

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10KSB/A

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]  
[amend]

Filing Date: **1996-11-14** | Period of Report: **1995-12-31**  
SEC Accession No. **0000797221-96-000068**

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### FILER

#### STRATEGIA CORP

CIK: **797221** | IRS No.: **611064606** | State of Incorporation: **KY** | Fiscal Year End: **1231**  
Type: **10KSB/A** | Act: **34** | File No.: **000-21662** | Film No.: **96666061**  
SIC: **7370** Computer programming, data processing, etc.

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-KSB/A

X Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Fiscal Year Ended December 31, 1995.

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_ to \_\_\_\_.

Commission File Number 0-21662

STRATEGIA CORPORATION

(Exact name of registrant as specified in its charter)

Kentucky  
(State or other jurisdiction of  
Employer incorporation or organization)

61-1064606  
(I.R.S. Identification No.)

10301 Linn Station Road  
P.O. Box 37144

Louisville, Kentucky  
(Address of principal executive offices)

40233-7144  
(zip code)

Registrant's telephone number, including area code: (502)426-3434

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No .

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB/A or any amendment to this Form 10-KSB/A.

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 22, 1996: Common stock -- \$1,475,440.

The number of shares of the registrant's common stock outstanding as of March 22, 1996 -- 2,514,885 shares.

REFERENCE

Portions of the Corporation's Definitive Proxy Statement is incorporated by reference into Part III of this Form 10-KSB/A.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

## Preliminary Note Regarding Forward-Looking Statements

The information set forth in "Management's Discussion and Analysis of Results of Operations and Financial Condition" below and in "Risk Factors," "Use of Proceeds" and "Business" includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, and is subject to the safe harbor created by those sections. Factors that realistically could cause results to differ materially from those projected in the forward-looking statements are set forth in "Management's Discussion and Analysis of Results of Operations and Financial Condition" below and in the "Risk Factors" section of the Company's Form SB-2 Registration Statement (Reg. No. 333-14055).

### Overview

Strategia Corporation provides disaster recovery, consulting, information processing and outsourcing services to users of medium- and large-scale computers in North America and Europe. Its clients include large and medium-sized organizations, including government agencies, universities, health care providers, financial institutions, manufacturers and telecommunications firms.

The Company has sought to expand the range of computer services it can offer to customers in recent years, as its historic business has contracted. Since its inception in 1984, the Company has specialized in offering disaster recovery services to operators of large-scale data centers, including alternate site processing for Bull computer systems and contingency planning consulting. However, the number of large data centers using Bull computer systems in North America has decreased from approximately 700 in 1986 to approximately 100 in 1995, largely due to the "migration" of data centers to other computer systems. As a result, the Company's revenues from its historic business base have declined significantly in recent years. The Company has offered backup services for certain IBM computer systems since 1993, and began in February 1995 to offer Bull backup services in France, where the number of data centers using Bull computers is much larger than in North America. The Company plans to open an operations center and to offer Bull backup services in the United Kingdom within the next twelve months. In 1996, the Company began to market data center outsourcing and millennium services. Demand for millennium services, however, is likely to diminish significantly after 2000.

Revenue from disaster recovery backup and contingency planning services represented approximately 95% of the Company's revenue in 1995. Twinsys generated approximately 65% of the Company's total service revenues in 1995. Revenue from alternate site processing is typically generated under multi-year contracts and is recognized ratably over the life of the contract. The Company's contingency planning services are rendered for a fixed fee, based on estimated hours required at each participating consultant's hourly rate, and revenue is recognized at the time the services are performed. Outsourcing revenue is generated under contracts at a specified monthly fee. Millennium consulting services will be offered on a fixed fee basis, while technical assessment and code conversion charges will be based upon the number of lines of program code. Millennium testing services will be charged at a per hour rate based on the equipment needed to test the client's system.

Most of the Company's current cost structure is fixed. Cost of services relates mainly to computer and peripheral lease and maintenance expenses, facility lease, maintenance and utility expenses, and data communication costs. Personnel expenses, such as salaries and wages, along

with employee benefit costs, are also largely fixed.

Gross margins for the Company's computer backup and outsourcing businesses depend upon volume of service because the costs of these services are largely fixed. Margins are also affected by depreciation and estimated useful life of computer equipment. If the useful life of equipment continues after the equipment is depreciated, margins will typically increase. If the useful life of equipment ends before it is depreciated, margins will typically decrease. Depreciation on equipment currently installed at the Louisville facility has largely been completed. Assuming no purchases of additional equipment, depreciation expenses on equipment of Twinsys are expected to peak in 1997 and would decrease thereafter. See "Twinsys Assets Acquisition." Increased competition has also tended to reduce margins on Bull backup contracts negotiated in the last two years. An affiliate of Bull began offering backup services in 1994 in the United States, representing the first significant competition the Company has faced in the North American Bull backup market in several years. Competition for IBM backup contracts has continued to be intense, which tends to keep margins tight.

Gross margins for contingency planning and millennium services are expected to depend primarily on the productivity of the Company's technical and consulting staff. Most of the Company's contingency planning projects are priced on a fixed fee basis depending on the estimated staff hours to complete the project. Therefore, the profitability of an individual project depends on completing the project within the budget. In addition, productivity is based upon the number of billable personnel, billing rates, and the number of hours billed per day.

General, administrative and selling expenses consist primarily of the salaries and benefits paid to the Company's marketing and administrative personnel and benefits, travel, promotions and trade show expenses, offices expenses and other general overhead costs. As a result of its plan to offer a wider range of computer services, the Company expects these costs to increase in absolute terms. However, the Company anticipates that these costs will remain stable or decrease slightly as a percentage of total revenue. Whether these expenses actually do stabilize or decrease as a percentage of revenue depends on the Company's ability to generate revenue from its new computer service offerings and the productivity of its marketing and administrative staff.

Other expenses relate primarily to finance charges associated with capital leases for computer and peripheral equipment as well as funds borrowed from a shareholder. The Company expects to reduce its finance costs by reducing or eliminating certain capital lease obligations or refinancing them at lower rates. There can be no assurance that the Company will be able to procure less expensive sources of financing for these obligations. In addition to interest payable in cash on the principal balance of the shareholder loan, upon each 90-day renewal of the term of the loan, the Company issues 1,000 shares of Common Stock to the shareholder for each \$100,000 of outstanding principal on the loan. See "Certain Transactions." The value of the shares issued during the year ended December 31, 1995 totaled \$32,000. The shareholder loan has been renewed through January 5, 1997.

The Company's results of operations for 1994 and 1995 include a provision for French income taxes on the income of Twinsys. The Company's North American operations incurred losses for these periods, thereby reducing income for the periods on a consolidated basis. The Company has net operating loss carry forwards available for U.S. federal and state income tax purposes and, accordingly, paid no U.S. income taxes for 1994 and 1995. At December 31, 1995 and 1994, the Company had net operating

loss carry forwards of \$3,340,000 and \$2,873,000, respectively, for federal income tax reporting purposes. The Company has recognized a valuation allowance on a portion of its deferred tax assets due to the uncertainty of realizing the benefits thereof. The use of these carry forwards to offset future income is subject to limitations under Section 382 of the Internal Revenue Code.

#### Twinsys Assets Acquisition

In February 1995, Twinsys, the newly formed French subsidiary of the Company, paid \$200,000 to acquire certain assets of Twinsys, SA ("TSA"), a Paris, France disaster recovery provider then in bankruptcy proceedings under French law, and DKI, an affiliate of TSA. Twinsys acquired (i) the lease to the office space that housed one of the two former TSA data centers; (ii) certain tangible fixed assets of TSA and DKI valued at approximately \$260,000; and (iii) intangible assets of TSA of negligible value. As a condition to court approval of the transaction, Twinsys agreed to provide backup services without charge to former TSA customers who had prepaid for these services and to assume approximately \$65,000 of accrued vacation liabilities to former employees of TSA who became Twinsys employees. The Company financed the acquisition of the TSA assets and provided initial working capital to Twinsys with \$500,000 in funds borrowed from a shareholder. See "Certain Transactions."

Twinsys commenced operations in February 1995 with no revenue-producing contracts in effect and no lease arrangements in place for the computer equipment required to operate a backup services business. Twinsys' operating results during 1995 and 1996 are principally the result of Twinsys' success in entering into contracts with new subscribers, including a substantial number of the former customers of TSA, and in negotiating new computer leases at rates substantially less than the rates previously paid by TSA.

Twinsys did not succeed TSA as a party to TSA's contracts with its customers. As a result, the bankruptcy decree effectively terminated the former TSA customers' obligations under those contracts, and the former TSA customers became free to subscribe for computer backup services with any vendor they chose. During the first three quarters of 1995, Twinsys was able to negotiate and enter into new backup services arrangements with more than 30 former TSA customers as well as several new clients.

Similarly, Twinsys did not assume any rights or obligations under any leases for the computer equipment present at the TSA data centers. Twinsys planned to (and ultimately did) negotiate new leases for necessary computer equipment at substantially lower rates than would have been payable under the TSA leases. The equipment owners were also willing to allow Twinsys to operate the equipment present at the data center while negotiations were underway, during which time Twinsys was not obligated to make lease payments. In negotiating new client contracts, Twinsys committed to certain equipment upgrades to meet the backup requirements of some of its larger clients. To meet the commitment, Twinsys leased a large new computer system effective April 1, 1996. Many of the 1995 leases will terminate in 1997, and the Company anticipates that Twinsys' equipment costs will increase after new leases are negotiated and take effect. Depreciation expenses on currently installed equipment are expected to peak in 1997 and decrease thereafter.

Because Twinsys commenced operations effective as of February 1, 1995, the Company's consolidated financial statements and other financial information contained in this Prospectus include only eleven months of combined operations with Twinsys during 1995. See Note 3 of Notes to the Consolidated Financial Statements.

## Results of Operations

For the Years Ended December 31, 1995 and 1994

The Company reported revenue of \$8,927,000 and \$4,616,000 for 1995 and 1994, respectively. The Company reported net income of \$42,000 for 1995 after reporting net income of \$6,000 in 1994. The increase in revenue and net income in 1995 is attributable entirely to the commencement of operations by Twinsys effective on February 1, 1995. Twinsys contributed net income of approximately \$750,000 in 1995, which offset the net loss incurred by the Company's North American operations during the year.

Consolidated service revenue increased by \$4,312,000 or 93.4% during 1995. Twinsys accounted for approximately \$5,800,000 or 65.0% of consolidated service revenue for the year. Backup service revenue for the Company's North American operations decreased 35.2% in 1995. Bull backup service revenue decreased significantly due to the expiration of the Company's then two largest contracts during the first six months of 1995 and increased competition. The expired contracts together generated approximately 42% of the Company's revenue in 1994. The Company entered into a new contract with one of these customers but for significantly lower revenue due to the customer's reduced backup service requirements. See "-Liquidity and Capital Resources." IBM backup service revenue grew by 23.8% in 1995, but was more than offset by the decrease in Bull backup service revenue. Consulting service revenue for 1995 increased by 62.8% over 1994, but was offset by non-recurring outsourcing revenue in 1994 from peak load processing.

The Company's operating expenses for 1995 increased by 85.7% to \$7,829,000 for 1995 from \$4,215,000 in 1994, primarily due to the addition of Twinsys. Twinsys' operating expenses totaled \$4,403,000 in 1995 and consisted mainly of lease and maintenance expenses for its facility and computer equipment, as well as personnel costs. The cost of services for North American operations decreased by approximately 23% in 1995 principally from reductions in Bull computer equipment lease and maintenance costs. Selling, general and administrative expenses increased 131.2% to \$2,435,000 for 1995 from \$1,053,000 in 1994. Twinsys accounted for \$1,451,000 or 59.6% of these expenses in 1995, which relate largely to personnel and marketing expenses. Legal and accounting fees increased in 1995 as a result of the acquisition and initial startup of operations by Twinsys. Interest expense totaled \$657,000 and \$396,000 for 1995 and 1994, respectively. Interest expense for Twinsys totaled \$240,000 or 36.5% and is related mainly to capital leases for computer equipment. Interest costs in North America increased approximately 5% principally as a result of debt incurred by the Company to acquire assets and provide working capital for Twinsys.

The provision for income taxes totaled \$444,000 for 1995, due to French income taxes resulting from income of Twinsys. No income tax benefits can be recognized currently for U.S. operating losses, but these losses are available to offset any future U.S. taxable income.

## Liquidity and Capital Resources

For the Years Ended December 31, 1995 and 1994

Net cash provided by operating activities was \$2,707,000 in 1995 and \$772,000 in 1994. The increase was due to increases in depreciation and amortization, as well as increases in deferred revenue, accrued expenses, and accounts payable. These increases were partially offset by a decrease

in accounts receivable.

Net cash used in investing activities was \$693,000 in 1995 and \$43,000 in 1994. The increase was principally due to the establishment and initial capitalization of Twinsys in February 1995. The purchase of certain assets of TSA in bankruptcy proceedings and the purchase of computer equipment associated with the commencement of operations by Twinsys, were the primary investment uses of cash in 1995.

Net cash used in financing activities was \$1,952,000 in 1995 and \$665,000 in 1994. During 1995, the Company was required to renegotiate all computer equipment capital leases in France. These new leases, along with the existing capital leases at Strategia, resulted in a large increase in principal payments on these leases during 1995. These increased payments were partially offset by proceeds from a shareholder loan.

