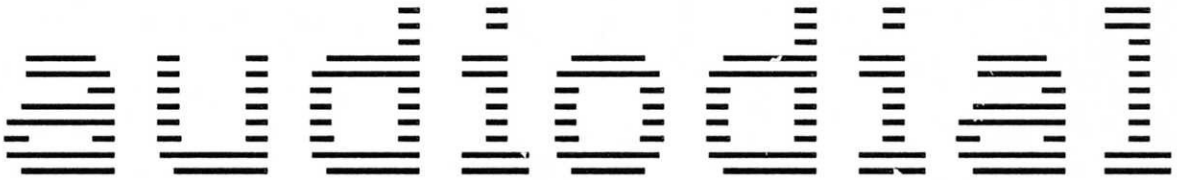

ADC Audiodial Corporation
Business Plan

15 July 1988

NOTE: This document is a draft copy and is provided *for your eyes only*. Please make notes on this copy and return it to the following address by August 02, 1988:

ADC Audiodial Corporation
1218 West 8th. Avenue
Vancouver, B.C.
V6H 3Y9
ph. (604) 731-9071
Fax (604) 731-0055

Thank you in advance for your time and effort.

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audiodial

Executive Summary

This section will be written after the initial review of the draft version of this Document.

Introduction

ADC Audiodial Corp is a Canadian company offering the cable TV industry a new package of digital audio and information services which is made available to cable TV subscribers via the revolutionary all-service Audiodial Receiver. The Digital Audio and Telex Information Services (Audiodial Programming Service) provide the cable subscriber the first available, high quality digital music service combined with a sophisticated on-screen information retrieval system.

The Audiodial Programming Services will be available as an optional pay service to cable subscribers using the Audiodial Receiver. The Audiodial Receiver is designed using proven leading edge technology combined with proprietary software which results in a simple and attractive multipurpose cable receiver.

The Audiodial Programming Service is decoded within the cable subscriber's home by the Audiodial Receiver whose functions include a 99 channel converter and Pay TV descrambler. The modular nature of the Audiodial Receiver, with separate plug-in circuit modules for each service provided by the cablecaster, effectively eliminates the need for multiple cable converters in the home.

The Audiodial Programming Service is unique for several reasons. The Digital Audio Service provides 20 separate channels of digitally transmitted audio programming for a reasonable price. This one feature alone allows the subscriber to upgrade home reception of music to a level equivalent to that produced on a compact disc player. The Telex Information Service, which displays information stored in the Audiodial Receiver's memory and updated continuously, provides quick access to large volumes of information while still using what is effectively a one way communications network.

The Digital Audio Service provides a vehicle for the transmission of top quality programming to subscribers without the usual distraction of paid advertising. The programming has been designed using proven Album and Top 40 formats as well as new techniques developed specifically for the Audiodial Programming Service. The ad-free format distinguishes Audiodial from traditional broadcast radio thereby improving market viability.

The Telex Information Service provides national and local information such as news, sports, weather, TV Guide, financial market data, and airline schedules. A data port is provided for connection to a home computer to allow for the reception of a potentially unlimited variety of data transmission services. The telexing feature is also utilized for the Digital Audio Service to provide information on schedules for current and upcoming programming as well as in depth information on each album or song being played.

The Audiodial Programming Service gives Cablecasters the ability to offer their subscribers more services while at the same time eliminating the need for additional subscriber equipment. The Audiodial Receiver is compatible with existing pay TV descrambler technology while providing an upward growth path for new technologies with its modular design approach. Audiodial is providing a unique combination of services in a simple, attractive package to a potential 40,000,000 cable subscribers in the United States alone. In short, the potential for success with Audiodial is enormous.

Cablecaster Involvement

The relationship between Audiodial Corporation and the Cablecaster encompasses 4 major areas:

- programming and transmission of the Audiodial Programming Service
- production and distribution of Audiodial Receivers
- subscriber billing and service control
- marketing of the Audiodial Programming Service

Each of these areas is discussed below with details contained in later sections of this document.

Audiodial Programming Service

Audiodial Corporation provides the Digital Audio Service programming and Telex Information Service data from its central facility. Audiodial Corporation also provides equipment to cablecasters for the injection of TV simulcast audio and national and local telex information into the Audiodial transmission signal.

Audiodial projects a wholesale charge to Cablecasters of about $2.00 per month per subscriber. Retail rates will be determined by the Cablecasters.

Audiodial Receivers

Audiodial Corporation is responsible for the design, production and service of the Audiodial Receivers and associated network transmission and control equipment. The Cablecaster purchases the Audiodial Receivers from Audiodial Corporation at Audiodial's cost and in turn, rents them to cable subscribers. A royalty of $1.00 per month per subscriber will be paid to Audiodial Corporation.

Subscriber Billing and Service Control

The Cablecaster is responsible for subscriber billing and service control through the transmission of receiver descramber "keys". Audiodial provides the equipment necessary for the injection of these "keys" into the Audiodial transmission signal. The Audiodial Programming Service and Receiver usage is controlled by this equipment in the same way existing pay TV descramblers are.

Marketing

Audiodial Corporation provides support to the Cablecasters in their efforts to market the Audiodial Programming Service to their cable subscribers.

The modular design of the Audiodial Receiver allows Cablecasters to rent Audiodial Receivers with only the pay TV descrambler and 99 channel converter modules installed. As the popularity of the Audiodial Programming Service grows, the Digital Audio/Telex modules may be purchased and installed. When new cable technologies are developed they may be added as well. In this way, older cable converters may be replaced by the Audiodial Receivers without having to abandon existing investments in subscriber electronics.

Audiodial Programming Service

The Audiodial Programming Service is comprised of the transmission of the Digital Audio Service, the Telex Information Service and the Digital Audio Index. This programming originates from Audiodial's central facility with additional national and local telex information being injected by the Cablecaster. The following programming formats are subject to a comprehensive market survey to accurately determine what cable subscribers want in this service.

Digital Audio Service

The heart of Audiodial Programming Service is the availability of high quality, entertaining and innovative digital audio programming.

20 discreet channels are provided by the Digital Audio Service, each with its own unique programming personality. Nineteen channels are grouped into three major categories of programming: Radio Format, Album Format, and Specialty. One additional channel is reserved as the Audiodial "Show" Channel. The following are brief descriptions of the groupings.

Radio Format

The Radio Format is the most recognizable format to the Audiodial subscriber. Modeled on current radio formats found in traditional broadcast radio shows, the Radio Format highlights individual songs from an array of artists. The music selected for these programs represents the "Hits" from each album.

Album Format

The Album Format represents uninterrupted album music. Each channel is specifically formatted to a particular genre of music. Formats range from Rock to Pop, Country to Jazz, and Classical.

Specialty Channels

The specialty channels present a selection of services reflecting the flexibility of the Digital Audio Service provided by Audiodial. These channels are available to television networks and independent stations for simulcast transmissions synchronized with the video portion of a program. Other services include talk shows, stories and poetry as well as other special feature presentations.

