

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR the year ended June 30, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number
0-4041

HATHAWAY CORPORATION
(Exact name of registrant as specified in its charter)

COLORADO 84-0518115
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

8228 PARK MEADOWS DRIVE 80124
LITTLETON, COLORADO (Zip Code)
(Address of principal executive offices)

Registrant's telephone number, including area code: (303) 799-8200
Securities registered pursuant to section 12(b) of the Act: None
Securities registered pursuant to section 12(g) of the Act: Common Stock
(no par value)

COMMON STOCK (NO PAR VALUE)
(Title of Class)

The check mark below indicates whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been
subject to such filing requirements for the past 90 days.

Yes No
--- ---

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405
of Regulation S-K is not contained herein, and will not be contained, to the
best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the
registrant, computed by reference to the average bid and asked prices of such
stock, as of September 1, 1995, was: \$8,065,041.

The number of shares outstanding of the registrant's only class of common stock,
as of September 1, 1995, was: 4,265,583.

Documents incorporated by reference:

Portions of the Registrant's definitive Proxy Statement dated September 29, 1995
are incorporated by reference in Part III of this Report. The Registrant's
Fiscal Year 1995 Annual Report is incorporated by reference in Parts I and II of
this Report.

HATHAWAY CORPORATION
FORM 10-K
FOR THE YEAR ENDED JUNE 30, 1995

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PART I

ITEM 1. BUSINESS.

INTRODUCTION

Hathaway Corporation (the Company) was organized under the laws of Colorado in 1962. At the end of fiscal year 1995 (ended June 30, 1995), the Company had two wholly-owned subsidiaries, Hathaway Systems Corporation (HSC) and subsidiaries and Computer Optical Products, Inc. As used herein, the "Company" refers to both the Company and its wholly-owned subsidiaries. The Company's executive offices are located at 8228 Park Meadows Drive, Littleton, Colorado 80124 (telephone number (303) 799-8200).

PRINCIPAL BUSINESSES

The Company is engaged in the business of designing, manufacturing and selling advanced electronic instrumentation products to the worldwide power and process industries, as well as motion control products to a broad spectrum of customers throughout the world. Prior to the sale of the Company's Application Software Segment effective January 31, 1994, the Company also developed and marketed application software for the IBM marketplace.

ELECTRONIC INSTRUMENTATION

Power and Process Instrumentation. Power monitoring and control systems are comprised of systems and instrumentation used to monitor and control the operations of power generating, transmission and distribution facilities of electric utility and process control companies, to provide the means to remotely monitor and control power utility substations, and to test circuit breakers and calibrate instruments used by electric utility and process control companies.

HSC operates three separate product divisions - Hathaway Systems, Hathaway Automation Technology and Hathaway Process Instrumentation (previously named Hathaway/Denver, Systems Northwest, and Beta Products, respectively) - and three subsidiaries - Hathaway, Inc., Hathaway Systems Limited and Hathaway Instruments Limited - engaged in the development, manufacturing and marketing of power monitoring and control systems and process instrumentation.

The Hathaway Systems Division, located in Littleton, Colorado, manufactures monitoring systems which provide a graphic waveform record of the performance of electric power systems during periods of recovery from faults and disturbances. These fault recording systems are sold primarily to electric utility companies who use the data obtained to assure the proper operation and reliability of the bulk power system. The Hathaway Systems Division also markets fault location and circuit breaker monitoring instrumentation.

Hathaway Process Instrumentation manufactures and markets monitoring systems which provide either visual annunciation and/or printed messages whenever a monitored "point" changes from an existing state. These systems are called visual annunciators and sequential event recorders (SER's). Visual annunciators and SER's are sold to electric utility companies and the process industry in general. Visual annunciators provide both visual and audible alert signals whenever a process variable goes into an alarm state. SER's provide a printed message whenever a monitored "point" changes state. The number of points monitored may range from 32 to 5,000 points from an existing state in large generating plants. Hathaway Process Instrumentation also manufactures and sells combined annunciator/SER systems with distributed architecture (which significantly reduces installation costs) for power plant application. In addition, Hathaway Process Instrumentation produces calibrators and a pneumatic calibrator model and has the exclusive rights to a line of pressure calibrators trademarked Betagauge. These units, like the other products, are very accurate and easy to use.

Hathaway Automation Technology is a leading manufacturer of Remote Terminal Units (RTUs) for Supervisory Control and Data Acquisition (SCADA) systems and Energy Management Systems (EMS). RTUs are located in power

substations or on utility poles and electronically report power system measurements and status to a central computer system. The primary mission of these systems is to present the state of the power system to power dispatch personnel, and to allow them to remotely effect changes in its configuration or operation to maintain efficient and continuous delivery of power. Hathaway Automation Technology has four distinct series of RTUs in current production, covering applications from small poletop units to the largest and most complex substations.

In fiscal year 1991, HSC acquired 100% of the common stock of Wodex Technology, Inc. (Wodex) of Toronto, Canada, a company engaged in the design, manufacture, and sale of a full line of power transducers to the process and power utility industries. In fiscal year 1992, HSC acquired the net assets of Promac, Inc. (Promac) of Toronto, Canada, a company engaged in the design, manufacture and sale of a full line of calibrators and signal conditioning products which are sold to the process industry. In March 1992, the Wodex operation relocated to the Promac facility and in July 1992, HSC merged Promac and Wodex into a new wholly-owned subsidiary named Hathaway, Inc. This subsidiary continues to design, manufacture and sell a full line of calibrators, signal conditioning products and power transducers.

During fiscal years 1991 and 1992, HSC acquired the common stock of Circuits and Systems Design Limited, a Northern Ireland headquartered supplier of products that are sold to the power utility industry. The operation was subsequently named CSD Hathaway Limited (CSD), and in fiscal year 1995 was renamed Hathaway Systems Limited. Hathaway Systems Limited designs, manufactures and sells fault and disturbance monitoring and circuit breaker testing and monitoring equipment to major power utility companies located throughout the world. The combined product offerings of Hathaway Systems Limited and Hathaway Systems Division strengthens the Company's position as one of the world's leading suppliers of fault and disturbance monitoring equipment in the world.

In September 1992, HSC formed two new wholly-owned subsidiaries. Hathaway Advanced Power Limited (HAP), located in Belfast, Northern Ireland, focuses on the development of new product technology for the power industry. Hathaway Instruments Limited (HIL), located in Hoddesdon, England, assumed responsibility for the design, manufacture and sale of fault location instruments previously performed by Hathaway Systems Limited. As of June 30, 1994, the net assets of HAP were sold to the management of HAP for the net book value of the assets, which approximated market value.

In fiscal year 1994, the Company made investments in two Chinese joint ventures. In December 1993, the Company acquired 25% of Zibo Kehui Electric Company Ltd. (Kehui), located in Zibo, China. Kehui designs, manufactures and sells cable and overhead line fault location and other test instruments within China. Under the joint venture agreement, the Company will sell these products outside of China. During the third quarter of fiscal 1994, the Company acquired 25% of Hathaway Si Fang Protection and Control Company, Ltd. (Si Fang), located in Beijing, China. Si Fang designs, manufactures and sells a new generation of digital protective relays, control equipment and instrumentation products for substations in power transmission and distribution systems within China. The Company will sell these products outside of China.

In fiscal year 1995, the Company committed to acquire a 40% interest in Hathaway Power Monitoring Systems Company, Ltd. (HPMS), located in Wuhan, China. This acquisition is subject to the approval of the Chinese government. HPMS will design, manufacture and sell, under a license from Hathaway, instrumentation products designed by Hathaway, to electric power companies in China and Chinese-owned contractors.

Motion Control Instrumentation. Hathaway's motion control products include direct current (brush and brushless) motors, optical encoders, servo amplifiers and fiber optic encoders which suit a wide range of applications in the industrial, medical, military and aerospace sectors. The products are also used by manufacturers of analytical instruments and computer peripherals.

Hathaway's motion control business is organized into two divisions and one subsidiary: Hathaway Motion Control, Hathaway Motors and Instruments and Computer Optical Products, Inc., respectively.

The Hathaway Motors and Instruments Division in Tulsa, Oklahoma, manufactures precision direct-current fractional horsepower motors with .8" to 4.0" diameters and certain motor components. Industrial equipment and military products are the major application for the motors. This division also supplies spare parts and replacement equipment for general purpose instrumentation products.

Optical encoders are manufactured by Computer Optical Products, Inc., in Chatsworth California. An optical encoder determines the speed of various mechanical parts within computer printers and plotters and analytical instruments. In plotters, the encoder is used to control the position of the x and y axis pins. The primary markets for the optical encoders are industrial, medical and computer peripheral manufacturers.

In order to optimize the profitability of the motor/encoder assemblies, the Company also manufactures encoder-compatible precision direct-current fractional horsepower motors from in its Computer Optical Products, Inc. facility. The 1" to 4" diameter motors are sold separately or are combined with optical encoders for sale as an assembly. The primary markets are computer peripheral manufacturers, instrumentation and industrial equipment manufacturers and military applications.

The Fiberoptics Division of Computer Optical Products designs, manufactures and markets fiberoptic-based encoders with characteristics suited for industrial, aerospace and military environments. Fiberoptical encoders are immune to radio frequency interference and electromagnetic pulses and will tolerate temperatures to 300(degrees)C. Applications include airborne navigational systems, anti-lock braking transducers, missile flight surface controls and high temperature process control equipment.

The Hathaway Motion Control Division was formed to pursue market opportunities for brushless direct current motors, servo amplifiers and related system components. The division serves both domestic and foreign industrial, medical, automotive and military/aerospace markets in a diverse range of applications.

APPLICATION SOFTWARE

Effective January 31, 1994, the Company sold its Application Software Segment, Global Software, Inc. (Global), to the senior management of Global. Global, formerly a wholly-owned subsidiary, was originally acquired in May, 1985 and is headquartered in Raleigh, North Carolina. The sale resulted in a net after tax gain of \$4,023,000. The Company received a cash payment of \$6,803,000, of which a portion was used to repay \$3,000,000 of the Company's long-term debt and to pay a special \$.10 per share dividend to stockholders totaling \$495,000. The remaining proceeds were used to pay the expenses and income taxes which resulted from the sale and for the other general operating activities. Global's operating results are presented in Note 3 to Consolidated Financial Statements in the 1995 Annual Report.

Global developed, marketed and supported integrated business application software and provided consulting and programming services to the IBM and IBM-compatible mainframe or IBM AS/400 mid-range computer markets. Global sold and serviced its products primarily to large and mid-sized companies in the health care, manufacturing, textile/apparel, insurance, service and other industries.

AVAILABILITY OF RAW MATERIALS

All parts and materials used by the company are in adequate supply. No significant parts or materials are acquired from a single source.

SEASONALITY OF THE BUSINESS

The Company's business is not of a seasonal nature.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The Company considers all of its operations to be in one industry segment - electronic instrumentation.

PRODUCT DISTRIBUTION AND OTHER INFORMATION

Product Distribution and Principal Markets. In addition to its own marketing and sales force, the Company has developed a worldwide network of independent sales representatives and agents to market its various product lines.

Historically, the principal market for the Company's products has been the power and process industries. Since fiscal year 1991, however, with the acquisition of subsidiaries, development of new products and the expansion of existing products to other industrial applications, the Company has penetrated a variety of markets. The Company faces competition in all of its markets, although the number of competitors varies depending upon the product. The Company believes there are only a small number of competitors in the power and process markets, but there are numerous competitors in the motion control market. The Company believes it is the world's leading manufacturer of electric power fault recording equipment, with approximately 30% of the world market in the last fiscal year. No clear market share data is available for the Company's other product areas. Competition involves primarily product performance and price, although service and warranty are also important.

Two significant changes in the power industry have recently had an impact on the domestic and European power instrumentation markets. In October of 1992, the Energy Policy Act of 1992 became law in the United States and is causing increased competition among the domestic electric utility companies. The Act requires power companies to transmit competitors' power across their own power networks and allows them to compete with each other for sales to major customers across the United States. In March of 1990, the government owned utility company in the United Kingdom was privatized in order to increase competition throughout the United Kingdom power industry (a major foreign market of the Company). The Energy Policy Act in the United States and privatization in the United Kingdom has led to downsizing and cost reductions by most utility companies and, accordingly, has currently reduced the demand for power instrumentation products. It is uncertain how long this trend will continue, but utilities will have to increase purchases of instrumentation that protect and monitor their systems in order to maintain the high quality of power provided to the consumer. The Company plans to continue introducing new products in fiscal year 1996 which will help power companies achieve lower operating costs and improve the reliability of their power.

Government Sales from Continuing Operations. Approximately \$280,000 of the Company's backlog from continuing operations as of June 30, 1995 consisted of contracts with the United States Government. The Company's contracts with the government contain a provision generally found in government contracts which permits the government to terminate the contract at its option. When the termination is attributable to no fault of the Company, the government would, in general, have to pay the Company certain allowable costs up to the time of termination, but there is no compensation for loss of profits.

Sales to Large Customers. During fiscal 1995, no single customer accounted for more than 10% of the Company's consolidated revenue from continuing operations.

Export Sales from Continuing Domestic Operations and Foreign Operations. The information required by this item is set forth in pages 17 and 23 of the Company's 1995 Annual Report and is incorporated herein by reference.

Sales Backlog. The backlog of the Company's continuing operations at June 30, 1995 consisted of sales orders totaling approximately \$8,878,000. The Company expects to ship goods filling \$8,314,000 of those purchase orders within fiscal 1996. This compares to a backlog from continuing operations of \$8,868,000 at June 30, 1994, of which \$8,340,000 was scheduled for shipment in fiscal 1995.

The Company's expenditures on engineering and development for continuing operations were \$3,616,000 in fiscal 1995, \$4,111,000 in fiscal 1994 and \$4,411,000 in fiscal 1993. Of these expenditures, no material amounts were charged directly to customers.

The Company currently maintains inventory levels adequate for its short-term needs based upon present levels of production. The Company considers the component parts of its different product lines to be readily available and current suppliers to be reliable and capable of satisfying anticipated needs.

No pollution or other types of emission result from the Company's operations and it is not anticipated that the Company's proposed operations will be affected by Federal, State or local provisions concerning environmental controls.

As of the end of fiscal 1995, the Company had approximately 363 full-time employees.

Patents, Trademarks, Licenses, Franchises, and Concessions. The Company holds several patents and trademarks regarding components used by the various subsidiaries; however, none of these patents and trademarks are considered to be of major significance.

Executive Officers. The Executive Officers of the Company are:

Mr. Eugene E. Prince, 63, has been President of the Company since October 1975, was appointed Chief Executive Officer in September 1976, and was appointed Chairman of the Board of Directors in January 1981.

Mr. Richard D. Smith, 48, has been the Company's Treasurer and Chief Financial Officer since June 1983. From June 1983 until March 1986, Mr. Smith was the Company's Secretary, and from March 1986 to January 1990 he was the Company's Assistant Secretary. Since January 1990, Mr. Smith has resumed the responsibilities of Secretary. Mr. Smith also served as the Company's Vice President of Finance from June 1983 until August 1993. In August 1993, Mr. Smith was made an Executive Vice President of the Company.

Each of the above officers is elected for a term of one year.

ITEM 2. PROPERTIES.

The Company's corporate administration offices, the corporate office of HSC and the principal office and main plant facility of the Hathaway Systems Division of HSC is located at 8228 Park Meadows Drive, Littleton, Colorado, and contains 31,152 square feet. The division relocated to this facility in October 1989 under a seven-year lease with an option to renew for an additional five-year term.

The Hathaway Automation Technology Division of HSC leases 16,155 square feet of office and manufacturing facility at 7661 South 180th Street, Kent, Washington. The four-year lease term commenced July 1, 1995 and expires June 30, 1999.

The Process Instrumentation Division leases 28,585 square feet of office and manufacturing space at 1840 Hutton Drive, Carrollton, Texas. This lease expires on February 28, 1999.

Hathaway, Inc. leases 16,189 square feet of office and manufacturing/warehouse space located at 370 Tapscott Road, Scarborough, Ontario, Canada. The lease expires on January 31, 1997.

Hathaway Systems Limited currently leases two major facilities located in Northern Ireland. 17,300 square feet of administration, sales, engineering and manufacturing space has been leased at Wildflower Way/Apollo Road in Belfast for a 10-year term which expires in 2002. 9,000 square feet of manufacturing space has been leased at 64 South Street, Newtonards, Northern Ireland; this three-year lease expires on December 31, 1997.

In February 1993, HAP entered into a five-year lease at 20 Wildflower Way, Belfast, Northern Ireland. Prior to the sale of HAP on June 30, 1994, the 4,500 square feet were used for administration and engineering. The Company is currently attempting to sublease the space.

During fiscal 1993, HIL took over Hathaway Systems Limited's office lease on Brewery Road in Hoddesdon, Hertfordshire, England. This lease for 2,800 square feet expires in 2007.

The Motors and Instruments Division has a lease for approximately 7,650 square feet of office and manufacturing space located at 10816 East Newton Street, Tulsa, Oklahoma. The current lease term expires December 31, 1995. Management believes this lease can be renewed on terms and conditions similar to the current lease.

The Motion Control Division leases 12,555 square feet of office and manufacturing space located at 10002-B East 43rd Street South, Tulsa, Oklahoma. The two-year lease term commenced August 1, 1995 and expires July 31, 1997, with an option to renew on similar terms for three more years.

Computer Optical Products, Inc. leases one facility in Chatsworth, California. In May 1994, the subsidiary entered into a three-year lease commencing June 1, 1994 with two one-year renewal options. The 10,560 square feet at 9305/09 Eton Avenue houses Computer Optical Products, including the Fiberoptics Division.

The Company's management believes the above described facilities are adequate to meet the Company's current and foreseeable needs. All facilities described above are operating at or near full capacity, except as noted.

ITEM 3. LEGAL PROCEEDINGS.

The Company has been named as a defendant in certain actions that have arisen out of the ordinary course of business. Management, based upon the advice of the Company's legal counsel, believes the actions are without merit and will not have a significant adverse effect on the Company's consolidated financial position. For additional information, see the discussion under the section entitled "Certain Litigation" (page 11) in the Company's definitive Proxy Statement dated September 29, 1995 (the Proxy Statement), which is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS.

No matter was submitted to a vote of the security holders of the Company during the fourth quarter of fiscal 1995.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Hathaway Corporation's common stock is traded on the National Association of Securities Dealers Automated Quotation System (NASDAQ) National Market System under the symbol HATH. The number of holders of record of the Company's common stock as of the close of business on September 1, 1995 was 788.

The following table sets forth, for the periods indicated, the high and low prices of the Company's common stock on the NASDAQ National Market System, as reported by NASDAQ.

	Dividends Per Share	Price Range	
		High	Low
FISCAL 1994			
First Quarter.....	\$0.105	\$3.63	\$2.38
Second Quarter.....	--	3.50	2.63
Third Quarter.....	0.100	3.50	2.88
Fourth Quarter.....	--	4.00	2.38

FISCAL 1995			
First Quarter.....	\$0.120	\$4.13	\$3.13
Second Quarter.....	--	3.88	2.75
Third Quarter.....	--	3.13	2.25
Fourth Quarter.....	--	3.13	2.38

The Bid and Asked quotations as published by NASDAQ reflect interdealer prices without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

On August 10, 1995, the Company's Board of Directors declared a cash dividend of \$.10 per common share payable on September 15, 1995 to stockholders of record on August 25, 1995.

ITEM 6. SELECTED FINANCIAL DATA.

The following table summarizes data from the Company's annual financial statements for the years 1991 through 1995 and notes thereto; the Company's complete annual financial statements and notes thereto for the current fiscal year appear in the 1995 Annual Report. See Item 1 in the Business section of this report and Notes 2 and 3 to Consolidated Financial Statements in the 1995 Annual Report for discussion of acquisitions and dispositions of business operations.

FOR THE FISCAL YEARS ENDED	1995	1994	1993	1992	1991
	-----	-----	-----	-----	-----
	(in thousands of dollars except per share data)				
Net income (loss) from continuing operations.....	\$ 842	\$ 955	\$ 23	\$ 2,064	\$ (838)
Net income (loss) from operations of divested segment and divested operation....	--	885	958	(323)	3,325
Gain on sale of segment.....	--	4,023	--	--	--
Net income (loss).....	842	5,863	981	1,741	2,487
Net revenues from continuing operations....	39,838	43,028	45,741	42,806	27,809
Fully diluted earnings (loss) per share:					
Continuing operations.....	0.19	0.19	--	0.45	(0.19)
Operations of divested segment and divested operation.....	--	0.18	0.21	(0.07)	0.72
Sale of segment.....	--	0.81	--	--	--
Net income (loss).....	0.19	1.18	0.21	0.38	0.53
Cash dividends:					
Per share.....	0.12	0.205	--	--	--
Total amount paid.....	536	992	--	--	--
Total assets at June 30.....	23,312	24,432	28,326	27,763	28,629
Total long-term debt at June 30.....	2,144	2,298	5,819	6,953	7,912

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information required by this item is set forth in pages 27 through 31 of the Company's 1995 Annual Report and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by this item is included in pages 9 through 26 of the Company's 1995 Annual Report and is incorporated herein by reference.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Hathaway Corporation:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements included in Hathaway Corporation's 1995 Annual Report incorporated by reference in this Form 10-K, and have issued our report thereon dated July 31, 1995. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The supplemental Schedule II is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Denver, Colorado,
July 31, 1995.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

The Company has not changed its accounting or auditing firm during the past 24 months, nor has it had any material disagreements with its accountants or auditors regarding any accounting or financial statement disclosure matters.

PART III

The information required by Part III is included in the Company's Proxy Statement, and is incorporated herein by reference.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information required by this item is set forth in the sections entitled "Election of Directors" (page 2), "Executive Officers" (page 3) and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" (page 10) in the Company's Proxy Statement and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is set forth in the section entitled "Executive Compensation" (pages 5 through 9) in the Company's Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this item is set forth in the section entitled "Security Ownership of Certain Beneficial Owners and Management" (pages 4 and 5) in the Company's Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Since July 1, 1994, the Company has not entered into any material related party transactions.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

I. FINANCIAL STATEMENTS. The information required by this item and detailed below is included in the 1995 Annual Report (pages 9 through 26) and is incorporated herein by reference.