At December 31, 1995, the Company's consolidated current liabilities exceeded current assets by \$3,295,207. The principal resources available to reduce the Company's liquidity deficiency are monthly revenues payable under its backup service contracts. Backup services revenue for the Company's customers are generated in most cases under multi-year contracts that typically provide predictable revenue streams. These contractual revenues, though not recorded on the Company's balance sheet, will be available to help meet the Company's liabilities as recorded at December 31, 1995.

Income generated by Twinsys has provided a significant, positive impact upon the consolidated cash flow of the Company. However, the timing and amount of cash transfers between Twinsys and the Company are subject to rules governing dividend payments by French subsidiaries of multi-national corporations, as well as practical considerations. The Company assesses the working capital needs of its North American and European operations periodically and determines appropriate allocations of cash throughout the year. The Company expects to meet its other cash flow needs in 1996 through payments of consulting revenues by existing customers, the addition of new customers for backup, consulting and outsourcing services, as well as the extension of payment terms on certain monthly expenses and other debt. The Company will continue to seek more favorable terms for its remaining lease and maintenance agreements as the Company's present agreements expire.

Twinsys financed the acquisition of computer equipment needed for the backup requirements of some of its largest customers through a capital lease obligation totaling approximately \$2,000,000 on April 1, 1996. The Company expects that after the installation of this equipment at Twinsys its computer equipment should meet the technological requirements of current and prospective backup services customers in North America and Europe without the need for any additional material capital expenditure during 1996. Twinsys is expected to incur increased equipment expense in 1997 as leases negotiated in 1995 begin to expire and new leases take effect.

The Company has not generated new revenue in North America to offset the loss of revenue upon the expiration of its two largest contracts in 1995 and cannot currently predict when or if sufficient new revenues will be generated to offset the loss. The Company's equipment costs associated with the new backup services agreement for one of its North American customers significantly decreased during the last quarter of 1995, partially offsetting the decrease in revenues. However, as noted above, its overall equipment costs will increase in 1996 as a result of the computer equipment acquisition at Twinsys.

During 1994, an affiliate of Bull HN began offering backup services to Bull computer users. The increased competition to procure backup service contracts adversely affected the Company's revenues in 1995, and is expected

to adversely affect the Company's revenues in the future, pending the outcome of litigation between the Company and Bull relating to competitive practices. The litigation was subsequently settled during the third quarter of 1996. See Part II, Item 1 - "Legal Proceedings on Form 10QSB for the period ended September 30, 1996.

Item 7. Financial Statements.

STRATEGIA CORPORATION AND SUBSIDIARY

<TABLE>

FINANCIAL INFORMATION

Consolidated Balance Sheet

<CAPTION>

	December 31 1995
Assets	
<S>	<C>
Current assets:	
Cash and cash equivalents	\$ 170,636
Accounts receivable	1,128,407
Other current assets	490,124
Total current assets	1,789,167
Property and equipment	16,138,011
Less accumulated depreciation and amortization	7,376,653
	8,761,358
Other Assets	237,222
	\$10,787,747
Liabilities and Stockholders' Equity	
Current liabilities:	
Current installments of long-term debt	\$ 304,139
Current installments of obligations under capital leases	1,858,755
Notes payable to stockholders	991,176
Accounts payable	941,812
Accrued income taxes	133,630
Accrued expenses and other current liabilities	854,862
Total current liabilities	5,084,374
Long-term debt, excluding current installments	1,024,356
Obligations under capital leases, excluding current installments	2,179,412
Customers' deposits	58,253
Deferred revenue	852,146
Deferred income taxes	309,938
Total liabilities	9,508,479
Stockholders' equity:	
Preferred stock without par value. Authorized 2,000,000 shares:	
Series A Convertible Preferred Stock (\$10 stated value);	
authorized 100,000 shares; issued and outstanding 34,167 shares;	
liquidating value \$467,144	341,670
Common stock without par value. Authorized 6,000,000 shares;	
issued and outstanding 2,506,885 shares	3,029,833

Accumulated deficit	(2,119,092)
Foreign currency translation	26,857
Total stockholders' equity	1,279,268
Commitments and contingencies	\$10,787,747

</TABLE>

See accompanying notes to consolidated financial statements.

STRATEGIA CORPORATION AND SUBSIDIARY

<TABLE>

Consolidated Statements of Operations

<CAPTION>

	Years ended December 31	
	1995	1994
<S>	<C>	<C>
Service revenue	\$ 8,927,183	\$ 4,615,535
Operating expenses:		
Cost of services	5,394,518	3,161,718
Selling, general and administrative expenses	2,434,906	1,053,324
	7,829,424	4,215,042
Operating income	1,097,759	400,493
Other income (expense):		
Interest expense	(657,410)	(395,776)
Other income, net	45,186	1,596
	(612,224)	(394,180)
Income before income taxes	485,535	6,313
Income taxes	443,568	
Net income	\$ 41,967	\$ 6,313
Income (loss) per common and common equivalent share	\$ -	\$ (.01)
Weighted average number of common and common equivalent shares outstanding	2,493,603	2,418,792

</TABLE>

See accompanying notes to consolidated financial statements.

STRATEGIA CORPORATION AND SUBSIDIARY

<TABLE>

Statements of Stockholders' Equity

<CAPTION>

Series A Preferred Stock	Common Stock	Accumulated	Foreign currency
--------------------------	--------------	-------------	------------------

	Shares	Amount	Shares	Amount	deficit	translation	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
January 1, 1994	34,167	\$341,670	2,362,885	\$2,885,833	\$(2,128,844)	\$	\$1,098,659
Issuance of common stock			112,000	112,000			112,000
Net income					6,313		6,313
December 31, 1994	34,167	\$341,670	2,474,885	\$2,997,833	\$(2,122,531)		\$1,216,972
Issuance of common stock			32,000	32,000			32,000
Payments of dividends					(38,528)		(38,528)
Net income					41,967		41,967
Foreign currency translation						26,857	26,857
December 31, 1995	34,167	\$341,670	2,506,885	\$3,029,833	\$(2,119,092)	\$26,857	\$1,279,268

</TABLE>

See accompanying notes to financial statements.

#### STRATEGIA CORPORATION AND SUBSIDIARY

<TABLE>

#### Statements of Cash Flows

<CAPTION>

	Years ended December 31	
	1995	1994
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 41,967	\$ 6,313
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,113,081	1,068,131
Deferred income taxes	309,938	
Other	36,899	1,390
Changes in operating assets and liabilities:		
Accounts receivable	(1,005,638)	88,961
Other current assets	(390,975)	(20,821)
Accounts payable	403,386	(159,429)
Accrued income taxes	133,630	
Accrued expenses and other current liabilities	513,477	106,552
(Increase) decrease in other assets	(124,202)	37,910
Increase (decrease) in deferred revenue	652,691	(339,465)
Increase (decrease) in customers' deposits	22,258	(17,226)

Net cash provided by operating activities	2,706,512	772,316
Cash flows from investing activities:		
Acquisition of property and equipment	(488,735)	(46,331)
Purchase of Twinsys	(203,856)	
Net cash used in investing activities	(692,591)	(46,331)
Cash flows from financing activities:		
Proceeds from note payable to stockholder	500,000	
Net proceeds from issuance of common stock		100,000
Proceeds from long-term debt		28,150
Principal payments of long-term debt and obligations under capital leases	(2,413,360)	(793,366)
Payments preferred dividend	(38,528)	
Net cash used in financing activities	(1,951,888)	(665,216)
Net increase in cash and cash equivalents	62,033	60,769
Cash and cash equivalents at beginning of year	108,603	47,834
Cash and cash equivalents at end of year	\$ 170,636	\$ 108,603

</TABLE>

See accompanying notes to financial statements.

#### STRATEGIA CORPORATION AND SUBSIDIARY

#### Notes to Financial Statements

##### (1) Basis of Presentation

Strategia Corporation (Strategia) and its wholly-owned French subsidiary, Twinsys Dataguard, S.A. (Twinsys), together referred to herein as "the Company," is a major provider of hot site services for users of large-scale Bull and IBM computers in North America and Bull and UNIX computers in Europe. The Company markets its services to corporate users of large-scale computers in the United States, Canada and Europe.

The financial statements have been prepared on the basis of principles applicable to a going concern. This basis presumes the realization of assets and a settlement of liabilities in the ordinary course of business. As shown in the accompanying financial statements, the Company has an accumulated deficit of \$2,119,092 at December 31, 1995. In addition, the Company has financed a large portion of its computer equipment that is used for backup services under capital leases. The current installments of obligations under these capital leases were the most significant cause of current liabilities exceeding current assets by \$3,295,207 at December 31, 1995.

The Company's ability to operate as a continuing business is dependent upon, among other things, the Company's maintaining profitable operations and being able to meet its current obligations.

The Company believes access to the European disaster recovery market through Twinsys, as well as its continued intensified marketing effort, will provide new opportunities for additional backup, outsourcing, and consulting service revenues. The Company plans to increase its utilization of its facilities and computer equipment to support other computer services

opportunities.

Management has obtained and will continue to seek more favorable terms for its lease and maintenance agreements in an effort to reduce the Company's operating costs and liquidity deficiency. The Company expects to meet its cash flow needs through payments of service revenues by existing customers, the addition of new customers for its backup, outsourcing, and consulting services, as well as the extension of payment terms on certain monthly expenses and other debt.

(2) Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of Strategia Corporation and Twinsys. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with generally accepted accounting principles requires Company management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

(c) Recognition of Revenue

The Company provides backup recovery services through contracts whose terms are generally for more than one year and require the payment of monthly subscription fees. Service revenue from contracts is recognized on a straight-line method over the life of the contract. Deferred revenue represents cash received in excess of the revenue recorded for multi-year agreements to provide backup services to customers. The Company also provides consulting services. Service revenue for consulting is recognized when services are rendered.

(d) Property and Equipment

Property and equipment are recorded at cost and consist of the following at December 31, 1995:

<TABLE>

<S>	<C>
Land	\$ 260,800
Building and improvements	3,154,789
Equipment	12,551,702
Other	170,720
	\$16,138,011

</TABLE>

Depreciation of equipment is computed on the straight-line method over the estimated useful life of the asset. Leasehold improvements and equipment under capital leases are amortized on the straight-line method over the terms of the related leases or over the estimated useful life of the asset.

(e) Foreign Currency Translation

The financial statements of Twinsys have been translated into U.S. dollars in accordance with FASB Statement 52, Foreign Currency Translation. All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet date. Amounts in the statements of operations have been translated using the average exchange rate for the year. The gains

and losses resulting from the changes in exchangerates during the year have been reported separately as a component of stockholders' equity.

(f) Income Per Share

Income per share is based on net income less preferred dividends divided by the weighted average number of common and equivalent shares outstanding during the period. Common stock equivalents outstanding are calculated for stock options and warrants using the treasury stock method. Fully diluted per share amounts are not materially different from primary per share amounts.

(g) Cash Equivalents

Cash equivalents are highly liquid investments with a maturity of less than three months when purchased.

(h) Stock Incentive Plans

The Financial Accounting Standards Board has recently issued FASB Statement 123, Accounting for Stock-Based Compensation. FASB 123 encourages, but does not require, companies to recognize compensation expense related to the grants of stock or stock options to employees under plans such as the Company's 1988 and 1990 Plans. Companies choosing not to adopt FASB 123 will continue to account for such grants using the accounting described by APB Statement 25, Accounting for Stock Issued to Employees, but will be required to make certain disclosures about their plans, including proforma net income and earnings per share under the new method. The Company is first required to follow the rules of FASB 123 in 1996. The Company expects to continue to follow APB 25 for expense recognition and to make disclosures required by FASB 123. Accordingly, the Company expects that FASB 123 will have no effect on the Company's earnings or financial position.

(i) Financial Instruments

The carrying amounts of the Company's financial instruments approximate their fair values as of December 31, 1995.

(3) Acquisition

On February 3, 1995, Dataguard purchased for approximately \$200,000 certain operating assets and assumed certain liabilities of Twinsys, S.A., a Paris, France-based provider of disaster recovery services in Europe. Dataguard financed the purchase with funds borrowed from EPI Corporation, the Company's largest stockholder, under an amendment to an existing loan agreement. John P. Snyder, EPI's President and Chairman, is a director of the Company. The acquisition was accounted for by the purchase method of accounting.

(4) Long-term Debt and Credit Agreements

Long-term debt consists of the following at December 31, 1995:

<TABLE>

	December 31 1995
<S> Mortgage note	<C> \$ 1,055,871
Revolving credit agreements	120,000
Promissory note	133,526

Equipment notes	19,098
	1,328,495
Less current installments	304,139
Long-term debt, excluding current installments	\$ 1,024,356

</TABLE>

The mortgage note is payable in equal monthly installments through May 1, 2009; however, the lender has the option to accelerate payment on the entire outstanding balance of the note at five year intervals throughout the note term. The next potential note acceleration date is May 1, 1999 and the current interest rate of 11% is fixed until that date.

