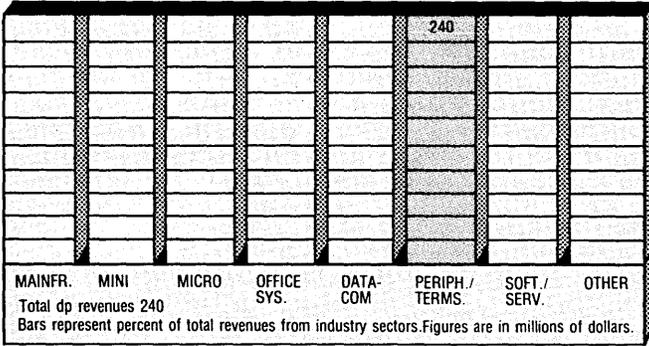


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RACAL CORPORATION

8600 N.W. 41st Street
Miami, FL 33166
(305) 592-8600

Racal, the U.S. data processing subsidiary of Racal Electronics Ltd., the \$1 billion British electronics company, increased its sales by 13% to reach \$240 million in 1981 from \$212 million in 1980.

The company consists of two separately managed concerns, Milgo and Vadac. Milgo, based in Miami, manufactures data communications products and systems. Among its products are high-speed and medium-speed modems, network diagnostic and management systems, advanced statistical multiplexors, data encryption devices, terminals, and voice digitizing equipment.

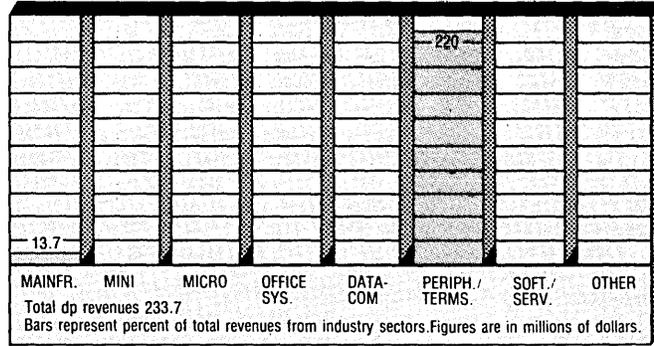
In 1981 the company introduced the Phoneplex-24, a voice digitizer, as well as the Datacryptor II, an advanced data security product. Early in 1982, Racal Milgo also announced the Network Performance Facility. An addition to its communications management series of diagnostic and control systems, the new product provides main channel data measurements in large-scale data communications networks. It also measures line protocol performance.

Through a subsidiary, Racal Telesystems, which was acquired in 1980, Racal also provides devices that allow incompatible word processors to exchange information. In the past year that subsidiary has considerably increased the number of protocols that the device can handle.

Milgo, which has been growing at a rate of more than 20% per year, plans to expand into a new headquarters facility next year. The company bought 100 acres west of Fort Lauderdale in 1981 and plans to build a 1 million square foot facility there by 1983 that will be capable of accommodating some 5,000 employees. The 300,000 square foot facility that it now occupies in Miami will then be used for Racal's satellite manufacturing operations.

Vadac, which is headquartered in California, manufactures medium- and low-speed modems. In 1980, the company surpassed the Bell System as the largest supplier of such products.

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FOUR-PHASE SYSTEMS

10700 North DeAnza Boulevard
Cupertino, CA 95014
(408) 255-0900

Four-Phase System's big news in 1981 was the planned merger with Motorola. The deal was announced in December, and was expected to be completed by April. Shareholders of Four-Phase were receiving about \$253 million worth of Motorola stock. Four-Phase's 1981 performance was good, revenues were up 18.5% to \$233.7 million, from \$197.2 million in 1980. Profits were \$7.1 million (including \$1.4 million from the sale of tax benefits and depreciation) vs. the \$5.4 million earned in 1980.

Four-Phase designs and manufactures multifunction computer systems for distributed data processing applications. The product line consists of a family of compatible and upgradable systems, including processors, video display workstations, and software FPS designs.

In early 1981, Four-Phase acquired Two Pi Corp., a manufacturer of medium-scale IBM-compatible mainframe computers, which established Four-Phase as the only non-IBM distributed dp supplier to offer IBM-compatible back-end processing combined with front-end interactive data and text handling.

The merger will give Four-Phase the much-needed financial clout to compete with its well-heeled rivals, IBM, Wang, and Prime.