

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED
DECEMBER 31, 2000
(UNAUDITED)

COMMISSION FILE NUMBER
0-4041

HATHAWAY CORPORATION
(Incorporated Under the Laws of the State of Colorado)

8228 PARK MEADOWS DRIVE
LITTLETON, COLORADO 80124
TELEPHONE: (303) 799-8200

84-0518115
(IRS Employer Identification Number)

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 ninety (90) days.

YES /X/ NO / /

Number of Shares of the only class of Common Stock outstanding:
(4,479,000 as of December 31, 2000)

HATHAWAY CORPORATION
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HATHAWAY CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)
(UNAUDITED)

	DECEMBER 31, 2000	JUNE 30, 2000
	-----	-----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,542	\$ 2,928
Restricted cash	324	270
Trade receivables, net	9,674	7,976
Inventories, net	4,764	4,550
Other current assets	922	962
	-----	-----
Total current assets	17,226	16,686
Property and equipment, net	1,736	1,707
Investment in joint ventures, net	1,639	1,482
Cost in excess of net assets acquired, net	31	59
Other long-term assets	177	3
	-----	-----
Total Assets	\$ 20,809	\$ 19,937
	=====	=====
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Line of credit	\$ 509	\$ 1,546
Accounts payable	1,823	1,879
Accrued liabilities and other	6,590	5,205
	-----	-----
Total Liabilities	8,922	8,630
	-----	-----
Stockholders' Investment:		
Common stock	100	100
Additional paid-in capital	11,214	10,594
Loans receivable for stock	(659)	(235)
Retained earnings	5,212	4,791
Cumulative translation adjustment	(3)	34
Treasury stock	(3,977)	(3,977)
	-----	-----
Total Stockholders' Investment	11,887	11,307
	-----	-----
Total Liabilities and Stockholders' Investment	\$ 20,809	\$ 19,937
	=====	=====

HATHAWAY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	FOR THE THREE MONTHS ENDED DECEMBER 31,		FOR THE SIX MONTHS ENDED DECEMBER 31,	
	2000	1999	2000	1999
	-----	-----	-----	-----
Revenues	\$ 13,166	\$ 11,151	\$ 24,499	\$ 20,056
Cost of products sold	8,058	6,736	15,156	12,499
	-----	-----	-----	-----
Gross Margin	5,108	4,415	9,343	7,557
Operating costs and expenses:				
Selling	1,605	1,467	3,221	2,962
General and administrative	1,491	1,343	2,687	2,584
Engineering and development	1,129	1,083	2,263	2,227
Restructuring charge	113	--	441	--
Amortization of intangibles and other	16	21	31	45
	-----	-----	-----	-----
Total operating costs and expenses	4,354	3,914	8,643	7,818
	-----	-----	-----	-----
Operating income (loss)	754	501	700	(261)
Other income (expenses), net:				
Equity income from investments in joint ventures	175	100	350	200
Interest and dividend income	15	14	46	32
Interest expense	(14)	(36)	(54)	(71)
Other income (expenses), net	(36)	116	(53)	32
	-----	-----	-----	-----
Total other income, net	140	194	289	193
	-----	-----	-----	-----
Income (loss) before income taxes	894	695	989	(68)
Provision for income taxes	(123)	(78)	(209)	(36)
	-----	-----	-----	-----
Net income (loss)	\$ 771	\$ 617	\$ 780	\$ (104)
	=====	=====	=====	=====
Basic net income (loss) per share	\$ 0.17	\$ 0.14	\$ 0.17	\$ (0.02)
	=====	=====	=====	=====
Diluted net income (loss) per share	\$ 0.16	\$ 0.14	\$ 0.16	\$ (0.02)
	=====	=====	=====	=====
Basic weighted average shares outstanding	4,477	4,283	4,473	4,283
	=====	=====	=====	=====
Diluted weighted average shares outstanding	4,772	4,297	4,869	4,283
	=====	=====	=====	=====

HATHAWAY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	FOR THE SIX MONTHS ENDED	
	DECEMBER 31,	
	2000	1999
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 780	\$ (104)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	386	438
Equity income from investment in joint venture	(350)	(200)
Gain on partial sale of investment in joint venture	--	(126)
Other	65	131
Changes in assets and liabilities:		
(Increase) decrease in -		
Restricted cash	(57)	438
Trade receivables	(1,735)	(600)
Inventories	(242)	(1,042)
Other current assets	(132)	207
Increase (decrease) in -		
Accounts payable	(79)	194
Accrued liabilities and other	1,156	229
	-----	-----
Net cash used in operating activities	(208)	(435)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment, net	(411)	(272)
Investment in joint venture	--	(425)
Proceeds from partial sale of investment in joint venture	--	143
Dividends from joint venture	193	139
	-----	-----
Net cash used in investing activities	(218)	(415)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on line of credit	(1,116)	(65)
Borrowings on line of credit	79	200
Repayment on loan to employee stock ownership plan	74	--
Proceeds from exercise of employee stock options	35	--
	-----	-----
Net cash provided by (used in) financing activities	(928)	135
Effect of foreign exchange rate changes on cash	(32)	7
	-----	-----
Net decrease in cash and cash equivalents	(1,386)	(708)
Cash and cash equivalents at June 30	2,928	2,416
	-----	-----
Cash and cash equivalents at December 31	\$ 1,542	\$ 1,708
	=====	=====

HATHAWAY CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PREPARATION AND PRESENTATION

The accompanying unaudited condensed consolidated financial statements include the accounts of Hathaway Corporation and its wholly-owned subsidiaries (the Company). All significant inter-company accounts and transactions have been eliminated in consolidation. Certain reclassifications have been made to prior year balances in order to conform with the current year's presentation.

The condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission and include all adjustments which are, in the opinion of management, necessary for a fair presentation. Certain information and footnote disclosures normally included in financial statements which are prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The Company believes that the disclosures herein are adequate to make the information presented not misleading. The financial data for the interim periods may not necessarily be indicative of results to be expected for the year.

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

It is suggested that the accompanying condensed interim financial statements be read in conjunction with the Consolidated Financial Statements and related Notes to such statements included in the June 30, 2000 Annual Report and Form 10-K previously filed by the Company.

2. INVENTORIES

Inventories, valued at the lower of cost (first-in, first-out basis) or market, are as follows (in thousands):

	DECEMBER 31, 2000	JUNE 30, 2000
	-----	-----
Parts and raw materials, net	\$2,915	\$2,827
Finished goods and work-in process, net	1,849	1,723
	-----	-----
	\$4,764	\$4,550
	=====	=====

3. BASIC AND DILUTED EARNINGS PER SHARE

In accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share" (EPS), Basic and Diluted EPS have been computed as follows (in thousands, except per share data):

BASIC EPS COMPUTATION	FOR THE THREE MONTHS ENDED DECEMBER 31,		FOR THE SIX MONTHS ENDED DECEMBER 31,	
	2000	1999	2000	1999
	-----	-----	-----	-----
Numerator:				
Net income (loss)	\$ 771	\$ 617	\$ 780	\$ (104)
Denominator:				
Basic weighted average outstanding shares	4,477	4,283	4,473	4,283
	-----	-----	-----	-----
Basic net income (loss) per share	\$ 0.17	\$ 0.14	\$ 0.17	\$ (0.02)

HATHAWAY CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

3. BASIC AND DILUTED EARNINGS PER SHARE (CONTINUED)

DILUTED EPS COMPUTATION	FOR THE THREE MONTHS ENDED DECEMBER 31,		FOR THE SIX MONTHS ENDED DECEMBER 31,	
	2000	1999	2000	1999
	-----	-----	-----	-----
Numerator:				
Net income (loss)	\$ 771	\$ 617	\$ 780	\$ (104)
Denominator:				
Diluted weighted average outstanding shares	4,772	4,297	4,869	4,283
	-----	-----	-----	-----
Diluted net income (loss) per share	\$ 0.16	\$ 0.14	\$ 0.16	\$ (0.02)

For the three and six months ended December 31, 2000, stock options to purchase 295,525 and 396,028 shares of common stock, respectively, were included in the calculation of diluted earnings per share. For the three months ended December 31, 1999, stock options to purchase 13,156 shares of common stock were included in the calculation of diluted earnings per share. For the six months ended December 31, 1999, stock options to purchase 885,004 shares were excluded in the calculation of diluted loss per share since the result would have been anti-dilutive.

4. SEGMENT INFORMATION

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," requires disclosure of operating segments, which as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company operates in two different segments: Power and Process Business (Power and Process) and Motion Control Business (Motion Control). Management has chosen to organize the Company around these segments based on differences in products and services.