The Company has committed revolving credit facilities with two banks. A \$100,000 credit agreement is committed through October 31, 1996, and provides that borrowings will bear interest at the bank's prime rate plus 2% (effectively 10.5% at December 31, 1995). Borrowings under this credit agreement are secured by substantially all domestic company assets, other than its real property and leased assets. Credit agreements amounting to \$250,000 and \$20,000 are committed by another bank. The \$250,000 agreement is committed through May 15, 1996 and is secured by a letter of credit issued by the Company's bank in France. Other current assets at December 31, 1995 include approximately \$288,000 of restricted cash related to the letter of credit. This agreement bears interest on borrowings at prime plus 1% (effectively 9.5% at December 31, 1995). No amounts were borrowed under this agreement at December 31, 1995. The \$20,000 agreement is committed through February 28, 1996, and bears interest at prime plus 1%, and was fully outstanding at December 31, 1995.

A promissory note was established on May 1, 1994 with a supplier. The note provides that interest, fixed at an annual rate of 11%, will accrue and compound monthly on the total unpaid balance. Monthly installments of \$26,836 began in December 1995 and will continue through June 1996 until the entire principal and interest amounts are paid.

Equipment notes are payable to one bank in monthly installments through November 1997. Interest rates on these notes range from 10.0% to 10.5% and the notes are secured by equipment with a net book value of \$16,596 as of December 31, 1995.

Aggregate maturities of long-term debt are \$304,139 in 1996, \$45,610 in 1997, \$45,390 in 1998 and \$933,356 in 1999.

#### (5) Notes Payable to Stockholders

During 1992, the Company entered into a \$300,000 second mortgage agreement with a stockholder. The original term of the agreement was ninety days. The agreement had been renewed for additional 90-day terms subsequent to the original term through December 31, 1994. In January 1995, an \$800,000 second mortgage agreement was entered into with this stockholder (\$300,000 of which represents an extension of the original loan as noted above). The term of the loan extends through April 10, 1996. Interest on this amount is payable at an annual rate equal to the prime rate plus 1.5% (effectively 10% at December 31, 1995). Interest expense of \$80,242 and \$25,750 was charged to 1995 and 1994 operations, respectively. At December 31, 1995, accrued interest recorded in the consolidated balance sheet related to these notes was \$110,581. The promissory note is secured by a second mortgage on the Company's real property. In consideration of this opportunity to borrow funds, the Company issued 15,000 shares of common stock to the stockholder in connection with the initial agreement. Additional share increments of common stock (currently 8,000 shares) have been issued with each renewal (a total of

59,000 and 27,000 additional shares had been issued through December 31, 1995 and 1994, respectively). During January 1996, the Company renewed this note at the same terms and conditions as the original note. An additional 8,000 shares of common stock were issued to the stockholder in connection with this renewal.

The Company has notes payable of \$191,176 to certain stockholders. Interest is payable quarterly at an annual rate of 10%. Interest expense of \$19,118 was charged to operations for the years ended December 31, 1995 and 1994 for these notes. The notes were originally due in November 1992 but have been renewed and are now due in December 1996 at the same terms and conditions as the original notes.

(6) Leases

The Company is obligated under various equipment capital leases that expire over the next four years. Property and equipment include the following amounts under capital leases at December 31, 1995:

<TABLE>

<CAPTION>

	December 31 1995
<S> Equipment	<C> \$ 7,297,047
Less accumulated amortization	2,083,064
	\$ 5,213,983

</TABLE>

The Company acquired \$4,831,746 and \$186,174 of equipment in exchange for capital lease obligations during 1995 and 1994, respectively.

The Company also has certain noncancellable operating leases, primarily for computer hardware and software, that expire over the next five years and provide for purchase or renewal options.

Future minimum lease payments under capital leases and noncancellable operating leases, and the present value of future minimum capital lease payments as of December 31, 1995 are:

<TABLE>

<CAPTION>

	Capital leases <C>	Operating leases <C>
<S> Years ending December 31:		
1996	\$ 2,118,554	\$ 845,897
1997	1,611,728	779,982
1998	680,910	745,846
1999	25,080	745,846
2000	-	279,692
Total minimum lease payments	4,436,272	\$ 3,397,264
Less amount representing interest (at rates ranging from 7.0% to 11.35%)	398,206	
Present value of net minimum capital lease payments	4,038,167	
Less current installments	1,858,755	
Obligations under capital		

leases, excluding current  
installments \$ 2,179,412

</TABLE>

Total rental expense, including maintenance charges, for operating leases in 1995 and 1994 was \$1,947,904 and \$1,534,976, respectively.

(7) Income Taxes

For financial reporting purposes, income before income taxes includes the following components:

<TABLE>

<CAPTION>

	1995	1994
Pretax income (loss):		
<S> United States	<C> \$ (713,298)	<C> \$ 6,313
Foreign	1,198,833	-
	\$ 485,535	\$ 6,313

</TABLE>

The provision for income tax expense in 1995 is attributable to earnings from foreign operations, the components of which follows:

<TABLE>

<S>	<C>
Foreign - current	\$ 133,630
- deferred	309,938
	\$ 443,568

</TABLE>

A reconciliation of the income tax expense for the years ended December 31, 1995 and 1994 with the federal statutory rate is as follows:

<TABLE>

<CAPTION>

	1995	1994
<S> Tax expense at U.S. statutory rates	<C> \$ 165,082	<C> \$ 2,146
Operating losses in the U.S. generating no current tax benefit	240,027	-
Utilization of net operating loss carryforwards	-	(3,777)
Higher effective income tax rate of foreign operations	35,965	-
Other	2,494	1,631
	\$ 443,568	\$ -

</TABLE>

Undistributed earnings of the Company's foreign subsidiary amounted to \$755,265 at December 31, 1995. Those earnings are considered to be indefinitely reinvested and, accordingly, no provision for U.S. federal income taxes has been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to France. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculation.

At December 31, 1995, the Company had U.S. net tax operating loss

carryforwards of approximately \$3,340,000 for federal income tax reporting purposes. These carryforwards expire as follows: \$467,000 in 2000; \$658,000 in 2001; \$508,000 in 2002; \$115,000 in 2004; \$26,000 in 2005; \$51,000 in 2006; \$435,000 in 2007; \$649,000 in 2008; and \$431,000 in 2010.

Significant components of the Company's deferred tax assets (liabilities) at December 31, 1995 are as follows:

<TABLE>

<CAPTION>

	1995
Deferred tax assets:	
<S>	<C>
Net operating loss carryforwards	\$ 1,269,000
Valuation allowance	(1,029,000)
Net deferred tax assets	240,000
Deferred tax liabilities:	
Tax over book depreciation	(462,000)
Other	(87,938)
Total deferred tax liabilities	\$ (549,938)
Net deferred tax liability	\$ (309,938)

</TABLE>

#### (8) Stock Option and Grant Plans

The Dataguard 1988 Stock Option Plan (as amended by stockholders in 1989) allows for options to be granted to key employees of the Company to purchase no more than an aggregate of 150,000 shares of common stock at a price not less than 75% of the fair market value at the time the grant is approved. Options totaling 42,500 shares of common stock were granted to employees in 1995. No options were granted to employees in 1994. It also provides automatic grants of stock options to the Company's directors who are not employees. Options to purchase 500 shares of common stock are granted annually to each nonemployee director. In addition, each nonemployee director who was not a director on May 15, 1989 will automatically be granted an option for 2,500 shares of common stock on May 15 following his subsequent election. Options for nonemployee directors are granted at the fair market value of the common stock on the grant date as determined by the Stock Option Committee of the Board of Directors.

Information pertaining to options for 1995 follows:

<TABLE>

<CAPTION>

<S>	Common Share	Price Range per Share
	<C>	<C>
Options outstanding at January 1, 1995	32,839	\$1.00 - \$3.50
Options granted	43,500	\$1.26 - \$1.38
Options outstanding at December 31, 1995	76,339	\$1.22
Options exercisable - December 31, 1995	31,839	\$1.22

</TABLE>

All options granted under the plan are exercisable over a 10-year period. No options have been exercised as of December 31, 1995.

The Dataguard 1990 Stock Grant Plan authorizes the Company's Stock Option Committee to grant up to 125,000 shares of common stock to key employees as restricted or performance stock awards. In 1990, grants of 4,075 shares of common stock were issued under this plan. No shares have been granted subsequent to 1990.

(9) Preferred Stock

In 1991, 100,000 shares of Series A Preferred Stock were authorized. The Company issued 16,667 shares of Series A Preferred Stock in 1992 and 17,500 shares in 1991. This stock provides a cumulative preferred annual dividend of 11.5%, payable on a quarterly basis and before any payment of dividends on common stock. At December 31, 1995, dividends in arrears totaled \$40,056. Each share of Series A Preferred Stock is convertible into four shares of common stock, at an effective price of \$2.50 per share of common stock, for a period of five years following the date of issuance.

The Series A Preferred Stock is also redeemable at the Company's option at a price of \$11.15, if the average bid and asked price of the common stock exceeds 150% of the then-effective conversion price of the Series A Preferred Stock for twenty of thirty consecutive trading days. No such restriction applies to redemption after July 1, 1997. This redemption price declines gradually each year to \$10 a share after December 31, 2001.

The Series A Preferred Stock has a liquidation value of \$12.50 per share, plus any accrued but unpaid dividends upon the liquidation, dissolution, or winding up of the affairs of the Company. Holders of Series A Preferred Stock have no voting rights except upon the occurrence of an event of default.

The holders of Series A Preferred Stock also received a five-year warrant to purchase two shares of common stock for each share of Series A Preferred Stock purchased. At December 31, 1995, warrants to purchase 34,167 shares of common stock were outstanding at an exercise price of \$4.50.

Shares of common stock reserved with respect to all of the above options, convertible preferred stock and warrants were 246,174 at December 31, 1995.

(10) Segment Information

The Company and its subsidiary are engaged in one industry segment consisting of providing disaster recovery and other computer related services to users of large-scale computer systems.

Service revenue, operating income and identifiable assets for the years ended December 31, 1995 and 1994 pertaining to the two geographic areas in which the Company operates are presented below.

<TABLE>

<CAPTION>

	1995	1994
Service revenue		
<S>	<C>	<C>
United States	\$ 3,116,662	\$ 4,615,535
Europe	5,810,152	-
	\$ 8,927,183	\$ 4,615,535
Operating income (loss)		
United States	\$ (309,781)	400,493
Europe	1,407,540	-

	\$ 1,097,759	\$ 400,493
Identifiable total assets		
United States	\$ 4,717,216	\$ 5,703,693
Europe	6,070,531	-
	\$ 10,787,747	\$ 5,703,693

</TABLE>

The net assets of Twinsys at December 31, 1995 amounted to approximately \$782,123.

In 1994, the Company had two customers, accounting for approximately 26% and 15%, respectively, of consolidated service revenue, who individually accounted for more than 10% of the Company's consolidated service revenue for the year. Neither customer accounted for 10% of the Company's consolidated revenue in 1995. The only customer who accounted for 10% of the Company's consolidated service revenue in 1995 was a group of affiliated companies, which together accounted for approximately 13% of consolidated service revenue.

(11) Supplemental Cash Flow Information

Total amount of interest paid was approximately \$650,000 and \$393,000 for the years ended December 31, 1995 and 1994, respectively. No cash payments were made for income taxes during 1995 or 1994.

(12) Commitments and Contingencies

The Company has an agreement with Copex Limited (a United Kingdom company) which was established to recognize the assistance provided by Copex in the acquisition of Twinsys. The Company is to pay Copex 2% of the gross revenues of Twinsys for the calendar years 1995 through 1999. Other assets include approximately \$74,000 (net of amortization) as of December 31, 1995 related to the fee earned to date under this agreement.

A former employee of Twinsys has filed a lawsuit against the Company claiming certain severance benefits as a result of his dismissal. The total amount of the claim approximates 800,000 French francs (approximately \$160,000). While the ultimate outcome of this lawsuit is unknown, the Company believes it has meritorious defenses against the Claim and intends to vigorously contest the lawsuit.

(13) Subsequent Event

On March 7, 1996, Twinsys entered into a capital lease agreement for computer equipment with the lease having a discounted present value of approximately 10,000,000 French francs (approximately \$2,000,000). The lease is for a three year term and requires monthly rental payments of approximately 430,000 French francs (approximately \$86,000) in 1996 and monthly rental payments of 250,000 French francs (approximately \$50,000) for the remainder of the lease term. This lease commitment is not included in Note 6.

(14) Reverse Stock Split and Change of Name

On July 29, 1996 the 1-for-2 reverse stock split of its Common Stock and its change of name from Dataguard Recovery Services, Inc. to Strategia Corporation became effective. As a result of the 1-for-2 reverse stock split, every two of the Company's common shares outstanding at the effective time were automatically converted into one new common share of Strategia

Corporation. The Company's name change and reverse stock split had been approved by the shareholders at the Company's 1996 annual meeting on July 12, 1996. All share and per share amounts have been restated for the reverse stock split.

## STRATEGIA CORPORATION AND SUBSIDIARY

### Report of Independent Auditors

The Board of Directors and Stockholders  
Strategia Corporation

We have audited the accompanying consolidated balance sheet of Strategia Corporation and subsidiary as of December 31, 1995, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Strategia Corporation and subsidiary at December 31, 1995, and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that Strategia Corporation and subsidiary will continue as a going concern. As more fully described in Note 1, the Company has had a significant working capital deficiency since inception, has incurred significant cumulative losses from its inception through December 31, 1995, and has had recent adverse developments with respect to contracts with certain customers. In view of these conditions, substantial doubt remains as to the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of Strategia Corporation and subsidiary to continue as a going concern.