The "Show" Channel

The "Show" Channel is available to all subscribers who have rented the Audiodial Receiver whether or not they have actually subscribed to the Digital Audio Service. The "Show" Channel provides samples of material available on the 19 other channels. It's primary function is to advertise the Digital Audio Service.

Overview Sample

The following is a sample of the channel selections being offered by the Digital Audio Service:

1. The "Show" Channel

2. 50's
3. 60's
4. Contemporary
5. Soft Rock
6. Pop
7. Hard Rock
8. Country

Radio Format

9. Soft Rock
10. Pop
11. Hard Rock
12. Country
13. Jazz
14. New Releases
15. Classical

Album Format

16. Simulcast
17. Simulcast
18. Simulcast
19. Talk Show
20. Stories/Poetry

Specialty

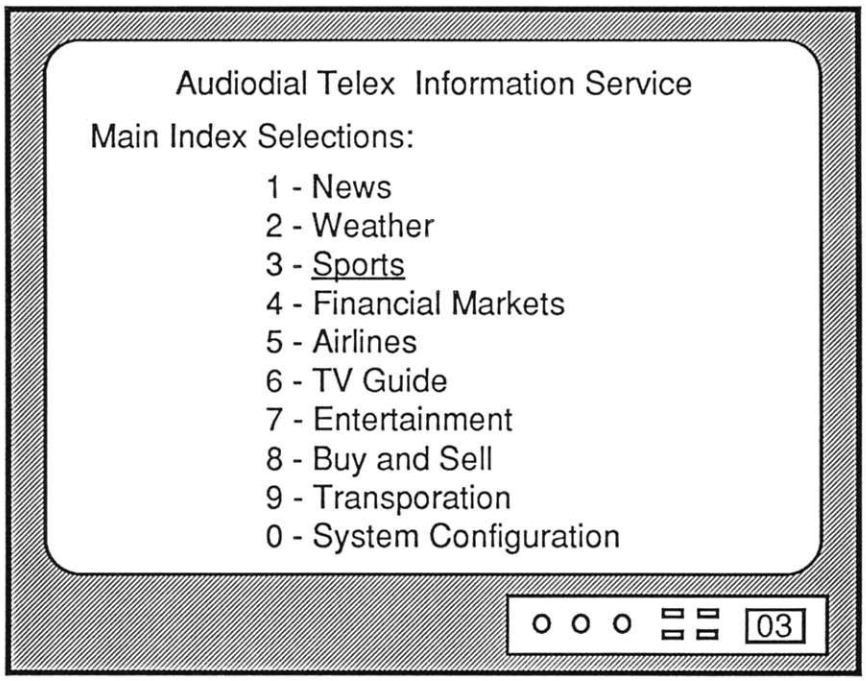
Telex Information Service

Telexing, the process used to display alphanumeric symbols on a television screen, is a unique feature offered by the Audiodial Programming Service. This feature provides two main functions: to provide a powerful, easy to use information service (the Telex Information Service) and act as an index for the Digital Audio Service (the Digital Audio Index).

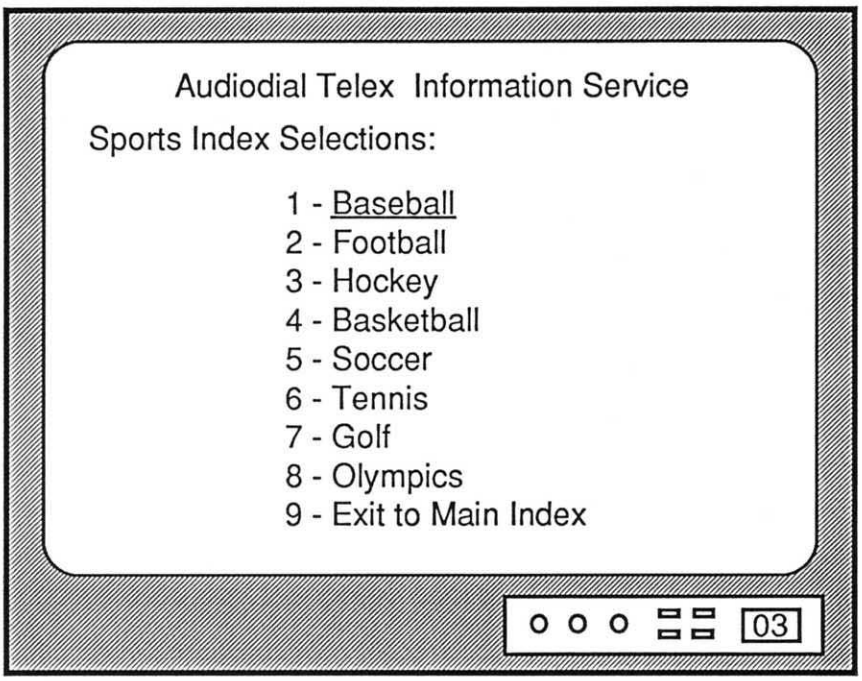
The Telex Information Service is transmitted on a separate channel within the Digital Audio Service bandwidth. This channel is subdivided into data "packets" which represent many different information categories. To access this information, the subscriber presses the TELEX key on the remote control unit and the index to the Telex Information Service is displayed on the screen.

Each of these information categories are selected simply by keying in the number corresponding to the subject matter desired. Within each subject heading are sub headings thereby giving the subscriber quick access to the vast array of information available in the constantly updated Audiodial Receiver memory. What follows is an example of how this works:

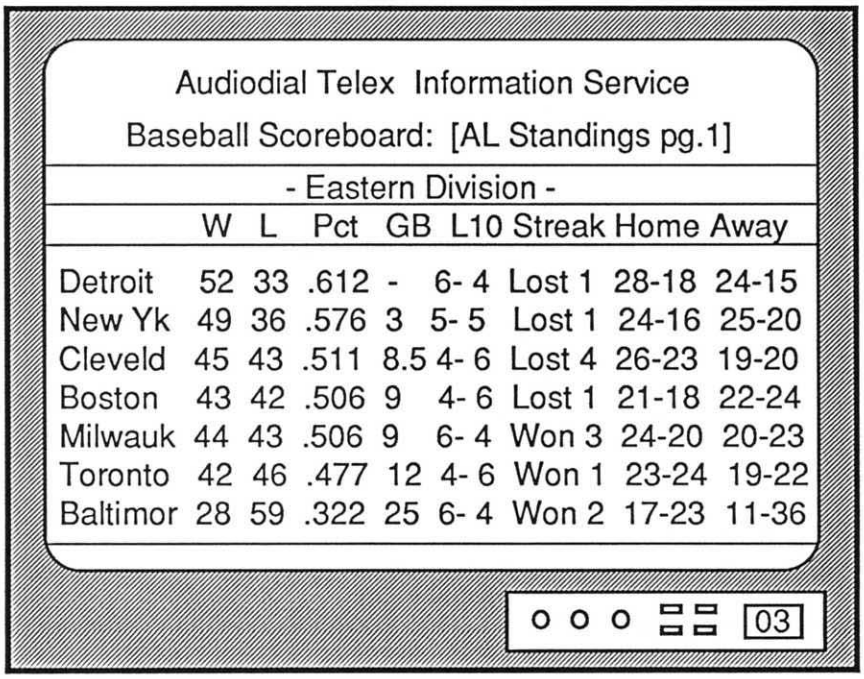
1. Press the Telex key (TELEX)



2. Press key #3 (Sports)



3. Press key #1 (Baseball)



The Telex Information Service has also been designed to integrate with the home computer allowing printing of information screens as well as other more complex functions.