Consolidated Balance Sheets as of June 30, 1995 and June 30, 1994.

Consolidated Statements of Operations for each of the years in the three-year period ended June 30, 1995.

Consolidated Statements of Cash Flows for each of the years in the three-year period ended June 30, 1995.

Consolidated Statements of Stockholders' Investment for each of the years in the three-year period ended June 30, 1995.

Notes to Consolidated Financial Statements.

Report of Independent Public Accountants.

II. FINANCIAL STATEMENT SCHEDULES

The following financial statement schedule is included in this report:

Schedule	Subject
II	Valuation and Qualifying Accounts

Financial statement schedules, other than those listed above, are omitted because they are either not applicable or not required, or because the information sought is included in the Consolidated Financial Statements or the Notes thereto within the 1995 Annual Report.

III. EXHIBITS

Exhibit Index, regarding exhibits filed in accordance with Item 601, is at Page 11, hereof.

IV. REPORTS ON FORM 8-K.

The registrant did not file any reports on Form 8-K during the fourth quarter of fiscal year 1995.

EXHIBIT INDEX

Exhibit No. -----	Subject -----	Page -----
3.1	Restated Articles of Incorporation.	*
3.2	Amendment to Articles of Incorporation, dated September 24, 1993.	*
3.3	By-laws of the Company adopted August 11, 1994.	*
4	Rights Agreement between Hathaway Corporation and Bank of America National Trust and Savings Association, dated June 15, 1989. Incorporated by reference to the Company's 1989 Annual Report and Form 10-K for the fiscal year ended June 30, 1989.	*
10.1	Amendment No. 1 to Warrant to Purchase Common Stock of Hathaway Corporation granted to Household Commercial Financial Services, Inc., dated as of June 15, 1987. Incorporated by reference to Exhibit 10c(iii) to the Company's 1989 Annual Report and Form 10-K for the fiscal year ended June 30, 1989.	*
10.2	Amendment No. 1 to Warrant to Purchase Common Stock of Hathaway Corporation granted to Ford Motor Credit Company, dated as of June 15, 1987. Incorporated by reference to Exhibit 10c(iv) to the Company's 1989 Annual Report and Form 10-K for the fiscal year ended June 30, 1989.	*
10.3	Severance Agreement dated June 15, 1989 between Hathaway Corporation and Eugene E. Prince. Incorporated by reference to Exhibit 10n(i) to the Company's 1989 Annual Report and Form 10-K for the fiscal year ended June 30, 1989.	*
10.4	Severance Agreement dated June 15, 1989 between Hathaway Corporation and Richard D. Smith. Incorporated by reference to Exhibit 10n(ii) to the Company's 1989 Annual Report and Form 10-K for the fiscal year ended June 30, 1989.	*
10.5	Lease Agreement between Vantex Management Company, Inc. and Hathaway Corporation dated June 2, 1989. Incorporated by reference to Exhibit 10s to the Company's 1989 Annual Report and Form 10-K for the fiscal year ended June 30, 1989.	*
10.6	Lease Agreement between Circuits and Systems Design Limited and Department of Economic Development (Northern Ireland) dated April 7, 1992. Incorporated by reference to Exhibit 10(iii)D to the Company's 1992 Annual Report and Form 10-K for the fiscal year ended June 30, 1992.	*
10.7	The Hathaway Corporation Amended 1980 Non-Incentive Stock Option Plan. Incorporated by reference to the Company's Form S-8 filed August 3, 1981.	*
10.8	The 1983 Incentive and Non-Qualified Stock Option Plan dated September 22, 1983. Incorporated by reference to the Company's Form S-8 filed May 10, 1984.	*
10.9	Amendment to the 1983 Incentive and Non-Qualified Stock Option Plan dated January 4, 1989. Incorporated by reference to the Company's Form S-8 filed October 25, 1990.	*

Exhibit No. -----	Subject -----	Page -----
10.10	The 1989 Incentive and Non-Qualified Stock Option Plan dated August 10, 1989. Incorporated by reference to the Company's Form S-8 filed October 25, 1990.	*
10.11	The 1991 Incentive and Non-Statutory Stock Option Plan dated September 19, 1991. Incorporated by reference to the Company's Form S-8 filed January 8, 1992.	*
10.12	Management Incentive Bonus Plan for the fiscal years ending June 30, 1993 and 1994. Incorporated by reference to Exhibit 10.16 to the Company's Form 10-K for the fiscal year ended June 30, 1993.	*
10.13	Joint Venture Agreement between Zibo Kehui Electric Company and Hathaway Instruments Limited, for the establishment of Zibo Kehui Electric Company Ltd., dated July 25, 1993.	*
10.14	Letter of Intent dated July 27, 1993 by the Global Management Group to acquire 100% of the issued and outstanding shares of Global Software, Inc. from Hathaway Corporation. Incorporated by reference to Exhibit 10.17 to the Company's Form 10-K for the fiscal year ended June 30, 1993.	*
10.15	Employment Agreement between Hathaway Corporation and Eugene E. Prince, dated July 1, 1993.	*
10.16	Employment Agreement between Hathaway Corporation and Richard D. Smith, dated July 1, 1993.	*
10.17	Loan and Security Agreement dated August 2, 1993 between Hathaway Corporation, certain subsidiaries of Hathaway Corporation and Marine Midland Business Loans, Inc. Incorporated by reference to Exhibit 10.18 to the Company's Form 10-K for the fiscal year ended June 30, 1993.	*
10.18	Loan Facility Agreement dated August 2, 1993 between CSD Hathaway Limited and Forward Trust Limited. Incorporated by reference to Exhibit 10.19 to the Company's Form 10-K for the fiscal year ended June 30, 1993.	*
10.19	Reimbursement Agreement dated August 2, 1993 between CSD Hathaway Limited and Marine Midland Business Loans, Inc. Incorporated by reference to Exhibit 10.20 to the Company's Form 10-K for the fiscal year ended June 30, 1993.	*
10.20	Promissory Note from Eugene E. Prince to Hathaway Corporation, dated October 27, 1993.	*
10.21	Promissory Note from Richard D. Smith to Hathaway Corporation, dated October 26, 1993.	*
10.22	Promissory Note from Bruce B. Brundage to Hathaway Corporation, dated October 27, 1993.	*

Exhibit No. -----	Subject -----	Page -----
10.23	Plan and Agreement of Merger by and between Ronald J. Kupferman, William H. Burnette, Michael R. Merwarth, Global Management Group, Inc., Global Software, Inc. and Hathaway Corporation, dated December 15, 1993. Incorporated by reference to the Company's Form 8-K filed December 20, 1993.	*
10.24	Joint Venture Contract between Si Fang Protection and Control Company Limited and Hathaway Corporation for the establishment of Beijing Hathaway Si Fang Protection and Control Company, Ltd., dated March 2, 1994.	*
10.25	Assignment and Assumption of Lease Agreement, Letter Agreement, Collateral Assignment and Amendment to Lease Agreement between Trammel Crow Company No. 91, Petula Associates, Ltd., Symantec Corporation and Hathaway Systems Corporation-Beta Products Division, dated June 1, 1994.	*
10.26	Agreement for Sale of Business by and between Hathaway Advanced Power Limited, Kelman Limited, Hathaway Systems Corporation and John E. Cunningham, dated July 27, 1994.	*
10.27	Management Incentive Bonus Plan for the fiscal year ended June 30, 1995.	
10.28	Management Incentive Bonus Plan for the fiscal year ending June 30, 1996.	
10.29	Joint Venture Contract between Wuhan Electric Power Instrument Factory, Beijing Huadian Electric Power Automation Corporation and Hathaway Corporation for the establishment of Hathaway Power Monitoring Systems Company, Ltd., dated June 12, 1995.	
10.30	Technology License Contract between Wuhan Electric Power Instrument Factory and Beijing Huadian Electric Power Automation Corporation on behalf of Hathaway Power Monitoring Systems Company, Ltd. and Hathaway Corporation, dated June 12, 1995.	
10.31	Supplementary Agreement between Wuhan Electric Power Instrument Factory, Beijing Huadian Electric Power Automation Corporation and Hathaway Corporation, dated August 30, 1995.	
13	1995 Annual Report.	
21	List of Subsidiaries.	
22	Definitive Proxy Statement, dated September 29, 1995 for the Registrant's 1995 Annual Meeting of Shareholders.	*
23	Consent of ARTHUR ANDERSEN LLP.	

* These documents have been filed with the Securities and Exchange Commission, and are incorporated herein by reference.

SUBSIDIARIES OF HATHAWAY CORPORATION

- 1) Hathaway Systems Corporation, a Colorado corporation.
- 2) Computer Optical Products, Inc., a Colorado corporation.
- 3) Hathaway, Inc., a Canadian corporation.
- 4) Hathaway Systems Limited, a Northern Ireland corporation.
- 5) Hathaway Instruments Limited, a United Kingdom corporation.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated July 31, 1995 incorporated by reference in this Form 10-K, into the Company's previously filed Registration Statement on Form S-8 (No. 2-73235) of the Hathaway Corporation Amended 1980 Non-Incentive Stock Option Plan dated August 3, 1981, into the Registration Statement on Form S-8 (No. 2-90687) of the 1983 Incentive and Non-Qualified Stock Option Plan of Hathaway Corporation dated May 10, 1984, into the Registration Statement on Form S-8 (No. 3344998) of the 1992 Employee Stock Purchase Plan of Hathaway Corporation dated January 8, 1992, into the Registration Statement on Form S-8 (No. 33-37473) of the 1989 Incentive and Non-Qualified Stock Option Plan of Hathaway Corporation dated October 25, 1990, and into the Registration Statement on Form S-8 (No. 3344997) of the 1991 Incentive and Non-Statutory Stock Option Plan of Hathaway Corporation dated January 8, 1992.

ARTHUR ANDERSEN LLP

Denver, Colorado,
September 26, 1995.

SIGNATURES

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

HATHAWAY CORPORATION

By /s/ Eugene E. Prince

 Eugene E. Prince
 President, Chief Executive
 Officer and Chairman of the
 Board of Directors

Date: September 26, 1995

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

Signatures -----	Title -----	Date -----
/s/ Eugene E. Prince ----- Eugene E. Prince	President, Chief Executive Officer, and Chairman of the Board of Directors	September 26, 1995
/s/ Richard D. Smith ----- Richard D. Smith	Executive Vice President, Treasurer, Secretary and Chief Financial Officer (Chief Accounting Officer)	September 26, 1995
/s/ George J. Pilmanis ----- George J. Pilmanis	Director	September 26, 1995
/s/ Marvin J. Fein ----- Marvin J. Fein	Director	September 26, 1995
/s/ Chester H. Clarridge ----- Chester H. Clarridge	Director	September 26, 1995
/s/ Graydon D. Hubbard ----- Graydon D. Hubbard	Director	September 26, 1995

HATHAWAY CORPORATION

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions from Reserves	Balance at End of Period
=====				
YEAR ENDED JUNE 30, 1995:				
Reserve for bad debts.....	\$394,000	\$ 46,000	\$135,000	\$305,000

YEAR ENDED JUNE 30, 1994:				
Reserve for bad debts.....	\$463,000	\$158,000	\$227,000	\$394,000

YEAR ENDED JUNE 30, 1993:				
Reserve for bad debts.....	\$212,000	\$350,000	\$ 99,000	\$463,000

HATHAWAY CORPORATION

Management Incentive Bonus Plan
for the Fiscal Year Ending
June 30, 1995

=====

OBJECTIVE:

- - - - -

The objective of this Incentive Compensation Plan (the "Plan") is to provide an incentive to certain Executives of Hathaway Corporation (the "Company") to increase profits to the Company by offering these individuals an opportunity to participate in a fund which is to be established by the Company from a portion of its operating profits and/or its cash flow. A fund will be established for each group, division and/or subsidiary based on its forecasted profitability for 1995 and its past fiscal year's financial results, with certain executives of each division participating in their respective funds.

ELIGIBILITY:

- - - - -

Executives eligible for participation are officers or executive level employees as the President may select and the Board of Directors of the Company (the "Board") shall approve. Eligibility shall not confer any vested rights, however, it being understood that being an eligible executive shall mean only that such executive may potentially receive an award pursuant to the Board's final determination referred to below. It is the intention of the Board that such individuals be designated and approved as early in the fiscal year as possible.

TERM:

- - - - -

This Plan shall be effective for the fiscal year ending June 30, 1995, unless modified by the Board.

ADMINISTRATION OF THE PLAN:

- - - - -

The Plan will be administered by the President, under the direction of the Board, which will retain the option to modify the Plan from time-to-time, retroactively, as well as prospectively, and whose decision shall be final and binding on all parties.

ESTABLISHMENT OF THE FUNDS

- - - - -

For the purpose of making incentive payments, separate funds ("the Funds") will be established for each group, division, and/or subsidiary, in accordance with the attached schedules. The Funds will be established out of a portion of each group, division, and/or subsidiary's Adjusted Plan Income, as hereinafter defined.

Adjusted Plan Income is income for each group, division, and/or subsidiary for the fiscal year ending June 30, 1995, before; (1) provision for federal and state income taxes, (2) minority interest in net income of subsidiaries, (3) extraordinary credits or losses, (4) provisions for the Employees' Stock Ownership Plan and Trust and Cash Bonus Plan, (5) provision for amounts set aside for the Funds and (6) such other amounts as the Board determines to provide management incentives to accomplish the goals and objectives of the Company. The Adjusted

MANAGEMENT INCENTIVE BONUS PLAN FOR
THE FISCAL YEAR ENDING JUNE 30, 1995 (CONTINUED)

=====
Plan Income for each group, division, and/or subsidiary shall include all intercompany charges and credits, including interest charged for intercompany loans and/or the corporate asset charge, as defined by the President.

ADDING OR DELETING PARTICIPANTS DURING THE PLAN YEAR:

An individual designated to participate in the Plan who leaves the employ of the Company prior to the date of distribution shall not be entitled to participate in the Fund. However, the portion of the Fund that would otherwise have been allocated to such employee shall revert back to the Company and shall not be reallocated to the remaining participants. The intent is that the remaining employees will not benefit from or be detrimentally affected by the termination of other employees, and the amount of the Fund that would otherwise be distributed to the remaining employees shall remain the same.

An individual hired during the Plan Year that replaces an executive designated to participate in the Plan, or who is a new addition (not replacing a designated participant), and who is employed for a minimum of 90 days prior to June 30, 1995, will be entitled to participate in the respective Fund for the pro-rata portion of the year that such new employee is employed by the Company.

If an individual is a replacement of a participating employee who terminates, then the portion of the Fund, or a part thereof, that would have otherwise been allocated to the terminated employee and which reverted back to the Company shall be reallocated to the replacement employee. The amount that will be distributed to the replacement employee on the date of distribution will be the lesser of; (A) the amount which reverted back to the Company that would have been allocated to the terminated employee had such employee stay the full plan year or, (B) the amount computed by multiplying the amount of the Fund times the ratio of the replacement employee's actual salary earned during the 12 months ending June 30, 1995 multiplied times that individual's salary multiple, to the total annual salaries of all participants on August 16, 1994 (excluding the replacement employee's salary), including the employee whose employment terminated, multiplied by each employee's salary multiple.

If the individual is a new addition, then a portion of the Fund that would have otherwise been allocated to all other participants will be allocated to the new employee. The amount that will be distributed to each eligible participant on the date of distribution will be computed by multiplying the amount of the Fund times the ratio of the participant's salary multiplied times his/her salary multiple to the total of the salaries of all participants, including the new employee, multiplied times each employee's salary multiple. The salaries of the participants used to determine the numerator and denominator of such ratio shall be determined by multiplying the monthly salary being paid on August 16, 1994 times the number of months the individual was employed during the fiscal year ending June 30, 1994, multiplied times their salary multiple.

DISTRIBUTION OF THE FUND:

Following the close of the fiscal year ending June 30, 1995, the President will present to the Board his determination of the amount to be set aside for the Fund and his recommendations regarding awards to be made to eligible executives. The amount will have been audited and confirmed to be in agreement with the Plan by the Company's independent auditors. For distributions of the group, division, and/or

MANAGEMENT INCENTIVE BONUS PLAN FOR
THE FISCAL YEAR ENDING JUNE 30, 1995 (CONTINUED)

=====

subsidiary Funds that are based on the salaries of the participants, the salaries that are to be used in calculating such distributions shall be the current rate of salary being paid on August 16, 1994, multiplied times their salary multiples.

At the first meeting of the Board of Directors, following completion of the audit for the fiscal year ending June 30, 1995, by the Company's independent auditors, the Board of Directors will consider the recommendations of the President and make a final determination as to the awards to be made to eligible executives. The Board's determination may vary from the President's recommendation and may make total awards of more or less than the amount to be set aside as set forth above. The Board may also choose to make no awards. The payment will be made to the participants immediately following the Board Meeting.

HATHAWAY CORPORATION

Management Incentive Bonus Plan
for the Fiscal Year Ending
June 30, 1996

=====

OBJECTIVE:

- - - - -

The objective of this Incentive Compensation Plan (the "Plan") is to provide an incentive to certain Executives of Hathaway Corporation (the "Company") to increase profits to the Company by offering these individuals an opportunity to participate in a fund which is to be established by the Company from a portion of its operating profits and/or its cash flow. A fund will be established for each group, division and/or subsidiary based on its forecasted profitability for 1996 and its past fiscal year's financial results, with certain executives of each division participating in their respective funds.

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TERM:

- - - - -

This Plan shall be effective for the fiscal year ending June 30, 1996, unless modified by the Board.

ADMINISTRATION OF THE PLAN:

- - - - -

The Plan will be administered by the President, under the direction of the Board, which will retain the option to modify the Plan from time-to-time, retroactively, as well as prospectively, and whose decision shall be final and binding on all parties.

ESTABLISHMENT OF THE FUNDS

- - - - -

For the purpose of making incentive payments, separate funds ("the Funds") will be established for each group, division, and/or subsidiary, in accordance with the attached schedules. The Funds will be established out of a portion of each group, division, and/or subsidiary's Adjusted Plan Income, as hereinafter defined.

Adjusted Plan Income is income for each group, division, and/or subsidiary for the fiscal year ending June 30, 1996, before; (1) provision for federal and state income taxes, (2) minority interest in net income of subsidiaries, (3) extraordinary credits or losses, (4) provisions for the Employees' Stock Ownership Plan and Trust and Cash Bonus Plan, (5) provision for amounts set aside for the Funds and (6) such other amounts as the Board determines to provide management incentives to accomplish the goals and objectives of the Company. The Adjusted

MANAGEMENT INCENTIVE BONUS PLAN FOR
THE FISCAL YEAR ENDING JUNE 30, 1996 (CONTINUED)

=====
Plan Income for each group, division, and/or subsidiary shall include all intercompany charges and credits, including interest charged for intercompany loans and/or the corporate asset charge, as defined by the President.

ADDING OR DELETING PARTICIPANTS DURING THE PLAN YEAR:

An individual designated to participate in the Plan who leaves the employ of the Company prior to the date of distribution shall not be entitled to participate in the Fund. However, the portion of the Fund that would otherwise have been allocated to such employee shall revert back to the Company and shall not be reallocated to the remaining participants. The intent is that the remaining employees will not benefit from or be detrimentally affected by the termination of other employees, and the amount of the Fund that would otherwise be distributed to the remaining employees shall remain the same.

An individual hired during the Plan Year that replaces an executive designated to participate in the Plan, or who is a new addition (not replacing a designated participant), and who is employed for a minimum of 90 days prior to June 30, 1996, will be entitled to participate in the respective Fund for the pro-rata portion of the year that such new employee is employed by the Company.

If an individual is a replacement of a participating employee who terminates, then the portion of the Fund, or a part thereof, that would have otherwise been allocated to the terminated employee and which reverted back to the Company shall be reallocated to the replacement employee. The amount that will be distributed to the replacement employee on the date of distribution will be the lesser of; (A) the amount which reverted back to the Company that would have been allocated to the terminated employee had such employee stay the full plan year or, (B) the amount computed by multiplying the amount of the Fund times the ratio of the replacement employee's actual salary earned during the 12 months ending June 30, 1996 multiplied times that individual's salary multiple, to the total annual salaries of all participants on August 16, 1995 (excluding the replacement employee's salary), including the employee whose employment terminated, multiplied by each employee's salary multiple.

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DISTRIBUTION OF THE FUND:

Following the close of the fiscal year ending June 30, 1996, the President will present to the Board his determination of the amount to be set aside for the Fund and his recommendations regarding awards to be made to eligible executives. The amount will have been audited and confirmed to be in agreement with the Plan by the Company's independent auditors. For distributions of the group, division, and/or subsidiary Funds that are based on the salaries of the participants, the salaries that are to be used in

MANAGEMENT INCENTIVE BONUS PLAN FOR
THE FISCAL YEAR ENDING JUNE 30, 1996 (CONTINUED)

=====
calculating such distributions shall be the current rate of salary being paid on August 16, 1995, multiplied times their salary multiples.

At the first meeting of the Board of Directors, following completion of the audit for the fiscal year ending June 30, 1996, by the Company's independent auditors, the Board of Directors will consider the recommendations of the President and make a final determination as to the awards to be made to eligible executives. The Board's determination may vary from the President's recommendation and may make total awards of more or less than the amount to be set aside as set forth above. The Board may also choose to make no awards. The payment will be made to the participants immediately following the Board Meeting.

JOINT VENTURE CONTRACT

between

WUHAN ELECTRIC POWER INSTRUMENT FACTORY,

BEIJING HUADIAN ELECTRIC POWER AUTOMATION CORPORATION

and

HATHAWAY CORPORATION

for the establishment of

HATHAWAY POWER MONITORING SYSTEMS COMPANY, LTD.

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Schedule

Appendix A Technology License Contract

JOINT VENTURE CONTRACT

In accordance with the "Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment" and other relevant Chinese rules and regulations, WUHAN ELECTRIC POWER INSTRUMENT FACTORY ("Party A"), BEIJING HUADIAN ELECTRIC POWER AUTOMATION CORPORATION ("Party B") and HATHAWAY CORPORATION ("Party C"), adhering to the principle of equality and mutual benefit and through friendly consultation, agree to set up a joint venture enterprise in Wuhan, People's Republic of China. Party A, Party B and Party C are hereinafter collectively referred to as "Parties" and individually as "Party".