The following provide information on the Company's segments (in thousands):

	FOR THE THREE MONTHS ENDED DECEMBER 31,				FOR THE SIX MONTHS ENDED DECEMBER 31,			
	2000		1999		2000		1999	
	-----	-----	-----	-----	-----	-----	-----	-----
	POWER AND PROCESS	MOTION CONTROL	POWER AND PROCESS	MOTION CONTROL	POWER AND PROCESS	MOTION CONTROL	POWER AND PROCESS	MOTION CONTROL
	-----	-----	-----	-----	-----	-----	-----	-----
Revenues from external customers	\$ 7,531	\$ 5,635	\$ 6,640	\$ 4,511	\$ 13,195	\$ 11,304	\$ 11,478	\$ 8,578
Equity income from investments in joint ventures	175	--	100	--	350	--	200	--
Income (loss) before income taxes	(246)	1,008	35	721	(1,505)	2,160	(1,327)	1,346
	-----	-----	-----	-----	-----	-----	-----	-----
	AS OF DECEMBER 31, 2000	MOTION CONTROL	AS OF JUNE 30, 2000	MOTION CONTROL				
	POWER AND PROCESS	-----	POWER AND PROCESS	-----				
	-----	-----	-----	-----				
Identifiable assets	\$11,945	\$ 8,012	\$10,620	\$ 7,134				

HATHAWAY CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

4. SEGMENT INFORMATION (CONTINUED)

The following is a reconciliation of segment information to consolidated information:

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	DECEMBER 31,		DECEMBER 31,	
	2000	1999	2000	1999
	-----	-----	-----	-----
Segments' income before income taxes	\$ 762	\$ 756	\$ 655	\$ 19
Corporate activities	132	(61)	334	(87)
	-----	-----	-----	-----
Consolidated income (loss) before income taxes	\$ 894	\$ 695	\$ 989	\$ (68)
	=====	=====	=====	=====

	AS OF	AS OF
	DECEMBER 31,	JUNE 30,
	2000	2000
	-----	-----
Segments' identifiable assets	\$19,957	\$17,754
Corporate assets and eliminations	852	2,183
	-----	-----
Consolidated total assets	\$20,809	\$19,937
	=====	=====

5. COMPREHENSIVE LOSS

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for reporting and displaying comprehensive income and its components. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

Comprehensive income (loss) is computed as follows (in thousands):

	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS ENDED	
	DECEMBER 31,		DECEMBER 31,	
	2000	1999	2000	1999
	-----	-----	-----	-----
Net income (loss)	\$ 771	\$ 617	\$ 780	\$(104)
Translation adjustment	73	(60)	(37)	76
	-----	-----	-----	-----
Comprehensive income (loss)	\$ 844	\$ 557	\$ 743	\$ (28)
	=====	=====	=====	=====

6. RESTRUCTURING CHARGE

As a result of changing business conditions in the process instrumentation business, the Company restructured its process instrumentation operations in Dallas. The restructuring consisted of retaining a portion of the business in Dallas, moving the manufacturing of two product lines to its power instrumentation manufacturing facilities in Seattle and selling the remaining two product lines. As anticipated, the Company's restructuring is substantially completed at the end of the second fiscal quarter ended December 31, 2000.

HATHAWAY CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

6. RESTRUCTURING CHARGE (CONTINUED)

The costs associated with the restructuring were \$113,000 and \$441,000 for the three and six months ended December 31, 2000, respectively. The total of \$441,000 includes \$282,000 of employee termination expenses related to 15 employees and \$159,000 of closure and moving costs. The restructuring charge has been included in operating costs and expenses in the condensed consolidated statement of operations. During the second quarter, \$173,000 of the expenses were paid resulting in an accrual balance of \$268,000 as of December 31, 2000.

7. RECENTLY ISSUED ACCOUNTING STANDARDS

Statement of Financial Accounting Standards No. 133, "Derivative Instruments and Hedging Activities," ("SFAS 133") establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities and measure those instruments at fair value. It also specifies the accounting for changes in the fair value of a derivative instrument depending on the intended use of the instrument and whether (and how) it is designated as a hedge. SFAS 133 was effective for all fiscal years beginning after June 15, 1999. During 1999, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS 133," ("SFAS 137") which delayed the effective date of SFAS 133 until all fiscal years beginning after June 15, 2000. Through December 31, 2000, the Company had not entered into any transactions involving derivative financial instruments and, therefore, the adoption of SFAS 133 has had no financial statement impact.

In December 1999, the SEC staff released Staff Accounting Bulletin No. 101, "Revenue Recognition," ("SAB 101") to provide guidance on the recognition, presentation and disclosure of revenue in financial statements. In order to recognize revenue, there must be persuasive evidence that an arrangement exists, delivery must have occurred or services must have been rendered, the selling price must be fixed or determinable, and collectibility must be reasonably assured. The accounting and disclosures described in SAB 101 must be applied no later than the fourth fiscal quarter of the Company's current fiscal year. The Company believes that adoption of SAB No. 101 will not materially impact its financial statements. However, implementation guidelines for this bulletin, as well as potential new bulletins, could result in unanticipated changes to the Company's current revenue recognition policies. These changes could affect the timing of the Company's future revenue recognition and results of operations.

In March 2000, the FASB issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation" ("FIN 44"). FIN 44 clarifies the applications of APB No. 25 for certain issues related to equity-based instruments issued to employees. FIN 44 is effective on July 1, 2000, except for certain transactions, and is applied on a prospective basis.

HATHAWAY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
OPERATING RESULTS AND FINANCIAL CONDITION

ALL STATEMENTS CONTAINED HEREIN THAT ARE NOT STATEMENTS OF HISTORICAL FACT CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. FORWARD-LOOKING STATEMENTS INCLUDE, WITHOUT LIMITATION, ANY STATEMENT THAT MAY PREDICT, FORECAST, INDICATE, OR IMPLY FUTURE RESULTS, PERFORMANCE, OR ACHIEVEMENTS, AND MAY CONTAIN THE WORD "BELIEVE," "ANTICIPATE," "EXPECT," "PROJECT," "INTEND," "WILL CONTINUE," "WILL LIKELY RESULT," "SHOULD" OR WORDS OR PHRASES OF SIMILAR MEANING. FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS OF THE COMPANY TO DIFFER MATERIALLY FROM THE FORWARD-LOOKING STATEMENTS. THE RISKS AND UNCERTAINTIES INCLUDE, AMONG OTHERS, THE FOLLOWING: INTERNATIONAL, NATIONAL AND LOCAL GENERAL BUSINESS AND ECONOMIC CONDITIONS; THE WORLDWIDE POWER AND PROCESS PRODUCT MARKET, INCLUDING A MOVEMENT FROM SINGLE PURPOSE PRODUCTS TO THOSE WITH MULTIPLE USES; THE MOTION CONTROL PRODUCT MARKET; THE ABILITY OF THE COMPANY TO SUSTAIN, MANAGE OR FORECAST ITS GROWTH AND PRODUCT ACCEPTANCE; NEW PRODUCT DEVELOPMENT AND INTRODUCTION; INCREASED COMPETITION AND CHANGES IN COMPETITOR RESPONSES TO THE COMPANY'S PRODUCTS AND SERVICES; THE CONTINUED SUCCESS OF THE COMPANY'S CUSTOMERS TO ALLOW THE COMPANY TO REALIZE REVENUES FROM ITS ORDER BACKLOG AND TO SUPPORT THE COMPANY'S EXPECTED DELIVERY SCHEDULES; THE ABILITY TO PROTECT THE COMPANY'S INTELLECTUAL PROPERTY; BUSINESS DISRUPTION; CHANGES IN GOVERNMENT REGULATIONS; CONTINUED UNCERTAINTY ABOUT THE IMPACT OF DEREGULATION OF THE POWER BUSINESS ON THE COMPANY'S PRODUCTS; THE ABILITY TO ATTRACT AND RETAIN QUALIFIED PERSONNEL; AVAILABILITY OF FINANCING; AND OTHER FACTORS REFERENCED OR INCORPORATED HEREIN.

THE COMPANY OPERATES IN A VERY COMPETITIVE ENVIRONMENT. NEW RISK FACTORS EMERGE FROM TIME TO TIME AND IT IS NOT POSSIBLE FOR MANAGEMENT TO PREDICT ALL SUCH RISK FACTORS, NOR CAN IT ASSESS THE IMPACT OF ALL SUCH RISK FACTORS ON ITS BUSINESS OR THE EXTENT TO WHICH ANY FACTOR, OR COMBINATION OF FACTORS, MAY CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN ANY FORWARD-LOOKING STATEMENTS. THE COMPANY'S EXPECTATIONS, BELIEFS AND PROJECTIONS ARE EXPRESSED IN GOOD FAITH AND ARE BELIEVED TO HAVE A REASONABLE BASIS; HOWEVER, THE COMPANY MAKES NO ASSURANCE THAT EXPECTATIONS, BELIEFS OR PROJECTIONS WILL BE ACHIEVED.