Digital Audio Indexing

Digital Audio Indexing provides the subscriber with an indexing system for the Digital Audio Service. This information is transmitted along with the audio data for each channel. When the subscriber presses the AUDIO key on the remote control unit, the index of categories (see page D-2) is automatically displayed on the television screen.

By selecting a particular digital audio channel, the screen will automatically change to show the information concerning the music actually being listened to including the song title, credits, producers, record company and upcoming concert dates. Naturally, the subscriber need not view this information and can simply turn off the television if so desired.

Audiodial Receiver

The Audiodial Receiver provides the following functions to cable TV subscribers:

* 99 Channel Cable TV Converter
* Pay TV Descrambler
* Audiodial Programming Service Descrambler

Each of these functions are provided as separate circuit board modules (Digital Audio and Telex Information Services are provided as a single module) which are plugged into the receiver. Through this design approach, any combination of services may be provided to the subscriber without requiring a multiplicity of ugly "black boxes" and cable interconnections. Up to 4 modules may be inserted, thereby leaving room for future module additions (such as a modem to allow for a true 2 way communications network).

A central computer in the Audiodial Receiver controls the modules, accepts input from the keyboard and remote control, and monitors the transmitted control channel for pay service authorization "keys". The computer uses remotely programmable tables for its operation and may be configured for new tasks via transmissions from the Audiodial Central Transmission Facility.

Figure E-3 presents a block diagram of the basic Audiodial Receiver electronics.

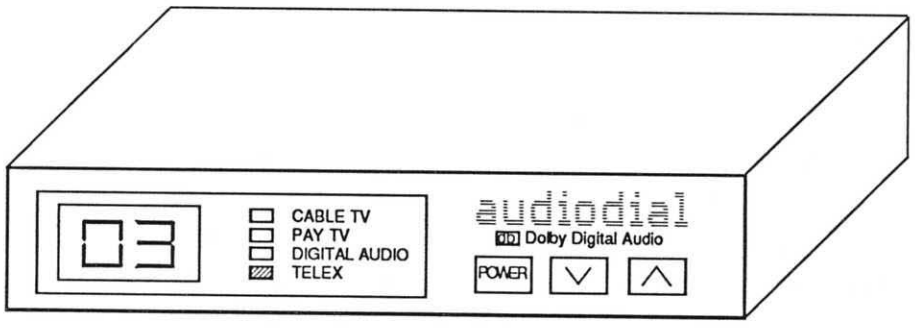


Figure E-1 Audiodial Receiver - Front View

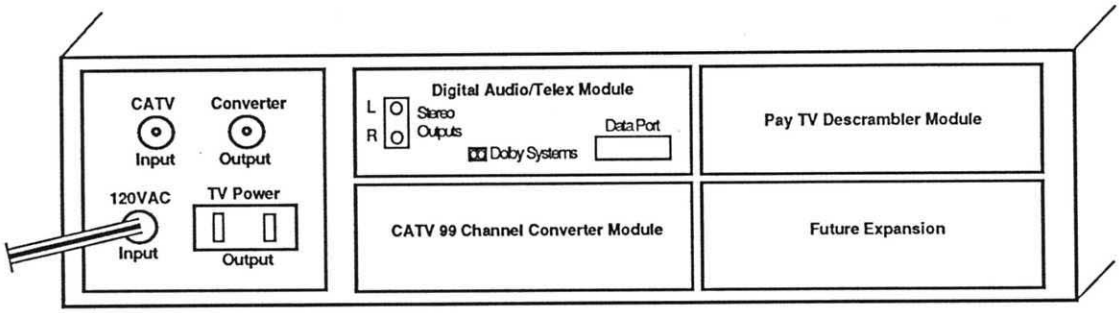


Figure E-2 Audiodial Receiver - Rear View

Digital Audio

20 stereo digital audio channels are broadcast simultaneously on the cable network using transmission technology licensed from Dolby Laboratories. The Audiodial Receiver automatically decodes the selected channel.

Digital Audio Indexing data, containing the audio broadcast timetable and program information is transmitted with each audio channel. This data is received and stored by the Audiodial Receiver and may be displayed on the TV screen. Alternatively, regular or pay TV may be displayed while an accompanying digital audio simulcast is sent to the stereo outputs.

Telex Information

Telexing converts a TV into a powerful information source. The TV screen can be used to display data on news, weather, sports, airlines, stock markets and entertainment at the push of a button.

A high speed repeating data stream is partially decoded and stored in memory. When subscribers request information on a particular subject, the telex circuitry automatically retrieves and displays the information without delay. The ultimate capacity of this service is hundreds of color video screen "pages".

The Audiodial Receiver's internal computer also uses this unique feature to display messages for each subscriber. For example, if a subscriber has not paid for a pay TV channel, a message appears when that channel is selected stating that the service is available for a certain fee.