(except for Note 14, as to which the date is  
July 29, 1996)

Item 13. Exhibits, List, and Reports on Form 8-K.

(a) List of Exhibits Filed.

- (3.1) Amended and Restated Articles of Incorporation are incorporated by reference to Exhibits 3.1 and 4.1 to the Company's 10-QSB for the quarters ended June 30, 1996.
- (3.2) \*Bylaws.
- (4.1) Amended and Restated Articles of Incorporation are incorporated by reference to Exhibits 3.1 and 4.1 to the Company's 10-QSB for the quarter ended June 30, 1996.
- (4.2) Form of Stock Purchase Warrant issued to holders of Series A Preferred is incorporated by reference to Exhibit 4.2 to the 1991 10-K.
- (10.1) \*Promissory Note due December 31, 1996 from the Company to Richard W. Smith.
- (10.2) \*Promissory Note due December 31, 1996 from the Company to James P. Buren.
- (10.3) \*Promissory Note due December 31, 1996 from the Company to EPI Corporation.
- (10.4) \*Promissory Note due December 31, 1996 from the Company to John A. Brenzel.
- (10.5) 1988 Stock Option Plan is incorporated by reference to Exhibit 10.7 to the 1994 10-KSB.
- (10.6) 1990 Stock Grant Plan is incorporated by reference to Exhibit 10.8 to the 1994 10-KSB.
- (10.7) \*Agreement of Assignment of Mortgage Note dated August 1, 1991, between Future Federal Savings Bank, Brown, Noltemeyer Co., Charles A. Brown, Jr., Norman V. Noltemeyer, and Dataguard Recovery Services, Inc.
- (10.8) \*Mortgage Note dated April 3, 1984, from Brown, Noltemeyer Co. to Future Federal Savings Bank, as amended.
- (10.9) Security Agreement dated July 13, 1992 as amended January 17, 1995 between the Company and EPI Corporation is incorporated by reference to Exhibit 10.11 to the 1994 10-KSB.
- (10.10) Second Mortgage dated July 13, 1992 as amended January 17, 1995 between the Company and EPI

Corporation is incorporated by reference to Exhibit 10.12 to the 1994 10-KSB.

- (10.11) \*Promissory note due April 10, 1996 between the Company and EPI Corporation.
- (10.12) Revolving Credit Agreement dated July 1, 1992 with Star Bank, N.A.
- (10.13) Extension of Revolving Credit Agreement dated October 31, 1995 with Star Bank, N.A.
- (10.14) Term Lease Master Agreement with IBM Credit Corporation dated October 15, 1995.
- (10.15) Computer Lease Agreement dated July 12, 1995 between Twinsys Dataguard SA and CEPME.
- (11) For a statement regarding the computations of per share earnings (loss), see Note 2 of the Notes to the Consolidated Financial Statements.
- (21) \*Subsidiaries.
- (27) Financial Data Schedule.

\*Previously filed with the Company's 1995 10-KSB.

(b) Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STRATEGIA CORPORATION

Date: November 14, 1996

By /s/ Richard W. Smith

Richard W. Smith, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

<TABLE>

<CAPTION>

Signature	Title	Date
<S> /s/ Richard W. Smith	<C>	<C>
Richard W. Smith	President and Director	November 14,

1996

(Principal Executive Officer)  
(Principal Financial Officer)  
(Principal Accounting Officer)

/s/ James P. Buren James P. Buren 1996	Executive Vice President-  Technology, Treasurer, and Director	November 14,
--	---	--------------

/s/ John P. Snyder John P. Snyder 1996	Secretary and Director	November 14,
--	------------------------	--------------

/s/ John A. Brenzel John A. Brenzel 1996	Director	November 14,
--	----------	--------------

</TABLE>

#### INDEX TO EXHIBITS

<TABLE>		
<CAPTION>		
Exhibit		
Sequential		Page
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---

\*Previously filed with the Company's 1995 10-KSB.

</TABLE>

EXHIBIT 10.12

STAR BANK, N.A.  
425 Walnut Street  
P. O. Box 1038  
Cincinnati, Ohio 45201-1038

July 1, 1992

Mr. Richard D. Smith  
President  
Dataguard Recovery Services, Inc.  
P.O. Box 37144  
Louisville, KY 40233-7144

Dear Mr. Smith:

This letter shall set out the terms and conditions under which Star Bank, N.A. (Hereafter referred to as the "Bank") agrees to loan Dataguard Recovery Services, Inc. (Hereafter called the "Company") One Hundred Thousand Dollars (\$100,000) under this Revolving Credit Agreement (the "Agreement"). The purpose of this loan is working capital.

THE REVOLVING CREDIT

Subject to there being no event of default (or circumstance which would, with the passage of time become an event of default) the Bank agrees to make revolving credit loans to the Company (as described below) from the date of this Agreement through the earlier of: a) a demand for payment in accordance with the terms of a revolving promissory note (the "Revolving Note") which will evidence the Company's obligation, substantially in the form of Exhibit "A" attached hereto; or b) July 1, 1993 (the "Maturity Date").

The Revolving Note shall bear interest at 1.0% over the Bank's prime rate (the "Prime Rate"). The Prime Rate is the rate announced as such from time to time by the Bank. The Prime Rate is determined solely by the Bank pursuant to market factors and its own operating needs, and is not necessarily the Bank's best or most favorable rate for commercial or other loans. The Prime Rate is currently 6.5%. The interest rate on the Revolving Note shall be adjusted on the effective date of any change in the Bank's Prime Rate. Interest shall accrue in arrears and be payable beginning

October 1, 1992 and quarterly thereafter and on the Maturity Date.

#### REPRESENTATIONS & WARRANTIES

To induce the Bank to enter into this Agreement and to agree to make the loans described herein, the Company represents and warrants that:

- (A) Corporate Existence. It is a corporate duly existing under the laws of the Commonwealth of Kentucky, is qualified to do business in all states where failure to be so qualified would have a material adverse effect on the Company, and has all requisite power and authority to own its property and carry on its business as now being conducted.
- (B) Borrowing Authorization. The execution by the Company and the delivery and performance of this Agreement, the Note(s), and other documents connected to the loans described herein have been authorized by necessary corporate action and will not violate: 1) any provision of law; 2) the Articles of Incorporation or By-laws of the Company; or 3) any agreement binding on the Company.
- (C) Financial Statements. Its audited financial statements dated December 31, 1991 (a copy of which have been previously furnished to the Bank) have been prepared in conformity with generally accepted accounting principles consistently applied, and fairly present the financial condition of the Company and its operation as of the date of the statements, and since such date there has been no material adverse change in its financial condition.
- (D) Actions Pending. There is no litigation pending or threatened against or affecting the Company before any court or agency, or any contingent liabilities that are not provided for in the financial statements referred to in subsection (C) Financial Statements above.
- (E) Liens. None of the assets of the Company are subject to any mortgage, pledge, security interest, line, or other encumbrance except for those noted in the financial statements referred to in subsection (C) Financial Statements.
- (F) Environmental Matters. All operations and property of the Company are in full compliance with all federal, state, and local statutes, rules, and regulations relating to air and water pollutants and hazardous waste disposal. There is no judicial or administrative proceeding pending or threatened against or affecting the Company with respect to such environmental matters.

(G) Compliance. The Company is in compliance in all material respects with all statutes, rules, and regulations applicable to it. No default (or event which with notice or lapse of time, or both, would constitute a default) exists under any agreement or instrument for borrowed money to which Company is a party or pursuant to which any property of Company is encumbered.

(H) Liabilities. All taxes, assessments, and other liabilities which are due have been paid in full and in a timely manner, except for those taxes and assessments which the Company is contesting in good faith and with respect to which the Company has taken proper steps to perfect its appeal and which have not resulted in liens on the company's property which materially diminishes the value of the property.

#### COLLATERAL

All obligations of the Company to the Bank under this Agreement and the Note(s) shall be secured by the following (collectively called the "Collateral"):

(A) A security interest in the Company's accounts receivable, inventory, machinery, equipment, furniture, fixtures, furnishings, and general intangibles, now owned or hereafter acquired, their proceeds (cash or non-cash) and any insurance proceeds related thereto, located at either 6600 Grade Lane, Louisville, KY 40213 or 10301 Linn Station Road, Louisville, KY 40223, all to be evidenced by the Bank's standard Security Agreement in the form of Exhibit "B" Attached hereto dated October 10, 1989 and July 1, 1992.

The Collateral and all documentation with respect thereto shall be in a form satisfactory to the Bank, and the Company agrees to execute any and all documents necessary to assure the protection, perfection, and/or enforcement of the Bank's security interest in the Collateral.

#### COVENANTS

In consideration of the Bank's promise to make the loan described herein, the Company agrees that, from the date of this Agreement until the Note(s) are paid in full, it shall:

(A) Financial Statement. Furnish the Bank: 1) a copy of the Company's audited financial statements, prepared in conformity with generally accepted accounting principles applied on a basis consistent with the preceding years by independent certified public accountants acceptable to the Bank within 90 days of the Company's fiscal year end; and 2) a copy of its unaudited financial statements, similarly prepared, in a form

satisfactory to the Bank within 30 days of the end of each of its fiscal quarter.

- (B) Insurance. Maintain insurance on all real and personal property with carriers acceptable to the Bank in an amount and against hazards and liabilities as is common with other companies in similar situations. The policies shall show the Bank as "name insured" and "loss payee." The Company shall provide the Bank with certificates of insurance or other satisfactory evidence upon request.
- (C) Taxes. Pay all taxes, assessments, and other liabilities when due, except for those which are contested in good faith.
- (D) Notice. Give the Bank prompt notice of any: (i) default of this or any other Agreement or contract under which the Company is liable; (ii) environmental or labor dispute; (iii) lawsuit filed naming the Company as a defendant; (iv) reportable event under ERISA; or (v) material change in the Company's business prospects or financial condition.
- (E) Corporate Existence and Status. Maintain its corporate existence and remain in good standing under the laws of each jurisdiction where the Company is duly qualified to conduct its business.
- (F) Bank as Primary Depository. Maintain all corporate accounts, including all time and demand deposit accounts, certificate of deposit accounts, and safekeeping accounts, at the Bank.
- (G) Maintenance of Property. Maintain Company property in good condition and repair, and not commit or permit any action that may impair the value of the property or the Bank's Collateral.
- (H) Tangible Capital Base. Not permit its tangible capital base to be less than \$675,000 beginning with the fiscal year ending December 31, 1992 and for each fiscal year thereafter. "Tangible Capital Base" shall mean, as of any date, the sum of the Company's total equity plus debts subordinated to the Bank minus any intangible assets. All financial terms in this Agreement shall have the meanings given them under generally accepted accounting principles.
- (I) Indebtedness. Not incur or permit to exist any indebtedness, except: (i) the borrowings evidenced by this Agreement; (ii) favorable short-term unsecured trade credit granted in the ordinary course of business.
- (J) Liens. Not create or permit to exist any mortgage, pledge, security interest, or other encumbrance with respect to any assets now owned or hereafter acquired, except for (i) liens

created in favor of the Bank hereunder; or (ii) purchase money interests created in connection with the acquisition of property acquired after the date of this Agreement which attaches specifically to the property acquired.

- (K) Guaranties. Not guaranty any obligation or indemnify any other person or enterprise except for the personal liability from the Company's own officers', directors', or employees' own actions on behalf of the Company.
- (L) Merger and Sale of Assets. Not to be a party to any merger, consolidation, or reorganization (including the purchase of all or substantially all of the equity or assets of any other enterprise). Not, except in the ordinary course of its business, sell, transfer, or lease any part of its property in excess of \$50,000 in any one-year period.
- (M) Waiver. Any variance from these covenants shall be permitted only with the prior written consent and/or waiver of the bank. Any such waiver shall not preclude the exercise of any power or right under this Agreement by the Bank.

#### CLOSING CONDITIONS

The obligation of the Bank to make the loans described by this Agreement is subject to the satisfaction of each of the following conditions:

- (A) Resolutions. The Company shall have delivered to the Bank a copy of the resolutions of the Company's Board of Directors authorizing the loans described herein and the execution and delivery of this Agreement, the Note(s), and other documents the Bank deems necessary for these loans, certified by an appropriate officer of the company.
- (B) Other Documents; Inspection. The Company shall have delivered to the Bank such other documents as the Bank may request prior to the date of the initial loan. The Bank or its designated representative shall have the continuing right to inspect and review all the Company's records, documents, and assets, whether or not directly related to the Company's obligations hereunder.
- (C) Default. Before and after giving effect to the loan(s) described herein, no event of default (as defined below) or event which would with the passage of time mature into an event of default shall have occurred and/or be continuing.
- (D) Warranties. Before and after giving effect to the loan(s) described herein, the representations and warranties noted above shall be true and correct on the date of this Agreement.

- (E) Fees and Expenses. The Company agrees to pay the Bank a one-time fee of (\$500.00) plus any out-of-pocket expenses incurred by the Bank (including reasonable attorneys' fees, legal expenses, filing fees, etc.) in entering into and closing this Agreement.