ARTICLE 1 - DEFINITIONS

Unless the terms or context of this Joint Venture Contract ("Contract") otherwise provides, the following terms shall have the meanings set out below:

- 1.01 "Articles of Association" shall mean the Articles of Association of the Company executed by the Parties on June 12, 1995.
- 1.02 "Affiliate" shall mean any company which, through ownership of voting stock or otherwise directly or indirectly, is controlled by, under common control with, or in control of, a Party; the term "control" being used in the sense of power to elect the majority of directors or to direct management.
- 1.03 "Board" shall mean the board of directors of the Company.
- 1.04 "Company" shall mean Hathaway Power Monitoring Systems Company, Ltd., the joint venture limited liability company formed by the Parties pursuant to the Joint Venture Law, the Joint Venture Regulations, and other relevant Chinese laws and this Contract.
- 1.05 "Effective Date" means the effective date of this Contract, which shall be the date on which this Contract and the Articles of Association have been approved by the Examination and Approval Authority.
- 1.06 "Examination and Approval Authority" shall mean the Ministry of Foreign Trade and Economic Cooperation or its local delegate.
- 1.07 "Joint Venture Law" shall mean the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment.
- 1.08 "Joint Venture Regulations" shall mean the Regulations for the Implementation of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment.

- 1.9 "Management Personnel" shall mean the Company's General Manager, Deputy General Manager and other management personnel as decided by the Board.
- 1.10 "Renminbi" or "RMB" shall mean the lawful currency of China.
- 1.11 "SAIC" shall mean the State Administration for Industry and Commerce of China or a branch thereof.
- 1.12 "Technology License Contract" shall mean the technology license contract to be entered into between Party A and Party B on behalf of the Company and Party C in the form of Appendix A.
- 1.13 "United States Dollars" or "US\$" shall mean the lawful currency of the United States of America.
- 1.14 "Working Personnel" shall mean the employees of the Company, other than the Management Personnel.

ARTICLE 2 - PARTIES TO THE CONTRACT

2.01 The Parties

The Parties to this Contract are:

- (a) Party A, Wuhan Electric Power Instrument Factory, a Chinese state-owned enterprise registered in Wuhan, People's Republic of China, with its legal address at 2 Qiujiawan, Guangbutun, Wuhan, 430072, People's Republic of China.

Legal Representative of Party A:

Name: Yuan Jiaqing
Position: Director - Senior Engineer
Nationality: Chinese

- (b) Party B, Beijing Huadian Electric Power Automation Corporation, a Chinese state-owned enterprise registered in Beijing, People's Republic of China, with its legal address at Jia 17, Xi San Huan Nan Lu, Beijing, 100073, People's Republic of China.

Legal Representative of Party B:

Name: Xu Quankun
Position: General Manager
Nationality: Chinese

(c) Party C, Hathaway Corporation, a corporation registered in the State of Colorado, U.S.A. with its legal address at 8228 Park Meadows Drive, Littleton, Colorado, 80124, U.S.A.

Legal Representative of Party C:

Name: Eugene Prince
Position: President and Chief Executive Officer
Nationality: American

2.02 Authority and Representations

Each of the Parties represents that it possesses full power and authority to enter into this Contract and to perform its obligations hereunder and that the signatory of each of the Parties is fully authorized to sign this Contract. If an individual other than a Party's legal representative shall sign this Contract, he shall do so only pursuant to a valid power of attorney, a copy of which shall be provided to the other Party. At the time of the execution of this Contract, Party A and Party B shall provide Party C with a copy of their business licenses, and Party C shall provide Party A and Party B with certified copies of its Articles of Incorporation.

2.03 Change of Legal Representative

Each Party shall have the right to change its legal representative and shall promptly notify the other Party of such change and the name, position and nationality of its new legal representative.

ARTICLE 3 - ESTABLISHMENT OF THE JOINT VENTURE COMPANY

3.01 Establishment of the Company

The Parties hereby agree to establish the Company promptly after the Effective Date in accordance with the Joint Venture Law, the Joint Venture Regulations and the provisions of this Contract.

3.02 Name and Address of the Company

- (a) The name of the Company shall be " _____ " in Chinese, and "Hathaway Power Monitoring Systems Company, Ltd." in English.
- (b) The legal address of the Company shall be 2 Qiujiawan, Guangbutun, Wuhan, 430072, People's Republic of China.

3.03 Laws and Decrees

The Company shall be a legal person under the laws of China. The activities of the Company shall be governed and protected by the laws, decrees and relevant rules and regulations of China.

3.04 Limited Liability Company

The form of organization of the Company shall be a limited liability company. Subject to the following, the profits, risks and losses of the Company shall be shared by the Parties in proportion to their respective contributions to the Company's registered capital. Except as otherwise provided herein, once a Party has paid in full its contribution to the registered capital of the Company, it shall not be required to provide any further funds to or on behalf of the Company by way of capital contribution, loan, advance, guarantee or otherwise. Creditors of the Company shall have recourse only to the assets of the Company and shall not seek repayment from any of the Parties. The Company shall indemnify the Parties against all losses, damages, liability suffered by the Parties in respect of any third party claims arising out of the operation of the Company.

3.05 Branch To Be Established in Beijing

The Parties agree that after the establishment of the Company and pursuant to a unanimous board resolution, the Company will establish a branch in Beijing in accordance with relevant local laws and regulations.

ARTICLE 4 - THE PURPOSE AND SCOPE OF

BUSINESS OF THE COMPANY

4.01 Purpose of the Company

The purpose of the Company is to manufacture and sell fault recorders and automation instrumentation products, use the designs of Party C to improve fault recording technology, set up an international standard manufacturing, research and development facility in China and market the Company's products in China and overseas, subject to Article 7.01. The Joint Venture Products will be sold to, among other purchasers, Chinese-owned contractors for installation into power generation, transmission and distribution facilities under construction by such contractors outside of China.

4.02 Scope of Business of the Company

Business scope of the Company is to design, manufacture and sell digital fault recorders and automation instrumentation products for use by electric power

companies for substations in power transmissions and distribution systems (the "Joint Venture Products"). The scale of production is estimated to be two hundred (200) units per year.

ARTICLE 5 - TOTAL AMOUNT OF INVESTMENT AND

REGISTERED CAPITAL

5.01 Total Investment

The Company's total amount of investment shall be Five Hundred Thousand United States Dollars (US\$500,000).

5.02 Registered Capital

The Company's registered capital shall be Three Hundred Fifty Thousand United States Dollars (US\$350,000). If the Company requires additional cash to operate the business of the Company as determined by the Board of Directors, the Parties agree to contribute additional capital of One Hundred Fifty Thousand United States Dollars (US\$150,000) with Party A contributing forty percent (40%) of such additional registered capital, Party B contributing twenty percent (20%) of such additional registered capital and Party C contributing forty percent (40%) of such additional registered capital. Any further increases will be handled pursuant to Article 5.07 of this Contract.

5.03 Contribution to Capital

- (a) Party A's contribution to the registered capital of the Company shall be the Renminbi equivalent of One Hundred Forty Thousand United States Dollars (US\$140,000), representing a forty percent (40%) share of the registered capital of the Company.
- (b) Party B's contribution to the registered capital of the Company shall be Seventy Thousand United States Dollars (US\$70,000), representing a twenty percent (20%) share of the registered capital of the Company.
- (c) Party C's contribution to the registered capital of the Company shall be One Hundred Forty Thousand United States Dollars (US\$140,000), representing a forty percent (40%) share of the registered capital of the Company. Of Party C's total contribution to the registered capital of the Company, Seventy Thousand United States Dollars (US\$70,000) will be paid in cash and, as indicated in 5.04(a), Seventy Thousand United States

Dollars (US\$70,000) or 20% of the total amount of registered capital of the Company will be in the form of the technology licensed to the Company from Party C pursuant to the Technology License Contract.

5.04 Payment of Registered Capital and Conditions Precedent Thereto

- (a) Subject to Article 5.04(c) below, each Party shall pay into the Company via electronic or bank transfer its registered capital contribution within ten (10) days of the fulfilment of all of the conditions precedent set forth in Article 5.04(c).

Party C will pay its contribution to the registered capital of the Company, as specified in Article 5.03(c), less the initial license fee required to be paid by the Company to Party C pursuant to Article 4.01 of the Technology License Contract.

- (b) In the event that a Party fails to pay in the respective share of registered capital to be subscribed by it in whole or in part as described above, such Party shall be liable to pay simple interest to the Company on the deficit from the time due until the time paid at two (2) percentage points above the six-months London Interbank Offered Rate (LIBOR) for United States Dollars.
- (c) The Parties' obligations to complete their respective contribution to the Company's registered capital shall not arise until each of the following conditions has been fulfilled:
- (i) approval of the Contract and Articles of Association without varying the terms hereof or thereof;
 - (ii) approval of the Technology License Contract without varying the terms thereof; and
 - (iii) issuance of the business license of the Company by the SAIC without varying the terms of this Contract or the Articles of Association.

Each of the above documents shall be satisfactory in form and substance to the Parties. If any of the above conditions precedent are not fulfilled within sixty (60) days after the date of execution of this Contract, and the Parties do not agree in writing to waive such conditions precedent or to extend the time for their fulfilment, any Party shall have the right to terminate this Contract, in which case no Party shall have any right whatsoever to require the other Parties to make any contribution to the registered capital or to claim any damages from the other Parties.

5.05 Investment Certificate

After each Party makes a contribution to the registered capital, a Chinese registered accountant shall verify the contribution and issue a contribution verification report. Once each Party's registered capital contribution has been paid in full, the Company shall issue an investment certificate to each Party signed by the Chairman and the Vice Chairman of the Board.

5.06 Assignment of Registered Capital

- (a) Each Party to this Contract may assign all or part of its amount of capital contribution (the "Disposing Party") to a third party provided the Disposing Party obtains the written consent of all the other Parties and the approval of the Examination and Approval Authority.
- (b) When a Party is to assign all or part of its amount of capital contribution pursuant to (a) above, each of the remaining Parties has a pre-emptive right of purchase at a price equal to that offered by the third party. The Disposing Parties shall notify the remaining Parties in writing of the terms and conditions of the assignment, and such remaining Parties shall have the right to exercise their pre-emptive right of purchase within thirty (30) days after receipt of the notice. If all of the remaining Parties exercise their pre-emptive right of purchase, the Disposing Party shall assign its amount of capital contribution to such Parties in the proportion of their respective capital contributions. If only one of the remaining Parties exercises its pre-emptive rights of purchase, the Disposing Party shall assign the full amount of its capital contribution to such Party. If all remaining Parties fail to exercise their pre-emptive rights of purchase, the Disposing Party may assign its amount of capital contribution only upon the consent of all such Parties. In the event that all such Parties consent to the sale of the capital contribution of the Disposing Party, the assignee shall execute a document by which it becomes a party to this Contract.
- (c) Any sale or assignment pursuant to the above shall be unanimously agreed to at a meeting of the Board and must be submitted to the Examination and Approval Authority for examination and approval. Upon receipt of the approval of the Examination and Approval Authority the Company shall register the change in ownership with the appropriate office for the SAIC.

5.07 Increase of Registered Capital

- (a) Any increase in the registered capital of the Company which is deemed necessary by the management of the Company must be approved by a unanimous vote of the Board present in person or by proxy at a duly constituted meeting thereof and submitted to the Examination and Approval Authority for examination and approval. Upon receipt of the approval of the Examination and Approval Authority, the Company shall register the increase in registered capital with the appropriate office for the administration of industry and commerce.
- (b) Any increase in the registered capital of the Company shall be contributed by the Parties in the same manner and in accordance with the ratio of each Party's share of the registered capital at the time of such increase, and within the time limit specified by the Board for such increase.
- (c) In the event any Party fails to pay in registered capital as provided in Article 5.04 or fails to provide its portion of any increase in its registered capital as described in (b) above then in addition to any other rights it may have against the defaulting Party, the Company will offer such portion to the non-defaulting Parties on a pro-rata basis. Such offer to provide a portion of any increase in the registered capital as described in this paragraph shall be approved by the Examination and Approval Authority.

5.08 Additional Financing

Besides the registered capital, the Company's future additional financing will be obtained through loans from sources in China or outside China. If the Company needs the assistance of the Parties when arranging for loans, the Parties, subject to their mutual approval, shall provide guarantees in proportion to the ratio of their respective contributions to the Company's registered capital.

ARTICLE 6 - RESPONSIBILITIES OF THE PARTIES

6.01 Responsibilities of Party A and Party B

In addition to their obligations under this Contract Party A and Party B shall have the following responsibilities which shall be provided at their own expense:

- (a) assist the Company in obtaining necessary approvals, permits and licenses for the establishment and operation of the Company;
- (b) provide their contributions to the registered capital of the Company as provided in Article 5.04;

- (c) assist the Company in applying for and obtaining the most preferential tax reductions and exemptions and other investment incentives available under the laws and regulations of Wuhan Municipality;
- (d) assist the Company in liaising with and making business arrangements for operations pursuant to its authorized scope of business;
- (e) assist the Company in liaising with the relevant authorities to effectively procure the external water supply, fuel supply, power supply, transportation, communications and other services required for the Company's operations;
- (f) assist the Company in obtaining from local banks necessary working capital Renminbi loans;
- (g) assist the Company in arranging for the transportation of equipment, materials and products within China and for the purchase or lease of equipment, materials, raw materials, office equipment, means of transportation and communication equipment;
- (h) assist the Company in carrying out required import and export customs declaration formalities with respect to goods imported and exported by the Company;
- (i) assist the Company in developing sales channels for the Joint Venture Products;
- (j) assist the Company in opening Renminbi and foreign currency bank accounts;
- (k) assist the expatriate employees of the Company to obtain necessary entry visas and work permits;
- (l) assist the Company in recruiting various types of qualified Chinese personnel;
- (m) assist the Company in handling the necessary approvals to enable the Company to utilize the various methods permitted under Chinese law to balance its foreign exchange;
- (n) assist the Company in arranging for the design and construction of the premises and engineering facilities; and
- (o) handle other matters entrusted by the Board from time to time.

6.02 Responsibilities of Party A

In addition to its obligations under this Contract, Party A shall have the following obligations:

- (a) build mechanical parts, including the cabinets for the Company at a price to be unanimously agreed upon by the Board of Directors, which price shall not be greater than the market price charged by a third party supplier in Wuhan municipality;
- (b) lease space to the Company consisting of fifty (50) square meters at its factory in Wuhan at a monthly rental rate of twenty Renminbi (RMB(Yen)20) per square meter and upon terms to be unanimously agreed upon by the Board of Directors, which terms shall be comparable to the prevailing market practices in Wuhan; and
- (c) commencing from December 1996, lease additional space to the Company which is required to carry on its business and which is initially estimated to consist of five hundred (500) square meters at its factory in Wuhan at a monthly rental rate of twenty Renminbi (RMB(Yen)20) per square meter and upon terms to be unanimously agreed upon by the Board of Directors. The terms shall be comparable to the prevailing market practices in Wuhan. The rental rate shall stay fixed for five (5) years after which it will be adjusted to the then prevailing market rate for the area.
- (d) The monthly rental fee described in subclauses (b) and (c) shall be inclusive of all services and utilities, except for electricity fees.

6.03 Responsibilities of Party B

In addition to its obligations under this Contract, Party B shall be obliged to lease space to the Beijing branch of the Company after its establishment, which such space is required to carry on its business. The space is initially estimated to consist of twenty (20) square meters at its factory in Beijing at a monthly rental rate of twenty Renminbi (RMB(Yen)20) per square meter and upon terms to be unanimously agreed upon by the Board of Directors. The terms shall be comparable to the prevailing market practices in Beijing. The monthly rental fee shall be inclusive of all services and utilities, except for electricity fees.

6.04 Responsibilities of Party C

In addition to its obligations under this Contract, Party C shall have the following responsibilities:

- (a) provide its contribution to the registered capital of the Company pursuant to Article 5.04;

- (b) assist the Company in the purchase outside China of equipment, materials and other goods necessary for the operation of the Company;
- (c) assist the Company to recruit personnel in charge of management, sales and operations;
- (d) provide advice and assistance to the Company in the implementation of advanced management, accounting and risk management systems;
- (e) provide fifty (50) days of free training and assistance to the Company for its personnel to be properly trained and qualified to manufacture, sell, support and service the Joint Venture Products, (any training and assistance in excess of fifty (50) days shall be provided at a rate equal to sixty percent (60%) of Party C's standard daily charges plus travel and living costs); the Company shall pay all travel and living costs of its employees for training provided at Party C's facility;
- (f) assist the Company to obtain necessary working capital financing from domestic and foreign sources;
- (g) handle other matters entrusted by the Board from time to time;
- (h) pursuant to the Technology License Contract, license the Know-how to the Company for the manufacture of the Joint Venture Products, as those terms are defined in the Technology License Contract.

ARTICLE 7 - SALES OF JOINT VENTURE PRODUCTS AND TECHNOLOGY

7.01 Sale of Joint Venture Products

The Company will directly sell the Joint Venture Products in the Chinese market. The Joint Venture Products will be sold to overseas markets once Party C has determined that the Joint Venture Products meet international quality and price standards, and upon making such determination, Party C will be the exclusive overseas sales agent for all of the Joint Venture Products. Notwithstanding the foregoing, Party C retains the right to sell its own products in the Chinese market.

7.02 Sales Networks

The Joint Venture Products sold in the domestic market may be sold either by the Company directly or through other relevant Chinese sales organizations pursuant to agency or distribution contracts entered into between the Company and such organizations.

7.03 Technology

Simultaneously, with the execution of this Contract, Party A and Party B on behalf of the Company and Party C shall execute the Technology License Contract.

ARTICLE 8 - BOARD OF DIRECTORS

8.01 The Formation of the Board

- (a) The date on which the Company obtains its business license shall be considered the date of establishment of the Board of Directors.
- (b) The Board shall consist of five (5) directors. Party A shall appoint two (2) directors, Party B shall appoint two (2) directors and Party C shall appoint one (1) director. At the time this Contract is executed and each time a director is appointed or removed, each Party shall notify in writing the others of the names of its appointees.
- (c) Each director shall be appointed for a term of three (3) years and may serve consecutive terms if reappointed by the Party originally appointing him. If a seat on the Board is vacated by the retirement, resignation, illness, disability or death of a director or by the removal of such director by the Party which originally appointed him, the Party which originally appointed such director shall appoint a successor to serve out such director's term.
- (d) A director selected by Party C shall serve as the Chairman of the Board and a director selected by Party A shall serve as Vice Chairman of the Board. The Chairman of the Board shall be the legal representative of the Company. Whenever the Chairman of the Board is unable to perform his responsibilities for any reason, the Vice Chairman or, if the Vice Chairman is not available, another director may be authorized by the Chairman temporarily to represent him. The Chairman of the Board shall exercise his authority within the limits prescribed by the Board and may not under any circumstances contractually bind the Company or otherwise take any action on behalf of the Company without prior approval of the Board.
- (e) No director shall have any liability for any acts performed within the scope of his duties stipulated by the Board except for such acts in violation of criminal laws. The Company shall indemnify each director against any such claims which may be brought against such director.

8.02 Powers of the Board

- (a) The Board shall be the highest authority of the Company.

(b) Resolutions involving the following matters may only be adopted at a duly constituted and convened meeting of the Board upon the unanimous affirmative vote of each and every director of the Board voting in person or by proxy at such meeting:

- (i) the amendment of this Contract, the Articles of Association and the Technology License Contract;
- (ii) the merger of the Company with another organization;
- (iii) dissolution of the Company;
- (iv) the increase of the registered capital or assignment of equity share and the conditions thereof;
- (v) borrowing of funds;
- (vi) hiring or termination of the general manager or the deputy general managers;
- (vii) the modification and implementation of the distribution of profits policy of the Company;
- (viii) purchase or lease of any factory or major property or equipment;
- (ix) hiring of independent auditing firm;
- (x) approval of the budget and financial forecast for each year;
- (xi) adoption of major rules and regulations of the Company;
- (xii) approval of any transaction that commits the Company to a liability that exceeds one year in duration;
- (xiii) approval of any fees to be paid to the directors for services provided to the Company;
- (xiv) approval of the annual business and financial reports;
- (xv) approval of the salaries of the general manager and deputy general managers;
- (xvi) approval of all bonus plans and bonuses paid to the general manager and deputy general manager; and

(xvii) any transaction between the Company and one or more of the Parties.

(c) Other issues that require resolutions by the Board may be raised at a duly convened meeting of the Board and must be adopted by the affirmative vote of three (3) directors present at such meeting in person or by proxy.

8.03 Meetings

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- (a) The first Board meeting shall be held within one (1) month from the date of issuance of the Company's business license.
 - (b) Board meetings shall be held at least once each year. In principle, one meeting shall be held annually within one month of the issuance of the audited financial statements of the Company but in any event no later than April 15 of each year. Meetings shall be held at the registered address of the Company or such other address in China or abroad as is designated by the Board. Meetings may be attended by directors in person or by proxy.
 - (c) The Chairman of the Board shall set the agenda after consultation with the Vice Chairman of the Board and be responsible for convening and presiding over such meetings.
 - (d) Upon the written request of two (2) or more of the directors of the Company specifying the matters to be discussed, the Chairman of the Board shall within thirty (30) days convene an interim meeting of the Board. The Chairman and in his absence the Vice Chairman shall decide on the timing and location of such interim meetings. Four (4) directors present in person or by proxy shall constitute a quorum which shall be necessary for the conduct of business at any meeting of the Board; provided, however, that one of the directors is a director appointed by Party C. If at any properly convened meeting, no quorum is constituted because less than four (4) directors are present in person or by proxy, then the Chairman may call another meeting with twenty-one (21) days notice to each director. Any director absent from a meeting without giving reason shall be considered abstaining from voting.
 - (e) In case a Board member is unable to participate in the Board meeting, he shall issue a proxy and entrust a representative to participate in the meeting on his behalf. The representative so entrusted shall have the same rights and powers as the Board member.
 - (f) All Board meetings shall be conducted in English. The Board will cause complete and accurate minutes (in both English and Chinese) to be kept of all meetings (including a copy of the notice of the meeting) and of

business transacted at such meetings. Minutes of all meetings of the Board shall be distributed to all the directors as soon as practicable after each meeting but not later than thirty (30) days from the date of such meeting. Any director who wishes to propose any amendment or addition thereto shall submit the same in writing to the Chairman and the Vice-Chairman within two (2) weeks after receipt of the proposed minutes. The minutes shall be finalized by the Chairman and Vice-Chairman not later than sixty (60) days after the relevant meeting and signed by all the directors within two (2) weeks after receipt of the final minutes.