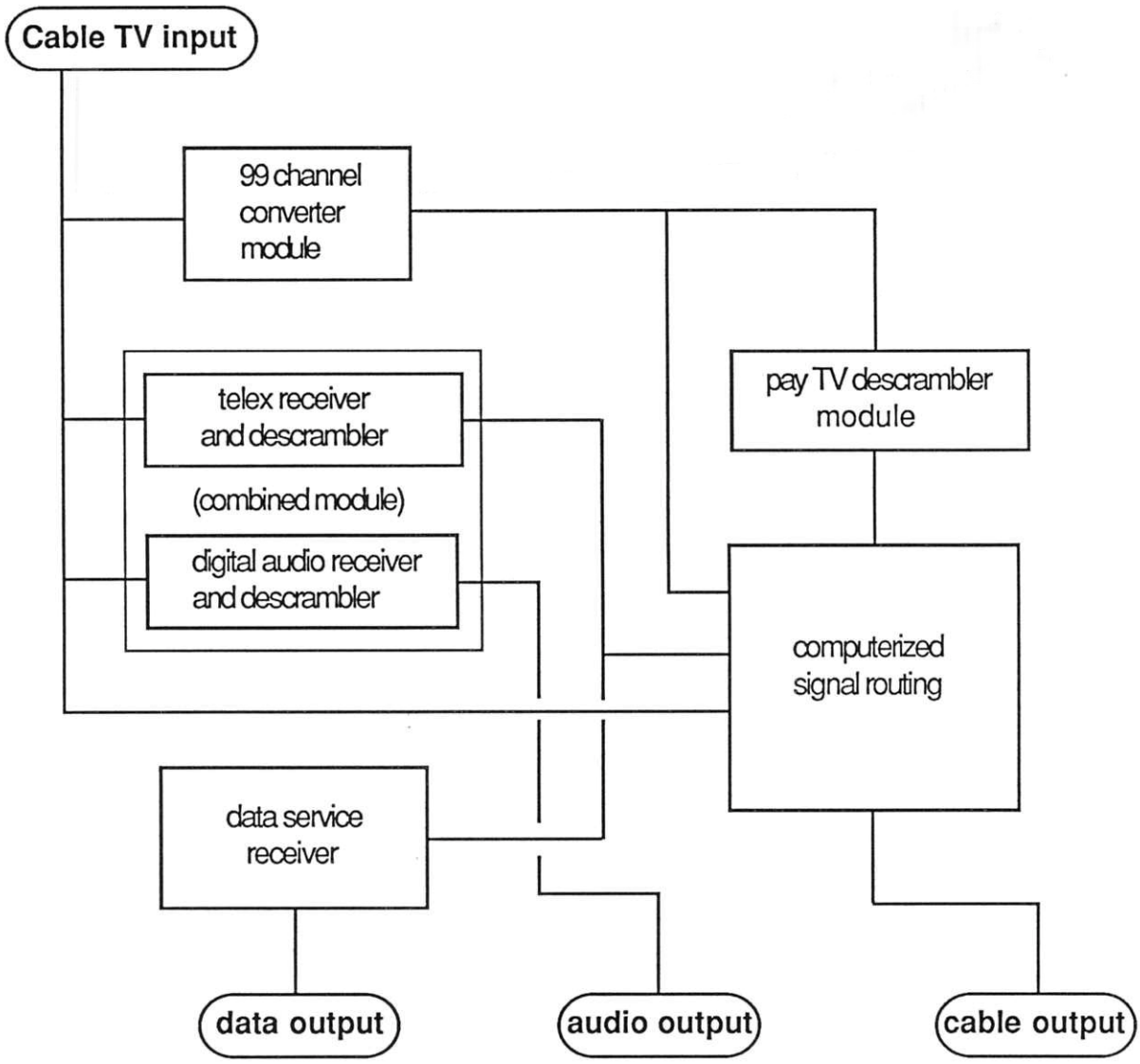


Figure E-3 Block Diagram of Audiodial Receiver Electronics

The Telex Information Service helps reduce the number of telex information channels that are currently provided on separate channel allocations, thereby freeing up space for future, innovative programming.

Data Output Port

A computer may be connected to receive a potentially unlimited variety of data transmission services through a data port on the back of the Audiodial Receiver. For example, a subscriber could use the service to print out a copy of the current TV program timetable.

Digital Audio Signal Quality

The digital audio transmission technology used by the Audiodial system has been developed by Dolby Laboratories. The received signals have a sound quality equivalent to digital compact disc players.

Transmission Security

The Audiodial Receiver continually monitors a control channel being transmitted on the cable TV network. All services provided through the Audiodial Receiver are controlled via subscriber descrambler "keys" similar to what are currently in use by existing pay TV descramblers. This method of transmission eliminates the possibility of "pirating". If a subscriber chooses to add or delete a service, it may be remotely enabled or disabled.

Receiver Operation

The operation of the Audiodial Receiver is controlled through the remote control keypad and operates like a standard TV remote control unit.

Pressing the TELEX key on the keypad activates the Telex Information Service. Once the telex service has been selected, the key functions change to allow for quick access to the information categories. Programming of the data port control parameters will be facilitated through the selection of the system configuration option in the Telex Information Service main menu.

Pressing the AUDIO key activates the Digital Audio Indexing screens. Once an audio channel has been selected the subscriber may resume regular TV viewing when simulcast stereo is available. The volume of the digital audio may be controlled through the use of the volume and mute keys.

The cable TV signal is output on channel 3. Tuning is provided through the use of the TUNE keys.

This same remote control unit is used for the programming of the personal TELEX information service features such as the stock market portfolio.

An additional keypad is included on the Audiodial Receiver chassis which provides for basic converter control when the remote control unit is not functioning.

Figure E-4 Audiodial Receiver's Remote Control Unit

Audiodial Network

Figure F-1 illustrates the various network interconnections required for multiple cable company operations.

Audiodial's Central Facility

This facility is owned and operated by Audiodial Corporation with operational costs being paid from the royalties charged for the monthly use of the Audiodial Programming Service. It is the source of all Audiodial programming except simulcast audio local telex information. All Audiodial programming services are provided on one standard NTSC 6 MHz baseband signal.

Cablecaster's Central Facility

An interface (typically IBM SNA) to the Cablecaster's billing computer equipment is provided for access to subscriber descrambler "keys". Audiodial provides the equipment necessary for the injection of these "keys" into the 6 MHz baseband signal which is then routed to the local distribution centers. This setup is similar to that used for pay TV control.

Telex data and simulcast audio will be added at the Cablecaster's central facility.

Local Cablecaster Centers

Local telex information is added at this point with equipment provided by Audiodial. This composite signal is transmitted by the cable system (on a standard cable channel allocation) to the subscribers Audiodial Receivers. The channel used to broadcast the Audiodial Service may be changed at any time as the Audiodial Receiver will automatically locate the channel being used for this service.