#### EVENTS OF DEFAULT

Upon the occurrence of any of the following events, the Bank may declare the Note(s) due and immediately payable, without further notice or demand and the Bank shall have all rights to realize on the collateral. To the extent the maximum Amount Available is not being utilized by the Company, the Bank may upon such declaration of default terminate any unused balance:

- (A) Non-payment of principal or interest prescribed herein when due or when notice of such non-payment is sent to the Company by the Bank, or any default, demand, or acceleration under any Note or related instrument concerning the Collateral; or
- (B) Non-payment of principal or interest on any other borrowed money obligation when due or the holder of such obligation declares the obligation due prior to its stated maturity unless the obligation is disputed in good faith; or
- (C) Any representation or warranty of the Company in this or any other loan document is false; or
- (D) The Company violates any covenant or condition of this or any other loan documentation; or
- (E) The Company is unable to pay its business debts as they become due or the Company's consolidated financial statement indicates an insolvency or deficit net worth; or
- (F) The Company applies for the appointment of a trustee or receiver of any part of the assets of the Company or commences and proceedings relating to Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, or other liquidation law of any jurisdiction; or
- (G) Any such application, if filed, or any such proceedings are commenced against the Company, and the Company indicates its approval, consent, or acquiescence; or an order is entered appointing such trustee or receiver, or adjudicating the Company bankrupt or insolvent, or approving the petition in any such proceedings, and such order remains in effect for thirty (30) days; or
- (H) A material part of the Company's operations shall cease for a

period of thirty (30) days, other than temporary or seasonal cessations which are simultaneously experienced by other companies in the Company's line of business (which, if continued, would not have a material adverse effect on the Company's operations or financial conditions); or,

- (I) If, in the reasonable opinion of the Bank, there has been a material adverse change in the financial affairs or operating condition of the Company or in the value of the Collateral which, in the reasonable judgment of Bank, materially imperils the Company's ability to repay or secure its obligations to the Bank under this Agreement.

#### LAW/JURISDICTION

This Agreement, the loans, and the Note(s) shall be deemed made in Ohio, and all the rights and obligations of the parties hereunder shall in all respects be governed by and construed in accordance with the laws of the State of Ohio, including all matters of construction, validity, and performance. Without limitation on the ability of the Bank to exercise all its rights as to the Collateral security for any loan or note, or to initiate and prosecute actions for repayment in any applicable jurisdiction, Bank and Company agree that any action or proceeding commenced by or on behalf of the parties relating to this Agreement, the loans, or the Note(s) shall be commenced and maintained exclusively in courts of applicable jurisdiction located in Hamilton County, Ohio.

STAR BANK, N.A.

/s/ Edward L. Dwyer

Edward L. Dwyer  
Assistant Vice President

Accepted this 1st day of July, 1992

Dataguard Recovery Services, Inc.

By /s/Richard W. Smith  
Richard W. Smith  
President

Exhibit 10.13

STAR BANK  
425 Walnut Street  
P. O. Box 1038  
Cincinnati, OH 45201-1038

October 31, 1995

Mr. Richard W. Smith  
President  
Dataguard Recovery Services, Inc.  
P. O. Box 37144  
Louisville, KY 40233-7144

Re: The Revolving Credit and Term Loan Agreement dated July 1, 1992 and subsequently amended by and between Star Bank, N.A. (the "Bank") and Dataguard Recovery Services, Inc. (the "Company") (said agreement shall hereinafter be referred to as the "Agreement").

Dear Mr. Smith:

This letter, when duly and validly accepted by the Company, shall evidence the intention of the Bank to amend the above referenced Agreement and Promissory Note such that:

- 1) The Maturity Date of the Revolving Credit facility shall be extended to October 31, 1996.
- 2) The Revolving Note shall bear interest at 2.0% over the Bank's prime rate (the "Prime Rate"). The Prime Rate is currently 8.75%.

As a condition to the effectiveness of this amendment, the Company shall pay the Bank a \$100 renewal fee.

All representations and warranties of the Company set forth in the Agreement are true and correct as of the date hereof. Except as amended herein, all other terms, conditions and covenants of the Agreement shall remain in full force and effect.

If the above terms represent our understanding, please indicate your agreement by signing one copy of this letter and returning it to me.

Sincerely,

/s/ Edward L. Dwyer  
Edward L. Dwyer  
Vice President

Accepted this 29th day of December, 1995.

Dataguard Recovery Services, Inc.

By: /s/Dewey D. Minton, Jr.

EXHIBIT 10.14

IBM Credit Corporation

Stamford, CT 06904

TERM LEASE MASTER AGREEMENT

Name and Address of Lessee:  
Dataguard Recovery Services  
10301 Linn Station Road  
Louisville, KY 40223-3816

Agreement No.: ND30923  
IBM Branch Office No.: ND3

IBM Branch Office Address:  
400 W. Market Street  
Suite 1400  
Louisville, KY 40202

IBM Customer No.: 2632835  
Entire and Future Enterprise  
Coverage

The Lessor pursuant to this Term Lease Master Agreement (Agreement) will be (a) IBM Credit Corporation, or a subsidiary or affiliate thereof, (b) a partnership in which IBM Credit Corporation is a partner, or (c) a related business enterprise for whom IBM Credit Corporation is the agent (lessor). The subject matter of the lease shall be machines, field installable upgrades, feature additions or accessories marketed by International Business Machines Corporation (IBM) and shall be referred to as Equipment. Any lease transaction requested by Lessee and accepted by Lessor shall be specified in a term Lease Supplement (Supplement). A Supplement shall refer to and incorporate by reference this Agreement and, when signed by the parties, shall constitute the lease (Lease) for the Equipment specified therein. Additional details pertaining to a Lease shall be specified in a Supplement. A Supplement may also specify additional terms and conditions as well as other amounts to be financed (Financing). Financing may include licensed program material charges (LPM Charges) for licensed programs marketed by IBM under the referenced IBM license agreement (License Agreement).

1. OPTIONS. The Supplement shall designate various lease and financing options. Option A is a Lease available only for Modifications (Paragraph 23) to Equipment under Option A prior to enactment of the Tax Reform Act of 1986. Option B is a Lease with a fair market purchase option at the end of the Lease. For Equipment under Option B Prime (B'), Lessor assumes for tax purposes that Lessee is the owner. For financing LPM Charges, Option S will apply.

2. CREDIT REVIEW. For each Lease, Lessee consents to any reasonable credit investigation and review by Lessor.

3. AGREEMENT TERM. This Agreement shall be effective when signed by both parties and any be terminated by either party upon one month's written notice. However, each Lease then in effect shall survive any termination of this Agreement.

4. CHANGES. Lessor may, upon prior written notice, change the terms and conditions of this Agreement. Any change will apply on the effective date specified in the notice to Leases which have an Estimated Shipment Date, or Effective Date for Additional License, one month or more after the date of notice. By notice to Lessor in writing prior to delivery, or Effective Date for Additional License, and within 15 days after receipt of such notice, Lessee may terminate the Lease for an affected item. Otherwise, the change shall apply.

5. ADVANCE RENT. Lessee shall pay to Lessor, prior to Lessor's acceptance of a Lease, Advance Rent, if specified. Advance Rent shall be refunded if Lessor for any reason does not accept the Lease or Lessee terminates the Lease in accordance with Paragraph 4, 12 or 15.

6. SELECTION AND USE OF EQUIPMENT, PROGRAMMING AND LICENSED PROGRAM MATERIALS. Lessee agrees that it shall be responsible for the selection, use of, and results obtained from, the Equipment, any programming supplied by IBM without additional charge for use on the Equipment (Programming), licensed program materials, and any other associated equipment, programs or services.

7. ASSIGNMENT TO LESSOR. Lessor hereby assigns, exclusively to Lessor, Lessee's right to purchase the Equipment from IBM. This assignment is effective when Lessor accepts the applicable Supplement and Lessor shall then be obligated to purchase and pay for the Equipment. Other than the obligation to pay the purchase price, all responsibilities and limitations applicable to Customer as defined in the referenced IBM purchase agreement in effect at the time Lease is accepted by Lessor (Purchase Agreement) shall apply to Lessee.

If the Equipment is subject to a volume procurement amendment to the Purchase Agreement or to another discount offering (a) Lessor will pay the same amount for the Equipment that would have been payable by Lessee, and (b) Lessee will remain responsible to IBM for any late order change charges, settlement charges, adjustment charges or any other charges incurred under the volume procurement amendment or other discount offering.

8. LEASE NOT CANCELABLE; LESSEE'S OBLIGATIONS ABSOLUTE. Lessee's obligation to pay shall be absolute and unconditional and shall not be subject to any delay, reduction, set-off, defense, counterclaim or recoupment for any reason whatsoever, including any failure of

the Equipment, Programming or licensed program materials or any representations by IBM. If the Equipment, Programming or licensed program materials are unsatisfactory for any reason, Lessee shall make any claim solely against IBM and shall, nevertheless, pay Lessor all amounts payable under the Lease.

9. WARRANTIES. Lessor grants to Lessee the benefit of any and all warranties made available by IBM in the Purchase Agreement. Lessor warrants that neither Lessor nor anyone acting or claiming through Lessor, by assignment or otherwise, will interfere with Lessee's quiet enjoyment of the use of the Equipment so long as no event of default shall have occurred and be continuing. EXCEPT FOR LESSOR'S WARRANTY OF QUIET ENJOYMENT, LESSOR MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OR MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. AS TO LESSOR, LESSEE, LEASES THE EQUIPMENT AND TAKES ANY PROGRAMMING "AS IS" IN NO EVENT SHALL LESSOR HAVE ANY LIABILITY FOR, NOR SHALL LESSEE HAVE ANY REMEDY AGAINST LESSOR FOR, CONSEQUENTIAL DAMAGES, ANY LOSS OF PROFITS OR SAVINGS, LOSS OF USE, OR ANY OTHER COMMERCIAL LOSS.

10. LESSEE AUTHORIZATION. So long as Lessee is not in default under the Lease (a) Lessee is authorized to act on Lessor's behalf concerning delivery and installation of the Equipment, and any programming services for the Programming, and (b) lessee shall have, solely for these purposes, all rights Lessor may have against IBM under the Purchase Agreement. The foregoing authorization shall not constitute any surrender of Lessor's interest in the Equipment.

11. DELIVERY AND INSTALLATION. Lessee shall arrange with IBM for the delivery of the Equipment and Programming and for installation of the Equipment at the Equipment Location. Lessee shall pay any delivery and installation charges. Lessor shall not be liable to Lessee for any delay in, or failure of, delivery of the Equipment and Programming. Lessee shall examine the Equipment and Programming immediately upon delivery. If the Equipment is not in good condition or the Equipment or Programming does not correspond to IBM's specifications, Lessee shall promptly give IBM written notice and shall provide IBM reasonable assistance to cure the defect or discrepancy.

12. LATE DELIVERY. If the Equipment or licensed program materials are not delivered to the Equipment Location on or before the 5th day after the Estimated Shipment Date, Lessor may, upon written notice to Lessee, increase the Lease Rate. Lessee may terminate the Lease for the affected item by giving Lessor written notice prior to delivery. Otherwise, the Rent shall be adjusted to reflect such increase.

13. RENT COMMENCEMENT DATE. The Rent Commencement Date, unless

otherwise specified in the Supplement, shall be the date payment is due IBM under the applicable referenced agreement. Lessee shall be notified of the Rent Commencement Date and the serial numbers of the Equipment.

14. LEASE TERM. The Lease shall be effective when signed by both parties. The initial Term of the Lease shall expire at the end of the number of Payment Periods, specified as "Term" in the Supplement, after the Rent Commencement Date. However, obligations under the Lease shall continue until they have been performed in full.

15. Rate Protection. Unless modified pursuant to Paragraph 12, the Rent shall be based on the Lease Rate specified in the Supplement or such greater Lease Rate as may be specified by written notice to Lessee more than one month before the Estimated Shipment Date or Effective Date for Additional License. By notice to Lessor in writing prior to delivery, or Effective Date for Additional License, and within 15 days after receipt of such notice, Lessee may terminate the Lease for the affected item. Otherwise, the Rent shall be adjusted to reflect the increase. The Unit Purchase Price and LPM Charges are subject to change in accordance the referenced agreements.

16. RENT. During the initial Term, Lessee shall pay Lessor, for each Payment Period, Rent as determined in Paragraph 15. Lessee's obligation to pay shall begin on the Rent Commencement Date. Rent will be invoiced in advance as of the first day of each Payment Period and will be due on the day following the last day of the Payment Period. When the Rent Commencement Date is not on the first day of a calendar month and/or when the initial Term Rent will be prorated on the basis of 30-day months. Advance Rent, if any, will be applied to the initial invoice(s).

17. RENEWAL. If Lessee is not then in default under the Lease, Lessee may renew the Lease one or more times but not beyond six years from the expiration of the initial Term. Lessor shall offer renewal Terms of one year and may offer longer Terms if then generally available. For a renewal Term, upon request by Lessee, at least five months prior to lease expiration, Lessor shall notify Lessee, at least four months prior to expiration, of the Rent, any changes to the Payment Period and due dates, and of any required Purchase Option or Renewal Option Percents not specified in the Supplement. The Rent shall be objectively determined by Lessor by using the projected fair market rental value of the Equipment as of the commencement of such renewal Term. However, for Option B', the Rent shall be as specified in the Supplement. Lessee may renew for any renewal Term only by so notifying Lessor in writing at least three months before expiration.