BECAUSE OF THE RISKS AND UNCERTAINTIES, INVESTORS SHOULD NOT PLACE UNDUE RELIANCE ON FORWARD-LOOKING STATEMENTS AS A PREDICTION OF ACTUAL RESULTS. THE COMPANY HAS NO OBLIGATION OR INTENT TO RELEASE PUBLICLY ANY REVISIONS TO ANY FORWARD LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE.

OPERATING RESULTS

For the second quarter ended December 31, 2000, the Company recognized net income of \$771,000, or \$.16 per fully diluted share, compared to net income of \$617,000, or \$.14 per fully diluted share, for the same period last year. This year's second quarter net income includes a pretax restructuring charge of \$113,000. Excluding the restructuring charge, net income for the second quarter was \$862,000 or \$.18 per fully diluted share. Revenues increased 18% in the second quarter to \$13,166,000 this year from \$11,151,000 last year. The 18% increase was due to a 25% increase in revenues from the Company's motion control products and a 13% increase in revenues from the Company's power and process systems and instrumentation products.

The Company recognized net income of \$780,000, or \$.16 per fully diluted share, for the six months ended December 31, 2000, compared to a net loss of \$104,000, or \$.02 per fully diluted share, for the six months ended December 31, 1999. This year's six months net income includes a pretax restructuring charge of \$441,000. Excluding the restructuring charge, net income for the six months was \$1,112,000 or \$.23 per fully diluted share. Revenues for the first six months increased by 22% to \$24,499,000 in fiscal 2001 from \$20,056,000 in fiscal 2000. The 22% increase was due to a 32% increase in revenues from the Company's motion control products and a 15% increase in revenues from the Company's power and process systems and instrumentation products.

Revenues from Motion Control for the second quarter increased 25% to \$5,635,000 for the second quarter this year from \$4,511,000 for the second quarter last year. Revenues for the six months increased 32% to \$11,304,000 for the current six-month period from \$8,578,000 for the six months last year. Pretax profit for Motion Control for the second quarter was \$1,008,000 compared to \$721,000 last year and, for the six months, pretax profit was \$2,160,000 compared to \$1,346,000 last year. At December 31, 2000, backlog for Motion Control orders was 76% higher than at the end of the second quarter last year and orders received during the three and six months ended December 31,

HATHAWAY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
OPERATING RESULTS AND FINANCIAL CONDITION

2000 were 57% and 35% higher than the same periods last year, respectively. The growth in Motion Control is a reflection of expansion into new markets and broader segments of existing markets.

Power and Process revenues increased to \$7,531,000 for the second quarter this year from \$6,640,000 for the second quarter last year, a 13% increase, and to \$13,195,000 for the first six months this year from \$11,478,000 for the six months last year, a 15% increase. Power and process realized a pretax loss of \$246,000 for the second quarter this year compared to a profit of \$35,000 last year. For the six months, power and process had a pretax loss of \$1,505,000 compared to a loss of \$1,327,000 last year. The segment's six months results ending December 31, 2000 contain a pretax charge of \$441,000 for restructuring the process instrumentation business. Excluding the restructuring charge, pretax loss for Power and Process for the first six months was \$1,064,000, a 20% improvement over the same period last year. Orders received for Power and Process for the second quarter were 8% higher than the second quarter last year. Sales order backlog for the segment at December 31, 2000 was \$11,500,000 which is 5% lower than at the same time last year. This decrease in backlog reflects a 16% increase in backlog for instrumentation products offset by a 23% decrease in systems automation backlog as compared to this time last year. Recently the systems automation business has been primarily focused on power industry projects which are typically delivered over a shorter time frame than the industrial automation products. Shifting focus to power projects has resulted in the decrease in backlog in the systems automation business and the continued growth in revenues for this business is highly dependent on the continued growth in the power applications side of the business.

As a result of changing business conditions in the process instrumentation business, the Company restructured its process instrumentation operations in Dallas. The restructuring consisted of retaining a portion of the business in Dallas, moving the manufacturing of two product lines to its power instrumentation manufacturing facilities in Seattle and selling the remaining two product lines. As anticipated, the Company's restructuring is substantially complete at the end of the second fiscal quarter ended December 31, 2000.

Sales to international customers increased to \$4,409,000 in the second quarter of the current year from \$3,337,000 in the second quarter of the prior year. In the first six months, sales to international customers increased to \$7,947,000 in fiscal year 2001 from \$5,825,000 in fiscal year 2000. Foreign sales represented 34% of total sales in the quarter ended December 31, 2000 compared to 30% for the same quarter in fiscal year 2000 and 32% and 29% of total sales were foreign sales for the six months ended December 31, 2000 and 1999, respectively.

Gross product margins for the second quarter of fiscal 2001 decreased slightly to 39% from 40% for the same quarter last year, primarily due to the restructuring. Gross product margin remained constant at 38% for the six months ended December 31, 2000 and 1999.

Selling increased 9% in the second quarter and first six months compared to last year, primarily due to increased sales and marketing activities. General and administrative, engineering and development expenses and amortization of intangibles increased 8% in the second quarter and 3% in the first six months, as compared to the same periods last year, primarily in support of new product development efforts.

During the first six months of fiscal year 2001, the Company recognized a portion of its share of estimated income from its Chinese joint ventures. The amounts recognized were \$175,000 and \$350,000 in the quarter and six months ended December 31, 2000, respectively, as compared to \$100,000 and \$200,000 in the same periods last year. The increase reflects the improvement in revenues and profits being experienced by the Hathaway Si Fang joint venture.

For the quarter ended December 31, 2000, the Company recognized a \$123,000 provision for income taxes compared to \$78,000 for the same period last year. For the first six months this year, a provision of \$209,000 was recognized compared to \$36,000 for the first six months last year. The amounts are based on projected taxable income and differ from statutory amounts primarily due to the mix of income and losses in domestic vs. foreign jurisdictions.

HATHAWAY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
OPERATING RESULTS AND FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity position as measured by cash and cash equivalents (excluding restricted cash) decreased \$1,386,000 during the first six months of fiscal 2001 to a balance of \$1,542,000 at December 31, 2000, compared to a decrease of \$708,000 in the first six months of fiscal 2000. During the six months ending December 31, 2000 net repayments made on the Company's line of credit totaled \$1,008,000 compared to net borrowings of \$135,000 in the same period last year. Excluding the changes in the line of credit, cash used in the first six months of fiscal 2001 and 2000 was \$378,000 and \$843,000, respectively.

In the first six months of fiscal 2001, \$162,000 was used for operating activities, compared to \$435,000 used in operations for the same period last fiscal year. The decreased use of cash was due to net income of \$780,000 in the first six months this year compared to a net loss of \$104,000 in the first six months last year partially offset by changes in working capital balances. Receivables increased \$1,735,000 during the first six months of fiscal 2001 due to an increase in sales during the period. Inventories increased \$242,000 due to additional inventory purchases made to fulfil the Company's increased backlog of orders and anticipated future orders.

Cash of \$218,000 was used by investing activities in the first six months of fiscal 2001, compared to \$415,000 used by investing activities last year. The variance was primarily due to the additional investment in the Company's Si Fang joint venture in fiscal 2000.

Financing activities used \$974,000 in the first six months of fiscal 2001 compared to \$135,000 provided in fiscal 2000. The increase use of cash was due to an increase in repayments on the line of credit during the first six months as explained above partially offset by proceeds from the exercise of employee stock options.

The Company's remaining fiscal 2001 working capital, capital expenditure and debt service requirements are expected to be funded from future cash flows from operations, the existing cash balance of \$1,542,000 and the \$2,491,000 available under the long-term financing agreement. The Company believes that such amounts are sufficient to fund operations and working capital needs for at least the next twelve months. The Company's long-term financing agreement with Silicon Valley Bank matures on May 7, 2001 but will continue for successive additional terms of one year unless either party gives notice of termination at least sixty days before the maturity date. The Company has not received notice of termination and does not anticipate receiving or giving such notice, however, if such notice was received, the Company would pursue other lenders to meet its long-term financing needs. Although the Company believes it would be successful in its efforts to obtain alternate financing, there are no assurances that it will be successful in doing so. An inability to obtain such alternate financing may have a material adverse effect on the Company's results of operations and financial condition and could require the Company to implement various strategic alternatives.

RECENTLY ISSUED ACCOUNTING STANDARDS

Statement of Financial Accounting Standards No. 133, "Derivative Instruments and Hedging Activities," ("SFAS 133") establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities and measure those instruments at fair value. It also specifies the accounting for changes in the fair value of a derivative instrument depending on the intended use of the instrument and whether (and how) it is designated as a hedge. SFAS 133 was effective for all fiscal years beginning after June 15, 1999. During 1999, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS 133," ("SFAS 137") which delayed the effective date of SFAS 133 until all fiscal years beginning after June 15, 2000. Through December 31, 2000, the Company had not entered into any transactions involving derivative financial instruments and, therefore, the adoption of SFAS 133 has had no financial statement impact.