- (g) Any action to be taken by the Board may be taken without a meeting if all members of the Board consent in writing to such action. Such written consent shall be filed with the minutes of the Board proceedings and shall have the same force and effect as a unanimous vote taken by members physically present.
- (h) Members of the Board shall serve without any remuneration unless the Board decides otherwise, but all reasonable costs, including but not limited to transportation costs for Board meeting attendance, incurred by the directors in the performance of their duties as members of the Board shall be borne by the Company.

ARTICLE 9 - OPERATION AND MANAGEMENT

9.01 Management Organization

The Company shall adopt a management system under which the management organization shall be responsible to and under the leadership of the Board. The Company shall have a General Manager and two Deputy General Managers. The General Manager shall be an individual of high professional qualifications and experience. The General Manager shall be nominated by the Board of Directors and each of Party A and Party B shall nominate a Deputy General Manager. Each of the General Manager and the Deputy General Managers shall be appointed by the Board. If the General Manager or a Deputy General Manager are removed, a successor shall be nominated and appointed in the same manner as the original appointment. The term of employment for the General Manager and the Deputy Managers is two (2) years. Members of the Board may serve as management personnel.

9.02 Responsibilities and Powers of the General Manager and the Deputy

General Manager

The General Manager shall be in charge of the day-to-day operation and management of the Company, shall be responsible to the Board and shall carry out all matters entrusted by the Board. The Deputy General Managers shall assist the General Manager in his work. The General Manager and the Deputy General Managers shall perform their duties on a full time basis and shall perform all other obligations as described in the Articles of Association of the Company. The General Manager and the Deputy General Managers shall not hold posts concurrently with other enterprises. The Board will identify major issues with respect to the day-to-day operation of the Company. The General Manager and the Deputy General Managers will handle such major issues pursuant to their mutual agreement. When the General Manager is absent, a Deputy General Manager may represent him within the scope of authority specified by the General Manager. The General Manager and the Deputy General Managers shall have no liability for any acts performed in their official capacity except for such acts in violation of criminal laws. Upon reasonable notice, the General Manager, the Deputy General Managers and other management personnel shall meet with representatives from Party C and report on the operations of the Company. The Management Personnel shall consider any recommendations from Party C's representative

9.03 Dismissal of Management Personnel

Without limiting the authority of the Board to remove the Management Personnel, the Board shall have the authority to dismiss at any time any Management Personnel in the event that the Board determines that such Management Personnel has engaged in any fraudulent acts or have grossly neglected his duties. In such event, the Management Personnel shall be personally liable for any financial losses incurred by their fraudulent act or gross neglect of duties.

9.04 Resignation of Management Personnel

Management Personnel shall provide the Company with no less than sixty (60) days prior written notice for resignation from his duties.

ARTICLE 10 - SUPPLY AND PURCHASE OF MATERIALS,

EQUIPMENT AND SERVICES

10.01 Imported Raw Materials, Equipment and Services

The Company shall have the right to import materials, equipment and goods necessary for its operations in the required qualities and quantities and at competitive prices, except that materials, equipments and products involving import licenses shall be handled in accordance with the relevant import licensing regulations in China. The Company shall have the right to appoint foreign architects, consultants, engineers and contractors to undertake certain work required by the Company if it chooses such service providers through a competitive selection process. The Company shall also have the right to reimburse the Parties' expenses for services provided on behalf of the Company.

10.02 Domestic Purchases for Renminbi

Except as otherwise required by law, equipment and services purchased by the Company within China shall be paid in Renminbi.

ARTICLE 11 - LABOR MANAGEMENT

11.01 Governing Principle

Matters relating to the recruitment, employment, dismissal, resignation, wages, welfare and other matters concerning the staff and workers of the Company shall be handled in accordance with the Labor Law of the People's Republic of China and the Regulations of the People's Republic of China on Labor Management in Joint Ventures Using Chinese and Foreign Investment (the "Labor Regulations").

11.02 Working Personnel

Working Personnel shall have the right to establish a labor union in accordance with Chapter 12 of the Joint Venture Regulations. Working Personnel shall be employed by the Company in accordance with the terms of a labor contract entered into between the Company and the Working Personnel, which shall be filed with the local labor authorities for the record.

11.03 Management Personnel

The General Manager and other Management Personnel shall be employed by the Company in accordance with the terms of individually executed employment

contracts. The salary, benefits, bonuses, etc. of each Management Personnel shall be recommended by the General Manager and approved by the Board. The selection and specific terms of employment of temporary expatriate employees or consultants, if any, shall be made and decided by the General Manager and Deputy General Manager. The salaries, rewards and other compensation paid to foreign personnel will be paid in foreign exchange, unless otherwise agreed with such personnel.

11.04 Conformity with Labor Protection

The Company shall conform to rules and regulations of the Chinese government concerning labor protection and ensure safe and civilized production. Labor insurance for the working personnel of the Company shall be handled in accordance with the relevant regulations of the Chinese government.

11.05 Labor Union Funds

In accordance with Article 99 of the Joint Venture Regulations, the Company shall allot each month two percent (2%) of the total amount of the real wages received by the Company staff and workers for payment into a labor union fund, such payment to be an expense of the Company. The labor union may use these funds in accordance with the relevant control measures for labor union funds formulated by the All China Federation of Labor Unions.

11.06 Number of Employees

The qualification and the number of employees shall be determined autonomously in accordance with the operating needs of the Company.

11.07 Employee Examination and Recruitment

- (a) The Company shall observe the Labor Regulations and other relevant regulations of the Wuhan Municipality and the Company shall have autonomy in determining its employment policies and relevant matters.
- (b) Employees will be selected according to their professional qualifications and working experiences. All employees hired by the Company must complete satisfactorily a six-month probationary period of employment before they will be officially considered employees of the Company.

ARTICLE 12 - FINANCIAL AFFAIRS AND ACCOUNTING

12.01 Accounting System

- (a) The financial controller shall be responsible for the financial management of the Company under the leadership of the General Manager.
- (b) The General Manager and the financial controller shall prepare the accounting system and procedures in accordance with the Accounting Regulations of the People's Republic of China for Foreign Investment Enterprises promulgated by the Ministry of Finance. The accounting system and procedures to be adopted by the Company shall be submitted to the Board for approval. Once approved by the Board, the accounting system and procedures shall be filed with the department in charge of the Company and with the relevant local department of finance and the tax authorities for the record. The debit and credit method, as well as the accrual basis of accounting, shall be adopted as the methods and principles for keeping accounts.
- (c) The Company shall adopt Renminbi as its bookkeeping base currency, but shall also adopt the United States Dollar as a supplementary bookkeeping currency.
- (d) All accounting records, vouchers, books and statements of the Company shall be made and kept in Chinese. All monthly and annual accounting statements and forecasts of the Company shall also be made and kept in both Chinese and English.
- (e) When preparing the Company's accounts and statements, calculating dividends to be distributed to the Parties, and for any other currency conversions, except as otherwise permitted under applicable regulations, such conversion shall be in accordance with the median of the official rate for buying and selling announced by the Bank of China on the date of actual receipt or payment. Actual gains or losses will be booked as gains or losses.

12.02 Auditing

- (a) An independent accountant registered in China shall be engaged by the Company as its auditor to examine and verify the annual financial report. The Parties agree that such accountant shall be of international standard and shall be nominated by Party C and appointed by the Board. The Company shall submit to the Parties an annual statement of final accounts (including the audited profit and loss statement and the balance sheet for the fiscal year) within three (3) months after the end of the fiscal year, together with the audit report of the Chinese registered accountant. The Company shall also prepare such accounting statements as requested by Party C to meet its internal requirements in accordance with international accounting principles as instructed by Party C.

- (b) Each Party may, at its own expense, appoint an accountant (which may be either an accountant registered abroad or registered in China), on behalf of such Party, to audit the accounts of the Company. Reasonable access to the Company's financial records shall be given to such auditor and such auditor shall keep confidential all documents under his auditing.

12.03 Bank Accounts and Foreign Exchange Control

The Company shall separately open a foreign exchange account and a Renminbi account at an authorized bank within or outside China approved by the State Administration for Exchange Control. Funds in both accounts shall be removed and transferred only upon instructions signed by the [General Manager, Deputy General Manager and Financial Controller.] The Company's foreign exchange transactions shall be handled in accordance with the regulations of China relating to foreign exchange control, including use of Foreign Exchange Adjustment Centers.

12.04 Foreign Exchange Balance

- (a) The Company shall be responsible to maintain a balance in its foreign exchange receipts and expenditures through the sale of its products and through other methods permitted under the laws of China.
- (b) Liquid funds in the Company's foreign exchange account shall be used in the following order of priority:
 - (i) payment for royalties under the Technology License Contract;
 - (ii) payment for imported raw materials and equipment;
 - (iii) payment for imported services; and
 - (iv) remittance of profits to Party C.
- (c) All remittances of profits and other remittances to Party C out of China will be made to a designated foreign bank account in United States Dollars or other freely convertible foreign currencies in accordance with the foreign exchange regulations of China.
- (d) If the profit distributed to Party C in any year is in Renminbi because of insufficient foreign exchange reserves, then Party C can require the Company to open a separate Renminbi bank account for such Renminbi profits and hold the same together with interest accrued until such time as the Company shall have sufficient foreign exchange to convert the Renminbi into foreign exchange and remit the profit together with any interest accrued to Party C pursuant to Article 12.04(c) above. The

Company shall effect all conversions of Party C's Renminbi profits into foreign exchange as expeditiously as possible.

12.05 Fiscal Year

The Company shall adopt the calendar year as its fiscal year, which shall begin on January 1 and end on December 31 of the same year except that the first fiscal year of the Company shall commence on the date that the Company is established and granted a business license, and shall end on the immediately succeeding December 31.

12.06 Profits Distribution

- (a) After the payment of income tax by the Company, the Board will determine the annual allocation to the reserve fund and expansion fund of the Company, and the bonus and welfare fund for the workers and staff members from the after-tax net profits. The sum of the annual allocations to the three funds shall be decided by the Board.
- (b) The Board shall once every year by a formally adopted resolution decide the amount of after-tax net profit of the Company (after the deduction of the allocations to the three funds mentioned in paragraph (a) above) to be retained in the Company for expanding the production and operation of the Company and the amount to be distributed among the Parties in proportion to their respective shares in the registered capital. The profits of Party A and Party B shall be distributed exclusively in Renminbi while Party C's profits shall be distributed in foreign exchange to the extent of the Company's available foreign exchange funds. Unless the Board unanimously decides otherwise, all distributable profit shall be distributed to the Parties as provided in subclause (c) hereof.
- (c) If the Company carries losses from the previous years, the profit of the current year shall first be used to cover the losses. No profit shall be distributed unless the cumulative deficit from the previous years is made up. After the end of each year, the Company shall distribute fifty percent (50%) of the cumulative net profits of the Company minus all profit distributions previously made. After the end of each year and subject to unanimous decision by the Board, an additional profit distribution (in addition to the fifty percent that is required to be paid under this subclause) will be paid in an amount equal to the cumulative net profits of the Company minus all profit distributions previously made.

ARTICLE 13 - TAXATION AND INSURANCE

13.01 Income Tax, Customs Duties and Other Taxes

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- (a) The Company shall pay tax under the relevant laws of China and the special tax regulations applicable to the Wuhan Municipality. Chinese and foreign management and working personnel shall pay their individual income tax in accordance with the Individual Income Tax Law of China.
 - (b) The tax liability of the Company and its employees shall be handled in accordance with the provisions of the promulgated tax laws and regulations of China.

13.02 Insurance

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- (a) The Company shall, at its own cost and expense, at all times take out and maintain full and adequate insurance for the Company against loss or damage by fire and such other risks as are customarily insured against.
 - (b) The property, transportation and other items of insurance of the Company will be denominated in Chinese and foreign currencies, as appropriate. The types and amounts of insurance coverage shall be determined by the Board.
 - (c) The Company shall take out the required insurance from the People's Insurance Company of China or any other insurance company authorized by the relevant Chinese authorities. If the Company is unable to fulfil its insurance requirements within China, it may procure such policies outside China.

ARTICLE 14 - CONFIDENTIALITY

14.01 Confidentiality

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- (a) Each Party may, from time to time prior to and during the term of this Contract, disclose confidential and proprietary information to the other Parties. In addition, the Parties may, from time to time during the term of this Contract, obtain confidential and proprietary information of the Company in connection with the operation of the Company. Alternatively, the Company may, from time to time during the term of this Contract, obtain confidential and proprietary information of the Parties. Each of the Parties and the Company receiving such information shall, during the term of this Contract and for ten (10) years thereafter:
 - (i) maintain the confidentiality of such information; and

- (ii) not disclose it to any person or entity, except to their employees who need to know such information to perform their responsibilities.
- (b) Each Party shall advise its directors, senior staff, and other employees receiving such information of the existence of and the importance of complying with the obligations set forth in paragraph (a) above.
- (c) If required by any Party, the Company shall execute a separate secrecy agreement with provisions similar to those in paragraphs (a) to (b) above with respect to confidential and proprietary information obtained by the Company from Party A and its Affiliates, Party B and its Affiliates, or Party C and its Affiliates.
- (d) Each Party and the Company shall formulate rules and regulations to cause its directors, senior staff, and other employees, and those of their Affiliates also to comply with the confidentiality obligation set forth in this Article 14.
- (e) The know-how and any other technical information provided in any way by any Party or its Affiliates to the Company or otherwise acquired in any way or developed by the Company shall be used only for the purposes of the Company.
- (f) This Article 14 and the obligations and benefits hereunder shall survive for ten (10) years after the expiration or termination of this Contract, notwithstanding the termination, dissolution or liquidation of the Company.

ARTICLE 15 - THE JOINT VENTURE TERM

15.01 Joint Venture Term

The joint venture term of the Company shall commence on the date of the issuance of the business license and shall expire on the date thirty (30) years after the issuance of the business license unless extended pursuant to the provisions of Article 15.02.

15.02 Extension of Joint Venture Term

If the Board unanimously approves the extension of the joint venture term, the Company shall apply to the Examination and Approval Authority no less than six (6) months prior to the expiration of the Joint Venture Term. The joint venture term may be extended only upon approval of the Examination and Approval Authority.

16.01 Termination

This Contract shall terminate upon the expiration of the Joint Venture Term unless extended pursuant to Article 15.02. Unless otherwise specified, each Party shall also have the right to terminate this Contract prior to the expiration of the Joint Venture Term by written notice to the other Parties:

- (a) if any other Party materially breaches this Contract or violates the Articles of Association, and such breach or violation is not cured within three (3) months of written notice to the breaching Party;
- (b) if the Company or any other Party becomes bankrupt, or is the subject of proceedings for liquidation or dissolution, or ceases to carry on business or becomes unable to pay its debts as they come due;
- (c) if any other Party does not exercise its pre-emptive right under Article 5.06(b) and refuses to consent to the transfer of registered capital of the notifying Party;
- (d) if any other Party transfers its share of the registered capital in the Company in violation of the provisions of this Contract;
- (e) if any government authority having authority over any of the Parties requires any provision of this Contract to be revised in such a way as to cause significant adverse consequences to the Company or any of the Parties;
- (f) if the conditions or consequences of Force Majeure (as hereinafter defined) prevail with the result of a major impairment to the functioning of the Company for a period in excess of six (6) months and the Parties have been unable to find an equitable solution pursuant to Article 18 hereof;
- (g) if the Company cannot achieve its business purpose and there is no future for further development;
- (h) if the Parties cannot implement the economic adjustment set forth in Article 20.02; or
- (i) if the Parties agree to terminate this Contract.

16.02 Notification Procedure

In the event that any of the Parties gives notice pursuant to Article 16.01 hereof of a desire to terminate this Contract, the Parties shall within a two (2) month period after such notice is given to conduct negotiations and endeavour to resolve the reason for notification of termination. In the event matters are not resolved to the satisfaction of the Parties within two (2) months of such notice or any of the non-notifying Party definitely refuses to commence negotiations within the period stated above, the notifying Party may terminate this Contract with immediate effect, whereupon each Party shall cause its appointed Directors to pass a resolution dissolving the Company, which shall be submitted to the Examination and Approval Authority for approval.

16.03 Buy-out

Upon termination of this Contract, the Parties may agree that one or more Parties (the "Purchasing Parties") shall purchase the other Party's or Parties' (the "Disposing Parties") rights and interests in the Company. In such case, the Parties shall commence negotiations on the purchase price of the Disposing Parties' interest in the Company. If the Parties cannot agree on the purchase price of the Disposing Parties' interest in the Company within sixty (60) days of commencing negotiations thereon, the Company shall be liquidated pursuant to Article 16.04 hereof.

16.04 Liquidation

- (1) If this Contract has been terminated for any reason and the Parties have not agreed on an acquisition of the Company as a going concern by a Party or by a third party, then the physical assets of the Company shall be valued by and liquidated under the direction of a liquidation committee formed in accordance with relevant Chinese law.
- (2) In valuing and selling physical assets, the liquidation committee shall use every effort to obtain the highest possible price for such assets, including the retention of an independent third party expert knowledgeable in assessing the value of the types of assets owned or held by the Company to assist in such valuation. Sales of the Company's assets shall be in United States Dollars to the fullest extent possible.
- (3) After liquidation and the settlement of all outstanding debts of the Company and subject to the payment of any applicable taxes, the proceeds shall be paid over to the Parties in the proportion to their contributions to the registered capital of the Company. Any and all amounts payable to Party C pursuant to this Article 16 shall be paid promptly in United States Dollars and shall be remittable to Party C out of China in accordance with relevant foreign exchange regulations.

16.05 Survival

To the extent permitted by law, the provisions of this Article and the obligations and benefits hereunder shall survive the termination of this Contract and the termination, dissolution or liquidation of the Company.

ARTICLE 17 - BREACH OF CONTRACT

17.01 Liability for Breach of Contract

In the event that a breach of contract committed by any of the Parties to this Contract results in the non-performance of or inability to fully perform this Contract, the liabilities arising from the breach of contract shall be borne by the Party in breach as provided in this Contract. In the event that a breach of contract is committed by more than one Party, each Party shall bear its individual share of the liabilities arising from the breach of contract. Notwithstanding the foregoing, the aggregate liability of each Party under this Article 17 shall not exceed such Party's investment in the registered capital of the Company.

ARTICLE 18 - FORCE MAJEURE

18.01 Force Majeure

- (a) "Force Majeure" shall mean all events which are beyond the control of the Parties to this Contract, and which are unforeseen, unavoidable or insurmountable, and which arise after the Effective Date and which prevent total or partial performance by any of the Parties. Such events shall include earthquakes, typhoons, flood, fire, war, or any other events which cannot be foreseen, prevented or controlled, including instances which are accepted as force majeure in general international commercial practice.
- (b) If an event of Force Majeure occurs, a Party's contractual obligations affected by such an event under this Contract shall be suspended during the period of delay caused by the Force Majeure and shall be automatically extended, without penalty, for a period equal to such suspension.
- (c) The Party claiming Force Majeure shall promptly inform each of the other Parties in writing and shall furnish within fifteen (15) days thereafter sufficient proof of the occurrence and duration of such Force Majeure. The Party claiming Force Majeure shall also use all reasonable endeavours to terminate the Force Majeure.
- (d) In the event of Force Majeure, the Parties shall immediately consult among themselves in order to find an equitable solution and shall use all

reasonable endeavours to minimize the consequences of such Force Majeure.

ARTICLE 19 - SETTLEMENT OF DISPUTES

19.01 Consultations

In the event a dispute arises in connection with the interpretation or implementation of this Contract, the Parties shall attempt in the first instance to resolve such dispute through friendly consultations. If the dispute is not resolved in this manner within sixty (60) days after the commencement of discussions, then any of the Parties may submit the dispute for arbitration in Singapore for final decision pursuant to the Arbitration Rules of the United Nations Commission on International Trade Law. The appointing authority shall be the Singapore International Arbitration Centre, with instructions that the arbitration be conducted as follows:

- (a) the arbitrators shall refer to both of the Chinese and English texts of this Contract;
- (b) there shall be three (3) arbitrators.

19.02 Effect of Arbitration Award

The arbitration award shall be final and binding on the Parties, and the Parties agree to be bound thereby and to act accordingly.

19.03 Costs

The costs of arbitration shall be borne by the losing Party, unless otherwise determined by the arbitration award.

19.04 Continuing Rights and Obligations

When any dispute occurs and when any dispute is under arbitration, except for the matters under dispute, the Parties shall continue to exercise their remaining respective rights, and fulfil their remaining respective obligations under this Contract.

19.05 Enforcement of Award

In any arbitration proceeding, any legal proceeding to enforce any arbitration award and in any legal action between the Parties pursuant to or relating to this Contract,

each of the Parties expressly waives the defense of sovereign immunity and any other defense based on the fact or allegation that it is an agency or instrumentality of a sovereign state. Any award of the arbitrators shall be enforceable by any court having jurisdiction over the Party or Parties against which the award has been rendered, or wherever assets of the Party or Parties against which the award has been rendered can be located and shall be enforceable in accordance with the "United Nations Convention on the Reciprocal Enforcement of Arbitral Awards (1958)".

ARTICLE 20 - APPLICABLE LAW

20.01 Applicable Law

The validity, interpretation and implementation of this Contract shall be governed by the laws of the People's Republic of China which are published and publicly available, but in the event that there is no published and publicly available law in China governing a particular matter relating to this Contract, reference shall be made to general international commercial practices.

