

Substantially all of the development of the Company's computer peripheral equipment products business has been pursued by majority owned subsidiaries whose principal financial support has been furnished by the Company. The Company has retained options to acquire the minority interests in these companies and may be required to acquire the minority interests in the event that specified profit goals are met. Such option agreements provide that, in the event the Company acquires the minority interests, the Company must issue one share of its ~~Common~~ Stock for each share of Capital Stock or \$1 principal amount of Convertible Notes of the subsidiary outstanding and assume the subsidiary's obligation to issue stock upon exercise of subsidiary stock options on a share-for-share basis. The minority interest holders of each subsidiary are involved as principal managers in the product development, manufacturing and marketing activity of that Company, and certain individuals now serving as officers of the Company have had and continue to have such a connection with one or more of such subsidiaries and, accordingly, have been given the opportunity to purchase interests in such subsidiaries. The Company has exercised three such options by acquiring all of the minority interests in Peripheral Systems Corporation, the developer of the Company's disc drive products, Storage Products Corporation, the developer of the Company's Model 661 Storage: Control Unit, and Image Products Corporation, the developer of the Company's 1600 COM System.

In addition, the Company entered into a joint venture, ~~CMX~~ Systems, Inc. ("CMX"), with Columbia Broadcasting System, Inc., in May, 1970, for the purpose of developing devices and systems utilizing random access storage and retrieval of electro-magnetically recorded images. The ~~CMX~~ 600 Computer and Program Assembly System was announced in March, 1971, and delivery of the Initial system is scheduled in the second quarter of 1971.