In December 1999, the SEC staff released Staff Accounting Bulletin No. 101, "Revenue Recognition," ("SAB 101") to provide guidance on the recognition, presentation and disclosure of revenue in financial statements. In order to recognize revenue, there must be persuasive evidence that an arrangement exists, delivery must have

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
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occurred or services must have been rendered, the selling price must be fixed or determinable, and collectibility must be reasonably assured. The accounting and disclosures described in SAB 101 must be applied no later than the fourth fiscal quarter of the Company's current fiscal year. The Company believes that adoption of SAB No. 101 will not materially impact its financial statements. However, implementation guidelines for this bulletin, as well as potential new bulletins, could result in unanticipated changes to the Company's current revenue recognition policies. These changes could affect the timing of the Company's future revenue recognition and results of operations.

In March 2000, the FASB issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation" ("FIN 44"). FIN 44 clarifies the applications of APB No. 25 for certain issues related to equity-based instruments issued to employees. FIN 44 is effective on July 1, 2000, except for certain transactions, and is applied on a prospective basis.

HATHAWAY CORPORATION

PART II. OTHER INFORMATION

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its annual stockholders' meeting on October 26, 2000. The stockholders elected E.E. Prince, R.D. Smith, D.D. Hock, G.D. Hubbard and G.J. Pilmanis to serve on the Board of Directors for the coming year. The vote tabulation was as follows:

1) Election of Directors

Nominee	Number of Votes		Total Shares Outstanding	% of Shares Voting For
	For	Withheld or Against		
E.E. Prince	3,890,355	237,645	4,475,601	87%
D.D. Hock	3,939,779	188,221	4,475,601	88%
G.D. Hubbard	3,939,089	188,911	4,475,601	88%
G.J. Pilmanis	3,939,284	188,716	4,475,601	88%
R.D. Smith	3,941,074	186,926	4,475,601	88%

2) Approval of 2000 Stock Incentive Plan

	For	Withheld or Against	Total Votes Counted	Abstaining	Broker Non-Votes
Number of votes	1,498,351	336,291	1,834,642	47,711	2,245,647
% of votes counted	82%	18%	100%		

3) Approval of 2001 Employee Stock Purchase Plan

	For	Withheld or Against	Total Votes Counted	Abstaining	Broker Non-Votes
Number of votes	1,661,380	160,057	1,821,437	60,916	2,245,647
% of votes counted	91%	9%	100%		

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

3. ii) Bylaws

13. Annual Report containing Notes to Consolidated Financial Statements in the Registrant's June 30, 2000 Annual Report to Stockholders. *

* This document was filed with the Securities and Exchange Commission and is incorporated herein by reference.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed in the three months ended December 31, 2000.

SIGNATURES

Pursuant to the requirements 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.

HATHAWAY CORPORATION

DATE: February 12, 2001

By: /s/ Richard D. Smith

President, Chief Executive Officer
and Chief Financial Officer

AS ADOPTED - 08/11/94
SECTION 3.2 AS AMENDED - 10/28/99
SECTION 5.3 AS AMENDED - 02/07/00

BYLAWS
OF
HATHAWAY CORPORATION

ARTICLE I. OFFICES

SECTION 1.1 BUSINESS OFFICE.

The principal office of the corporation shall be located at any place either within or outside the state of Colorado as designated in the corporation's most current Annual Report filed with the Colorado Secretary of State. The corporation may have such other offices, either within or without the State of Colorado as the board of directors may designate or as the business of the corporation may require from time to time.

SECTION 1.2 REGISTERED OFFICE.

The registered office of the corporation required by C.R.S. Section 7-105-101 may, but need not, be identical with the principal office (if located within Colorado). The address of the registered office may be changed from time to time.

ARTICLE II. SHAREHOLDERS

SECTION 2.1 ANNUAL SHAREHOLDER MEETING.

The annual meeting of the shareholders shall be held within 180 days after the close of the corporation's fiscal year at a time and date as is determined by the board of directors for the purpose of electing directors and for the transaction of such other business as may come before the meeting.

SECTION 2.2 SPECIAL SHAREHOLDER MEETINGS.

(a) AUTHORITY. Special meetings of the shareholders, for any purpose or purposes described in the meeting notice, may be called by the president or by the board of directors and shall be called by the president at the request of the holders of not less than one-tenth of all outstanding votes of the corporation entitled to be cast on any issues at the meeting.

(b) PROCEDURE. If a special meeting is called by any person or persons other than the board of directors, the request shall be in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the chairman of the board of directors of the corporation. No business may be transacted at such special meeting other than specified in such notice. The board of directors shall determine the time and place of such special meeting, which shall be held not less than 30 nor more

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than 120 days after the date of the receipt of the request. The chairman shall cause notice to be given to the shareholders entitled to vote. If the notice is not given within 60 days after the receipt of the request, the persons or person requesting the meeting may set the time and place of the meeting and give the notice. Nothing contained in this paragraph (b) shall be construed as limiting, fixing or affecting the time when a meeting of shareholders called by action of the board of directors may be held.

SECTION 2.3 PLACE OF SHAREHOLDER MEETING.

Meetings of shareholders may be held in or out of the state of Colorado at locations fixed by the board of directors. If no designation is made the place of meeting shall be the principal office of the corporation in the state of Colorado.

SECTION 2.4 NOTICE OF SHAREHOLDER MEETING.

(a) TIME, PLACE, PURPOSE, EFFECTIVE. Written notice stating the place, date, and hour of the meeting shall be given not less than 10 nor more than 60 days before the date of the meeting, except that (i) if the number of authorized shares is to be increased, at least 30 days notice shall be given, or (ii) any other notice requirement of the Colorado Business Corporation Act (herein referred to as the "Act") shall be provided. Notice of a special meeting shall include a description of the purpose or purposes of the meeting. Notice of an annual meeting need not include a description of the purpose or purposes of the meeting unless required by the Act, the articles of incorporation or these bylaws. Notice shall be given personally or by mail, private carrier, telegraph, teletype, electronically transmitted facsimile or other form of wire or wireless communication by or at the direction of the chairman or the president or the officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. Notice shall be deemed to be effective at the earlier of: (i) when deposited in the United States mail, addressed to the shareholder at his address as it appears on the stock transfer books of the corporation, with postage thereon prepaid; (ii) on the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee; (iii) when received; or (iv) 5 days after deposit in the United States mail if mailed postpaid and correctly addressed to an address other than that shown in the corporation's current record of shareholders.

(b) UNDELIVERABLE NOTICE. No notice need be sent to any shareholder if three successive notices mailed to the last known address of such shareholder have been returned as undeliverable until such time as another address for such shareholder is made known to the corporation by such shareholder. In order to be entitled to receive notice of any meeting, a shareholder shall advise the corporation in writing of any change in such shareholder's mailing address as shown on the corporation's books and records.

(c) ADJOURNED MEETING. When a meeting is adjourned to another date, time or place, notice need not be given of the new date, time or place if the new date, time or place of such meeting is

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announced before adjournment at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which may have been transacted at the original meeting. If the adjournment is for more than 120 days, or if a new record date is fixed for the adjourned meeting, a new notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting as of the new record date.

SECTION 2.5 WAIVER OF NOTICE.

A shareholder may waive notice of a meeting before or after the time and date of the meeting by a writing signed by such shareholder. Such waiver shall be delivered to the corporation for filing with the corporate records. Further, by attending a meeting either in person or by proxy a shareholder waives objection to lack of notice or defective notice of the meeting unless the shareholder objects at the beginning of the meeting to the holding of the meeting or the transaction of business at the meeting because of lack of notice or defective notice. By attending the meeting, the shareholder also waives any objection to consideration at the meeting of a particular matter not within the purpose or purposes described in the meeting notice unless the shareholder objects to considering the matter when it is presented.

SECTION 2.6 FIXING OF RECORD DATE.

(a) MEETINGS, DISTRIBUTIONS. For the purpose of determining shareholders entitled to (i) notice of or vote at any meeting of shareholders or any adjournment thereof, (ii) receive distributions or share dividends, or (iii) demand a special meeting, or to make a determination of shareholders for any other proper purpose, the board of directors may fix a future date as the record date for any such determination of shareholders, such date in any case to be not more than seventy days, and, in case of a meeting of shareholders, not less than ten days, prior to the date on which the particular action requiring such determination of shareholders is to be taken. If no record date is fixed by the directors, the record date shall be the date on which notice of the meeting is mailed to shareholders, or the date on which the resolution of the board of directors providing for a distribution is adopted, as the case may be. When a determination of shareholders entitled to vote at any meeting of shareholders is made as provided in this section such determination shall apply to any adjournment thereof unless the board of directors fixes a new record date, which it must do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

(b) CONSENT ACTION, SHAREHOLDER DEMANDS. The record date for determining the shareholders entitled to take action without a meeting shall be the date a writing upon which the action is taken is first received by the corporation. The record date for determining shareholders entitled to demand a special meeting shall be the date of the earliest of any of the demands pursuant to which the meeting is called.