20.02 Economic Adjustment

If after the date of this Contract any of the Parties' economic benefits are adversely and materially affected by the promulgation of any new laws, rules or regulations of China, or by the amendment or interpretation of any existing laws, rules or regulations of China, or by a fundamental change in economic or political circumstances, then the Parties shall promptly consult among themselves and use their best endeavours to implement any adjustments necessary to maintain each Party's economic benefits derived from this Contract on a basis no less favourable than the economic benefits it would have derived if such laws, rules or regulations had not been promulgated or amended or so interpreted. If it is not possible to implement such adjustments, a Party may terminate this Contract under Article 16.

20.03 Preferential Treatment

The Company and the Parties shall be entitled according to the law to any tax, investment or other benefits or preferences that become available or publicly known after the signing of this Contract and which are more favourable than those set forth in this Contract.

ARTICLE 21 - MISCELLANEOUS PROVISIONS

21.01 Waiver

To the extent permitted by Chinese law, failure or delay on the part of any of the Parties hereto to exercise a right, power or privilege under this Contract shall not operate as a waiver thereof; nor shall any single or partial exercise of a right, power or privilege preclude any other future exercise thereof.

21.02 Assignability

This Contract may not be assigned in whole or in part by any Party without the prior written consent of the other Parties hereto and the obtaining of the approval of the Examination and Approval Authority.

21.03 Binding Effect

This Contract is made for the benefit of the Parties and their respective lawful successors and assignees and is legally binding on them. This Contract may not be changed orally, but only by a written instrument signed by the Parties and approved by the Examination and Approval Authority.

21.04 Severability

The invalidity of any provision of this Contract shall not affect the validity of any other provision of this Contract.

21.05 Language

This Contract is executed in the Chinese language in six (6) originals and in the English language in six (6) originals. Both language versions shall be equally authentic.

21.06 Entire Agreement

This Contract constitutes the entire agreement between the Parties with respect to the subject matter of this Contract and supersede all prior discussions, negotiations and agreements among them. In the event of any conflict between the terms and provisions of this Contract and the Articles of Association, the terms and provisions of this Contract shall prevail.

21.07 Notices

Any notice or written communication provided for in this Contract by any of the Parties to the other, including but not limited to any and all offers, writings, or notices to be given hereunder, shall be made in English by facsimile and confirmed by courier service delivered letter, promptly transmitted or addressed to the appropriate Parties. The date of receipt of a notice or communication hereunder shall be deemed to be two (2) working days after dispatch of a facsimile. All notices and communications shall be sent to the appropriate address and fax

numbers set forth below, until the same is changed by notice given in writing to each of the other Party.

PARTY A:

Wuhan Electric Power Instrument Factory
2 Qiujiawan, Guangbutun,
Wuhan, 430072

Facsimile No: 86-27-788-2716

Attention: Yuan Jiaqing

PARTY B:

Beijing Huadian Electric Power Automation Corporation
Jia 17
Xi San Huan Nan Lu
Beijing, 100073
People's Republic of China

Facsimile No: 86-10-326-4395

Attention: Xu Quankun

PARTY C:

Hathaway Corporation
8228 Park Meadows Drive
Littleton, Colorado, 80124
U.S.A.

Facsimile No: 1-303-799-8880

Attention: Richard D. Smith

IN WITNESS WHEREOF, each of the Parties hereto have caused this Contract to be executed by their duly authorized representatives on the 12th day of June, 1995.

WUHAN ELECTRIC POWER INSTRUMENT FACTORY

By: _____

Name: Yuan Jiaqing
Position: Director - Senior Engineer
Nationality: Chinese

Title: Director-Senior Engineer

Nationality: Chinese

BEIJING HUADIAN ELECTRIC POWER AUTOMATION CORPORATION

By: _____

Name: Xu Quankun
Position: General Manager
Nationality: Chinese

HATHAWAY CORPORATION

By: _____

Name: Eugene Prince
Title: President and Chief Executive Officer
Nationality: American

TECHNOLOGY LICENSE CONTRACT

BETWEEN

WUHAN ELECTRIC POWER INSTRUMENT FACTORY

AND

BEIJING HUADIAN ELECTRIC POWER AUTOMATION CORPORATION

ON BEHALF OF

HATHAWAY POWER MONITORING SYSTEMS COMPANY, LTD.

AND

HATHAWAY CORPORATION

June 12, 1995

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- Annex 1 - Contract Products and Specifications
- Annex 2 - Technical Documentation
- Annex 3 - Confidentiality Agreement

TECHNOLOGY LICENSE CONTRACT

THIS TECHNOLOGY LICENSE CONTRACT ("Contract") is entered into on this 12th day of June, 1995 by and between WUHAN ELECTRIC POWER INSTRUMENT FACTORY, a Chinese legal person with its legal address at 2 Qiujiawan, Guangbutun, Wuhan, 430072, People's Republic of China and BEIJING HUADIAN ELECTRIC POWER AUTOMATION CORPORATION, a Chinese legal person with its legal address at Jia 17, Xi San Huan Nan Lu, Beijing, 100073, People's Republic of China on behalf of HATHAWAY POWER MONITORING SYSTEMS COMPANY, LTD., a Sino-foreign equity joint venture company (the "Licensee") to be established in Wuhan Municipality, Hubei Province, the People's Republic of China, and HATHAWAY CORPORATION, a corporation organized and existing under the laws of the State of Colorado, U.S.A., with its principal address at 8228 Park Meadows Drive, Littleton, Colorado, 80124, U.S.A. (the "Licensor").

PRELIMINARY STATEMENT

WHEREAS, this Contract is entered into in accordance with Article 7.03 of the Joint Venture Contract dated June 11, 1995 between Licensor, Wuhan Electric Power Instrument Factory, and Beijing Huadian Electric Power Automation Corporation for the establishment of the Licensee (the "Joint Venture Contract");

WHEREAS, the Licensor wishes to license the Licensee to use the Know-How (as defined in Article 1.07 below) for the manufacture of the Contract Products (as defined in Article 1.03 below);

WHEREAS, upon its establishment, the Licensee shall use the Know-How strictly in accordance with terms and conditions of this Contract.

NOW, THEREFORE, the Parties hereto agree as follows:-

ARTICLE 1. DEFINITIONS

Unless otherwise specified, the terms used in this Contract shall have the meanings set forth below:

- 1.01 "Approval Authority" means the Ministry of Foreign Trade and Economic Cooperation or the authority designated by such Ministry to approve this Contract.
- 1.02 "Calendar Quarter" means each three (3) calendar month period commencing on January 1st, April 1st, July 1st or October 1st of each year during the Contract Term.
- 1.03 "Contract Products" means the products identified in Annex 1.
- 1.04 "Contract Term" means the period commencing on the Effective Date and expiring ten (10) years thereafter, unless terminated earlier in accordance with Article 10 of this Contract.
- 1.05 "Contract Plant" means Licensee's factory at 2 Qiujiawan, Guangbutun, Wuchang District, Wuhan Municipality, Hubei Province, People's Republic of China.
- 1.06 "Effective Date" means the effective date of this Contract as defined in Article 10.01.
- 1.07 "Know-How" means the technical knowledge which Licensor owns or controls as of the Effective Date which Licensor has full legal right to transfer or disclose to another party, and which is necessary to enable Licensee to manufacture Contract Products meeting the specifications set forth in Annex 1.
- 1.08 "Net Sales" means the total invoice price of the Licensee's sales of the Contract Products, excluding the following: (i) value added tax or similar tax items; (ii) cash discounts; (iii) transportation costs and insurance fees; and (iv) returned Contract Products.

- 1.09 "Party" means each of Licensee and Licensor, and "Parties" means both of Licensee and Licensor.
- 1.10 "Renminbi" or "RMB(Yen)" shall mean the lawful currency of the People's Republic of China.
- 1.11 "Technical Documentation" means the documentation embodying the Know-How, including engineering drawings, specifications, test procedures, operating and maintenance manuals, and material lists as set forth in Annex 2 hereto.
- 1.12 "Technical Services" means the technical assistance and training to be provided by Licensor pursuant to Article 3.02 hereof.
- 1.13 "Territory" means the People's Republic of China.
- 1.14 "United States Dollars" or "US\$" shall mean the lawful currency of the United States of America.

ARTICLE 2. RIGHTS AND LICENSES

- 2.01 Licensor hereby grants to Licensee a non-exclusive and non-transferable license to use the Know-How for the manufacture of the Contract Products at the Contract Plant and for the sale of the Contract Products in the Territory during the Contract Term.

The sale of the Contract Products by the Licensee in the Territory will be only to Chinese users of the Contract Products and to Chinese owned contractors that are purchasing the Contract Products for installation into power generation, transmission and distribution facilities being constructed by such contractors outside of China.

The Contract Products will be sold to overseas markets once the Licensor has determined that the quality and price of the Contract Products meet international

standards, and upon making such determination, the Licensor will be the exclusive overseas sales agent for all of the Contract Products. Notwithstanding the foregoing, the Licensor retains the right to sell its own products in the Chinese market.

- 2.02 Licensee expressly acknowledges and agrees that, other than the rights and licenses granted under this Contract, it does not hereby acquire and has no right or claim to any other rights in, or to the use of, trademarks, trade names, utility model rights, design rights, patents, copyright or other industrial property rights or technical knowledge owned, used or adopted by Licensor or its affiliates.

ARTICLE 3. PROVISION OF KNOW-HOW AND TECHNICAL SERVICES

- 3.01 (a) Licensor shall ship one (1) set of the Technical Documentation to Licensee by air courier, C.I.F. Wuhan Airport, within one (1) month from the Effective Date. Within two (2) working days of shipping the Technical Documentation, Licensor shall notify Licensee by facsimile of the flight number and expected arrival date at Wuhan Airport and shall attach to such notice a copy of the airway bill and the packing list for each package of Technical Documentation.
- (b) All Technical Documentation shall be in the English language.
- (c) If the Technical Documentation or any part thereof is lost or damaged in transit, Licensor at its own expense shall ship replacement Technical Documentation to Licensee in the manner provided in sub-paragraphs (a) above within twenty (20) days of receiving from Licensee written notice of such damage or loss.
- (d) Licensor shall provide the source code for the software of the Contract Products once the Licensor and Licensee both agree that the Licensee is prepared to control changes made to the source code in accordance with Licensor's requirements and that the source code is required by the Licensee

to prepare and modify the software to meet the requirements of the Chinese market.

- (e) Licensor shall provide, if available, a flow chart reflecting how the software of the DFR1200 performs.

- 3.02 (a) As set out in Article 6.04(e) of the Joint Venture Contract, Licensor shall provide qualified technical personnel to furnish at the Contract Plant or at Licensor's factory a maximum of fifty (50) man-days of Technical Services in connection with the manufacture and sale of the Contract Products. For the purpose of this Article 3.02, a "man-day" shall refer to a period of eight (8) hours. Licensor shall be deemed to have provided no less than one man-day of Technical Service per person per calendar day (including Monday through Sunday) for each day on which its technical personnel are available and ready in the People's Republic of China to provide Technical Services hereunder.
- (b) The scope of the Technical Services to be furnished pursuant to this Article 3.02 shall include assistance in the solution of technical problems arising in the manufacturing process, the operation and maintenance of the relevant equipment, manufacturing methods and processes, quality control, inspection and trouble-shooting, performance testing and the uses of the Contract Products.
 - (c) Licensor shall send technical personnel to the Contract Plant to begin furnishing the Technical Services within thirty (30) days of receiving notice from Licensee that all of the Technical Documentation have arrived at the Contract Plant. The expenses incurred in connection with the provision of the Technical Services shall be borne by Licensor, except that Licensee at its own expense shall provide Licensor's technical personnel with suitable office facilities, living accommodations, all meals and local transportation in China.

- (d) If, during the Contract Term, Licensee requests Licensor to provide Technical Services in excess of the number of man-days stated in sub-paragraph (a) above, Licensor shall provide such Technical Services at a price to be agreed in writing by the Licensor and Licensee.

ARTICLE 4. ROYALTIES

During the term of this Contract, the Licensee shall pay to the Licensor:

- 4.01 One initial payment of Seventy Thousand United States Dollars (US\$70,000) which will be paid by a set off against the capital contribution which the Licensor is obliged to provide to the Company under Article 5.03(c) of the Joint Venture Contract.
- 4.02 Royalties at the rate of two and seventy-five one-hundredth percent (2.75%) of Net Sales for Contract Products sold by the Licensee during each Calendar Quarter starting from January 1, 1997 and ending December 31, 2006, except as provided in Article 4.03, below. The royalties shall be paid for each Calendar Quarter within thirty (30) days after the end of such Calendar Quarter.
- 4.03 No royalties shall be paid on the Contract Products made hereunder by the Licensee and sold to the Licensor.
- 4.04 All payments to be made by the Licensee to the Licensor under this Contract shall be made in United States Dollars by electronic transfer to such bank account as shall be specified in writing by the Licensor. All bank charges incurred inside China shall be borne by the Licensee.
- 4.05 All Net Sales shall be recorded in the currency in which such sales are made. The royalties are to be calculated in the same currency as the Net Sales. Total royalties shall be payable in United States Dollars converted at the median rate of exchange for United States Dollars posted by the People's Bank of China on the date payment is

due. The Licensee shall be obliged to do all that is necessary to obtain any required government approvals within the People's Republic of China for conversion of Renminbi into United States Dollars sufficient to pay the royalties and remittance thereof outside the People's Republic of China. If the Licensee's foreign exchange is not sufficient to remit the royalties to the Licensor, the Licensor can require the Licensee not to remit the royalties when they become due and open a separate interest-bearing Renminbi bank account for such royalties and hold the same on behalf of the Licensor until such time as the Licensee shall have sufficient foreign exchange, and thereupon remit the royalties in foreign exchange together with any interest to the Licensor pursuant to Article 4.04 above.

4.06 The Licensee shall pay the Licensor simple interest at the rate of ten percent (10%) per annum on all money which is due and payable to the Licensor hereunder but is unpaid on the due date, except if non-payment is at the request of the Licensor in accordance with the provisions of Article 4.05.

ARTICLE 5. WARRANTY

5.01 Licensor warrants that as of the Effective Date it will have full legal right to transfer and disclose the Know-How to Licensee.

5.02 Licensor warrants that the Know-How and Technical Documentation is complete, accurate, effective and can be used to manufacture Contract Products meeting the specifications set forth in Annex 1 hereto, provided that:

(a) Licensee properly performs the activities contemplated under this Contract to be performed by it, including without limitation the use and application of the Know-How and the proper operation and maintenance of the equipment in accordance with the standards set forth in the relevant Technical Documentation;

- (b) Licensee supplies raw materials meeting the specifications set forth in the relevant Technical Documentation; and
 - (c) Licensee maintains in good working order the existing equipment and facilities at the Contract Plant in accordance with the standards set forth in the relevant Technical Documentation.
- 5.03 Licensor warrants that the Technical Services will be provided by well-trained and qualified technical personnel.

ARTICLE 6. PROPRIETARY RIGHTS AND INFRINGEMENT

- 6.01 Licensee acknowledges that Licensor owns or controls and has a proprietary interest in the Know-How. Licensee hereby agrees that, without Licensor's prior written consent, it will not do any act or permit the doing of any act which might prevent, directly or indirectly, the registration in the People's Republic of China of any patent right with respect to the Know-How and other Confidential Information, as defined in Article 8.01.
- 6.02 Licensor is not aware of any right of a third party which might be infringed through the exercise of the license granted to Licensee hereunder, but Licensor does not warrant that any such right of a third party in fact does not exist, nor shall Licensor be liable to Licensee on the ground that any such right in fact exists.
- 6.03 In the event that any suit, action or other proceeding involving any claim of industrial property infringement shall be threatened or instituted against Licensee based upon Licensee's permitted use hereunder of the Know-How, Licensee shall notify Licensor promptly thereof and shall send to Licensor copies of any such papers which shall have been served in such suit, action or proceeding. Licensor may, if it so elects, control the defense of such suit at Licensor's own cost and expense. Licensee shall have the right to be represented by advisory counsel of its own selection at its own

expense, and shall cooperate fully in the defense of any such suit. If Licensor does not elect to control the defense of such suit, Licensee shall undertake such control at Licensee's own cost and expense and Licensor shall have the right to be represented by advisory counsel of its own selection and at its own expense. At the request of Licensee, Licensor shall assist Licensee in the defense of such suit at Licensee's cost and expense.

- 6.04 Licensee shall, upon obtaining knowledge of any infringement or threatened infringement of Licensor's rights to the Know-How, immediately notify Licensor thereof together with all relevant details. Licensor shall have the right, at its own cost, to prosecute or otherwise stop or prevent such actual or threatened infringement in the name of both Licensor and Licensee or either of them, and in each case Licensee shall render all assistance required by Licensor. All amounts received by Licensor in connection with any action taken against such infringement pursuant to this Article shall either be the property of the Licensor, if the Licensor prosecutes such claim, or the property of the party under whose name the prosecution is made.
- 6.05 If Licensor decides not to take any action in respect of any infringement or threatened infringement, it shall notify the Licensee of this decision within thirty (30) days after receipt of a written notice from the Licensee pursuant to Article 6.04 hereof. Upon receipt of Licensor's written notice of its decision not to take any action, the Licensee may, at its own discretion and cost, prosecute or otherwise stop or prevent such actual or threatened infringement in the name of both the Licensor and the Licensee or either of them. All amounts received by the Licensee in connection with any action taken against such infringement pursuant to this Article shall either be the property of both the Licensor and the Licensee or the property of the party under whose name the prosecution is made, at the reasonable discretion of Licensor.
- 6.06 The Licensee shall indemnify the Licensor from any liability for defects in the Contract Products manufactured by the Licensee.

- 6.07 In the event that the Licensee develops any Improvements or Modifications, the Licensee shall license the Improvements or Modifications to the Licensor free of charge and with the right of the Licensor to sublicense such license. As used in this Article 6.07, the term "Improvements" shall mean all improvements which change the functions, characteristics or performance of the Contract Products and the term "Modifications" shall mean all changes to the Contract Products which do not modify their respective functions and characteristics.

ARTICLE 7. ACCOUNTS AND RECORDS/QUALITY INSPECTION

- 7.01 Concurrently with the payment by the Licensee of the royalties owed at the end of each Calendar Quarter, the Licensee shall transmit to the Licensor (a) copies of receipts for any taxes withheld from such payments and (b) a written report of the Net Sales in a form approved by the Licensor for such Calendar Quarter, giving the names and addresses of all customers, both the unit and total prices of such Net Sales of the Contract Products to each such customer, the type of Contract Product sold and its related channel configurations.
- 7.02 The Licensee shall keep accurate and complete books and records of all Contract Products manufactured and sold including the quantities and invoice prices. The term of this Article 7.02 shall survive the termination or expiration of this Contract for a period of ten (10) years.
- 7.03 The Licensee shall permit the Licensor or its representatives at all reasonable times to inspect and take copies of or extracts from any documents in the possession or under the control of the Licensee so as to enable the Licensor to ascertain the royalties payable by the Licensee hereunder.
- 7.04 The Licensee shall be responsible for maintaining the quality standard of the Contract Products. If at any time Licensor determines that the Licensee is not fulfilling these obligations, Licensor shall notify the Licensee of the deficiencies that it believes exist

and proposed methods for correction. Licensee shall cause the correction to be made within twenty (20) days after the notification.

7.05 Licensor shall be entitled at any time upon reasonable notice being given to Licensee to enter the Contract Plant in order to inspect the manufacture of the Contract Products.

ARTICLE 8. CONFIDENTIALITY

- 8.01 All Know-How, advice, and other information (together referred to as "Confidential Information") provided by Licensor pursuant to this Contract shall be kept strictly confidential by Licensee and shall be used solely for its own benefit in connection with the manufacture and sale of the Contract Products.
- 8.02 Licensee hereby covenants and agrees to keep all Confidential Information furnished to it confidential and not, without the prior express written consent of Licensor, to communicate the Confidential Information or allow the Confidential Information to be communicated to anyone except its own employees, and then only to such extent as may be necessary for the proper performance by such employees of their assigned tasks.
- 8.03 In order to ensure the observance of Articles 8.01 and 8.02 above by the Licensee's employees, the Licensee shall cause each of its employees with access to Confidential Information referred to in Article 8.01 and 8.02 above to sign a confidentiality agreement in the form of Annex 3.
- 8.04 Licensee's obligations under this Article 8 shall survive the expiration or termination of this Contract and shall continue in effect for a further period of ten (10) years.
- 8.05 The obligations of confidentiality, secrecy, non-disclosure and the restrictions of use contained herein shall not apply to Confidential Information which the Licensee can

demonstrate: (i) is available to the public at the time it is disclosed or thereafter becomes available to the public; (ii) is known to the Licensee at the time of disclosure; or (iii) properly comes into the possession of the Licensee from an independent source.

ARTICLE 9. TAXES

- 9.01 All taxes arising in connection with the performance of this Contract that are imposed on Licensee in accordance with the tax laws of the People's Republic of China shall be borne by Licensee.
- 9.02 Except as may otherwise be provided herein, all taxes imposed on Licensor in accordance with the tax laws of the People's Republic of China shall be borne by Licensor. In the event that Licensee is obligated to act as a withholding agent for taxes to be paid by the Licensor to the Chinese governmental authorities, the Licensee shall maintain complete records of all amounts withheld along with receipts received from the Chinese governmental authorities and shall provide copies of such materials to the Licensor.
- 9.03 All taxes imposed outside China in connection with payments made to Licensor under this Contract shall be borne by Licensor.

ARTICLE 10. EFFECTIVE DATE, TERM AND TERMINATION

- 10.01 Pursuant to Article 4 of the Regulations of the People's Republic of China for the Control of Technology Import Contracts, the Effective Date of this Contract shall be the date when the Approval Authority issues an approval certificate in respect of this Contract.
- 10.02 The term of this Contract shall be ten (10) years commencing on the Effective Date. In the event that one Party desires to renew this Contract, it shall give written notice

of such intention to the other Party not later than six (6) months prior to the expiry of this Contract. In such case, the parties shall discuss the renewal of this Contract.