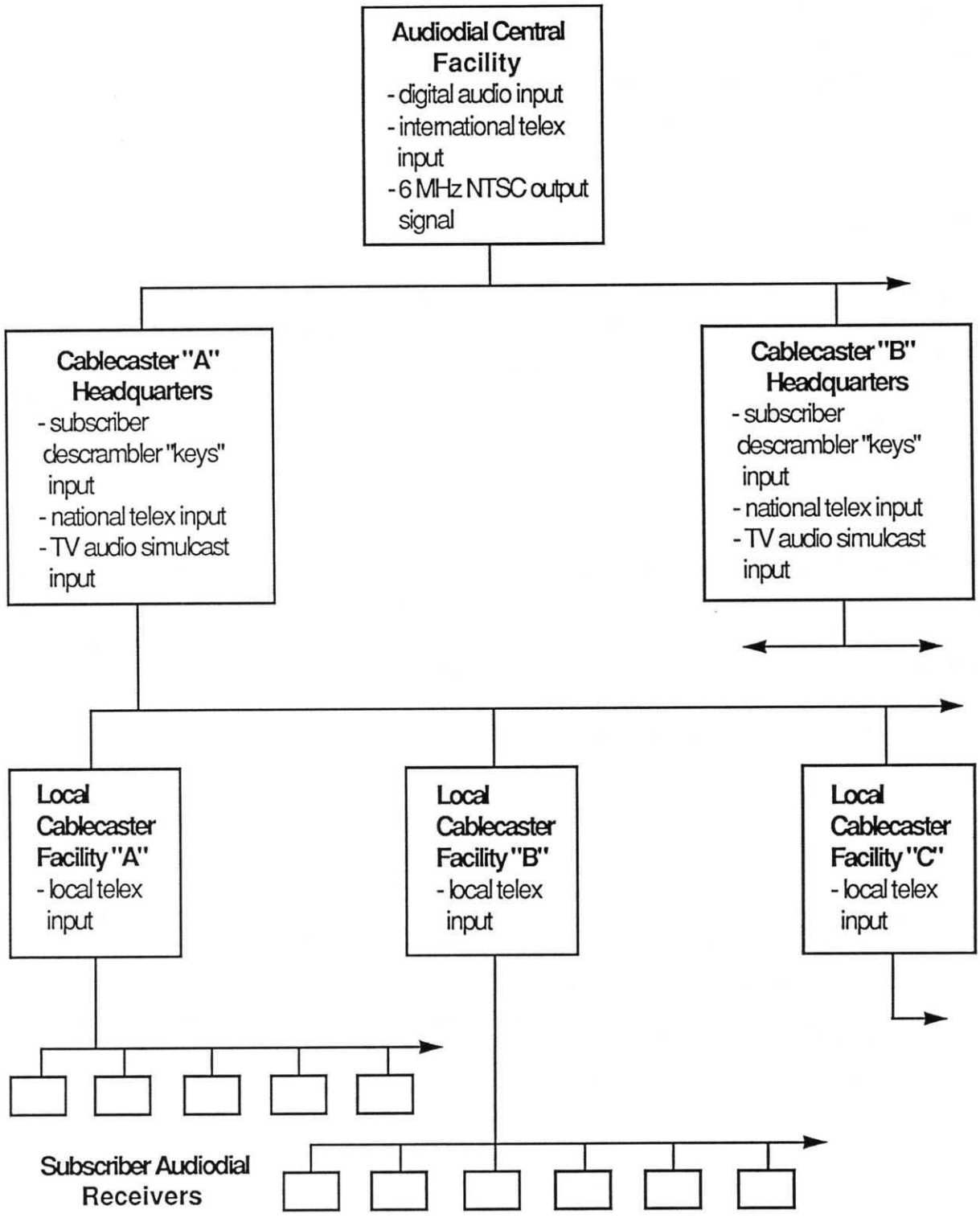


Figure F-1 Audiodial Network Interconnections

Legal And Regulatory Issues

Intellectual Property Rights

Several forms of legal protection secure the continued success of the Audiodial Service:

Program formatting, printed material distributed via the Telex Information Service and the software contained in the Audiodial Receiver are protected by copyright.

Trademarks will be applied for to protect the name Audiodial and logo and trade identifications used to describe the services provided.

As the product is developed, applications for patents will be made for all for patentable aspects of the Audiodial Service and technology.

The digital transmission technology is licensed from Dolby Laboratories, a company synonymous with much of the music and motion picture industry standards. The Dolby name used in conjunction with Audiodial and the phrase "Digital Audio" will provide instant recognition due in part to Dolby Laboratories industry visibility and the success of digital audio compact disc player technology.

U.S. Regulatory Issues

In the United States, the Federal Communications Commission (FCC) has regulatory control over the cable system. While the FCC has jurisdiction over the "cable" services provided by licensees, in recent years they have been increasingly reticent to regulate these cable services. As a result, Cablecasters are currently offering audio and computer services similar in transmission technology to the Audiodial Service. It is not anticipated that there will be a FCC regulatory hurtle for the Audiodial Service in the United States.

The licensing of music broadcast over cable networks is covered by the Copyright Act 1976. Compulsory statutory license fees are collected by the Registrar of Copyrights and distributed by the Copyright Royalty Tribunal to both music and non-music claimants: namely The American Society of Composers and Publishers (ASCAP) and Broadcast Music Inc. (BMI). It is expected that a royalty rate of between 3 and 5 % of the gross revenue derived from the Audiodial Programming Service will be negotiated to pay for Performance Licensing.

Canadian Regulatory Issues

In Canada, the Canadian Radio and Television Commission (CRTC) has regulatory control over the cable system pursuant to the Cable Act. The Audiodial Programming Service provides a specialty service and will therefore require formal approval from the CRTC. Direct applications to the CRTC will have to be made by Audiodial Corporation in conjunction with the support of Cablecasters wishing to provide the Audiodial Service to their Canadian subscribers. Initial enquiries to the CRTC have obtained a positive response but a formal application to the CRTC will be necessary to determine the formal regulatory requirements of the service.

Market

There are approximately 9000 cable systems operating in North America with an estimated 700 in the planning stages. These systems serve almost 25,000 communities with an estimated 40 million pay cable subscribers which represent almost 80% of the entire cable market. The cable industry in North America realized revenues in excess of 5.5 billion dollars in 1987.

Cable operators have been contracting for packaged pay programs for over ten years with one of the largest being Home Box Office which initiated the first national satellite interconnected pay network back in 1975. Cable operators can either lease a channel to the pay program operator or pay to secure the programming for their own services.

The Audiodial Receiver is competitively priced with existing cable TV converter/descramblers. The Digital Audio and Telex Information Service is priced lower than competitive digital audio only services and the receiver function module is priced lower than competitive digital audio only receivers. Audiodial's price advantages in combination with its unique, expandable, modular receiver design provide a powerful marketing edge.

Audiodial Corporation is demonstrating the potential for financial success based on the eventual subscription levels of its service reaching 6.25% of the estimated 40 million current pay cable subscriber market base. These market penetration levels are expected to be realized within five years. For details on these anticipated results see Management Assumptions for Forecasted Revenues.

Management

Management Team

The management of the Audiodial Corporation consists of Derek W. Spratt, Andrew S. Atkins, and Douglas W. Sereda. Industry professionals in marketing, project management and general business management are currently being sought to assist current management in the development and expansion of the company. See Board of Directors for proposed areas of responsibility.

Following is a brief biographical sketch on each member of the current management team.

Derek W. Spratt, P.Eng

A Queens University graduate in Electrical Engineering, Mr. Spratt has worked for a number of firms in the electronics development area on a diverse range of projects including: business telecommunications switches, industrial control equipment, semiconductor gate array and standard cell designs, and commercial and consumer electronics.

For the last four years Mr. Spratt has helped Integra Systems Inc. of Vancouver develop, produce and service over 15,000 Point Of Sale Terminals throughout North America.

Mr. Spratt is also the principal owner of DWS Electronics which develops construction test equipment now used by numerous construction and engineering companies in North America, Europe and Asia.

Andrew S. Atkins, LLB

A graduate of Law from the University of Victoria, Mr. Atkins began his career specializing in Entertainment Law. Following his employment with Clark Wilson, Barristers & Solicitors, Mr. Atkins worked for A. & F. Music Inc., one of Canada's largest music booking agency and management companies. The position included the representation of legal matters in publishing and recording.