SECTION 2.7 ORGANIZATION OF SHAREHOLDER MEETING.

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(a) OFFICERS OF THE MEETING. The chairman of the board of directors shall preside at each meeting of shareholders or, if a chairman of the board of directors has not been appointed or is absent, the president or executive vice president in that order, if present, shall preside. In the absence of any such officers, any director present shall preside and if there be more than one director present, a director chosen by majority vote of those directors present shall preside. If no presiding officer is selected as provided above, the meeting shall be chaired by a person chosen by the vote of a majority in interest of the shareholders present in person or represented by proxy and entitled to vote thereat. The secretary or in his or her absence an assistant secretary or in the absence of the secretary and all assistant secretaries a person whom the chairman of the meeting shall appoint shall act as secretary of the meeting and keep a record of the proceedings thereof.

(b) CONDUCT OF MEETING. The board of directors of the corporation shall be entitled to make such rules or regulations for conduct of meetings of shareholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the board of directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting including, without limitation, establishing (i) an agenda or order of business for the meeting, (ii) rules and procedures for maintaining order at the meeting and the safety of those present, (iii) limitations on participation in such meeting to shareholders of record of the corporation and their duly authorized and constituted proxies and such other persons as the chairman shall permit, (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof, (v) limitations on the time allotted to questions or comment by participants, and (vi) regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. Unless and to the extent determined by the board of directors or the chairman of the meeting, meetings of shareholders shall not be required to be held in accordance with rules of parliamentary procedure.

(c) BUSINESS BROUGHT BEFORE THE MEETING. At an annual meeting of the shareholders only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting business must be: (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (ii) otherwise properly brought before the meeting by or at the direction of the board of directors, or (iii) otherwise properly brought before the meeting by a shareholder. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal office of the corporation not later than the date specified for receipt of proposals by shareholders for the current annual meeting in the corporation's proxy statement released to shareholders in connection with the previous year's annual meeting of shareholders; PROVIDED, HOWEVER, that in the event no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than 30 days from the date contemplated at the time of the

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previous year's proxy statement, notice by the shareholder to be timely must be so received at a reasonable time before the solicitation is made. A shareholder's notice to the secretary shall set forth as to each matter the shareholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the corporation's books, of the shareholder proposing such business, (iii) the class and number of shares of the corporation which are beneficially owned by the shareholder, (iv) any material interest of the shareholder in such business, and (v) any other information that is required to be provided by the shareholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act"), in his capacity as a proponent of a shareholder proposal. Notwithstanding the foregoing, in order to include information with respect to a shareholder proposal in the proxy statement and form of proxy for a shareholder's meeting, shareholders must provide notice as required by the regulations promulgated under the 1934 Act. Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this Section 2.7(c). The chairman of the annual meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section 2.7(c), and, if he should so determine, he shall so declare at the meeting that any such business not properly brought before the meeting shall not be transacted.

SECTION 2.8 RECOGNITION PROCEDURE FOR BENEFICIAL OWNERS.

The board of directors may adopt by resolution a procedure whereby a shareholder of the corporation may certify in writing to the corporation that all or a portion of the shares registered in the name of such shareholder are held for the account of a specified person or persons. The resolution may set forth (i) the types of nominees to which it applies, (ii) the rights or privileges that the corporation will recognize in a beneficial owner, which may include rights and privileges other than voting, (iii) the form of certification and the information to be contained therein, (iv) if the certification is with respect to a record date, the time within which the certification must be received by the corporation, (v) the period for which the nominee's use of the procedure is effective, and (vi) such other provisions with respect to the procedure as the board deems necessary or desirable. Upon receipt by the corporation of a certificate complying with the procedure established by the board of directors, the persons specified in the certification shall be deemed, for the purpose or purposes set forth in the certification, to be the registered holders of the number of shares specified in place of the shareholder making the certification.

SECTION 2.9 SHAREHOLDER LIST.

The secretary shall make a complete record of the shareholders entitled to vote at each meeting of shareholders arranged in alphabetical order, with the address of and the number of shares held by each. The list must be arranged by voting group (if such exists), and within each voting group by class or series of shares. The shareholder list must be available for inspection by any shareholder beginning at the earlier of 10 days before the meeting or 2 business days after notice of

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the meeting is given for which the list was prepared and continuing through the meeting. The list shall be available at the corporation's principal office or at a place identified in the meeting notice in the city where the meeting is to be held. A shareholder, his agent or attorney, is entitled on written demand to inspect and, subject to the requirements of Section 2.17, to copy the list during regular business hours, and at his expense, during the period it is available for inspection. The corporation shall maintain the shareholder list in written form or in another form capable of conversion into written form within a reasonable time.

SECTION 2.10 SHAREHOLDER QUORUM AND VOTING REQUIREMENTS.

Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. A majority of the votes entitled to be cast on the matter by the voting group constitutes a quorum of that voting group for action on that matter.

If voting by two or more voting groups on a matter is permitted or required, action on that matter is taken only when voted upon by each of those voting groups counted separately. Action may be taken by one voting group on a matter even though no action is taken by another voting group entitled to vote on the matter.

Once a share is represented for any purpose at a meeting it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting.

If a quorum exists, action on a matter by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless a greater number of affirmative votes is required.

SECTION 2.11 PROXIES.

At all meetings of shareholders a shareholder may vote by proxy by signing an appointment form or similar writing, either personally or by his duly authorized attorney-in-fact. A shareholder may also appoint a proxy by transmitting or authorizing the transmission of a telegram, teletype or other electronic transmission providing a written statement of the appointment to the proxy, a proxy solicitor, proxy support service organization, or other person duly authorized by the proxy to receive appointments as agent for the proxy, or to the corporation. The transmitted appointment shall set forth or be transmitted with written evidence from which it can be determined that the shareholder transmitted or authorized the transmission of the appointment. The proxy appointment form or similar writing shall be filed with the secretary of the corporation before or at the time of the meeting. The appointment of a proxy is effective when received by the corporation and is valid for eleven months unless a different period is expressly provided in the appointment form or similar writing.

Any complete copy, including an electronically transmitted facsimile, of an appointment of a proxy may be substituted for or used in lieu of the original appointment for any purpose for which the original appointment could be used.

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Revocation of a proxy does not affect the right of the corporation to accept the proxy's authority unless (i) the corporation had notice that the appointment was coupled with an interest and notice that such interest has been extinguished is received by the secretary or other officer or agent authorized to tabulate votes before the proxy exercises his authority under the appointment, or (ii) other notice of the revocation of the appointment is received by the secretary or other officer or agent authorized to tabulate votes before the proxy exercises his authority under the appointment. Other notice of revocation may, in the discretion of the corporation, be deemed to include the appearance at a shareholders' meeting of the shareholder who granted the proxy and his voting in person on any matter subject to a vote at such meeting.

The death or incapacity of the shareholder appointing a proxy does not affect the right of the corporation to accept the proxy's authority unless notice of the death or incapacity is received by the secretary or other officer or agent authorized to tabulate votes before the proxy exercises his authority under the appointment.

The corporation shall not be required to recognize an appointment made irrevocable if it has received a writing revoking the appointment signed by the shareholder (including a shareholder who is successor to the shareholder who granted the proxy) either personally or by his attorney-in-fact, notwithstanding that the revocation may be a breach of an obligation of the shareholder to another person not to revoke the appointment.

Subject to Section 2.13 and any express limitation on the proxy's authority appearing on the appointment form, the corporation is entitled to accept the proxy's vote or other action as that of the shareholder making the appointment.

SECTION 2.12 VOTING OF SHARES.

Each outstanding share entitled to vote shall be entitled to one vote and each fractional share shall be entitled to a corresponding fractional vote upon each matter submitted to a vote at a meeting of shareholders.

Except as provided by specific court order, no shares held by another corporation, if a majority of the shares entitled to vote for the election of directors of such other corporation are held by the corporation, shall be voted at any meeting or counted in determining the total number of outstanding shares at any given time for purposes of any meeting; provided, however, the prior sentence shall not limit the power of the corporation to vote any shares, including its own shares, held by it in a fiduciary capacity.

SECTION 2.13 CORPORATION'S ACCEPTANCE OF VOTES.