18. PURCHASE OF EQUIPMENT. If Lessee is not then in default under

the Lease, Lessee may, upon three months prior written notice to Lessor, purchase Equipment upon expiration of the Lease. Under Option A or B, the purchase price shall be objectively determined by Lessor by using the projected fair market sales value of the Equipment as of such expiration date plus, for Equipment under Option A, any recapture of investment tax credit and any tax due thereon. Under Option B Prime (B') the purchase price shall be an amount determined by multiplying the Unit Purchase Price by the Purchase Option Percent for such Equipment.

If Lessee purchases any Equipment, Lessee shall, on or before the date of purchase, pay to Lessor the purchase price, any applicable taxes, all Rent due through the day preceding the date of purchase, any other amounts due, and the prepayment of Financing (Paragraph 35). Lessor shall, on the date of purchase, transfer to Lessee by bill of sale, without recourse or warranty of any kind, express or implied, all of Lessor's right, title and interest in and to such Equipment on an "As Is, Where Is" basis except that Lessor shall warrant title free and clear of all encumbrances.

19. OPTIONAL EXTENSION. If Lessee has not elected to renew or purchase, and as long as Lessee is not in default under the Lease, the Lease will be extended unless Lessee notifies Lessor in writing, not less than three months prior to Lease expiration, that Lessee does not want the extension. The extension will be under the same terms and conditions then in effect, including Rent (but, for Options A or B, not less than fair market rental value) and will continue until the earlier of termination by either party upon three months' prior written notice or six years after expiration of the initial Term.

20. INSPECTION; MARKING; FINANCING STATEMENT. Upon request, Lessee shall make the Equipment and its maintenance records available for inspection by Lessor during Lessee's normal business hours. Lessee shall affix to the Equipment any labels indicating ownership supplied by Lessor. Lessee shall execute and deliver to Lessor for filing any Uniform Commercial Code financing statements or similar documents Lessor may reasonably request.

21. EQUIPMENT USE. Lessee agrees that Equipment will be operated by competent, qualified personnel, in accordance with applicable operating instructions, laws and government regulations and that Equipment under Option A will be used only for business purposes.

22. MAINTENANCE. Lessee, at its expense, shall keep the Equipment in a suitable environment as specified by IBM and in good condition and working order, ordinary wear and tear excepted.

23. ALTERATIONS; MODIFICATIONS; PARTS. Lessee may alter or modify the Equipment only upon written notice to Lessor. Any non-IBM alteration is to be removed and the Equipment restored to its

normal, unaltered condition at Lessee's expense prior to its return to Lessor. At Lessee's option, any IBM field installable upgrade, feature addition or accessory added to any item of Equipment (Modification) may be removed. If removed, the Equipment is to be restored at Lessee's expense to its normal, unmodified condition. If not removed, such Modification shall, upon return of the Equipment, become, without charge, the property of Lessor free of all encumbrances. Restoration will include replacement of any parts removed in connection with the installation of an alteration or Modification. Any part installed in connection with warranty or maintenance service shall be the property of Lessor.

24. LEASES FOR MODIFICATIONS AND ADDITIONS. Lessor will arrange for leasing of Modifications and Additions under terms and conditions then generally in effect, subject to satisfactory credit review. Additions shall be machines, or LPM Charges for licensed program materials, which are associated with the Equipment. These Modifications and Additions must be ordered by Lessee from IBM. Any lease for Modifications shall, and any lease for Additions may, expire at the same time as the Lease for the Equipment. The rent shall be determined by Lessor and specified in a Supplement. If Lessee purchases Equipment prior to Lease expiration, Lessee shall simultaneously purchase any Modifications under the Lease.

25. RETURN OF EQUIPMENT. Upon expiration or termination of the Lease for any item of Equipment, or upon demand by Lessor pursuant to Paragraph 38, Lessee shall promptly return the Equipment, freight prepaid, to a location in the continental United States specified by Lessor. Except for Casualty Loss, Lessee shall pay any costs and expenses incurred by Lessor to inspect and qualify the Equipment for IBM's maintenance agreement service. Any parts removed in connection therewith shall become Lessor's Property.

26. CASUALTY INSURANCE; LOSS OR DAMAGE. Lessor will maintain , at its own expense, insurance covering loss of or damage to Equipment (but excluding any Modifications not subject to a Lease and any non-IBM alterations) with a \$5,000 deductible per incident. If any item of Equipment shall be lost, stolen, destroyed or irreparably damaged for any cause whatsoever (Casualty Loss) before the Date of Installation as defined in the Purchase Agreement, the Lease for that item shall terminate. If any item of Equipment suffers Casualty Loss, or shall be otherwise damaged, on or after the Date of Installation, Lessee shall promptly inform Lessor. If Lessor determines that the item can be economically repaired, Lessee shall place the item in good condition and working order and Lessor will reimburse Lessee the reasonable cost of such repair, less deductible. If not so repairable, Lessee shall pay Lessor the lesser of \$5,000 or the fair market value of the Equipment immediately prior to the Casualty Loss. Upon Lessor's receipt of payment the Lease for that item shall terminate.

27. TAXES. Lessee shall promptly reimburse Lessor for, or shall pay directly if so requested by Lessor, as additional Rent, all taxes, charges, and fees imposed or levied by any governmental body or agency upon or in condition with the purchase, ownership, leasing, possession, use or relocation of the Equipment or Programming or in connection with the financing of LPM Charges or otherwise in connection with the transactions contemplated by the Lease, excluding, however, all taxes on or measured by the net income of Lessor. Upon request, Lessee will provide proof of payment. Any other taxes, charges and fees relating to the licensing, possession or use of licensed program materials will be governed by the License Agreement.

28. LESSOR'S PAYMENT. If Lessee fails to perform its obligations under Paragraph 27 or 31 to discharge any encumbrances created by Lessee, Lessor shall have the right to substitute performance, in which case, Lessee shall pay Lessor the cost thereof.

29. TAX INDEMNIFICATION (APPLIES ONLY FOR EQUIPMENT UNDER OPTIONS A OR B). The Lease is entered into on the basis that under the Internal Revenue Code of 1986, as amended (Code). Lessor shall be entitled to (1) maximum Accelerated Cost Recovery System (ACRS) deductions for 5-year property, and (2) deductions for interest expense incurred to finance purchase of the Equipment. The Bulletin "Lessor's Tax Assumptions" will be given to Lessee on request. Lessee represents, warrants and covenants that at all times during the Lease:

(a) No item of equipment will constitute "public utility property" as defined in the Code;

(b) Lessee will not make any election under the Code or take any action, or fail to take any action, if such election, action or failure to act would cause any item of Equipment to cease to be eligible for any ACRS deductions or interest deductions;

(c) Lessee will keep and make available to Lessor the records required to establish the matters referred to in this Paragraph 29; and

(d) For Equipment located in a United States possession, Lessee represents that Lessee is a tax exempt entity as defined in the Code.

Furthermore, if Lessee is a tax exempt entity, Lessee covenants that it will not renew or extend the Lease if such action shall cause Lessor a Tax Loss as described below.

If, as a result of any act, failure to act, misrepresentation, inaccuracy, or breach of any warranty or covenant, or default under the Lease, by Lessee, an affiliate of Lessee, or any person who

shall obtain the use of possession of any item of Equipment through Lessee, Lessor shall lose the right to claim or shall suffer any disallowance or recapture of all or any portion of any ACRS deductions or interest deductions (Tax Loss) with respect to any item of Equipment, then, promptly upon written notice to Lessee that a Tax Loss has occurred, Lessee shall reimburse Lessor the amount determined below.

The reimbursement shall be an amount that, in the reasonable opinion of Lessor, shall make Lessor's after-tax rate of return and cash flows (Financial Returns), over the term of the Lease for such item of Equipment, equal to the expected Financial Returns that would have been otherwise available. The reimbursement shall take into account the effects of any interest, penalties and additions to tax required to be paid by Lessor as a result of such Tax Loss and all taxes required to be paid by Lessor as a result of any payments pursuant to this paragraph. Financial Returns shall be based on economic and tax assumptions used by Lessor in entering into the Lease.

All the rights and privileges of Lessor arising from this Paragraph 29 shall survive the expiration or termination of the Lease.

For the purposes of determining tax effects under Paragraph 18, 27, 29 and 30, the term "Lessor" shall include, to the extent of interests, any partner in Lessor and any affiliated group of corporations, and each member thereof, of which Lessor or any such partner is or shall become a member and with which Lessor or any such partner joins in the filing of consolidated or combined returns.

30. GENERAL INDEMNITY. This Lease is a net lease. Therefore, Lessee shall indemnify Lessor against, and hold Lessor harmless from, any and all claims, actions, damages, obligations liabilities and liens; and all costs and expenses, including legal fees incurred by Lessor in connection therewith; arising out of the Lease including, without limitation, the purchase, ownership, lease, licensing, possession, maintenance, condition, use or return of the Equipment, Programming or licensed program materials; or arising by operation of law; excluding, however, any of the foregoing which result from the sole negligence or willful misconduct of Lessor. Lessee agrees that upon written notice by Lessor of the assertion of any claim, action, damage, obligation, liability or lien, Lessee shall assume full responsibility for the defense thereof. Any payment pursuant to this paragraph shall be of such amount as shall be necessary so that, after payment of any taxes required to be paid therein by Lessor, including taxes on or measured by the net income of Lessor, the balance will equal the amount due hereunder. Lessee's obligations under this paragraph shall not constitute a guarantee of the residual value or useful life of any item of Equipment or a guarantee of any debt of Lessor.

The provisions of this paragraph with regard to matters arising during the Lease shall survive the expiration or termination of the Lease.

31. LIABILITY INSURANCE. Lessee shall obtain and maintain comprehensive general liability insurance, in an amount of \$1,000,000 or more for each occurrence, with an insurer having a "Best Policyholders" rating of B+ or better. The policy shall name Lessor as an additional insured as Lessor's interests may appear and shall contain a clause requiring the insurer to give Lessor at least one month's prior written notice of cancellation, or any alteration in the terms, of the policy. Lessee shall furnish to Lessor, upon request, evidence that such insurance coverage is in effect.

32. SUBLEASE AND RELOCATION OF EQUIPMENT; ASSIGNMENT BY LESSEE. Upon Lessor's prior written consent, which will not be unreasonably withheld, Lessee may sublet the Equipment or relocate it from the Equipment Location. No sublease or relocation shall relieve Lessee of its obligations under the Lease. In no event shall Lessee remove the Equipment from the United States. Lessee shall not assign, transfer or otherwise dispose of the Lease or Equipment, or any interest therein, or create or suffer any levy, lien or encumbrance thereof except those created by Lessor.

33. ASSIGNMENT BY LESSOR. Lessee acknowledges and understands that the terms and conditions of the Lease have been fixed to enable to sell and assign its interest or grant a security interest or interests in the Lease and the Equipment individually or together, in whole or in part, for the purpose of securing loans to Lessor or otherwise. If Lessee is given written notice of any assignment, it shall promptly acknowledge receipt thereof in writing. Each such assignee shall have all of the rights of Lessor under the Lease. Lessee shall not assert against any such assignee any set off, defense or counterclaim that Lessee may have against Lessor any other person. Lessor shall not be relieved of its obligations hereunder as a result of any such assignment unless Lessee expressly consents thereof.

34. FINANCING. If the Lease provides for financing of LPM Charges, Lessor will pay such Charges directly to IBM. Any other charges due IBM under the License Agreement shall be paid directly to IBM by Lessee's obligation to pay Rent shall not be affected by any discontinuance, return or destruction of any license or licensed program materials under the License Agreement on or after the date LPM Charges are due. If Lessee discontinues any of the licensed program materials in accordance with the terms of the License Agreement prior to the date LPM Charges are due, the financing of affected LPM Charges shall be canceled.

35. FINANCING PREPAYMENT (DOES NOT APPLY FOR ITEMS OF EQUIPMENT).

Lessee may terminate an item of Financing (but not an item of Equipment) by preparing its remaining Rent. Lessee shall provide Lessor with notice of the intended prepayment date which shall be least one month after the date of the notice. Lessor may, depending on market conditions at the time, make an adjustment in the remaining Rent to reflect such prepayment and shall advise Lessee of the balance to be paid. If, prior to Lease expiration, Lessee purchases the Equipment or if the Lease is terminated, Lessee shall at the same time prepay any related Financing including that for programs licensed to the Equipment.

36. DELINQUENT PAYMENTS. If any amount to be paid to Lessor is not paid on or before its due date, Lessee shall pay Lessor on demand 2% of such late payment for each month or part thereof from the due date until the date paid or, if less, the maximum allowed by law.

