

1970

INTERIM REPORT

24 WEEKS ENDED JANUARY 11, 1970



Computer Terminal Corporation

Dear Shareholder:

We are pleased to announce operating results as of January 11, 1970, ending the first half of our current fiscal year. The financial statements for this period have been audited by Peat, Marwick, Mitchell & Co., independent certified public accountants, and are available for inspection in the Company's offices. This follows the estimated operating results released in our letter of February 12, 1970.

Earnings of \$131,914, inclusive of extraordinary income of \$60,600 from a tax loss carry forward benefit, resulted from sales for the period of \$2,019,949. Per share earnings for the twenty-four week period, based on 2,190,796 shares outstanding, were 6¢ including extraordinary income. The share total is derived from the weighted average of the number of common shares outstanding and includes the dilutive effect of all stock options. Your attention is invited to two significant facts:

1. These results were achieved in the face of substantial research and development costs, all of which were expensed rather than capitalized.
2. While costs were incurred over a full half year, over ninety percent of production was achieved and sales and deliveries made in the last twelve weeks.

Sales reported during this period include only shipments of the Company's first product, the Datapoint 3300 CRT data terminal. Two companion products, the Datapoint 3300T tape cassette unit, and the Datapoint 3300P thermal printer, have been introduced since that time. These products are presently in the pilot production phase, and will allow even deeper penetration into the growing interactive terminal market.

We are also enthusiastic about the development of a completely new product, which will serve an entirely different market, the Datapoint 2200. This important new product will be formally introduced within the next few weeks.

The Datapoint 2200 is designed specifically to satisfy the demand for a device which allows source entry of business data. Typical applications include the entry and retrieval of non-scientific data such as required in banking, accounting, purchasing, inventory control and credit validating.

The Datapoint 2200 represents a milestone in the data entry field because of its cost-performance characteristics. The device is a single, handsomely styled package which includes a small general purpose computer, two tape cassette units, an electronic keyboard, a 960 character video data screen, and an automatically controlled communication interface. The target selling price for the 2200 is considerably less than that of most mini-computers having only a fraction of the Datapoint 2200's capabilities.

Volume production of the Datapoint 2200 will begin as soon as the new 61,000 square foot manufacturing facility currently under construction is completed

late this summer. The new 9,000 square foot Marketing and Accounting Building was occupied in late March.

We have accelerated the build-up of our direct sales force to meet the challenges of the burgeoning market, and more specifically to staff our entry into an additional marketing effort aimed directly at the end-user. The direct marketing force already consists of thirty-one experienced sales specialists, and we continue our recruiting effort seeking qualified sales personnel. Operating offices have been established in New York City, Los Angeles, San Francisco, Boston, Minneapolis, Washington, D. C., Detroit, Chicago, Houston, and Dallas. In addition to leasing and selling to the end-user, our marketing organization has also intensified their sales efforts directed toward computer manufacturers, the foreign markets, large private users, and government agencies. We are pleased that the Datapoint 3300 has been evaluated and accepted by the U. S. Government General Services Administration Federal Supply Service. This GSA contract authorized any federal purchasing office to order up to 115 Datapoint 3300's per individual order. Since federal funds for the next fiscal year are authorized as of July 1, 1970, it is reasonable to anticipate increased orders under our GSA contract from federal purchasing offices at that time.

Looking to another substantial market, you will be pleased to know that favorable evaluation programs on the Datapoint 3300 have already been completed by several computer manufacturers and that we are discussing the possibilities of volume purchases.

The new direct-to-end-user sales effort, which was initiated only March 12, already shows promising results. We are confident that substantial shipments to end-users will have been made within the current fiscal year which ends July 27, 1970. The end-user is primarily a lessee rather than an outright purchaser. Financing by third party leasing companies, however, results in the immediate cash payment of a retail price to your Company. Leases financed directly by us reflect immediate earnings only to the extent that the monthly rentals exceed monthly depreciation, but result in higher profitability over the longer term. Both the third party and the direct leasing programs will be utilized by your Company.

We are most confident that our corporate goals will be met in the periods ahead, and that Computer Terminal Corporation will continue to develop as a significant factor in the growing computer peripheral industry. We take this opportunity to thank you for your support, and to thank our valued employees for their dedication and the tireless efforts that continue to convert plans into realities.

Sincerely,



Gerald R. Mazur,
Chairman of the Board



J. P. Ray,
President