10.03 Either Party shall have the right to terminate this Contract prior to the expiration of the Contract Term under any of the following circumstances:

- (a) if the other Party commits a material breach of this Contract and such breach is not cured within thirty (30) days after written notice from the other Party to the Party in breach;
- (b) if the other Party fails to make any payment required hereunder when the same becomes due and payable;
- (c) if the conditions of Force Majeure prevail for a period in excess of six (6) months and the Parties have been unable to find an equitable solution pursuant to Article 12; or
- (d) if the other Party becomes bankrupt or is the subject of proceedings for liquidation or dissolution, or ceases to carry on business or becomes unable to pay its debts as they become due.

10.04 Termination as set forth above may be effected by the terminating Party giving the other Party thirty (30) days' prior written notice specifying the reason for such termination and shall become effective upon the expiration of such thirty-day period.

10.05 Upon the termination of this Contract under any circumstances, any royalties accrued, due and payable by one Party to the other Party hereunder shall be fully paid within one (1) month, all Technical Documentation shall be returned immediately to Licensor and the Licensee shall immediately cease manufacturing and selling the Contract Products. On no account shall such royalties or Technical Documentation be withheld on the ground of a dispute arising out of or in relation to this Contract

or as a set-off against any claim for damages sought to be put forward by the Party liable to pay such moneys or to return the Technical Documentation.

The terms of this Article 10.05 shall survive the termination of this Contract.

ARTICLE 11. SETTLEMENT OF DISPUTES

- 11.01 In the event a dispute arises in connection with the interpretation or implementation of this Contract, the Parties shall attempt in the first instance to resolve such dispute through friendly consultations. If the dispute is not resolved in this manner within sixty (60) days after the commencement of discussions, then any of the Parties may submit the dispute for arbitration in Singapore for final decision pursuant to the Arbitration Rules of the United Nations Commission on International Trade Law. The appointing authority shall be the Singapore International Arbitration Centre, with instructions that the arbitration be conducted as follows:
- (a) the arbitrators shall refer to both of the Chinese and English texts of this Contract;
 - (b) there shall be three (3) arbitrators.
- 11.02 The arbitration award shall be final and binding on the Parties, and the Parties agree to be bound thereby and to act accordingly.
- 11.03 The costs of arbitration shall be borne by the losing Party, unless otherwise determined by the arbitration award.
- 11.04 When any dispute occurs and when any dispute is under arbitration, except for the matters under dispute, the Parties shall continue to exercise their remaining respective rights, and fulfil their remaining respective obligations under this Contract.

ARTICLE 12. FORCE MAJEURE

- 12.01 "Force Majeure" shall mean any event which is beyond the control of the Parties to this Contract, and which is unforeseen, or if foreseen, unavoidable, and which prevents total or partial performance by Party. Such events shall include but are not limited to any strikes, lockouts, explosions, shipwrecks, acts of nature or the public enemy, fires, flood, sabotage, accidents, strikes, wars, riots, interference by military authorities, insurrections, and any other similar or different contingency.
- 12.02 If an event of Force Majeure occurs, to the extent that the contractual obligations of the Parties to this Contract (except the obligations under Article 8) cannot be performed as a result of such event, such contractual obligations shall be suspended during the period of delay caused by the Force Majeure and shall be automatically extended, without penalty, for a period equal to such suspension.
- 12.03 The Party claiming Force Majeure shall promptly inform the other Party in writing of the occurrence and duration of such Force Majeure. The Party claiming Force Majeure shall also use all reasonable endeavours to terminate the Force Majeure.
- 12.04 In the event of Force Majeure, the Parties shall immediately consult with each other in order to find an equitable solution and shall use all reasonable endeavours to minimize the consequences of such Force Majeure.

ARTICLE 13. GOVERNING LAW

- 13.01 The validity, interpretation and implementation of this Contract shall be governed by the laws of the State of Colorado.

ARTICLE 14. MISCELLANEOUS

- 14.01 Notwithstanding anything to the contrary herein, Licensee agrees to comply with all governmental restrictions imposed by United States of America on the re-export, directly or indirectly, of the Know-How, the Contract Products or other direct products of the Know-How. To the best of Licensor's knowledge, the licensing or disclosure by Licensor to Licensee of the Know-How does not violate the laws or regulations of the United States of America or any agency thereof in effect as of the date of this Contract. If, however, subsequent to the Effective Date, such laws or regulations do prohibit or restrict such license or disclosure, such prohibition or restriction shall constitute an event of Force Majeure under Chapter 12 hereof.
- 14.02 This Contract is executed in the English and Chinese languages. Both language version are equally authentic.
- 14.03 During the Contract Term, all correspondence between the Parties shall be in the English language.
- 14.04 This Contract constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes any prior expression of intent or understanding relating hereto. This Contract shall not be modified or amended except by a written agreement signed by all of the Parties.
- 14.05 The waiver by a Party of any breach of any obligation owed to it under this Contract shall not extinguish the obligation or prevent the Party from later enforcing such obligation.
- 14.06 All notices given by any of the Parties to the others shall be in writing and sent by registered airmail, or by cable or telex (copies of which are to be subsequently forwarded as confirmation by registered airmail), or by facsimile to the other Party's address as indicated below or any other address notified in lieu thereof. Notice shall

be deemed delivered on the fourteenth (14) day after posting or two (2) days after a cable is sent or on the day after a telex is sent or upon being sent by facsimile and evidenced by a confirmation report.

To: Hathaway Power Monitoring Systems Company, Ltd.
2 Qiujiawan, Guangbutun,
Wuhan, 430072
People's Republic of China
Attention: General Manager

Facsimile: To Be Provided.

To: Hathaway Corporation
8228 Park Meadows Drive
Littleton, Colorado, 80124
United States of America
Attention: Eugene Prince

Facsimile: 1-303-799-8880

14.07 This Contract may be executed in six (6) or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same contract.

IN WITNESS WHEREOF, the Parties hereto have caused this Contract to be executed by their duly authorised representatives as of the date first above written.

HATHAWAY CORPORATION

Name: Eugene Prince

Title: President and Chief Executive Officer

WUHAN ELECTRIC POWER INSTRUMENT FACTORY FOR AND ON THE BEHALF OF HATHAWAY POWER MONITORING SYSTEMS COMPANY, LTD.

Name: Yuan Jiaqing
Position: Director - Senior Engineer

BEIJING HUADIAN ELECTRIC POWER AUTOMATION CORPORATION FOR AND ON THE BEHALF OF HATHAWAY POWER MONITORING SYSTEMS COMPANY, LTD.

Name: Xu Quankun
Position: General Manager

Ratified by HATHAWAY POWER MONITORING SYSTEMS COMPANY, LTD. after the issuance of its Business License and at the first meeting of the board of directors.

Name:
Title: Chairman of the Board

SUPPLEMENTARY AGREEMENT

This SUPPLEMENTARY AGREEMENT is executed on this 30th day of August, 1995 by and between Wuhan Electric Power Instrument Factory ("Party A"), Beijing Huadian Electric Power Automation Corporation ("Party B") and Hathaway Corporation ("Party C"). Party A, Party B and Party C are hereinafter collectively referred to as "Parties" and individually as a "Party."

PRELIMINARY STATEMENT

WHEREAS, on the 12th of June 1995, the Parties executed a joint venture contract (the "Joint Venture Contract") and an articles of association (the "Articles of Association") for the establishment of Hathaway Power Monitoring Systems Company, Ltd. (the "Company");

WHEREAS, on the 12th of June 1995, Party A and Party B on behalf of the Company and Party C executed a technology license contract (the "Technology License Contract");

WHEREAS, the Parties have held friendly consultations and have agreed to execute this Supplementary Agreement to amend certain provisions of the Joint Venture Contract, the Articles of Association and the Technology License Contract;

NOW, THEREFORE, the Parties agree to the following provisions:

1. Amendments to the Joint Venture Contract

- A. Each phrase "Hathaway Power Monitoring Systems Company, Ltd." is hereby amended to read as "Wuhan Hathaway Power Monitoring Systems Company, Ltd."
- B. Article 1.11 is hereby amended to reads as follows:
 - "'SAIC' shall mean the State Administration for Industry and Commerce or the local Administration for Industry and Commerce."
- C. The first sentence of Article 8.03(f) is deleted.
- D. In Article 21.07, the term "in English" is deleted.

2. Amendments to the Articles of Association

- A. Each phrase "Hathaway Power Monitoring Systems Company, Ltd." is hereby amended to read as "Wuhan Hathaway Power Monitoring Systems Company, Ltd."

- B. The first sentence of Article 6.03(f) is deleted.
- C. In Article 12.05, the term "in English" is deleted.

3. Amendments to the Technology License Contract

- A. Article 13.01 of the Technology License Contract is hereby deleted and replaced with the following:

"This Contract shall be governed by the laws of the People's Republic of China."

- B. Article 14.03 is hereby deleted and intentionally left blank.

4. No Other Amendments

Asides from the amendments set forth herein, no other amendment or revision is made to the Joint Venture Contract, the Articles of Association or the Technology License Contract.

5. Examination and Approval Authority

The Parties hereby agree to submit this Agreement and all other required documents to the Examination and Approval Authority and to take all measures necessary to obtain the requisite approval of the Examination and Approval Authority for the effectiveness of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives on the date first set forth above.

WUHAN ELECTRIC POWER INSTRUMENT FACTORY

By: _____

Name: Yuan Jiaqing
Position: Director - Senior Engineer
Nationality: Chinese

BEIJING HUADIAN ELECTRIC POWER AUTOMATION CORPORATION

By: _____

Name: Xu Quankun
Position: General Manager
Nationality: Chinese

HATHAWAY CORPORATION

By: _____

Name: Eugene Prince
Title: President and Chief Executive Officer
Nationality: American

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CONSOLIDATED BALANCE SHEETS

	JUNE 30, 1995	JUNE 30, 1994
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,903,000	\$ 7,547,000
Marketable securities, current	1,029,000	-
Trade receivables, net of allowance for doubtful accounts of \$305,000 and \$394,000 at June 30, 1995 and 1994, respectively	7,486,000	6,888,000
Inventories, net	4,469,000	4,673,000
Current deferred income taxes	738,000	732,000
Prepaid expenses and other	575,000	357,000
Total current assets	20,200,000	20,197,000
Marketable securities, non-current	200,000	1,271,000
Property and equipment, net	1,798,000	1,577,000
Cost in excess of net assets acquired, net	777,000	959,000
Other	337,000	428,000
Total assets	\$23,312,000	\$24,432,000
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,308,000	\$ 1,448,000
Accrued liabilities	2,721,000	3,226,000
Income taxes payable	765,000	417,000
Product service reserve	501,000	433,000
Total current liabilities	5,295,000	5,524,000
Long-term debt (Note 4)	2,144,000	2,298,000
Total liabilities	7,439,000	7,822,000
COMMITMENTS AND CONTINGENCIES (Note 10)		
STOCKHOLDERS' INVESTMENT:		
Preferred stock, par value \$1.00 per share, authorized 5,000,000 shares; no shares outstanding	-	-
Common stock, at aggregate stated value, authorized 50,000,000 shares; 5,307,143 and 5,289,643 issued at June 30, 1995 and 1994, respectively	100,000	100,000
Additional paid-in capital	9,767,000	9,717,000
Loan receivable for stock (Note 11)	(133,000)	(133,000)
Loan receivable from Leveraged Employee Stock Ownership Plan and Trust (Note 5)	(102,000)	(157,000)
Retained earnings	9,686,000	9,380,000
Cumulative translation adjustments (Note 1)	218,000	156,000
Treasury stock, at cost; 1,041,560 and 674,585 shares at June 30, 1995 and 1994, respectively (Note 10)	(3,663,000)	(2,453,000)
Total stockholders' investment	15,873,000	16,610,000
Total liabilities and stockholders' investment	\$23,312,000	\$24,432,000

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED JUNE 30,	1995	1994	1993
REVENUES	\$39,838,000	\$43,028,000	\$45,741,000
OPERATING COSTS AND EXPENSES:			
Cost of products sold	22,834,000	23,584,000	25,376,000
Selling	7,037,000	7,762,000	7,792,000
General and administrative	4,836,000	5,653,000	5,975,000
Engineering and development	3,616,000	4,111,000	4,411,000
Amortization of intangibles	246,000	243,000	302,000
Total operating costs and expenses	38,569,000	41,353,000	43,856,000
Operating income from continuing operations	1,269,000	1,675,000	1,885,000
OTHER INCOME (EXPENSES), NET:			
Interest and dividend income	332,000	315,000	234,000
Interest expense	(204,000)	(277,000)	(472,000)
Foreign exchange losses	(13,000)	(41,000)	(946,000)
Other expenses, net	(63,000)	(397,000)	(386,000)
Total other income (expenses), net	52,000	(400,000)	(1,570,000)
Income from continuing operations before income taxes	1,321,000	1,275,000	315,000
Provision for income taxes (Note 8)	(479,000)	(320,000)	(292,000)
NET INCOME FROM CONTINUING OPERATIONS	842,000	955,000	23,000
NET INCOME FROM OPERATIONS OF DIVESTED SEGMENT, NET OF INCOME TAXES OF \$453,000 AND \$244,000 IN 1994 AND 1993, RESPECTIVELY (Notes 3 and 8)	-	885,000	958,000
GAIN ON SALE OF SEGMENT, NET OF INCOME TAXES OF \$900,000 (Notes 3 and 8)	-	4,023,000	-
NET INCOME	\$ 842,000	\$ 5,863,000	\$ 981,000
PER SHARE AMOUNTS (Note 1)			
FOR THE YEARS ENDED JUNE 30,	1995	1994	1993
PRIMARY:			
Net income per share from continuing operations	\$ 0.19	\$ 0.20	\$ 0.00
Net income per share from operations of divested segment	-	0.18	0.21
Gain per share from sale of segment	-	0.82	-
NET INCOME PER SHARE	\$ 0.19	\$ 1.20	\$ 0.21
FULLY DILUTED:			
Net income per share from continuing operations	\$ 0.19	\$ 0.19	\$ 0.00
Net income per share from operations of divested segment	-	0.18	0.21
Gain per share on sale of segment	-	0.81	-
NET INCOME PER SHARE	\$ 0.19	\$ 1.18	\$ 0.21

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,	1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 39,281,000	\$ 57,117,000	\$ 69,726,000
Cash paid to suppliers and employees	(38,091,000)	(53,939,000)	(64,233,000)
Interest and dividends received	374,000	285,000	258,000
Interest paid (Note 4)	(9,000)	(290,000)	(1,067,000)
Income taxes paid	(108,000)	(986,000)	(403,000)
Net cash from operating activities	1,447,000	2,187,000	4,281,000
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment, net	(934,000)	(969,000)	(1,150,000)
Investments in joint ventures (Note 2)	(115,000)	(177,000)	-
Purchase of marketable securities	-	(1,288,000)	-
Proceeds from sale of segment	-	6,803,000	-
Capitalized software development costs	-	(380,000)	(495,000)
Purchased software and other intangibles	-	(99,000)	(180,000)
Cash paid for expenses related to sale of segment, including income taxes paid of \$1,197,000	-	(1,681,000)	-
Cash retained by segment sold	-	(1,050,000)	-
Purchase of minority interest in Northern Ireland subsidiary (Note 2)	-	-	(40,000)
Net cash from investing activities	(1,049,000)	1,159,000	(1,865,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments on line of credit and long-term debt	(654,000)	(11,877,000)	(1,128,000)
Borrowings on line of credit and long-term debt	276,000	7,227,000	-
Cash paid for loan costs	-	(448,000)	-
Dividends paid to stockholders	(536,000)	(992,000)	-
Proceeds from exercise of stock options, net of loans	43,000	617,000	183,000
Purchase of treasury stock	(1,210,000)	(1,301,000)	(3,000)
Proceeds from Employee Stock Purchase Plan	-	-	225,000
Net cash from financing activities	(2,081,000)	(6,774,000)	(723,000)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH			
	39,000	84,000	367,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,547,000	10,891,000	8,831,000
CASH AND CASH EQUIVALENTS AT END OF YEAR	5,903,000	7,547,000	10,891,000
LESS: CASH AND CASH EQUIVALENTS AT END OF YEAR FROM OPERATIONS OF DIVESTED SEGMENT	-	-	624,000
CASH AND CASH EQUIVALENTS AT END OF YEAR FROM CONTINUING OPERATIONS	\$ 5,903,000	\$ 7,547,000	\$ 10,267,000

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,	1995	1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 842,000	\$ 5,863,000	\$ 981,000
Adjustments to reconcile net income to net cash from operating activities:			
Gain on sale of segment, net of income taxes	-	(4,023,000)	-
Depreciation and amortization	970,000	1,564,000	2,064,000
Allowances on joint venture investments	140,000	208,000	-
Provision for doubtful accounts	(96,000)	(73,000)	315,000
Long-term incentive plan bonus payable in stock	(16,000)	71,000	-
Unrealized foreign currency exchange (gains) losses	(43,000)	(38,000)	411,000
Other	(37,000)	-	22,000
Change in assets and liabilities:			
(Increase) decrease in -			
Receivables	(580,000)	(240,000)	(2,000)
Inventories	247,000	(489,000)	648,000
Prepaid expenses and other	(26,000)	223,000	75,000
Current deferred income taxes	(6,000)	390,000	(571,000)
Increase (decrease) in -			
Accounts payable	(138,000)	(388,000)	(250,000)
Accrued liabilities	(235,000)	(719,000)	483,000
Deferred software service income	-	403,000	(674,000)
Product service reserve	65,000	38,000	102,000
Long-term deferred income tax liability	-	-	95,000
Income taxes payable	360,000	(603,000)	582,000
Net cash from operating activities	\$1,447,000	\$ 2,187,000	\$ 4,281,000

NON CASH INVESTING AND FINANCING ACTIVITIES:			
Additions to capitalized leases	\$ -	\$ -	\$ 89,000
Tax benefit from disqualifying stock dispositions	23,000	72,000	-
Repayment of LESOP* loan receivable	55,000	-	92,000

Cash flows from the divested segment (Note 3), which are included in the Consolidated Statements of Cash Flows, are as follows:

FOR THE YEARS ENDED JUNE 30,	1995	1994	1993
Net cash from operating activities	\$ -	\$ 1,070,000	\$ 1,416,000
Net cash from investing activities	-	(1,743,000)	(970,000)
Net cash from financing activities	-	49,000	(1,091,000)
Net decrease in cash and cash equivalents	-	(624,000)	(645,000)
Cash and cash equivalents at beginning of year	-	624,000	1,269,000
Cash and cash equivalents at end of year	\$ -	\$ -	\$ 624,000

*Leveraged Employee Stock Ownership Plan and Trust

The accompanying notes to consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	LOANS RECEIVABLE (NOTES 5 & 11)	RETAINED EARNINGS	TREASURY STOCK	
	SHARES	AMOUNT				SHARES	AMOUNT
BALANCES, JUNE 30, 1992	4,698,969	\$100,000	\$8,427,000	\$(249,000)	\$3,528,000	345,696	\$(1,331,000)
Exercise of stock options	86,615	-	183,000	-	-	-	-
Sale of stock to employees through stock purchase plan	111,286	-	225,000	-	-	-	-
Reversal of exchange of common stock for interest in subsidiary	-	-	(176,000)	-	-	(74,700)	182,000
Shares issued to purchase minority interest in subsidiary (Note 2)	47,217	-	165,000	-	-	-	-
Purchase of treasury stock	-	-	-	-	-	1,092	(3,000)
Repayment of LESOP* loan receivable (Note 5)	-	-	-	92,000	-	-	-
Net income	-	-	-	-	981,000	-	-
BALANCES, JUNE 30, 1993	4,944,087	100,000	8,824,000	(157,000)	4,509,000	272,088	(1,152,000)
Exercise of stock options and issuance of notes (Note 11)	345,556	-	750,000	(673,000)	-	-	-
Repayment of notes for exercise of stock options (Note 11)	-	-	-	540,000	-	-	-
Long-term incentive plan bonus (Note 10)	-	-	71,000	-	-	-	-
Tax benefit from disqualifying stock dispositions	-	-	72,000	-	-	-	-
Purchase of treasury stock (Note 10)	-	-	-	-	-	402,497	(1,301,000)
Dividend paid to stockholders (\$.105 per share)	-	-	-	-	(497,000)	-	-
Special dividend paid to stockholders from gain on sale of segment (\$.10 per share)	-	-	-	-	(495,000)	-	-
Net income	-	-	-	-	5,863,000	-	-
BALANCES, JUNE 30, 1994	5,289,643	100,000	9,717,000	(290,000)	9,380,000	674,585	(2,453,000)
Exercise of stock options	17,500	-	43,000	-	-	-	-
Long-term incentive plan bonus (Note 10)	-	-	(16,000)	-	-	-	-
Repayment of LESOP* loan receivable (Note 5)	-	-	-	55,000	-	-	-
Tax benefit from disqualifying stock dispositions	-	-	23,000	-	-	-	-
Purchase of treasury stock (Note 10)	-	-	-	-	-	366,975	(1,210,000)
Dividend paid to stockholders (\$.12 per share)	-	-	-	-	(536,000)	-	-
Net income	-	-	-	-	842,000	-	-
BALANCES, JUNE 30, 1995	5,307,143	\$100,000	\$9,767,000	\$(235,000)	\$9,686,000	1,041,560	\$(3,663,000)

* Leveraged Employee Stock Ownership Plan and Trust

The accompanying notes to consolidated financial statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

Hathaway Corporation (the Company) is engaged in the business of designing, manufacturing and selling electronic instrumentation products to the worldwide power and process industries, as well as motion control products to a broad spectrum of customers throughout the world. The Company operates primarily in the United States, Europe and Canada, and has three joint venture investments in China.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

Investments in joint ventures, in which the ownership is at least 20% but less than 50%, are accounted for using the equity method (Note 2).

CASH AND CASH EQUIVALENTS

Cash equivalents consist primarily of certificates of deposit and high grade commercial paper with original maturities of three months or less, and are stated at amortized cost. Certificates of deposit totaling \$398,000 and \$411,000 at June 30, 1995 and 1994, respectively, serve as collateral for letters of credit issued on behalf of the Company.