37. DEFAULT; NO WAIVER. Lessee shall be in default under the Lease upon the occurrence of any of the following events: (a) Lessee fails to pay when due any amount required to be paid by Lessee under the Lease and such failure shall continue for a period of seven days after the due date; (b) Lessee fails to perform any other provisions under the Lease or violates any of the covenants or representations made by Lessee in the Lease, or Lessee fails to perform any of its obligations under any other Lease entered into pursuant to this Agreement, and such failure or breach shall continue unremedied for a period of 15 days after written notice is received by the Lessee from Lessor; (c) Lessee violates any of the covenants or representations made by Lessee in any application for credits or in any agreement with IBM with respect to the Equipment or licensed program materials or fails to perform any provision in any such agreement (except the obligation to pay the purchase price or LPM Charges); (d) Lessee make an assignment for the benefit of creditors, whether voluntary or involuntary, or consents to the appointment of a trustee or receiver, or if either shall be appointed for Lessee or for a substantial part of its property without its consent; (e) any petition or proceeding is filed by or against Lessee under any Federal or State bankruptcy or insolvency code or similar law; or (f) if applicable, Lessee makes a bulk transfer subject to the provisions of the Uniform Commercial Code.

Any failure of Lessor to require strict performance by Lessee or any waiver by Lessor of any provision in the Lease shall not be construed as a consent or waiver of any other breach of the same or of any other provision.

38. REMEDIES. If Lessee is in default under the Lease, Lessor shall have the right, in its sole discretion, to exercise any one or more of the following remedies in order to protect its interests, reasonably expected profits and economic benefits. Lessor may (a) declare any Lease entered into pursuant to this

Agreement to be in default; (b) terminate in whole or in part any Lease; (c) recover from Lessee any and all amounts then due and to become due; (d) take possession of any or all items of Equipment, wherever located, without demand or notice, without any court order or other process of law; and (e) demand that Lessee return any or all such items of Equipment to Lessor in accordance with Paragraph 25 and, for each day that Lessee shall fail to return any item of Equipment, Lessor may demand an amount equal to the Rent, prorated on the basis of a 30-day month, in effect immediately prior to such default. Upon repossession or return of such item or items of Equipment, Lessor shall sell, lease or otherwise dispose of such item or items in a commercially reasonable matter, with or without notice and on public or private bid, and apply the net proceeds thereof towards the amounts due under the Lease but only after deducting (i) in the case of sale, the estimated fair market value of such item or items as of the scheduled expiration of the Lease; or (ii) in the case of any replacement lease, the rent due for any period beyond the scheduled expiration of the Lease for such item or items (iii) in either case, all expenses, including legal fees, incurred in connection therewith; and (iv) where appropriate, any amount in accordance with Paragraph 29. Any excess net proceeds are to be retained by Lessor. Lessor may pursue any other remedy available at law or in equity, including, but not limited to, seeking damages, specific performance and an injunction.

No right or remedy is exclusive of any other provided herein or permitted by law or equity. All such rights and remedies shall be cumulative and may be enforced concurrently or individually from time to time.

39. LESSOR'S EXPENSE. Lessee shall pay Lessor on demand all costs and expense, including legal and collection fees, incurred by Lessor in enforcing the terms, conditions or provisions of the Lease or in protecting Lessor's right and interests in the Lease and the Equipment.

40. OWNERSHIP; PERSONAL PROPERTY; LICENSED PROGRAM MATERIALS. The Equipment under Lease is and shall be the property of Lessor. Lessee shall have no right, title or interest therein except as set forth in the Lease. The Equipment is, and shall at all times be and remain, personal property and shall not become a fixture or reality. Licensed program materials are licensed and provided by IBM directly to Lessee under the terms and conditions of the License Agreement.

41. NOTICES; ADMINISTRATION. Service of all notices under the Lease shall be sufficient if delivered personally or mailed to lessee at its address specified in the Supplement or to IBM Credit Corporation as Lessor in care of the IBM Branch Office specified in the Supplement. Notice by mail shall be effective when deposited in the United States mail, duly addressed and with postage prepaid.

Notices, consents and approvals from or by Lessor shall be given by lessor or on its behalf by IBM and all payments shall be made to IBM until Lessor shall notify Lessee otherwise.

42. LESSEE REPRESENTATION. If the Lease includes Financing, Lessee represents that it is (a) a corporation if any item of Equipment is located in Ohio, Mississippi, Virginia or West

Virginia, and/or (b) a business corporation if any item of Equipment is located in Pennsylvania.

43. REVISIONS FOR PREVIOUSLY INSTALLED EQUIPMENT. Equipment installed with Lessee under an IBM lease or rental agreement may be purchased by Lessor, on the Effective Date of Purchase (as defined in the Purchase Agreement), for lease to Lessee under Option B or B. For such Equipment, the lease shall be revised as follows:

Paragraphs 4 and 26 - replace "Estimated Shipment Date" by "Intended Effective Date of Purchase"; replace "delivery" and "Date of Installation" by "Effective Date of Purchase";

Paragraph 7 - add at the end of the first paragraph, "Assignment of the option to purchase installed Equipment at the net purchase option price under an IBM lease or rental agreement will be permitted only when Lessee submits the Supplement in sufficient time to achieve the Intended Effective Date of Purchase. The Effective Date of Purchase under this assignment shall be the later of the first day of the Quotation Month or the day on which the applicable Supplement is accepted by lessor. If the Quotation Month expires and the purchase of Equipment is not concluded, this assignment and Lease will be null and void regarding any such Equipment and all rights, duties and obligations of Lessee and IBM will remain in accordance with the provisions of the IBM agreement under which the Equipment is currently installed.";

Paragraphs 11 and 12 - delete both paragraphs; and

Paragraph 15 - replace the entire paragraph with the following: "The Rent shall be based on the Lease Rate specified in the Supplement or such greater Lease Rate as may be specified by written notice to Lessee more than one month before the Effective Date of Purchase. The Unit Purchase Price is subject to change in accordance with the referenced Purchased Agreement. Lessee may terminate the Lease for any item subject to an increase by giving Lessor written notice on or before the Effective Date of Purchase."

44. APPLICABLE LAW; SEVERABILITY. The Lease shall be governed by the laws of the State of Connecticut. If any provision shall be held to be invalid or unenforceable, the validity and enforceability of the remaining provisions shall not in any way be affected or impaired.

THE ADDITIONAL TERMS AND CONDITIONS ON PAGES 2 THROUGH 4  
[PARAGRAPHS 10 THROUGH 44 HEREIN] ARE PART OF THIS AGREEMENT.

LESSEE ACKNOWLEDGES THAT LESSEE HAS READ THIS AGREEMENT AND ITS  
SUPPLEMENT, UNDERSTAND THEM, AND AGREES TO BE BOUND BY THEIR TERMS  
AND CONDITIONS, FURTHER, LESSEE AGREES THAT THIS AGREEMENT AND ITS  
SUPPLEMENT ARE THE COMPLETE AND EXCLUSIVE STATEMENT OF THE  
AGREEMENT BETWEEN THE PARTIES, SUPERSEDING ALL PROPOSALS OR PRIOR  
AGREEMENTS, ORAL OR WRITTEN, AND ALL OTHER COMMUNICATIONS BETWEEN  
THE PARTIES RELATING TO THE SUBJECT MATTER HEREOF.

Accepted by:

IBM Credit Corporation

Dataguard Recovery Services

By: /s/ Jack C. Danehy  
Authorized Signature

By: /s/ James P. Buren  
Authorized Signature

Jack Danehy  
Name (Type or Print)

James P. Buren                      10/15/93  
Name (Type or Print)              Date

EXHIBIT 10.15

Lease Contract

Between:

The Auxiliary Society of Public Information (FIP)  
Societe Anonyme au Capitol de 2.240.000 Frs  
Social seat & Bureau:  
12, Rue Chauchat  
75009 Paris  
Tel: 48.00.86.00

Represented by: M. M. Bichot, Adjunct Director General  
hereafter referred to as the Lessor

First part,

and:

Twinsys Dataguard SA  
SA au Capitol de 250.000 F  
Tour Mirabeau- 39 Quai Andre Citroen  
75015 Paris

Represented by: \_\_\_\_\_  
Hereafter referred to as the Lessee

Other part,

General Terms of the Lease

Section 1 Date of effect of the lease, rentals, methods of payment:

1.1 The lease takes into account the putting into service of equipment belonging to the Lessee certified by a written agreement that is put into working order.

For the equipment already in use and on location close to the Supplier, the date the lease takes effect is specified in the Special Conditions of the contract (date of conversion). The rentals are payable according to the methods indicated in the Special Conditions of the contract.

1.2 The rentals are transferrable and uncontestable. They will stay fixed throughout the duration of the lease under the sole condition that any variation in tax or T.V.A. will be imposed according to general fiscal rules of operation. To that effect, the Lessor is authorized in full right, without formal preamble, to make any practical and correlating adjustments. All taxes due on the present title are the sole responsibility of the Lessee.

1.3 In case of delay in payment of sums by the Lessee, late interest/fees will be due to the lessor; they will be calculated on a temporary, pro-rated basis by taking the highest of these obligations taking affect by the date of eligibility, the rate is increased three points. The late interests are carried by the number of days running since the date of eligibility increased by 15 days. The Lessor gains, over and above, by right the value

of maturity, and makes reimbursement, in all cases the various costs engaged for all recalling of maturities.

1.4 The rentals figured under the Special Conditions are established on partly a scale of the Supplier's and partly on a scale of the Lessor's taking effect on the date of establishment by the Lessor of the present contract. They will be actualized following the scales put in effect after the Lessor's receipt of a written agreement placing in working order, where that of the Lessee in lieu of, issues a delay of eight days seen in article 2.1. The Lessor has also the ability, in full right, to modify, and without prior establishment, the raising of rents proportionally according to the scales retained. At all times the Lessor renounces the actualization following his own scale if he receives a written agreement to place in working order during a delay of one month counting from the date of signature by the Lessor on the present contract.

1.5 The rents and equipment previously on location and on site are closed and non-revisable counting from the date of signature, by the Lessor, on the present contract and throughout the duration of the contract.

1.6 The duration of the contract is irrevocable and the obligations defined are indivisible.

## Article 2 Equipment in Working Order-On Site Conversions

### 2.1 Equipment left behind

2.1.1 The Lessor chooses the equipment marked and of the type which he determines, and the function of the required qualities and methods. For the proper needs and uses the Lessee will procure under general conditions of supply, equipment indicated. The Lessee estimates the technical specifications. The places and delays of installments of delivery are indicated by the Lessor and previously accepted by the Lessee.

2.1.2 The Lessee recognizes having foreknowledge of the general conditions of the of the Lessor having subscribed to the present contract. The Lessor transfers to the Lessee all rights and obligations relating to the Lessee. As a result, the Lessee renounces all action against the Lessor- notably the title of guarantee. The risks, industrial ownership and guarantee of the Lessor against all action of the supplier concerning the protection and misuse or exploitation of programs and the private affairs of the employees.

2.1.3 The Lessee must notify the Lessor of effective delivery of equipment as soon as possible.

2.1.4 The Lessee effects that, for his own account, under the present contract, he will verify that the equipment is entirely in conformity with the specifications of the rental agreement's tests of usage.

2.1.5 That verification being made, the Lessee must furnish the Lessor:

1. A written agreement that places in working order (signed by himself and the Lessor) that all equipment furnished conforms with

specifications and was subject to tests of usage.

2. By a written agreement stating the difficulties in each condition below, so for each clause whatever, the equipment will have been in conformity. The written agreement must mention explicitly all the motives assigned justifying the composition.

In the event that the Lessee abstains from drafting one or the other written agreement, and eight days after placing the working order the equipment provided by the supplier, the Lessor will address to the Lessee a letter recommending acknowledgment of receipt, reminding him that with the intervention of another eight day delay in the placement of the working order, he has consented to make all the reserves he deems necessary. After the delay has passed, the Lessor may then in right consider that the Lessee has accepted the equipment at the date placed on the working orders. The signature on the written agreement under the conditions defined below implies that the Lessee accepted the equipment complete.

2.1.6 In case of extension of the delay of implementation of the working orders is not created by the Lessor, an equal indemnity of rents is due to the Lessor prorated by the Lessee on a temporary basis. The Lessee accounts for the initial date already appearing in paragraph II of the Special Conditions, and for the entire duration of that delay.

2.2 Equipment Already on Site The equipment covered in the contract is already opened and placed in working order by the Lessor. The signature on the current contract allows for intervention no later than the date of conversion listed in Special Conditions, through which, by default, the Lessor ceases to engage in equipment.

2.3 Grouping of Equipment In each case figured held by precedent, the Lessor is not able to be held responsible for the following: notably in case of deterioration, the defective functioning of the material or the bad placement of damages caused by the said equipment or his obligation to deliver.

### Article 3 Guarantees

3.1 The material is covered by the guarantee given by the supplier. At the beginning the Lessor confers to him orders to be in accordance with the law in case of contests relative to the construction, functioning, and rendering open or abandonment of the equipment. The equipment will be provided with a sign indicating that it is the property of Credit d'Equipement des Petites et Moyennes Enterises/Small and Medium Sized Business Equipment Credit. In the case that the sign has not been posted by the supplier, the Lessee then informs the Lessor within three days following the date of effect at the location defined in Article III of the Special Conditions. The Lessor then sends the Lessee a sign which will be immediately posted behind the equipment, a place visible and legible throughout the duration of the contract.