(a) CORRESPONDS TO NAME OF SHAREHOLDER. If the name signed on a vote, consent, waiver, proxy appointment or proxy appointment revocation corresponds to the name of a shareholder, the corporation, if acting in good faith, is entitled to accept the vote, consent, waiver, proxy appointment or proxy appointment revocation and give it effect as the act of the shareholder.

(b) DOES NOT CORRESPOND. If the name signed on a vote, consent, waiver, proxy appointment or proxy appointment revocation does not correspond to the name of a shareholder, the

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corporation, if acting in good faith, is nevertheless entitled to accept the vote, consent, waiver, proxy appointment or proxy appointment revocation and give it effect as the act of the shareholder if:

- (1) the shareholder is an entity as defined in the Act and the name signed purports to be that of an officer or agent of the entity;
- (2) the name signed purports to be that of an administrator, executor, guardian, or conservator representing the shareholder and, if the corporation requests, evidence of fiduciary status acceptable to the corporation has been presented with respect to the vote, consent, waiver, proxy appointment or proxy appointment revocation;
- (3) the name signed purports to be that of a receiver or trustee in bankruptcy of the shareholder and, if the corporation requests, evidence of this status acceptable to the corporation has been presented with respect to the vote, consent, waiver, proxy appointment or proxy appointment revocation;
- (4) the name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the shareholder and, if the corporation requests, evidence acceptable to the corporation of the signatory's authority to sign for the shareholder has been presented with respect to the vote, consent, waiver, proxy appointment or proxy appointment revocation;
- (5) two or more persons are the shareholder as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears to be acting on behalf of all the co-owners; or
- (6) the acceptance of the vote, consent, waiver, proxy appointment or proxy appointment revocation is otherwise proper under rules established by the corporation that are not inconsistent with this Section 2.13(b).

(c) REJECTION UPON REASONABLE DOUBT. The corporation is entitled to reject a vote, consent, waiver, proxy appointment or proxy appointment revocation if the secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the shareholder.

(d) NOT LIABLE IN DAMAGES. The corporation and its officer or agent who accept or reject a vote, consent, waiver, proxy appointment or proxy appointment revocation in good faith and in accordance with the standards of this section are not liable in damages to the shareholder for the consequences of the acceptance or rejection.

(e) CORPORATE ACTION VALID. Corporate action based on the acceptance or rejection of a vote, consent, waiver, proxy appointment or proxy appointment revocation under this section is valid unless a court of competent jurisdiction determines otherwise.

SECTION 2.14 INFORMAL ACTION BY SHAREHOLDERS.

Any action required or permitted to be taken at a meeting of the shareholders may be taken without a meeting if all of the shareholders entitled to vote consent to such action in writing. Action taken under this section has the same effect as action taken at a meeting and may be described as such in any document.

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SECTION 2.15 NOTIFICATION OF NOMINATIONS OF DIRECTORS.

Nominations for the election of directors may be made by the board of directors or by any shareholder entitled to vote for the election of directors. Any shareholder entitled to vote for the election of directors at a meeting may nominate persons for election as directors only if written notice of such shareholder's intent to make such nomination is given in writing to the secretary of the corporation pursuant to the time schedule for business to be brought before an annual meeting by a shareholder as provided in Section 2.7(c). Each such notice shall set forth (i) the name and address of the shareholder as they appear on the corporation's books who intends to make the nomination and of the person or persons to be nominated, (ii) a representation that the person signing such notice is entitled to vote at such meeting and to nominate the person or persons specified in the notice, (iii) a description of all arrangements or understandings between such shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such shareholder, (iv) such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the board of directors, and (v) the consent of each nominee to serve as a director of the corporation if elected. The chairman of a shareholder meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

SECTION 2.16 VOTING FOR DIRECTORS.

At each election for directors, every shareholder entitled to vote at such election has the right to vote in person or by proxy. Each shareholder may vote one vote per share for as many persons as there are directors to be elected and for whose election the shareholder has the right to vote. That number of candidates equaling the number of directors to be elected having the highest number of votes cast in favor of their election shall be elected to the board of directors; PROVIDED, HOWEVER, to be elected directors must receive the affirmative vote of the holders of at least two-thirds of the shares of the corporation entitled to vote thereon.

SECTION 2.17 SHAREHOLDER'S RIGHTS TO INSPECT CORPORATE RECORDS.

(a) ABSOLUTE INSPECTION RIGHTS. If he gives the corporation written notice of his demand at least five business days before the date on which he wishes to inspect and copy, a shareholder (or his agent or attorney) has the right to inspect and copy, during regular business hours, any of the following records, all of which the corporation shall keep at its principal office:

- (1) its articles of incorporation;
- (2) its bylaws;
- (3) the minutes of all shareholders' meetings and records of all action taken by shareholders without a meeting for the past three years;
- (4) all written communications within the past three years to shareholders as a group or to the holders of any class or series of shares as a group;

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(5) a list of the names and business addresses of its current directors and officers;

(6) its most recent corporate report delivered to the Secretary of State; and

(7) its most recent annual financial statements and its most recently published financial statement showing in reasonable detail its assets and liabilities and results of its operations.

(b) CONDITIONAL INSPECTION RIGHT. In addition to the rights set forth in Section 2.17(a) a shareholder who has been a shareholder for at least 3 months immediately preceding the demand to inspect or copy, or is a shareholder of at least 5% of all of the outstanding shares of any class of shares of the corporation as of the date the demand is made, is entitled to inspect and copy, during regular business hours at a reasonable location specified by the corporation, any of the following records of the corporation if (i) the shareholder gives the corporation written demand at least 5 business days before the date on which the shareholder wishes to inspect and copy such records, (ii) such demand is made in good faith and for a proper purpose, (iii) the shareholder describes with reasonable particularity the purpose and the records the shareholder desires to inspect and, (iv) the records are directly connected with the described purpose:

(1) excerpts from minutes of any meeting of the board of directors or from records of any action taken by the board of directors without a meeting, minutes of any meeting of the shareholders or records of any action taken by the shareholders without a meeting, excerpts of records of any action of a committee of the board of directors while acting in place of the board of directors on behalf of the corporation, and waivers of notice of any meeting of the shareholders or the board of directors or any committee of the board of directors;

(2) accounting records of the corporation; and

(3) a record of the names and addresses of shareholders of the corporation.

(c) COPY COSTS. The right to copy records includes, if reasonable, the right to receive copies made by photographic, xerographic, or other means. The corporation may impose a reasonable charge, covering the costs of labor and material, for copies of any documents provided to the shareholder. The charge may not exceed the estimated cost of production or reproduction of the records.

(d) BENEFICIAL OWNER. For purposes of this Section 2.17 the term "shareholder" shall include a beneficial owner whose shares are held in a voting trust and any other beneficial owner who establishes beneficial ownership.

ARTICLE III. BOARD OF DIRECTORS

SECTION 3.1 GENERAL POWERS.

All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the board of directors.

SECTION 3.2 NUMBER, TENURE, AND QUALIFICATIONS OF DIRECTORS.

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(a) NUMBER. As provided in the articles, the authorized number of directors shall be not less than 3 nor more than 6. The current number of directors shall be within the limits specified above, and as determined by resolution adopted by the shareholders or directors.

(b) TENURE. Each director shall hold office until the next annual meeting of shareholders or until removed; PROVIDED HOWEVER, if a director's term expires the director shall continue to serve until a successor shall have been elected and qualified, or until there is a decrease in the number of directors. No member of the board of directors of the Company shall serve (i) for more than 12 years, unless such director is also an executive officer of the Company, in which case the 12-year limitation shall apply after termination of his service as an executive officer, and (ii) after reaching the age of 72.

(c) QUALIFICATIONS. Directors do not need to be residents of Colorado or shareholders of the corporation.

SECTION 3.3 REGULAR MEETINGS OF THE BOARD OF DIRECTORS.

A regular meeting of the board of directors shall be held without other notice than this bylaw immediately after, and at the same place as, the annual meeting of shareholders. The board of directors may provide, by resolution, the time and place for the holding of additional regular meetings without other notice than such resolution.

SECTION 3.4 SPECIAL MEETINGS OF THE BOARD OF DIRECTORS.

Special meetings of the board of directors may be called by or at the request of the chairman or any two directors. The chairman of the board of directors may fix any place as the place for holding any special meeting of the board of directors, or such meeting may be held by telephone.

SECTION 3.5 NOTICE OF, AND WAIVER OF NOTICE FOR, SPECIAL DIRECTOR MEETINGS.