Mr. Atkins brings to Audiodial an understanding of the music industry. His legal background is invaluable in guiding the company in product development, marketing and general management.

Douglas W. Sereda

Mr. Sereda is a graduate of the Canadian Securities Institute with a degree in Canadian Investment Finance. He has worked for a number of Vancouver brokerage firms with duties ranging from that of a floor trader to commodities broker. He also operated an Introducing Brokerage Firm for four years.

Mr. Sereda works as an independent consultant in assisting companies in various aspects of product development, venture capital financing and listing on the Vancouver and Toronto Stock Exchanges. He is currently a director of The Future Financial Group Ltd., a company whose interests include professionally managed commodity futures and equity portfolio management.

Management Remuneration

Current management does not intend to draw any salaries until management is required on a full time basis.

Board of Directors

The current Board of Directors of Audiodial Corporation consist of the following individuals responsible for the development of the Audiodial System:

Douglas W. Sereda	- President
Derek W. Spratt	- VP Engineering
Andrew S. Atkins	- VP Marketing

Financial

Financial History

Audiodial Corporation was incorporated as of February 1, 1988. All expenses relating to various aspects of the development of the company and its product and services have been funded by the principals of the company.

Proposed Equity Structuring & Financing

In its initial stage, Audiodial Corporation will raise venture capital funding for research and development by way of a seed stock offering. In later stages, capital funding will be provided by either an institutional private placement or an initial public offering, with a listing on the Vancouver or Toronto Stock Exchanges.

Structuring Scenario

1) Incorporated company

	100,000,000	common shares authorized
2)	300,000	common shares issued to current principals for contributions at a price of $0.25 per share.
		proceeds $75,000.
3)	1,000,000	common shares (escrow) issued to the principals. (This projection may change subject to regulatory approval.)
		proceeds E.P.S.
4)	500,000 (phase I)	common shares issued as seed stock at price of $1.00 per share.
		proceeds $500,000

5)

a) 1,150,000 (phase II) — common shares issued as an institutional private placement at $3.00 per share as an optional stage before a public offering with a corresponding public exchange listing.

proceeds $3,450,000

b) 1,000,000 — common shares issued to the public by way of a public offering through the facilities of an investment firm at a price of $3.50 per share. A listing on either the V.S.E. or T.S.E. would occur at this time.

proceeds $3,500,000

6) 1,000,000 (phase III) — common shares issued to the public by way of an initial public offering or a secondary public offering. This current proposed offering would be 1,000,000 common shares at $10.00 per share.

proceeds $10,000,000

Notes on Phase II:

a) As a condition of this proposed $3,450,000 institutional private placement financing, an public offering would follow, funding the third and final financing under consideration. An institutional private placement at this stage would enable the company to complete the development of the product and services offered.

The pubic financing proposed after the private placement is considered phase 3 of the financing and raise 10 to 20 million. These funds would add to working capital with funds allocated to the manufacturing of an additional 50 to 100 thousand audiodial service receivers.

b) The investment community may classify Audiodial Corporation as a "research and development" company for the following reasons:

1) undeveloped or unproven product
2) lack of confirmed cablecaster support

If sufficient public interest supports the company's contention that additional funding and time will bring the necessary Cablecaster agreements, institutional participation could be reduced and the public offering pursued. The size of this financing would be one million shares at a price of $3.50 per share. Phase III financing would follow this offering, as a secondary public offering.

Total Common Shares Outstanding

Before institutional private placement: (completing phase (I).)	800,000
After institutional private placement: (completing option (a) in phase (II).)	1,950,000
or After initial public offering: (completing option (b) in phase (II).)	1,800,000
After the initial public offering: including option (a) in phase (II) and completing phase (III)	2,950,000
or After the secondary public offering: option (b) in phase (II) and completing phase (III)	2,800,000

Total Common Shares Outstanding on a Fully Diluted Basis

The difference between common shares outstanding and the total common shares outstanding on a fully diluted basis is the addition of escrow earn out shares issued to the founding principals. It is estimated this allocation will be one million common shares.

Before institutional private placement: (completing phase (I).)	1,800,000
After institutional private placement: (completing option (a) in phase (II).) or after initial public offering: (completing option (b) in phase (II).)	2,950,000 2,800,000
After the initial public offering: including option (a) in phase (II) and completing phase (III) or After the secondary public offering: option (b) in phase (II) and completing phase (III)	3,950,000 3,800,000

Net Worth

The following figures do not include value for future earnings nor has consideration been given to wasted operating expenses as the company progresses with product and service development.

Before institutional private placement: (completing phase (I).)	$575,000
After institutional private placement: (completing option (a) in phase (II).) or after initial public offering: (completing option (b) in phase (II).)	$4,025,000 $4,075,000
After the initial public offering: including option (a) in phase (II) and completing phase (III) or After the secondary public offering: option (b) in phase (II) and completing phase (III)	$14,025,000 $14,075,000

Book Value

The following figures do not provide for any retained earnings or wasted net worth due to development costs or operating costs.

Before institutional private placement:	$0.72
(completing phase (I).)	
on a fully diluted basis:	$0.32
After institutional private placement:	$2.06
(completing option (a) in phase (II).)	
On a fully diluted basis:	$1.36
or	
after initial public offering:	$2.26
(completing option (b) in phase (II).)	
On a fully diluted basis:	$1.45
After the initial public offering:	$4.75
including option (a) in phase (II) and completing phase (III)	
On a fully diluted basis:	$3.55
or	
After the secondary public offering:	$5.02
option (b) in phase (II) and completing phase (III)	
On a fully diluted basis:	$3.70

Dilution

Seed Share Offering

Offering price:	$1.00
Net book value before issuance:	$0.25 per share
Increase in book value due to offering:	$0.47 per share
Net Book Value after issuance:	$0.72 per share
Dilution to subscribers:	$0.28 per share
Percentage of dilution due to offering price:	28.0%

Institutional Private Placement Offering

Offering price:	$3.00
Net book value before issuance:	$0.72 per share
Increase in book value due to offering:	$1.34 per share
Net Book Value after issuance:	$2.06 per share
Dilution to subscriber:	$0.94 per share
Percentage of dilution due to offering price:	31.3%

Phase III Public Offering

Offering price:	$10.00
Net book value before issuance:	$2.06 per share
Increase in book value due to offering:	$2.69 per share
Net Book Value after issuance:	$4.75 per share
Dilution to subscriber:	$5.25 per share
Percentage of dilution due to offering price:	52.5%

Full Dilution

After the issuance of all common and escrow shares, the principals of Audiodial Corporation will own 32.91 % of the company. There will be 3,950,000 common shares outstanding.

Note: This financing plan and the structural results represented may change subject to actual results at the time of financial offerings.

Use of Proceeds

Phase I

The issuance of 500,000 common shares at a price of $1.00 per share will realize the company $500,000.