4.1 Use, in the case where, for a reason not understood by the Lessor, the equipment is not able to be placed at the disposal of the Lessee in the delay already seen in the contract or if the supplier or another intermediary doesn't respect the technical specifications or the conditions of initial use, that, for some reason, the contract is not able to take effect on the date indicated, the Lessee is not able to take recourse against the Lessor, or make demands of damages and interests or reductions of rent in case of indemnity. After the signing date of the written agreement has been placed in effect, after tacit acceptance of the already seen article 2.1 indentation 5 where, after the date of conversion already seen in the Special Conditions, the Lessee is not able to delay the application of the contract- neither report nor interrupt the regular payment of rents. In particular, the Lessee does not have the right to a reduction in rents or indemnities, neither the cancellation of the contract if the equipment is not able to be used for each cause listed: in case of deterioration, theft, avarice or strike. By derogation of the dispositions Article 1721 of the Civil Code, all expenses required for use by employees, and the good condition/repair of the equipment are the responsibility of the Lessee. In particular, the Lessee must subscribe, close to the Builder, a maintenance contract conforming with standard rules of construction. The Lessee remains responsible for the aforesaid maintenance contract for the entire duration of the contract. In the case where, for some reason or another, the Lessee terminates the maintenance contract or cease to respect obligations, the Lessor may cancel the present contract in conformity with the terms of Article 7 hereafter. The Lessor is to be notified by the Lessee of all deterioration, avarice or destruction of equipment. Thus the Lessor is notified by the Lessee of each accident caused. The Lessor, where mandatory, may visit the equipment at his convenience. The breaking off of the equipment by onerous title or gratuitous title and it's provision are forbidden. The taking, subleasing of equipment and all cessation of rights resulting for the Lessee in the lease are subordinate to previous authorization in writing by the Lessor. In case of possible seizure of equipment the Lessee must immediately notify the Lessor, raising protestation against the seizure and taking steps to make known CEPME's property. If the seizure is levied, it will become necessary to raise costs to obtain a levy. As a matter of course the Lessee must respect, on each occasion, by all means and costs the right of the property of CEPME. The Lessor has the liberty to effect a security which he will be able to demand from the Lessee. The Lessee will eventually be considered a third shareholder.

#### Article 6            Civil Responsibility, Responsibility for Loss and Damage, Guarantee

6.1 Civil Responsibility        Starting from the effective date of the lease defined under Special Conditions and just before the end of the lease, the Lessee watches over the equipment to guard against loss, guaranteeing the Lessor against all reasonable damages caused to the equipment by its' use by employees or damages resulting from bad manufacturing or defacement; the Lessee agrees to underwrite a security officer responsible to the CEO to

guard against equipment taken from the location. He will be engaged to obtain the guarantee of benefits under CEPME.

6.2 Responsibility for Loss and Damage of Equipment Guarantee During the entire duration of the lease the Lessee is responsible for all risks of deterioration and partial or total destruction of equipment taken on location- which will be seen as the cause of damage unless otherwise determined to be an Act of God. In order to guarantee the interests of both parties, the Lessor benefits from police assurances that the terms and conditions accepted by the Lessee are precisely those in the Conditions of Assurance made following presentations. The rules regarding the collection of relative costs of police are included in the raising of rents.

Partial Damage- In the case of partial damage incurred to the rental equipment, the Lessee must then pay damages on the equipment and continue with rental payments.

Total Damage- In the case of total damage the Lessee must replace the material identified as the cause of the damage. The damages received by the Lessor or the insurance companies are imputed as reimbursement for sums paid by the Lessee.

#### Article 7 Cancellation of the Contract

7.1 The lease is able to be canceled by full right of the Lessor without need of judicial format 15 days after occupation by a simple letter that says in effect, that in the case of non-payment at the maturity of terms of rent or in case of non-execution by the Lessee of one of the terms of the general conditions , and without offers of payment or later executions, the payment of or the execution after the imparted delay, able to raise against the Lessor the right to demand cancellation. In that eventuality, the Lessee must make immediate restitution of the equipment to the Lessor and to issue a title of indemnity of cancellation. Forfeiture will make equal the difference between the first part, the price of the rent outside taxes, the equipment consigned to the client by the supplier capitalized from the date of cancellation, and the means and release of the obligations guaranteed increased by three points, and finally, the raising of the rental not including taxes prior to equipping, agreed to by client and by the supplier, capitalized from the date of cancellation.

7.2 In the case where the Lessee refuses to replace equipment, he allows for the constraint of an ordinance rendered by the President of the Tribunal of Commerce by simple request of referral. At the outset, all costs incurred by the Lessor for the resolution are thus all costs related to the disassembling and transporting of the equipment on return and will be the exclusive charge of the Lessee.

7.3 In the case of diminishment of the guarantees and sureties conferred under the present contract it may be canceled in full right without indemnity if it seems good to the Lessor under the conditions stipulated in the two paragraphs below.

#### Article 8 Renewal of Contract

8.1 Issuing from the closing period of the lease under Article III of the Special Conditions, the Lessor may extend the lease or extend restitution of the supplies to the Lessor.

8.2 Notification- The Lessee must as a result of the correct initiative, notify the Lessor of the option chosen no later than 4 months before the expiration of the contract. A default option before delay- the lease follows by tacit renewal and in full right under the initial conditions precisely laid out in Article 8.3. It is able to be interrupted in respect to the previous quarter month by notification made by the Lessor and by restitution of the material.

8.3 Extension of the Lease- The rents of the extension are identified as those of the period closing and under the conditions of article 5/Special Conditions. It will be therefore established on a monthly basis- it falls to the Lessee to define with the supplier the following conditions regarding material; at issue is the period of extension and under reserve of notification made in the conditions of Article 8.2. The Lessee has the faculty to restore the equipment according to the modalities of Article 9.

8.4 By default of friendly restitution of equipment by the Lessee, it suffices to constrain the Lessee by an ordinance rendered by the President of the Commerce Tribunal or the Grande Instance de Paris under simple request or by verbal referral.

#### Article 9 Return of the Equipment

The Lessee must, at the end of the lease, return the equipment to the Lessor in good condition and complete functioning, with the pieces it composes in consecutive and normal condition. The costs to be returned at the end of the lease will be the responsibility of the Lessee, the costs at all times may not exceed those which resulted from a return of the merchandise to Paris.

#### Article 10 Taxes and Costs

All taxes and costs which are able to be justified in line with the rental of the equipment, will be the sole responsibility of the Lessee. This includes all costs occasioned by the execution of the lease.

#### Article 11 Selection of Legal Residence-Jurisdiction

To execute the present contract, the parties may make their current seat/headquarters their legal residence. As other litigation will be given in lieu of execution or interpretation of what the obligations resulting from the present will be, made known at the Lessor's discretion to the Paris Tribunals otherwise known as the Competence of the Tribunals Registered Office of the Lessee.

#### Special Conditions

## I Value of the Equipment

The value of the equipment under the present contract is 13.500.000 F HT, price reached by a common agreement between the Lessor and Lessee in July of 1995.

## II Introduction

Date of Effect of Lease

Location Rented

July 1, 1995

Twinsys Dataguard  
Tour Mirabeau  
39 Quai Andre Citroen  
75015 Paris

III Duration of the Lease 36 months

By a common agreement between the parties, the date of effect of the lease is fixed at July 1995. The equipment is included and already delivered, placed in service and accepted in the state in which they were found, used regularly by the Lessee who prohibits all returns at which time the title will be transferred back to the Lessor.

## IV Rentals

The rentals of the lease are payable monthly on standing terms by automatic withdrawal defined under Article 1 of the General Terms figuring under section 1:

- The grand total (rentals) is 14.679.386 F HT and is broken down as follows:
- 1 monthly rental limited to falling due 01.07.95 with one increase to 423.106 F HT
- 1 monthly rental end payable on 01.08.95 with one increase to 3.923.106 F HT
- Seven monthly rents maturing, the first of which is due 01.09.95 and the following dates; 01.10.95, 01.11.95, .01.12.95, .01.03.95
- 27 monthly payments ending with each falling due with an increase to 273.016 the first of which is payable 01.04.96 and the last .01.06.98

The raises mentioned are closed and final for one price in effect at the location from July of 95. They will be increased by TVA at a rate in force so that all rights, costs, fixed taxes existing come directly or indirectly under the title of present contract and the materials leased in the outline.

## V Payment of Rents

The payment of rents fall below on the figure of Annex #1

## VI Validity of the Proposal of Offer of Lease

The present contract must be returned signed by the Lessee before July 3 1995.

## VII Other Proposals

1. The present contract is settled under the reserve of security of the profit of F.I.P. The contracts in effect between the Lessee and its' clientele, notably France Telecom. The act of delegation is established according to a model with three copies of each of the contracts, signed by the Lessee and accompanying the original correspondence contract delivered by

title pledged.

2. In case of loss by the Lessee of the payment obligations of title of the present contract, whereby the Lessee has not remedied the situation, after a period of eight days the Lessor sends a certified letter to the Lessee. This will include the right of beneficiary of sureties and guarantees already seen in the act of delegation in the joint annex of the present contract.

3. The present contract annuls and replaces the contract established on July 7, 1995.

Made with 2 copies in Paris, July 12, 1995.

## Attachment 2

The monthly rentals of the lease extension are fixed following the conditions below

<TABLE>

<CAPTION>

Lot	Designation	Ext of lease in Francs HT	Terms
<S>	<C>	<C>	<C>
1	All Equipment	273.016	By choice

</TABLE>

### Section #1

<TABLE>

<CAPTION>

Reference	Series#	Quantity	Designation	Rent in Francs
<S>	<C>	<C>	<C>	<C>
CPS 8511	LWR 18420286	1	Central Unit	1 X 423.106 plus
CLU 8501	LWR 18490249	1	Water Cooling System	1 X 3.923.106
CSU 8502	LWR 18630166	1	Console System	7 X 423.106 27 X 273.016

</TABLE>

The rents are payable monthly in the terms chosen:

The address created is:

The rules will be effective under the presentation by the Lessor appropriation domiciles at the bank designated by the Lessee. Authorization of appropriation corresponds with the judgement of appropriation that will be signed by the latter at the same time as the rental agreement.

Attached Conditions of Assurance

Important Note-

Under penalty the expiration of the Guarantee of Assurance, the Lessee must,

in less than 48 hours inform the Lessor of sudden loss.

## 1. Object of Assurance

The assurers grant against all loss or material damage that the losses or damages will not make object one of the exclusions already seen in Chapter 11, here below, all of the general materials standard or office, so that their accessories and supports all say that they are owned by CEPME.

## 2. Exclusions

It is agreed that the following are uniquely excluded of the guarantee:

- a. Damages created by foreign or civil war so that the following decisions by civil or military authorities (destruction, requisition, confiscation)
- b. The damages or aggravation of damages of nuclear cause or causes by all sources of ionic radiation
- c. The damages resulting from an intentional fault where the administrators and/or the legal representatives act individually or collectively with third parties, so that they, by default execute their actions with the assurances of the above mandates
- d. The damages normally guaranteed by the suppliers, constructors and builders by virtue of the maintenance contract signed by the Lessee In all cases, if they decline their responsibility or are insolvent, and if the cause of breaking is guaranteed under the present contract, the guarantor takes the loss and exercises himself recourse instead
- e. The Damages
  - Due to use whether it be mechanical, heat related, chemical, deterioration or depreciation normal or progressive, dryness, the presence of coal dust
  - Attachment of cables other than electrical conductors
  - Interchangeable parts mounted on the machines, or, in general, damages to all parts of the machine necessary for its' function or frequent replacement. In all cases where damages will be entered under the same breach of destruction or loss of neighboring parts or other parts in good condition, the guarantee of acquirement is raised and the worn out piece is excluded
- f. The theft or misappropriation of materials
- g. The damages of video or electronic tubes save those resulting from a loss guaranteeing damage to other parts of material

## III The Connection of Guarantees & Franchise

The guarantees in the present contract exercise a maximum sum of 60,000,000 per loss with the application of one exemption

-10% of the mounting of damages in the case where the damages are equal to or less than 100,000F with a minimum of 4000 F

-10,000 F of the mounting of damages in the case of damages greater than 100 000F.

If the total cost of the assured value (cf chapter IV) is lowered directly or indirectly by CEPME exceeding that on site, then the sum of 60 000 000 F is guaranteed by the Lessee, CEPME must be informed before the last subscription of an specific insurance for exceptional risk.

## IV Assured Value

For each material guaranteed, the value assured is the difference between one

part, the price of the initial taxes of equipment consented to by the client to the supplier and the other part is raised by taxes paid on the title and location after all has been capitalized. That value is then capitalized and may eventually be increased by a total of monthly rents paid in advance to AUXIFIP by the clients, who must be reimbursed for loss before the final pay period.

## V Rules of Losses

It is understood that one understands by:

-Reparation Costs: Cost of Reparation for pieces and their replacement, costs of mounting and dismounting and costs of transport

-Partial Damages- A damage where the cost of reparation is less than the current assured value of the material

-Total Damages- A damage where the total cost of reparation is equal or greater than the current assured value of the part

In the case of damages these indemnities will follow:

a. Partial damage- Cost of repair defined below, less than the current declared value of the item

b. Total damage- Higher than the last assured value of the material

## VI Agreements

It is agreed that these assurances renounce all recourse that must be exercised in the case of material damage caused by third party sub-leases or users with whom AUXIFIP may sub-let or give in assurance guaranteed materials.

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<ARTICLE> 5

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