Notice of the date, time and place of any special meeting of directors shall be given at least three days previously thereto either orally or in writing. Oral notice is effective when communicated. If mailed, notice of any director meeting shall be deemed to be effective at the earlier of: (i) when received; (ii) five days after deposited in the United States mail, addressed to the director's business office, with postage thereon prepaid; or (iii) the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the director. Any director may waive notice of any meeting. Except as provided in the next sentence, the waiver must be in writing, signed by the director entitled to the notice, and delivered to the corporation for filing with the corporate records. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business and at the beginning of the meeting (or promptly upon his arrival) objects to holding the meeting or transacting business at the meeting because of lack of notice or defective notice, and does not thereafter vote for or assent to action taken at the meeting. Unless required by the articles of incorporation, neither the business to be transacted at, nor the

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purpose of, any special meeting of the directors need be specified in the notice or waiver of notice of such meeting.

SECTION 3.6 QUORUM.

A majority of the current number of directors fixed pursuant to Section 3.2 shall constitute a quorum for the transaction of business at any meeting of the board of directors.

SECTION 3.7 MANNER OF ACTING.

The act of the majority of the directors present at a meeting at which a quorum is present when the vote is taken shall be the act of the board of directors unless the articles require a greater number or percentage.

Any or all directors may participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

A director who is present at a meeting of the board of directors or a committee of the board of directors when corporate action is taken is deemed to have assented to the action taken unless: (i) he objects at the beginning of the meeting (or promptly upon his arrival) to holding it or transacting business at the meeting and does not thereafter vote for or assent to any action taken at the meeting; or (ii) he contemporaneously requests that his dissent or abstention from specific action taken be entered in the minutes of the meeting; or (iii) he delivers written notice of his dissent or abstention to specific action to the presiding officer of the meeting, before its adjournment, or to the corporation promptly after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

SECTION 3.8 DIRECTOR ACTION WITHOUT A MEETING.

Any action required or permitted to be taken by the board of directors at a meeting may be taken without a meeting if all the directors take the action, and each one signs a written consent describing the action taken. Action taken by consents is effective when the last director signs the consent unless before such time a director has revoked his consent by a writing received by the secretary and unless the consent specifies a different effective date. A signed consent has the effect of a meeting vote and may be described as such in any document.

SECTION 3.9 REMOVAL OF DIRECTORS.

The shareholders may remove one or more directors at a meeting if notice has been given that a purpose of the meeting is such removal. The removal may be with or without cause. A director may be removed only by a vote of at least two-thirds of the shares then entitled to vote at an election of directors.

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SECTION 3.10 BOARD OF DIRECTOR VACANCIES.

If a vacancy occurs on the board of directors, including a vacancy resulting from an increase in the number of directors, the shareholders may fill the vacancy, the board of directors may fill the vacancy, or if the directors remaining in office constitute fewer than a quorum of the board, they may fill the vacancy by the affirmative vote of a majority of all the directors remaining in office. When a vacancy has been filled as permitted by this Section 3.10 by action of the board of directors or by the directors remaining in office even though fewer than a quorum before action by the shareholders, the shareholders may thereafter act to fill such vacancy only by first removing the director in question.

A vacancy that will occur at a specific later date (by reason of a resignation effective at a later date) may be filled before the vacancy occurs but the new director may not take office until the vacancy occurs.

The term of a director elected by directors to fill a vacancy expires at the next shareholders' meeting at which directors are elected. If elected by the shareholders the director shall hold office for the unexpired term of his predecessor in office. However, if his term expires the director shall continue to serve until his successor is elected and qualifies or until there is a decrease in the number of directors.

SECTION 3.11 DIRECTOR COMPENSATION.

By resolution of the board of directors each independent director may be paid compensation and be reimbursed for expenses for attendance at board and corporate meetings and may receive additional compensation for other services to the corporation.

SECTION 3.12 LOANS TO DIRECTORS AND OFFICERS.

The corporation may lend money to, or guarantee any obligation of, or otherwise assist any director or officer or other employee of the corporation or its subsidiaries whenever, in the judgment of the board of directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the board of directors shall approve, including, without limitation, a pledge of shares of the corporation. Notwithstanding the foregoing, no loan shall be authorized to a director of the corporation or to an entity in which a director of the corporation is a director or officer or has a financial interest, nor shall the corporation authorize a guarantee of an obligation of a director of the corporation or of an obligation of an entity in which a director of the corporation is a director or officer or has a financial interest, until at least 10 days after written notice of the proposed authorization of the loan or guarantee has been given to the shareholders who would be entitled to vote thereon if the issue of the loan or guarantee were submitted to a vote of the shareholders.

SECTION 3.13 DIRECTOR COMMITTEES.

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(a) CREATION OF COMMITTEES. The board of directors may create one or more committees and appoint members of the board of directors to serve on them. Each committee must have two or more members, who serve at the pleasure of the board of directors.

(b) REQUIRED PROCEDURES. Sections 3.4, 3.5, 3.6, 3.7 and 3.8, which govern meetings, notice and waiver of notice, quorum, manner of acting, and action without meetings of the board of directors, apply to committees and their members.

(c) AUTHORITY. Each committee shall make recommendations to the board of directors on such subjects as are stated in the resolution creating the committee and no committee shall have authority to act for the board of directors.

ARTICLE IV. OFFICERS

SECTION 4.1 NUMBER OF OFFICERS.

The officers of the corporation shall include, if and when appointed by the board of directors, a chairman of the board of directors (sometimes referred to herein as "chairman") a chief executive officer, a president, an executive vice president, one or more vice presidents, a secretary, a chief financial officer, a treasurer and a controller. Such other officers and assistant officers as may be deemed necessary may be appointed by the board of directors. The board of directors may assign such additional titles to one or more of the officers as it deems appropriate. If specifically authorized by the board of directors, an officer may appoint one or more officers or assistant officers. The same individual may simultaneously hold more than one office in the corporation.

SECTION 4.2 APPOINTMENT AND TERM OF OFFICE.

The officers of the corporation shall be appointed by the board of directors for a term as determined by the board of directors. The designation of a specified term grants to the officer no contract rights, and the board can remove the officer at any time prior to the termination of such term. If no term is specified, they shall hold office until they resign, die, or until they are removed.

SECTION 4.3 REMOVAL OF OFFICERS.

Any officer or agent may be removed by the board of directors at any time with or without cause. Such removal shall be without prejudice to the contract rights, if any, of the person so removed. Appointment of an officer or agent shall not of itself create contract rights.

SECTION 4.4 CHAIRMAN.

The chairman of the board of directors is the most senior officer of the corporation and shall have all power and authority implied by the position. He shall have, subject only to direction of the board of directors, supervision and final authority over all other officers and all of the business, property, affairs, and policies of the corporation. In the absence of authority granting the power to another officer, the chairman may vote any shares of another corporation which are owned by this corporation. He shall preside at all meetings of the shareholders and of the board of directors at

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which he is present. The chairman shall be responsible for implementing all orders and decisions of the board of directors. He shall have such further powers and perform such duties as are incident to his office or as may be granted to or required of him by the board of directors or by these bylaws.

SECTION 4.5 CHIEF EXECUTIVE OFFICER.

The chief executive officer shall be the principal executive officer of the corporation and, subject to the oversight and supervision of the board of directors and chairman, shall supervise and control the management of the corporation in accordance with these bylaws. He may sign and execute all authorized bonds, contracts, checks or other obligations in the name of the corporation. In general he shall perform all duties incident to the office of chief executive officer and such other duties as may be prescribed by the board of directors from time to time.

SECTION 4.6 PRESIDENT.

Subject to the oversight and supervision of the chairman, the chief executive officer and the board of directors, and to other provisions of these bylaws, the president shall have general charge of the operation of the business of the corporation including finance, product development and customer and stockholder relations. He shall do and perform such other duties as from time to time may be assigned to him by the chairman or the chief executive officer. The president reports to the chairman. He shall keep the chairman and the board of directors fully informed and shall freely consult them concerning the business of the corporation in his charge.

SECTION 4.7 EXECUTIVE VICE PRESIDENT.

In the absence of the president, or in the event of his death, inability or refusal to act, the executive vice-president shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president.

SECTION 4.8 VICE-PRESIDENTS.

If there be more than one vice president, the chairman, the chief executive officer, the president or the board of directors may designate their seniority (such as first vice president, senior vice president, etc.) and/or the particular department of the corporation of which they shall have charge. The vice presidents in order of their seniority by designation, or if not so designated, in the order of their seniority by appointment, shall perform the duties of the president in his absence or during his inability to act if the executive vice president is not so acting. The vice presidents shall have such other duties and powers as may be assigned to or vested in them by the chairman, the chief executive officer, the president or the board of directors or by the job description relating to any duties associated with management of a particular department.

SECTION 4.9 SECRETARY.

