 | 1122 | 1069 | 518 | 344 | 207 | 6012 |
| 284 | | | | | | | | | | | | |
| 285 | Total Worldwide NPV | 394 | 1014 | 1814 | 2776 | 3642 | 3797 | 3609 | 1822 | 1210 | 727 | 20804 |
| 286 | Total Worldwide Allocable | 264 | 679 | 1215 | 1860 | 2440 | 2544 | 2418 | 1221 | 811 | 487 | 13938 |
| 287 | | | | | | | | | | | | |
| 288 | | | | | | | | | | | | |
| 289 | | | | | | | | | | | | |
| 290 | | | | | | | | | | | | |
| 291 | Selected Discount Rate - Americas | .20 | | | | | | | | | | |
| 292 | | | | | | | | | | | | |
| 293 | Selected Discount Rate - International | .20 | | | | | | | | | | |
| 294 | | | | | | | | | | | | |
| 295 | | | | | | | | | | | | |
| 296 | | | | | | | | | | | | |
| 297 | | | | | | | | | | | | |
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| 301 | | | | | | | | | | | | |
| 302 | ElronRev.xls | | | | | Page 6 | | | | | | |

| | A | B | C | D | E | F | G | H | I | J | K | L |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | | **Projections for NCC Custom Professional Services** | | | | | | | | | | |
| 2 | | | | | | | | | | | | |
| 3 | ($000) | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
| 4 | | | | | | | | | | | | |
| 5 | Previous year revenue | 24000 | 21420 | 19117 | 17062 | 15228 | 13591 | 11552 | 9820 | 8347 | 7095 | |
| 6 | Erosion rate | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | .15 | |
| 7 | Remaining revenue base | 20400 | 18207 | 16250 | 14503 | 12944 | 11552 | 9820 | 8347 | 7095 | 6030 | 125147 |
| 8 | Growth rate in remaining accts | .05 | .05 | .05 | .05 | .05 | .00 | .00 | .00 | .00 | .00 | |
| 9 | Current year revenue | 21420 | 19117 | 17062 | 15228 | 13591 | 11552 | 9820 | 8347 | 7095 | 6030 | 129262 |
| 10 | | | | | | | | | | | | |
| 11 | | | | | | | | | | | | |
| 12 | Operating income margin | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | .20 | |
| 13 | Operating income | 4284 | 3823 | 3412 | 3046 | 2718 | 2310 | 1964 | 1669 | 1419 | 1206 | 25852 |
| 14 | Tax rate | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | .38 | |
| 15 | Operating income after tax | 2656 | 2371 | 2116 | 1888 | 1685 | 1432 | 1218 | 1035 | 880 | 748 | 16029 |
| 16 | | | | | | | | | | | | |
| 17 | NPV factor (15%) | .935 | .813 | .707 | .615 | .534 | .465 | .404 | .351 | .305 | .265 | |
| 18 | NPV | 2483 | 1927 | 1496 | 1161 | 900 | 666 | 492 | 363 | 268 | 198 | 9956 |

J-1
J-2
J-3