Product development hard costs:	$30,000.
Lab equipment lease costs:	$84,000.
Employee costs:	$284,000.
Office costs (working capital and operating expenses):	$102,000.
Total costs for the year one:	$500,000.

The proceeds from Phase I will be used develop the Audiodial Service while simultaneously providing for sources of capital for future growth and expansion to include:

1. the completion of negotiations with cablecasters for the distribution of Audiodial Services to their respective markets.

2. commencement of the manufacturing phase and continuing product and service development.

Phase II

The issuance of 1,200,000 common shares by way of an institutional private placement at a price of $2.00 per share or a public offering of 800,000 common shares at $3.00 per share. One of the two options will raise the required funds to demonstrate successful test marketing and operation of the Audiodial Service and pursue a distribution agreement with a large Cablecaster.

a) Audiodial Central Facility :	$425,000.
b) Cablecaster hardware required to receive and transmit Audiodial Programming:	$165,000.
c) 5000 Audiodial Receivers including the production set up costs:	$1,000,000.
d) The implementation of Service Programming (Audio):	$175,000.
The implementation of Service Programming (Telex):	$150,000.
e) Marketing and Promotion:	$250,000.
f) Operating Expenses/Working Capital:	$906,000.
Total use of proceeds:	$3,071,000.
Underwriter fees at 7.5% :	$262,500.
Corporate cost of financing:	$116,500.
Total proceeds raised by financing:	$3,450,000.

Phase II projected costs are estimates. The final cost associated with stage II of the Audiodial development will be properly defined and outlined at the completion of stage one of the development plan. The primary objective of Phase II is to introduce the Audiodial Service into a test market area.

Phase III

The issuance of 1,000,000 common shares by public offering as an initial offering or a secondary offering. This offering will occur if the company is very successful and has a need for a large injection of cash to facilitate rapid expansion.

a) 50,000 Audiodial Receivers:	$8,100,000.
b) Addition to working capital:	$1,150,000.
Total use of proceeds:	$9,250,000.
Underwriter fees at 7.5%:	$750,000.
Total:	$10,000,000.

Financial Projections

At this stage of the development, it is difficult to ascertain exact income levels to be realized from the sale of Audiodial Receivers and Programming Services, and the exact operating expenses. Conservative gross income estimates have been used in order to demonstrate sales and income potential.

Management Assumptions For Projected Revenue Sources

The Audiodial Corporation will have two major income sources as outlined below:

1. Audiodial Receiver

Initially, Audiodial Receivers will only be sold directly to the Cablecaster. Since the unit is designed to provide the cablecaster with a cost effective alternative to the existing sources of pay TV descramblers and 99 channel cable receiver/converters, the receiver will be capable of providing these two services in addition to its own unique function. In providing such an alternative to cablecaster utility boxes, Audiodial will improve market acceptance of the services

and hardware offered by the company.
The estimated prices shown below include all function modules:

Selling Price to the Cablecaster:	$194.40
Manufacturing Cost per Audiodial Receiver .	$162.00
(20% markup)	
Audiodial Profit:	$ 32.40

Research indicates that the Cablecaster would be receptive to buying the Audiodial Receiver at a minimal markup cost and then paying a monthly royalty to the Audiodial Corporation while renting the units to subscribers. With an estimated $10.00 per month rental rate to the subscriber, Audiodial's royalty would be $1.00 per month.

2. Audiodial Programming Service

The Service will account for the majority of corporate income. It is derived from a monthly fee paid by the subscriber to the cablecaster who in turn pays a respective portion to the audiodial corporation.

The following is the proposed subscription fees for the Audiodial Programming Service including a breakdown of the gross subscription fee income. The monthly subscriber fee includes both the Digital Audio and Telex Information Service.

Monthly Subscriber Fee:	$ 5.95

Breakdown:

Mechanical and Artistic Royalties:	$ 0.23
Audiodial Corporation:	$ 2.00
The Cablecaster:	$ 3.72

Revenue Projections Based on Sources of Revenue

Audiodial Programming Service:

Based on the suggested retail price of $5.95 per month. These income projections demonstrate revenue totals and the given portion totals for all major parties concerned.

Number	Subscriber Fees		Artistic Royalties		Audiodial Corp		Cablecasters	
of Units	Monthly	Annually	Monthly	Annually	Monthly	Annually	Monthly	Annually
1	5.95	71.40	0.23	2.85	2.00	24.00	3.72	44.64
5,000	29,750	357,000	1,190	14,280	10,000	120,000	18,600	223,200
20,000	119,000	1,428,000	4,760	57,120	40,000	480,000	74,400	892,800
100,000	595,000	7,140,000	23,800	285,000	200,000	2,400,000	372,000	4,464,000
500,000	2,975,000	35,700,000	119,000	1,428,000	1,000,000	12,000,000	1,860,000	22,320,000
2,500,000	14,875,000	178,500,000	595,000	7,140,000	5,000,000	60,000,000	9,300,000	111,600,000

Audiodial Receiver:

Based on a gross rental income of $10.00 per unit per month.

Number	Gross Rental Fees		Audiodial Royalties		Cablecaster	Cablecasters	
of Units	Monthly	Annually	Monthly	Annually	Unit Costs	Monthly	Anually
1	10.00	120.00	1.00	12.00	1940.00	9.00	108.00
5,000	50,000	600,000	5,000	60,000	972,000	45,000	540,000
20,000	200,000	2,400,000	20,000	240,000	3,888,000	180,000	2,160,000
100,000	800,000	9,600,000	100,000	1,200,000	18,440,000	900,000	10,800,000
500,000	4,000,000	48,000,000	500,000	6,000,000	97,200,000	4,500,000	54,000,000
2,500,000	20,000,000	240,000,000	2,500,000	30,000,000	486,000,000	22,500,000	270,000,000

Total Income:

Number of Units	Cablecasters		Audiodial Corp.	
	Monthly	Annually	Monthly	Annually
1	12.72	152.64	3.00	36.00
5,000	63,600	763,200	15,000	180,000
20,000	254,400	3,052,800	60,000	720,000
100,000	1,272,000	15,264,000	300,000	3,600,000
500,000	6,360,000	76,320,000	1,500,000	18,000,000
2,500,000	31,800,000	381,600,000	7,500,000	90,000,000

Financial Conclusion

Financially, the Audiodial Corporation ~~appears to have~~ the potential to be an enormously profitable company. If the company is capable of realizing 100,000 subscribers, the company could rapidly expand while maintaining a positive cash flow. The prospects for continuing growth are exponentially increased when a subscriber base of 1,000,000 or more subscribers is realized. The realization of growth projections include adequate financing in the early stages of development. It is believed that the proposed financial structuring, combined ~~with~~ the financing requirements outlined, would include all the necessary components required turn the Audiodial Corporation into a major participant in the music industry.