The secretary shall: (i) keep the minutes of the proceedings of the shareholders and of the board of directors in one or more books provided for that purpose; (ii) see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; (iii) be custodian of

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the corporate records and of any seal of the corporation and if there is a seal of the corporation, see that it is affixed to all documents the execution of which on behalf of the corporation under its seal is duly authorized; (iv) when requested or required, authenticate any records of the corporation; (v) keep a register of the post office address of each shareholder which shall be furnished to the secretary by such shareholder; (vi) sign with the president or a vice-president certificates for shares of the corporation the issuance of which shall have been authorized by resolution of the board of directors; (vii) have general charge of the stock transfer books of the corporation; and (viii) in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the chief executive officer or by the board of directors.

SECTION 4.10 CHIEF FINANCIAL OFFICER.

The chief financial officer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the board of directors or the chief executive officer. The chief financial officer shall perform other duties commonly incident to his office and shall also perform such other duties and such other powers as the board of directors or the chief executive officer shall designate from time to time. The chief executive officer may direct the treasurer or any assistant treasurer, or the controller or any assistance controller to assume and perform the duties of the chief financial officer.

SECTION 4.11 TREASURER.

The treasurer shall: (i) have charge and custody of and be responsible for all funds and securities of the corporation; (ii) receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies, or other depositories as shall be selected by the board of directors; and (iii) in general perform all of the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the chief executive officer or by the board of directors. If required by the board of directors, and at company expense, the treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the board of directors shall determine.

SECTION 4.12 ASSISTANT SECRETARIES AND ASSISTANT TREASURERS.

The assistant secretaries, when authorized by the board of directors, may sign with the president or a vice-president certificates for shares of the corporation the issuance of which shall have been authorized by resolution of the board of directors. The assistant treasurers shall respectively, if required by the board of directors, and at company expense, give bonds for the faithful discharge of their duties in such sums and with such sureties as the board of directors shall determine. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or the treasurer, respectively, or by the chief executive officer or the board of directors.

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SECTION 4.13 CONTROLLER.

The controller shall keep financial records for the corporation and report the financial condition of the corporation as requested from time to time.

SECTION 4.14 SALARIES.

The compensation of the officers shall be fixed by or in the manner determined by the board of directors.

ARTICLE V. INDEMNIFICATION OF DIRECTORS, OFFICERS,
AGENTS, AND EMPLOYEES

SECTION 5.1 INDEMNIFICATION OF DIRECTORS.

The corporation shall indemnify any individual made a party to a proceeding because he is or was a director of the corporation against liability incurred in the proceeding, but only if the corporation has authorized the payment in accordance with C.R.S. Section 7-109.106(1) and a determination has been made in accordance with the procedures set forth in C.R.S. Section 7-109-106(2) that the director met the standards of conduct in paragraph (a), (b), and (c) below.

(a) Standard of Conduct The individual shall demonstrate that:

(1) he conducted himself in good faith; and

(2) he reasonably believed:

(i) in the case of conduct in his official capacity with the corporation that his conduct was in its best interests; and

(ii) in all other cases, that his conduct was at least not opposed to its best interests; and

(3) in the case of any criminal proceeding he had no reasonable cause to believe his conduct was unlawful.

(b) NO INDEMNIFICATION PERMITTED IN CERTAIN CIRCUMSTANCES. The corporation shall not indemnify a director under this Section 5.1:

(1) in connection with a proceeding by or in the right of the corporation in which the director was adjudged liable to the corporation; or

(2) in connection with any other proceeding charging improper personal benefit to him, whether or not involving action in his official capacity, in which he was adjudged liable on the basis that personal benefit was improperly received by him.

(c) INDEMNIFICATION IN DERIVATIVE ACTIONS LIMITED. Indemnification permitted under this Section 5.1 in connection with a proceeding by or in the right of the corporation is limited to reasonable expenses incurred in connection with the proceeding.

SECTION 5.2 ADVANCE EXPENSES FOR DIRECTORS.

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If a determination is made, following the procedures of C.R.S. Section 7-109-106(2), that the director has met the following requirements; and if an authorization of payment is made, following the procedures and standards set forth in C.R.S. Section 7-109-106(1), the corporation shall pay for or reimburse the reasonable expenses incurred by a director who is a party to a proceeding in advance of final disposition of the proceeding if:

(1) the director furnishes the corporation a written affirmation of his good faith belief that he has met the standard of conduct described in Section 5.1(a);

(2) the director furnishes the corporation a written undertaking, executed personally or on his behalf, to repay the advance if it is ultimately determined that he did not meet the standard of conduct (which undertaking must be an unlimited general obligation of the director but need not be secured and may be accepted without reference to financial ability to make repayment); and

(3) a determination is made that the facts then known to those making the determination would not preclude indemnification under Section 5.1.

SECTION 5.3 INDEMNIFICATION OF OFFICERS, AGENTS, AND EMPLOYEES WHO ARE NOT DIRECTORS.

The corporation shall indemnify and advance expenses to any officer of the corporation or of any of its subsidiaries or any general manager of any division of the corporation which indemnitee is not a director of the corporation to the maximum extent not inconsistent with public policy. The corporation may indemnify and advance expenses to any employee, fiduciary, or agent of the corporation who is not a director of the corporation if not inconsistent with public policy, as determined by the general or specific action of the board of directors.

ARTICLE VI. CERTIFICATES FOR SHARES AND THEIR TRANSFER

SECTION 6.1 CERTIFICATES FOR SHARES.

(a) CONTENT. Certificates representing shares of the corporation shall at a minimum state on their face the name of the corporation and that it is formed under the laws of Colorado, the name of the person to whom issued, and the number and class of shares and the designation of the series, if any, the certificate represents, and be in such form as determined by the board of directors. Such certificates shall be signed (either manually or by facsimile) by the president or a vice-president and by the secretary or an assistant secretary and may be sealed with a corporate seal or a facsimile thereof. Each certificate for shares shall be consecutively numbered or otherwise identified.

(b) LEGEND AS TO CLASS OR SERIES. The designations, relative rights, preferences and limitations applicable to each class and the variations in rights, preferences and limitations determined for each series (and the authority of the board of directors to determine variations for future series) must be summarized on the front or back of each certificate. Alternatively, each certificate may state conspicuously on its front or back that the corporation will furnish the shareholder this information on request in writing and without charge.

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(c) TRANSFERRING SHARES. All certificates surrendered to the corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor as provided in Section 6.1(d)

(d) LOST CERTIFICATES. A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

SECTION 6.2 REGISTRATION OF THE TRANSFER OF SHARES.

Registration of the transfer of shares of the corporation shall be made only on the stock transfer books of the corporation. In order to register a transfer the record owner shall surrender the shares to the corporation for cancellation properly endorsed by the appropriate person or persons with reasonable assurances that the endorsements are genuine and effective. Unless the corporation has established a procedure by which a beneficial owner of shares held by a nominee is to be recognized by the corporation as the owner, the person in whose name shares stand on the books of the corporation shall be deemed by the corporation to be the owner thereof for all purposes.

SECTION 6.3 RESTRICTIONS ON TRANSFER OF SHARES PERMITTED.

The board of directors (or shareholders) may impose restrictions on the transfer or registration of transfer of shares (including any security convertible into or carrying a right to subscribe for or acquire shares). A restriction does not affect shares issued before the restriction was adopted unless the holders of the shares are parties to the restriction agreement or voted in favor of the restriction.

A restriction on the transfer or registration of transfer of shares is valid and enforceable against the holder or a transferee of the holder if the restriction is authorized by this section and its existence is noted conspicuously on the front or back of the certificate. Unless so noted a restriction is not enforceable against a person without knowledge of the restriction.

ARTICLE VII. DISTRIBUTIONS

SECTION 7.1 DISTRIBUTIONS.

The board of directors may authorize, and the corporation may make, distributions (including dividends on its outstanding shares) in the manner and upon the terms and conditions provided by law and in the corporation's articles of incorporation.

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SECTION 7.2 DIVIDEND RESERVES.

Before payment of any dividend there may be set aside out of any funds of the corporation available for dividends such sum or sums as the board of directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the board of directors shall think best in the interests of the corporation, and the board of directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE VIII. CORPORATE SEAL

SECTION 8.1 CORPORATE SEAL.

The board of directors may provide a corporate seal which may be circular in form and have inscribed thereon any designation including the name of the corporation, Colorado as the state of incorporation, and the words "Corporate Seal."

ARTICLE IX. AMENDMENTS

SECTION 9.1 AMENDMENTS.

The corporation's board of directors may amend or repeal the corporation's bylaws unless (i) such power is reserved exclusively to the shareholders, or (ii) the bylaws prohibit the board of directors from doing so. The corporation's shareholders may amend the bylaws even though the bylaws may also be amended by its board of directors.

The above bylaws adopted by the board of directors on August 11, 1994 and amended effective October 28, 1999 and February 7, 2000.

/s/ Susan M. Chiarmonite

Secretary