INVENTORIES

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

	JUNE 30, 1995	JUNE 30, 1994
Parts and raw materials, net	\$2,898,000	\$2,589,000
Finished goods and work-in process, net (including material costs, labor and manufacturing overhead)	1,571,000	2,084,000
	\$4,469,000	\$4,673,000

Reserves established for anticipated losses on excess or obsolete inventories were approximately \$1,059,000 and \$919,000 at June 30, 1995 and 1994, respectively.

MARKETABLE SECURITIES

Marketable securities consist of debt securities which have been categorized as held-to-maturity, and as a result are stated at amortized cost. Marketable securities consist of the following:

	JUNE 30, 1995	JUNE 30, 1994
Corporate bond, matures March, 1996	\$ 1,029,000	\$ 1,071,000
U.S. Treasury note, matures August, 1996	200,000	200,000
	\$ 1,229,000	\$ 1,271,000

PROPERTY AND EQUIPMENT

Property and equipment, at cost, is classified as follows:

	USEFUL LIVES	JUNE 30, 1995	JUNE 30, 1994
Machinery, equipment, tools and dies	2-8 years	\$ 5,970,000	\$ 5,775,000
Furniture, fixtures and other	3-10 years	1,866,000	1,527,000
		7,836,000	7,302,000
Less accumulated depreciation and amortization		(6,038,000)	(5,725,000)
		\$ 1,798,000	\$ 1,577,000

Depreciation and amortization are provided using the straight-line method over the estimated useful life of the assets. Maintenance and repair costs are charged to operations as incurred. Major additions and improvements are capitalized. The cost and related accumulated depreciation of retired or sold property are removed from the accounts and any resulting gain or loss is reflected in earnings.

COST IN EXCESS OF NET ASSETS ACQUIRED

Cost in excess of net assets acquired represents the amount by which the purchase price of acquired companies exceeds the fair market value of net assets acquired, and is amortized using the straight-line method over five to ten years. Cost in excess of net assets acquired as of June 30, 1995 and 1994 consists of \$1,505,000 of original costs, and \$728,000 and \$546,000, respectively, of accumulated amortization. The Company continually reviews the cost in excess of net assets acquired for possible impairment by comparing the unamortized balance of the cost in excess of net assets acquired to the related subsidiaries' estimated undiscounted net income over the remaining life of the asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

INCOME TAXES

Effective July 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). Under SFAS 109, deferred tax assets (net of a valuation allowance, if deemed necessary) and liabilities are recognized for the expected future income tax consequences, based on enacted tax laws, of temporary differences between the financial reporting and income tax bases of assets, liabilities and carryforwards. The cumulative effect of the initial adoption of SFAS 109 was not material.

ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	JUNE 30, 1995	JUNE 30, 1994

Compensation and fringe benefits	\$ 858,000	\$1,092,000
Commissions	567,000	626,000
Professional fees	311,000	268,000
Other accrued expenses	985,000	1,240,000

	\$2,721,000	\$3,226,000
=====		

STATEMENTS OF CASH FLOWS

For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include amounts which are readily convertible into cash (original maturities of three months or less) and which are not subject to significant risk of changes in interest rates. Cash flows in foreign currencies are translated using an average rate.

EARNINGS PER SHARE

Earnings per share is calculated using the weighted average number of shares of common stock and dilutive common stock equivalents outstanding during the period, including the effects of options and warrants granted when such adjustment has a dilutive effect on earnings per share. Shares used in the computations for the periods reported are as follows:

	PRIMARY	FULLY DILUTED

1995	4,422,000	4,422,000
1994	4,875,000	4,949,000
1993	4,642,000	4,642,000
=====		

FOREIGN CURRENCY TRANSLATION

In accordance with SFAS No. 52, "Foreign Currency Translation", the assets and liabilities of the Company's foreign subsidiaries (Note 2) are translated into U.S. dollars using current exchange rates. Revenues and expenses are translated at average rates prevailing during the period. The resulting translation adjustments are recorded in the Cumulative Translation Adjustments component of Stockholders' Investment in the accompanying Consolidated Balance Sheets.

Changes in Cumulative Translation Adjustments included in the Stockholders' Investment section of the accompanying Consolidated Balance Sheets are as follows:

	JUNE 30, 1995	JUNE 30, 1994

Cumulative Translation Adjustments, beginning of period	\$156,000	\$174,000
Translation adjustments	62,000	(18,000)

Cumulative Translation Adjustments, end of period	\$218,000	\$156,000
=====		

Foreign currency transaction gains and losses and translation gains and losses on intercompany balances are recognized in Other Income (Expenses) in the accompanying Consolidated Statements of Operations as follows:

FOR THE YEARS ENDED JUNE 30,	1995	1994	1993

Unrealized foreign exchange

gains (losses)	\$ 43,000	\$ 38,000	\$(411,000)
Realized foreign exchange losses	(56,000)	(79,000)	(535,000)

Foreign exchange losses	\$(13,000)	\$(41,000)	\$(946,000)
=====			

RECLASSIFICATIONS

Certain reclassifications have been made to prior year balances in order to conform with the current year's presentation.

 2. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

Effective September 2, 1992, the Company purchased the remaining 35% of CSD Hathaway's (CSD) common stock for \$205,000, of which \$40,000 was paid in cash and \$165,000 in Company stock. In January 1995, CSD Hathaway, Ltd., changed its name to Hathaway Systems, Limited.

Effective September 2, 1992, the Company formed two new wholly-owned subsidiaries: Hathaway Advanced Power Limited (HAP), located in Belfast, Northern Ireland and Hathaway Instruments Limited (HIL), located in Hoddesdon, England. HIL has assumed responsibility for the design, manufacture and sale of fault location instruments previously performed by Hathaway Systems, Ltd. As of June 30, 1994, the net assets of HAP, which was engaged in developing new product technology for the power industry, were sold to the management of HAP for the net book value of the assets, which approximated market value.

In fiscal year 1994 the Company made investments in two joint ventures. In December 1993, the Company acquired 25% of Zibo Kehui Electric Company Ltd. (Kehui), located in Zibo, China, for approximately \$100,000. Kehui designs, manufactures and sells cable and overhead line fault location and other test instruments within the China market and the Company sells these products outside of China.

During the third quarter of fiscal 1994, the Company acquired 25% of Hathaway Si Fang Protection and Control Company, Ltd. (Si Fang), located in Beijing, China, for a capital contribution of approximately \$175,000. Si Fang designs, manufactures and sells a new generation of digital protective relays, control equipment and instrumentation products for substations in power transmission and distribution systems.

In June 1995, the Company committed to acquire a 40% interest in Hathaway Power Monitoring Systems Company, Ltd. (HPMS), located in Wuhan, China for \$140,000. This acquisition is subject to the approval of the Chinese government. HPMS will design, manufacture and sell, under a license from Hathaway, instrumentation products designed by Hathaway, to electric power companies in China.

Due to the uncertainty of realization of these joint venture investments, they have been fully reserved for by the Company.

3. SALE OF APPLICATION SOFTWARE SEGMENT

Effective January 31, 1994, the Company sold its Application Software Segment, Global Software, Inc. (Global), to the senior management of Global. The sale resulted in a net after tax gain of \$4,023,000. The Company received a cash payment of \$6,803,000, of which a portion was used to repay \$3,000,000 of the Company's long-term debt and to pay a special \$.10 per share dividend to stockholders totaling \$495,000. The remaining proceeds were used to pay the expenses and income taxes which resulted from the sale and for other general operating activities. The Company obtained stockholder approval of the sale and a fairness opinion supporting the sale price.

Global's software products and services include perpetual licenses for the right to use its software, maintenance and customer support services, training and installation services, and professional consulting and customization services.

Global's net income for the seven months ended January 31, 1994 and for the year ended June 30, 1993 has been reflected as Net Income from Operations of Divested Segment in the accompanying Consolidated Statements of Operations. A summary of significant financial data for Global follows:

	SEVEN MONTHS ENDED JANUARY 31, 1994	YEAR ENDED JUNE 30, 1993
Revenues	\$14,053,000	\$24,588,000
Operating costs and expenses	12,672,000	22,909,000
Operating income	1,381,000	1,679,000
Other expenses	(43,000)	(477,000)
Net income before income taxes	1,338,000	1,202,000
Provision for income taxes	(453,000)	(244,000)
Net income from operations of divested segment	\$ 885,000	\$ 958,000

As a result of the terms of the Company's long-term financing agreements, \$109,000 and \$446,000 of interest expense was allocated to other expenses of the divested operation in fiscal years 1994 and 1993, respectively.

Significant accounting policies which applied specifically to the Application Software Segment are summarized below:

SOFTWARE REVENUE RECOGNITION

Revenues related to the perpetual license of the Company's software products were recognized upon delivery of the software, pursuant to a noncancelable agreement and substantial payment by the customer. The portion of the initial license fee related to product support revenue was deferred and recognized over the initial product support period. Subsequent customer support revenue was deferred and recognized over the term of the support agreement. Software training and installation revenues were recognized upon completion of the services. Revenues for consulting and customization were recognized as the services were provided.

SOFTWARE DEVELOPMENT

Certain costs to enhance Global's existing application software products and to develop new software products were capitalized in accordance with SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed". These costs were amortized using the straight-line method over their estimated useful lives, generally five years. Total costs incurred (excluding amortization) for application software development activities were approximately \$1,784,000 and \$4,360,000 in 1994 and 1993, respectively. Total capitalized development costs were \$380,000 and \$495,000 in 1994 and 1993, respectively. Amortization of capitalized costs was \$387,000 and \$366,000 in 1994 and 1993, respectively.

 4. DEBT

LONG-TERM DEBT

On August 2, 1993, the Company entered into a new long-term financing agreement with Marine Midland Business Loans, Inc. (Midland). Under this agreement, the Company borrowed approximately \$7,000,000 and repaid the long-term financing agreement with HCFS and FMC. The agreement is a Reducing Revolving Line of Credit with an initial borrowing limit of \$7,000,000, which is reduced monthly over the seven year term of the loan. As a result of the sale of Global (Note 3), the borrowing limit was reduced by \$2,000,000. Borrowings on the line are restricted to the lesser of an amount based on certain asset levels or the borrowing limit, which is subject to monthly reductions. As of June 30, 1995, the Company could borrow an additional \$1,848,000, up to the current borrowing limit of \$3,992,000. The line bears interest at Midland's prime borrowing rate plus 1% (10% at June 30, 1995). During fiscal years 1995 and 1994, accrued interest of \$194,000 and \$82,000, respectively, was added to principal. The debt is secured by all assets of the Company. The agreement requires that the Company maintain monthly compliance with certain covenants related to tangible net worth, cash flow coverage and current ratios. The agreement allows for the payment of cash dividends, subject to compliance with the financial covenants.

Long-term debt maturities as of June 30, 1995 are as follows:

1996	\$	-
1997		-
1998		66,000
1999		937,000
2000		978,000
Thereafter		163,000

		\$2,144,000
		=====

 5. LEVERAGED EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

The Company has established a Leveraged Employee Stock Ownership Plan and Trust (the Plan), which allows eligible Company employees to participate in ownership of the Company. In June 1989, the Company loaned the Plan \$500,000 which the Plan used to acquire 114,285 newly issued shares of the Company's common stock directly from the Company. The note bears interest at 9.23% per annum and matures May 31, 2004.

The terms of the Plan require the Company to make a contribution equal to the greater of i) the Board established percentage of pretax income before the contribution (5% in 1995, 0% in 1994 and 7% in 1993) or ii) the annual interest payable on the note. Contributions to the Plan were \$70,000, \$15,000 and \$114,000 for the years ended June 30, 1995, 1994 and 1993, respectively. The contributions represented principal repayments on the loan of \$55,000 and \$92,000 in 1995 and 1993, respectively, and interest on the loan of \$15,000, \$15,000 and \$22,000 in 1995, 1994 and 1993, respectively. The remaining loan balance as of June 30, 1995 was \$102,000.

 6. STOCK OPTIONS AND WARRANTS

On June 15, 1987, the Company entered into a long-term financing agreement which was fully repaid in fiscal year 1994. Warrants to purchase 300,000 shares of the Company's common stock were issued to the lender in connection with the issuance of this debt; the current exercise price is \$6.39 per share (subject to adjustments up to \$6.46 per share). The warrants remain outstanding and are exercisable through June 1997.

At June 30, 1995, 280,121 shares of common stock were available for grant under the Company's stock option plans. Under the terms of the plans, options may not be granted at less than 85% of fair market value. However, all options granted to date have been granted at fair market value as of the date of grant. All options become exercisable evenly over three years starting one year from the date of grant and expire seven years from the date of grant. Option activity in fiscal years 1994 and 1995 was as follows:

	NUMBER OF SHARES	OPTION PRICE RANGE PER SHARE

Outstanding June 30, 1993	738,144	\$ 2.063-\$4.50
Granted	19,500	\$ 2.813
Exercised	(345,556)	\$2.063-\$2.625
Canceled/Forfeited	(91,732)	\$ 2.125-\$4.50

Outstanding June 30, 1994	320,356	\$2.313-\$3.813
Granted	88,500	\$ 3.00-\$3.75
Exercised	(17,500)	\$ 2.313-\$3.00
Canceled/Forfeited	(28,500)	\$ 2.375-\$3.75

Outstanding June 30, 1995	362,856	\$ 2.313-\$3.75
=====		
Total Exercisable at June 30, 1995	228,856	
=====		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected Quarterly Financial Data for each of the four quarters in 1995 and 1994 is as follows:

1995	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Revenues	\$ 9,418,000	\$10,408,000	\$ 9,405,000	\$10,607,000
Operating income	68,000	240,000	297,000	664,000
Net income	90,000	188,000	245,000	319,000
=====				
Primary and fully diluted net income per share	\$ 0.02	\$ 0.04	\$ 0.06	\$ 0.07
=====				

1994	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Revenues	\$10,148,000	\$10,894,000	\$10,930,000	\$11,056,000
Operating income from continuing operations	113,000	684,000	121,000	757,000
Net income from continuing operations	85,000	242,000	127,000	501,000
Net income from operations of divested segment	-	548,000	337,000	-
Gain on sale of segment	-	-	4,023,000	-

Net income	\$ 85,000	\$ 790,000	\$ 4,487,000	\$ 501,000
=====				

Per Share Amounts:

Primary:				
Net income per share from continuing operations	\$ 0.02	\$ 0.05	\$ 0.02	\$ 0.11
Net income per share from operations of divested segment	-	0.11	0.07	-
Gain per share on sale of segment	-	-	0.82	-

Primary net income per share	\$ 0.02	\$ 0.16	\$ 0.91	\$ 0.11
=====				

Fully diluted:

Net income per share from continuing operations	\$ 0.02	\$ 0.05	\$ 0.02	\$ 0.10
Net income per share from operations of divested segment	-	0.11	0.07	-
Gain per share on sale of segment	-	-	0.81	-

Fully diluted net income per share	\$ 0.02	\$ 0.16	\$ 0.90	\$ 0.10
=====				

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAXES

Effective July 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109), which requires an asset and liability approach to financial accounting and reporting for income taxes. The difference between the financial statement and tax basis of assets, liabilities and carryforwards is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established, if necessary, to reduce the deferred tax asset to the amount that will more likely than not be realized. Income tax expense is the current tax payable or refundable for the period plus or minus the net change in deferred tax assets and liabilities. Prior to July 1, 1993, the Company accounted for income taxes in accordance with SFAS 96. The Company adopted the new standard on a prospective basis, without restating prior years. The cumulative effect of the initial adoption of SFAS 109 at July 1, 1993 was not material.

The provision for income taxes is based on income from continuing operations before income taxes as follows:

	1995	1994	1993
Domestic	\$ 948,000	\$1,169,000	\$ 493,000
Foreign	373,000	106,000	(178,000)
Income from continuing operations before income taxes	\$1,321,000	\$1,275,000	\$ 315,000

Components of the provision for income taxes attributable to continuing operations are as follows:

	1995	1994	1993
Current Provision (Benefit):			
Domestic	\$414,000	\$ 183,000	\$ 500,000
Foreign	74,000	(111,000)	363,000
Deferred Provision (Benefit):			
Domestic	(9,000)	235,000	(558,000)
Foreign	-	13,000	(13,000)
Provision attributable to continuing operations	\$479,000	\$ 320,000	\$ 292,000

The provision for income taxes is attributable to continuing operations, operations of divested segment and gain on sale of segment as follows:

	1995	1994	1993
Provision attributable to continuing operations	\$479,000	\$ 320,000	\$292,000
Provision allocated to operations of divested segment	-	453,000	244,000
Provision allocated to gain on sale of segment	-	900,000	-
Total provision for income taxes	\$479,000	\$1,673,000	\$536,000

The provision for income taxes attributable to continuing operations differs from the amount determined by applying the federal statutory rate as follows:

	1995	1994	1993
Tax provision computed at statutory rate	\$449,000	\$ 434,000	\$ 107,000
State tax, net of federal benefit	25,000	61,000	65,000
Nondeductible expenses	69,000	71,000	47,000

Net operating losses		-	(323,000)
Income tax credits	(73,000)	-	(258,000)
Non-benefitted losses of foreign subsidiaries	5,000	39,000	491,000
Unrecognized temporary difference due to carry- back limitations	-	-	176,000
Change in valuation allowance	11,000	(270,000)	-
Other	(7,000)	(15,000)	(13,000)

Provision for income taxes	\$479,000	\$ 320,000	\$ 292,000
=====			

The tax effects of significant temporary differences and credit carryforwards that give rise to the net deferred tax asset as of June 30, 1995 and 1994 under SFAS 109 are as follows:

	1995	1994

Allowances and other accrued liabilities	\$1,242,000	\$1,195,000
Tax credit carryforwards	160,000	165,000
Net operating loss carryforwards	-	25,000
Valuation allowance	(664,000)	(653,000)

Net deferred tax asset	\$ 738,000	\$ 732,000
=====		

At June 30, 1995, the Company has foreign investment tax credit carryforwards of \$160,000 expiring in 2004 and 2005.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. GEOGRAPHIC SEGMENT DATA

The Company's foreign subsidiaries are based in Europe and Canada and are included in the continuing operations in the accompanying consolidated financial statements. Financial information for the four wholly-owned foreign subsidiaries, since their formation or acquisition by the Company, is summarized below:

	1995	1994	1993
Revenues	\$8,879,000	\$8,437,000	\$11,829,000
Income (loss) before income taxes	373,000	106,000	(178,000)
Identifiable assets	5,744,000	6,027,000	7,136,000

The Company's export sales from continuing domestic operations were approximately \$7,265,000 in 1995, \$6,838,000 in 1994 and \$5,598,000 in 1993, each representing 23%, 20% and 17%, respectively, of total sales from continuing domestic operations. The profitability of domestic sales is approximately the same as that of export sales, and the Company foresees no unusual risks associated with its export sales.

10. COMMITMENTS AND CONTINGENCIES

SEVERANCE BENEFIT AGREEMENTS

During 1989, the Company entered into annually-renewable employment and severance benefit agreements with certain key employees which, among other things, provide inducement to the employees to continue to work for the Company during and after any period of threatened takeover. The agreements provide the employees with specified benefits upon the subsequent severance of employment in the event of change in control of the Company and are effective for 24 months thereafter. The maximum amount that could be required to be paid under these contracts, if such events occur, aggregated approximately \$1,162,000 as of June 30, 1995. (Note 13).

LEASES

At June 30, 1995, the Company maintained leases for certain facilities and equipment. Minimum future rental commitments under all noncancelable operating leases, net of minimum rental receivables totaling \$113,000 under related subleases, are as follows:

FISCAL YEAR	AMOUNT
1996	\$ 917,000
1997	709,000
1998	472,000
1999	400,000
2000	150,000
Thereafter	393,000
	\$3,041,000

Rental expense related to continuing operations was \$1,035,000, \$951,000 and \$1,067,000 in 1995, 1994 and 1993, respectively.

LITIGATION

The Company has been named as a defendant in certain actions that have arisen out of the ordinary course of business. Management, based upon the advice of the Company's legal counsel, believes the actions are without merit and will not significantly affect the Company's consolidated financial position.

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10. COMMITMENTS AND CONTINGENCIES (CONT.)

SHAREHOLDER RIGHTS PLAN

During fiscal year 1989, the Company adopted a shareholder rights plan under which preferred stock purchase rights were distributed, one right for each share of common stock outstanding. Each right entitles holders of the Company's common stock to buy one one-hundredth of a newly issued share of Series A Junior Participating Preferred Stock at an exercise price of \$17.50, following certain change of control events including a tender offer for, or acquisition by, any entity of 20% or more of the Company's common stock.

At any time up to ten business days following the public announcement of certain change of control events, the Company can redeem the rights at \$.001 per right. If certain subsequent triggering events occur, the rights will give shareholders the ability to acquire, upon payment of the then-current exercise price, the Company's common stock or the common stock of an acquiror having a value equal to twice the right's exercise price. The rights will expire June 25, 1999.

EMPLOYMENT AGREEMENTS

Effective July 1, 1993, the Company entered into five year employment agreements with two of its executive officers. The agreements provide for 1) an annual incentive bonus to be paid based on the achievement of specified returns on equity and growth in share price plus dividends paid for each fiscal year, 2) a long-term incentive bonus to be paid based on the achievement of specified returns on equity and share price growth plus dividends paid over a three year performance period and 3) specified benefits upon termination of employment (for reasons other than cause or change in control) which are effective for one year thereafter. As of June 30, 1995, the maximum amount that could be required to be paid under the termination clause of this agreement was approximately \$791,000.

The annual bonus, which amounted to zero and \$95,000 in 1995 and 1994, respectively, is payable in cash following each fiscal year-end. The long-term incentive plan is payable in Company common stock following the end of the three year performance period. At the employee's election, such payout may be taken in cash up to 40% of the fair market value of the total shares to be issued. The total number of shares potentially issuable under the long-term incentive plan ranges from zero to 210,000. The Company recognized \$71,000 of compensation expense in 1994 related to the long-term incentive plan, and reversed \$16,000 of the expense in 1995. The amounts are reflected as adjustments to Additional paid-in capital in the accompanying balance sheet.

STOCK REPURCHASE PROGRAMS

During fiscal 1994, the Board of Directors approved a public stock repurchase program whereby the Company may use up to \$500,000 to repurchase its common stock from stock available on the NASDAQ National Market System (Note 13). Such repurchased stock is being retained by the Company in its treasury. As of June 30, 1995, 64,778 shares had been repurchased under this program for approximately \$196,000.

In addition to the public stock repurchase program, the Board of Directors approved an employee stock repurchase program whereby the Company may use up to \$1,000,000 to repurchase its common stock from its employees at the current market value. As of June 30, 1995, the Company had repurchased 239,620 shares for approximately \$797,000.

During the first quarter of fiscal 1995, the Board of Directors approved two special stock repurchases. The Company purchased 141,000 shares of the Company's common stock from a significant non-affiliated shareholder at a price equal to the then fair market value, which totaled approximately \$441,000. The Company also repurchased 132,000 shares from a non-employee director of the Company at a price equal to the then fair market value which totaled approximately \$478,000. All repurchased stock is being retained by the Company in its treasury.

Combined with previous purchases, the Company held treasury stock with a total cost of \$3,663,000 as of June 30, 1995.

Under Colorado law enacted in July, 1994, repurchased shares of capital stock are considered authorized and unissued shares and have the same status as shares which have never been issued.

 11. RELATED PARTY TRANSACTIONS

During fiscal year 1994 and in accordance with the Officer and Director Loan Plan which was approved by stockholders on October 26, 1989, the Company made loans of \$504,000 to certain executive officers and members of the Board of Directors. The proceeds of these loans were used to buy stock under stock options which had been granted to the officers and directors in prior periods. The loans, with remaining unpaid balances of \$133,000 at June 30, 1995, are full recourse, due on demand but no later than five years from the date of issue, and accrue interest at the applicable federal rate.

Additional full recourse loans to key employees made for the same purpose totalled approximately \$169,000. These loans, plus accrued interest, were repaid in April 1994.

During the second quarter of fiscal year 1995, the Board of Directors approved a loan of up to \$35,000 to be made by the Company after November 30, 1994 to a non-employee director. The loan will be made for the purpose of purchasing Hathaway common stock from stock available on the NASDAQ National Market System. The loan had not been made as of June 30, 1995.

 12. FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, trade receivables, accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments. The carrying amount of long-term debt approximates fair value because the underlying instrument is a variable rate note that reprices frequently. The carrying value of marketable securities approximates fair value obtained from quoted market prices.

 13. SUBSEQUENT EVENTS (UNAUDITED)

On August 10, 1995, the Company's Board of Directors declared a cash dividend of \$.10 per share payable on September 15, 1995 to shareholders of record on August 25, 1995.

On August 10, 1995 the Company entered into annually-renewable severance benefit agreements (Note 10) with certain additional employees. As a result, the total maximum amount that could be required to be paid out under all existing severance benefit agreements currently aggregates \$1,689,000.

Effective June 30, 1995, the Board of Directors approved the discontinuance of the public stock repurchase program (Note 10).

In July, 1995 the Company consummated an agreement with Global and management of Global. Under the terms of the agreement, the Company received \$165,000 in exchange for consenting to Global's proposed disposition of certain assets acquired after the Company's sale of Global on January 31, 1994 (Note 3). In addition, the Company agreed to acknowledge that the disposition would not violate the terms of the original sale agreement. The gain realized on the transaction will be recorded in fiscal 1996.

To Hathaway Corporation:

We have audited the accompanying consolidated balance sheets of HATHAWAY CORPORATION (a Colorado corporation) AND SUBSIDIARIES as of June 30, 1995 and 1994, and the related consolidated statements of operations, cash flows and stockholders' investment for each of the three fiscal years in the period ended June 30, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hathaway Corporation and subsidiaries as of June 30, 1995 and 1994, and the results of their operations and their cash flows for each of the three fiscal years in the period ended June 30, 1995 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Denver, Colorado,
July 31, 1995.

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

OPERATING RESULTS

The Company generated net income from continuing operations of \$842,000 in fiscal year 1995, compared with net income from continuing operations of \$955,000 and \$23,000 for 1994 and 1993, respectively. Net income for the current year was \$842,000 compared with net income of \$5,863,000 and \$981,000 for fiscal years 1994 and 1993, respectively. Fiscal year 1994 net income includes a \$4,023,000 net after tax gain on the January 31, 1994 sale of the Company's Application Software Segment, Global Software, Inc. (Global). See further discussion under Divested Segment.

Revenues from continuing operations decreased 7% in 1995 to \$39,838,000 from \$43,028,000 in 1994. This decrease represents a 13% decrease in sales of the Company's power instrumentation products, offset by 10% and 2% increases in sales of the Company's motion control and process instrumentation products, respectively. Revenues from continuing operations decreased 6% in 1994 from \$45,741,000 in 1993. This decrease represented a 17% decrease in sales of the Company's power instrumentation products, offset by 30% and 36% increases in sales of the Company's process instrumentation and motion control products, respectively. The decreases in power instrumentation product sales are mainly attributable to the changing market conditions in the U.S. and U.K. In October of 1992, the Energy Policy Act of 1992 became law in the U.S. and has caused increased competition among the domestic electric utility companies. The Act requires power companies to transmit competitors' power across their own power networks and to compete with each other for sales to major customers across the U.S. In March of 1990, the government-owned U.K. utility company was privatized in order to increase competition throughout the U.K. power industry (a major foreign market of the Company). The Energy Policy Act in the U.S. and privatization in the U.K. has led to cost reductions by most utility companies and, accordingly, has reduced the demand for power instrumentation products. It is uncertain how long this trend will continue, but the Company will continue to introduce new products which will help power companies achieve lower costs and improve the reliability of their power.

Sales to international customers increased to \$14,646,000, or 37% of sales from continuing operations, in fiscal 1995 compared to \$13,863,000, or 32% of sales from continuing operations, in fiscal 1994 and \$15,930,000, or 35% of sales from continuing operations, in fiscal 1993. Privatization in the U.K. market, which has resulted in increased competition among utilities, contributed to the decrease in 1994 combined sales revenue generated by the wholly-owned foreign operations - Hathaway Systems, Limited, Hathaway, Inc., Hathaway Advanced Power Limited (HAP) and Hathaway Instruments Limited (HIL). Export sales from continuing domestic operations were \$7,265,000, \$6,838,000 and \$5,598,000 in 1995, 1994 and 1993, respectively. Sales to domestic customers from continuing operations totalled \$25,192,000, \$29,165,000 and \$29,811,000, in fiscal 1995, 1994 and 1993, respectively. Sales backlog for continuing operations was \$8,878,000 at June 30, 1995, compared with \$8,868,000 and \$9,873,000 at June 30, 1994 and 1993, respectively.

Cost of products sold represented 57.3% of revenues in 1995 compared to 54.8% in 1994 and 55.5% in 1993. The increase in 1995 occurred primarily because of price reductions implemented in response to competitive pressures.

Selling, general and administrative, and engineering and development expenses decreased 12% in 1995 from \$17,526,000 last year to \$15,489,000 in the current year, and decreased 4% in 1994 from \$18,178,000 in fiscal 1993. The decreases have been primarily due to overall cost reduction efforts and reduced commissions.

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

Amortization expense from continuing operations, consisting of amortization of costs in excess of net assets acquired and other intangible assets, increased 1% in 1995, but decreased 20% in 1994 because fiscal year 1993 amortization expense reflected a \$94,000 one time write-off of deferred loan costs related to the previous long-term debt agreement, which was refinanced in August 1993 (discussed below).

Operating income from continuing operations as a percentage of revenues has remained relatively consistent at 3% in 1995 and 4% in 1994 and 1993, which reflects the Company's continued cost reductions in response to declining revenues.

Interest and dividend income from investment programs increased 5% in fiscal 1995 and 35% in fiscal 1994. The increase in 1994 was due to a higher average cash balance throughout the year and the purchase of higher yielding investments consisting of a long-term corporate bond and a long-term U.S. treasury note.

Total interest expense incurred by the Company was \$204,000, \$386,000 and \$918,000 for fiscal years 1995, 1994 and 1993, respectively. Of these amounts, \$109,000 and \$446,000 for fiscal years 1994 and 1993, respectively, were allocated to divested operations as a result of the terms of the Company's long-term financing agreements. Interest expense from continuing operations decreased \$73,000 and \$195,000 in 1995 and 1994, respectively. The 26% and 41% decreases in interest expense from continuing operations for 1995 and 1994, respectively, reflect interest savings from lower debt outstanding and lower interest rates on such balances.

Foreign currency translation gains and losses on intercompany balances with the Company's foreign subsidiaries and foreign currency transaction gains and losses resulting from fluctuations in foreign currency rates are recognized as foreign exchange gains and losses. The Company recognized net foreign exchange losses of \$13,000, \$41,000 and \$946,000 in 1995, 1994 and 1993, respectively. The significant losses in 1993 were primarily due to fluctuations in the exchange rates between the British pound and the U.S. dollar. For various business reasons, substantially all of the intercompany debt with the Company's foreign subsidiaries was repaid to the parent company or converted to equity in fiscal year 1993 and the first quarter of 1994. As a result of these transactions, the impact of foreign currency fluctuations on the Company's operating results has been significantly reduced.

Other expenses were \$63,000 in 1995 compared to \$397,000 in 1994 and \$386,000 in 1993. The large decrease in 1995 is due primarily to expenses for non-recurring items incurred in 1993 and 1994.

As more fully described in Note 8 of the Notes to Consolidated Financial Statements, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", on a prospective basis during the first quarter of fiscal year 1994. Such adoption did not have a material impact on the Company's financial position or results of operations.

DIVESTED SEGMENT

Effective January 31, 1994, the Company sold Global Software, Inc. to the senior management of Global. The sale resulted in a net after tax gain of \$4,023,000. The Company received a cash payment of \$6,803,000, of which a portion was used to repay \$3,000,000 of the Company's long-term debt and to pay a special \$.10 per share dividend to shareholders totaling \$495,000. The remaining proceeds were used to pay the expenses and income taxes which resulted from the sale and for other general operating activities. The Company obtained a fairness opinion supporting the sale price and stockholder approval of the sale.

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

Global's net income for the seven months ended January 31, 1994 and for the year ended June 30, 1993 have been reflected as Net Income from Operations of Divested Segment in the accompanying Consolidated Statements of Operations. For the seven months ended January 31, 1994, Global generated revenues of \$14,053,000 and net income after income taxes of \$885,000. For the year ended June 30, 1993, Global generated revenues of \$24,588,000 and net income after income taxes of \$958,000.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity position as measured by cash decreased \$1,644,000 during the year to a balance of \$5,903,000 at June 30, 1995. Operating activities generated \$1,447,000 and \$2,187,000 in cash for the years ended June 30, 1995 and 1994, respectively. Cash of \$1,049,000 was used by investing activities during the current year, as compared to \$1,159,000 generated last year. The change in cash from investing activities is due primarily to non-recurring activities in 1994, including proceeds from the sale of Global of \$6,803,000, offset by cash outlays of \$2,731,000 related to the sale and purchases of marketable securities of \$1,288,000. Cash of \$2,081,000 was used in financing activities during the current year, compared to \$6,774,000 used for financing activities last year. The decrease in cash used for financing activities is due primarily to certain events which happened in 1994, primarily the \$11,877,000 repayment of long-term debt, offset by new borrowings of \$7,227,000 under the Company's financing agreement with Marine Midland Business Loans, Inc. (Midland) - discussed below. At June 30, 1995, the Company had \$2,144,000 of debt, compared with \$2,298,000 at June 30, 1994, a reduction of \$154,000.

On August 2, 1993, the Company refinanced its long-term debt and entered into a Reducing Revolving Line of Credit with Midland. The Company borrowed approximately \$7,000,000 and repaid the remaining balance of the existing debt with HCFS and FMC. The new agreement had an initial borrowing limit of \$7,000,000 which is being reduced monthly over the seven year term of the loan. As a result of the sale of Global, the borrowing limit was reduced by \$2,000,000. Borrowings on the line are restricted to the lesser of an amount based on certain assets or the borrowing limit, which is subject to monthly reductions. As of June 30, 1995, the Company could borrow an additional \$1,848,000, up to the current borrowing limit of \$3,992,000. The line bears interest at Midland's prime borrowing rate plus 1% (10% at June 30, 1995) compared with the 12% fixed interest rate under the HCFS/FMC loan. The agreement allows for payment of cash dividends subject to compliance with specified financial covenants.

On September 17, 1993, the Company paid a cash dividend equal to \$.105 per common share, or \$497,000, to stockholders of record on August 27, 1993. This was the first dividend paid to stockholders since 1988, as dividends were previously prohibited by the Company's then existing debt restrictions. In connection with the sale of Global, the Company paid a special cash dividend of \$495,000 (\$.10 per common share) on March 14, 1994 to stockholders of record on February 28, 1994. Then, on September 16, 1994 the Company paid a cash dividend equal to \$.12 per common share, or \$536,000.

In August 1995, the Company's Board of Directors declared a \$.10 per share cash dividend payable on September 15, 1995 to stockholders of record on August 25, 1995.

In December 1993, the Company acquired 25% of Zibo Kehui Electric Company Ltd. (Kehui), located in Zibo, China, for approximately \$100,000. Kehui designs, manufactures and sells cable and overhead fault location and other test instruments within the China market and the Company will sell these products outside of China.

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

During the third quarter of fiscal 1994, the Company acquired 25% of Hathaway Si Fang Protection and Control Company, Ltd. (Si Fang), located in Beijing, China, for a capital contribution of approximately \$175,000. Si Fang designs, manufactures and sells a new generation of digital protective relays, control equipment and instrumentation products for substations in power transmission and distribution systems.

In June 1995, the Company committed to acquire a 40% interest in a third joint venture in China for \$140,000, subject to Chinese government approval. Hathaway Power Monitoring Systems Company, Ltd. located in Wuhan, China will design, manufacture and sell, under a license from Hathaway, instrumentation products designed by Hathaway, to electric power companies in China.

Effective July 1, 1993, the Company entered into five year employment agreements with two of its executive officers. The agreements provide for 1) an annual incentive bonus to be paid based on the achievement of specified returns on equity and growth in share price plus dividends paid for each fiscal year, 2) a long-term incentive bonus to be paid based on the achievement of specified returns on equity and share price growth plus dividends paid over a three year performance period and 3) specified benefits upon termination of employment (for reasons other than cause or change in control) which are effective for one year thereafter. As of June 30, 1995, the maximum amount that could be required to be paid under the termination clause of this agreement was approximately \$791,000.

The annual bonus is payable in cash following each fiscal year-end and totaled zero in 1995 and \$95,000 in 1994. The long-term incentive plan is payable in Company common stock following the end of the three year performance period. At the employee's election, such payout may be taken in cash up to 40% of the fair market value of the total shares to be issued. The total number of shares potentially issuable under the long-term incentive plan ranges from zero to 210,000. The Company recognized \$71,000 of compensation expense in 1994 relating to the long-term incentive plan, and reversed \$16,000 of the expense in 1995.

During the second quarter of fiscal year 1994 and in accordance with the Officer and Director Loan Plan which was approved by stockholders on October 26, 1989, the Company issued \$504,000 of loans to certain executive officers and members of the Board of Directors. The proceeds of these loans were used to buy stock under stock options which had been granted to the officers and directors in prior periods. The loans, with remaining unpaid balances of \$133,000 at June 30, 1995, are full recourse, due on demand, but no later than five years from the date of issue, and accrue interest at the applicable federal rate. Additional full recourse loans to key employees made for the same purpose totalled approximately \$169,000. These loans, plus accrued interest, were repaid in April, 1994.

During the second quarter of fiscal year 1995, the Board of Directors approved a loan of up to \$35,000 to be made by the Company after November 30, 1994 to a non-employee director. The loan will be made for the purpose of purchasing Hathaway common stock from stock available on the NASDAQ National Market System. The loan had not been made as of June 30, 1995.

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

During fiscal 1994, the Company's Board of Directors approved a public stock repurchase program whereby the Company may use up to \$500,000 to repurchase its common stock from stock available on the NASDAQ National Market System. Such repurchased stock is being retained by the Company in its treasury. As of June 30, 1995, 64,778 shares had been repurchased under this program for approximately \$196,000. Effective June 30, 1995, the Board of Directors approved the discontinuance of the public stock repurchase program.

In addition to the public stock repurchase program, the Board of Directors approved an employee stock repurchase program whereby the Company may use up to \$1,000,000 to repurchase its common stock from its employees at the current market value. As of June 30, 1995, the Company had repurchased 239,620 shares for approximately \$797,000.

During the first quarter of fiscal 1995, the Board of Directors approved two special stock repurchases. The Company purchased 141,000 shares of the Company's common stock from a significant non-affiliated shareholder at a price equal to the then fair market value, which totaled approximately \$441,000. The Company also repurchased 132,000 shares from a non-employee director of the Company at a price equal to the then fair market value which totaled approximately \$478,000. All repurchased stock is being retained by the Company in its treasury.

Combined with previous purchases, the Company held treasury stock with a total cost of \$3,663,000 as of June, 30, 1995.

Funds provided by operations in future years will be enhanced by utilization of tax credits of approximately \$160,000 available on a consolidated basis at June 30, 1995. No major commitments for capital expenditures existed at year end. The Company's current capital needs can be supplied from its continuing operations and from cash and cash equivalents of \$5,903,000, marketable securities of \$1,229,000 and the \$1,848,000 available under the line of credit with Midland.

PRICE LEVELS AND THE IMPACT OF INFLATION

Prices of the Company's products have not increased significantly as a result of inflation during the past several years, primarily due to its competition. The effect of inflation on the Company's costs of production has been minimized through production efficiencies and lower costs of materials. The Company anticipated that these factors will continue to minimize the effects of any foreseeable inflation and other price pressures from the industries in which it operates. As the Company's manufacturing activities mainly utilize semi-skilled labor, which is relatively plentiful in the areas surrounding the Company's production facilities, the Company does not anticipate substantial inflation-related increases in the wages of the majority of its employees.

OFFICERS AND DIRECTORS/INVESTOR INFORMATION

BOARD OF DIRECTORS

Eugene E. Prince
Chairman of the Board,
President and Chief Executive Officer

Marvin J. Fein
Private investor

Chester H. Clarridge
Consultant

Graydon D. Hubbard
Retired Partner, Arthur Andersen LLP

George J. Pilmanis
President of Balruga International Corporation
Business Development in the Far East and Eastern Europe

INVESTOR INFORMATION

Annual Meeting
The Annual Meeting of Shareholders of Hathaway Corporation will be held at 2:30 p.m., on Thursday, October 26, 1995 at 8228 Park Meadows Drive, Littleton, Colorado.

Form 10-K
A copy of the Company's report to the Securities and Exchange Commission, excluding exhibits, on Form 10-K may be obtained from the Company without charge. Direct your written request to: Hathaway Corporation, 8228 Park Meadows Drive, Littleton, Colorado 80124.

Transfer Agent
American Stock Transfer & Trust Company
40 Wall Street
New York, NY 10005

Auditors
ARTHUR ANDERSEN LLP
Denver, Colorado

CORPORATE OFFICERS

Eugene E. Prince
Chairman of the Board,
President and Chief Executive Officer

Richard D. Smith
Executive Vice President, Treasurer,
Secretary and Chief Financial Officer

Herbert Franson
Assistant Treasurer, Corporate Controller
and Assistant Secretary

SUBSIDIARIES AND DIVISIONS

Domestic Subsidiaries and Divisions
Computer Optical Products, Inc.
Chatsworth, California

Hathaway Motion Control
Tulsa, Oklahoma

Hathaway Motors and Instruments
Tulsa, Oklahoma

Hathaway Power Instrumentation
Littleton, Colorado

Hathaway Process Instrumentation
Carrollton, Texas

Hathaway Automation Technology
Kent, Washington

International Subsidiaries
Hathaway, Inc.
Toronto, Canada

Hathaway Systems Limited
Belfast, Northern Ireland

Hathaway Instruments Limited
Hoddesdon, England

Stock Data	High	Low

First Quarter	4 1/8	3 1/8
Second Quarter	3 7/8	2 3/4
Third Quarter	3 1/8	2 1/4
Fourth Quarter	3 1/8	2 3/8
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SUBSIDIARIES OF HATHAWAY CORPORATION

- 1) Hathaway Systems Corporation, a Colorado corporation.
- 2) Computer Optical Products, Inc., a Colorado corporation.
- 3) Hathaway, Inc., a Canadian corporation.
- 4) Hathaway Systems Limited, a Northern Ireland corporation.
- 5) Hathaway Instruments Limited, a United Kingdom corporation.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated July 31, 1995 incorporated by reference in this Form 10-K, into the Company's previously filed Registration Statement on Form S-8 (No. 2-73235) of the Hathaway Corporation Amended 1980 Non-Incentive Stock Option Plan dated August 3, 1981, into the Registration Statement on Form S-8 (No. 2-90687) of the 1983 Incentive and Non-Qualified Stock Option Plan of Hathaway Corporation dated May 10, 1984, into the Registration Statement on Form S-8 (No. 3344998) of the 1992 Employee Stock Purchase Plan of Hathaway Corporation dated January 8, 1992, into the Registration Statement on Form S-8 (No. 33-37473) of the 1989 Incentive and Non-Qualified Stock Option Plan of Hathaway Corporation dated October 25, 1990, and into the Registration Statement on Form S-8 (No. 3344997) of the 1991 Incentive and Non-Statutory Stock Option Plan of Hathaway Corporation dated January 8, 1992.

ARTHUR ANDERSEN LLP

Denver, Colorado,
September 26, 1995.

YEAR	
	JUN-30-1995
	JUL-01-1994
	JUN-30-1995
	5,903,000
	1,029,000
	7,791,000
	305,000
	4,469,000
	20,200,000
	7,836,000
	6,038,000
	23,312,000
5,295,000	
	2,144,000
	100,000
0	
	0
	15,773,000
23,312,000	
	39,838,000
	39,838,000
	22,834,000
	22,834,000
	0
	(69,000)
	204,000
	1,321,000
	479,000
842,000	
	0
	0
	0
	842,000
	0.19
	0.19

Presented gross