Appendix

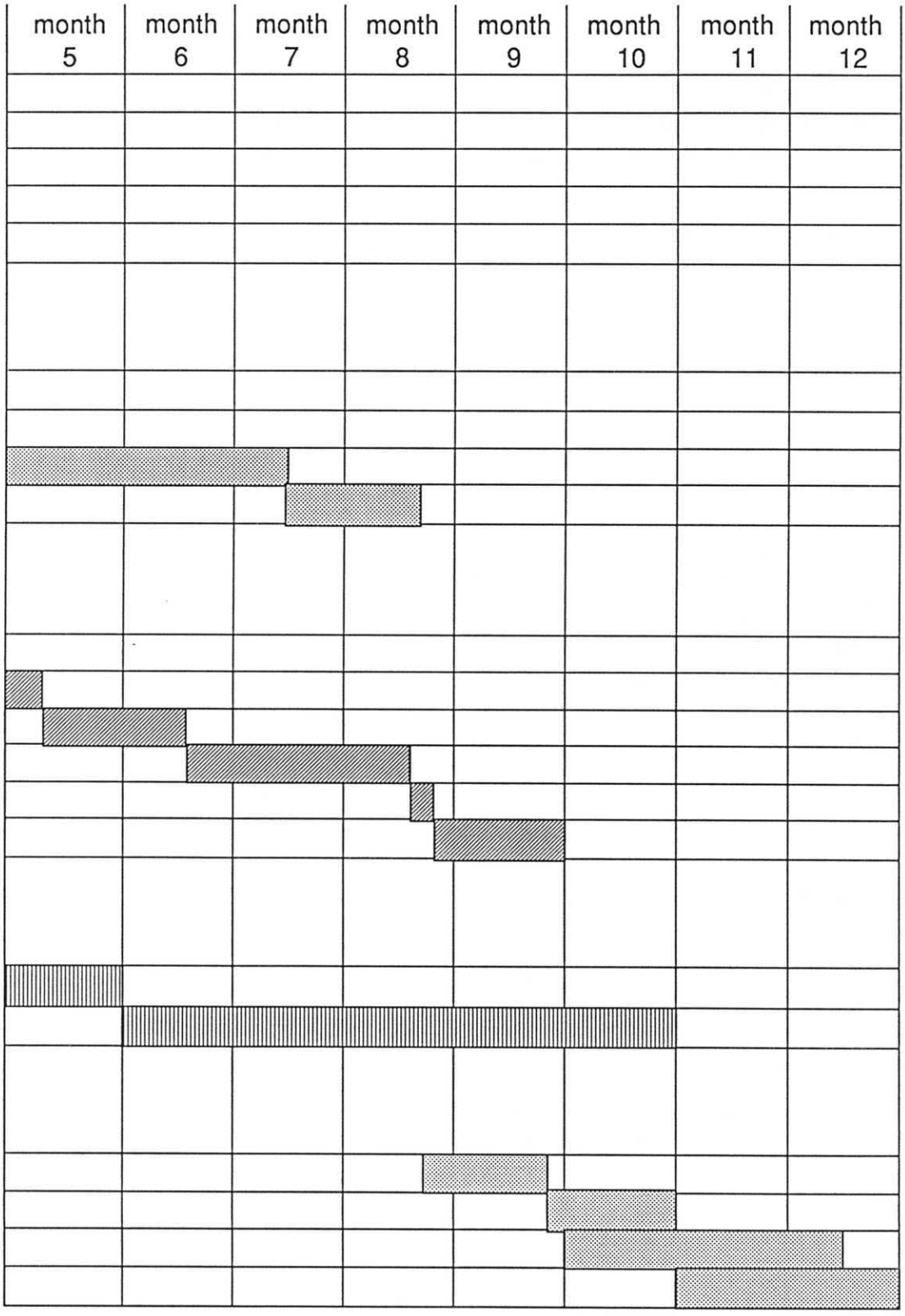
Engineering Product Development Team

It is estimated that product development will take place over a period of 8 to 10 months using 4 engineers, a technician and support staff. Once prototypes have been evaluated, the first 5000 Audiodial Receivers will be produced on a contract basis. The assembly of the network control equipment will be performed by Audiodial employees.

Table K-1 outlines the development tasks and their associated milestones. Commitments for production for dates substantially earlier may be achieved with the addition of more engineering staff and development equipment.

Audiodial Development Time Line [Table K-1]

Standards	month 1	month 2	month 3	month 4
audio/audio-telex trans				
telex trans				
system control code trans/security				
telex screen control				
data port/service control				
Signal Transmission				
ADM audio demo (A-D-A)				
CATV channel demux				
audio/telex channel mux/demux				
control channel mux/demux				
Receiver Hardware				
control board/power supply				
converter module				
pay TV module				
audio/telex module				
remote control				
packaging				
Receiver Software				
systems and I/O coding				
applications coding				
Network Equipment				
local/national/host telex injection				
national TV simulcast audio injection				
host audio/telex injection				
host program scheduler				


month 5
month 6
month 7
month 8
month 9
month 10
month 11
month 12

Engineering Development Financial Requirements

Startup Costs:

construct product model	3000.
license Dolby technology	5000. US
purchase Dolby host transmission equipment	6000. US
purchase prototype supplies	10000.
Total:	30000.

Monthly Operating Costs:

1. Lab Equipment (lease):

multimeters	500.	
digital scope	15000.	
microprocessor emulator	8000.	
spectrum analyzer	15000.	
power supplies	1000.	
computer equipment	10000.	
CAD system	25000.	
Total:	74500. —10%—>	7500./month

2. Employee Salaries:

engineering project manager	3500./month
hardware development engineer	3000./month
interface/RF engineer	3000./month
software engineer	3000./month
technician	2500./month
Total:	22500./month

Audiodial Service and Reliability

Product service is provided by Audiodial Service Centers. Training and service manuals are provided to cablecaster technicians where necessary.

Due to the highly modular nature of the Audiodial receiver design and built in software diagnostics, field or distribution center service and repair is a possibility. Spare modules may be provided in such circumstances. The estimated MTBF (mean time between failures) for the Audiodial receiver is greater than 5 years due to its lack of moving parts, rubberized keyboard and ESD (electrostatic discharge) protected circuitry.

Details of services to be provided for product support are negotiated with each cablecaster.

Audiodial Specifications

The digital audio signals are transmitted with an accuracy equivalent to the 16 bit linear PCM technology used by digital compact disc players. Adaptive Delta Modulation (ADM) is used for transmission which is inherently immune to degradation caused by most common transmission errors.

The Dolby digital audio transmission technology has been exhaustively tested in Europe and South East Asia on terrestrial cable networks and has been selected for use in the HACBSS Satellite Broadcast Network in Australia.

The 20 stereo digital audio signals are multiplexed together with the telex information and system control signals and are modulated onto a single NTSC 6 MHz TV channel bandwidth. This bandwidth is transmitted on a standard cable channel allocation.

See Figure K-2 for an illustration of the audio and telex data multiplexing technique used by the Audiodial Service.

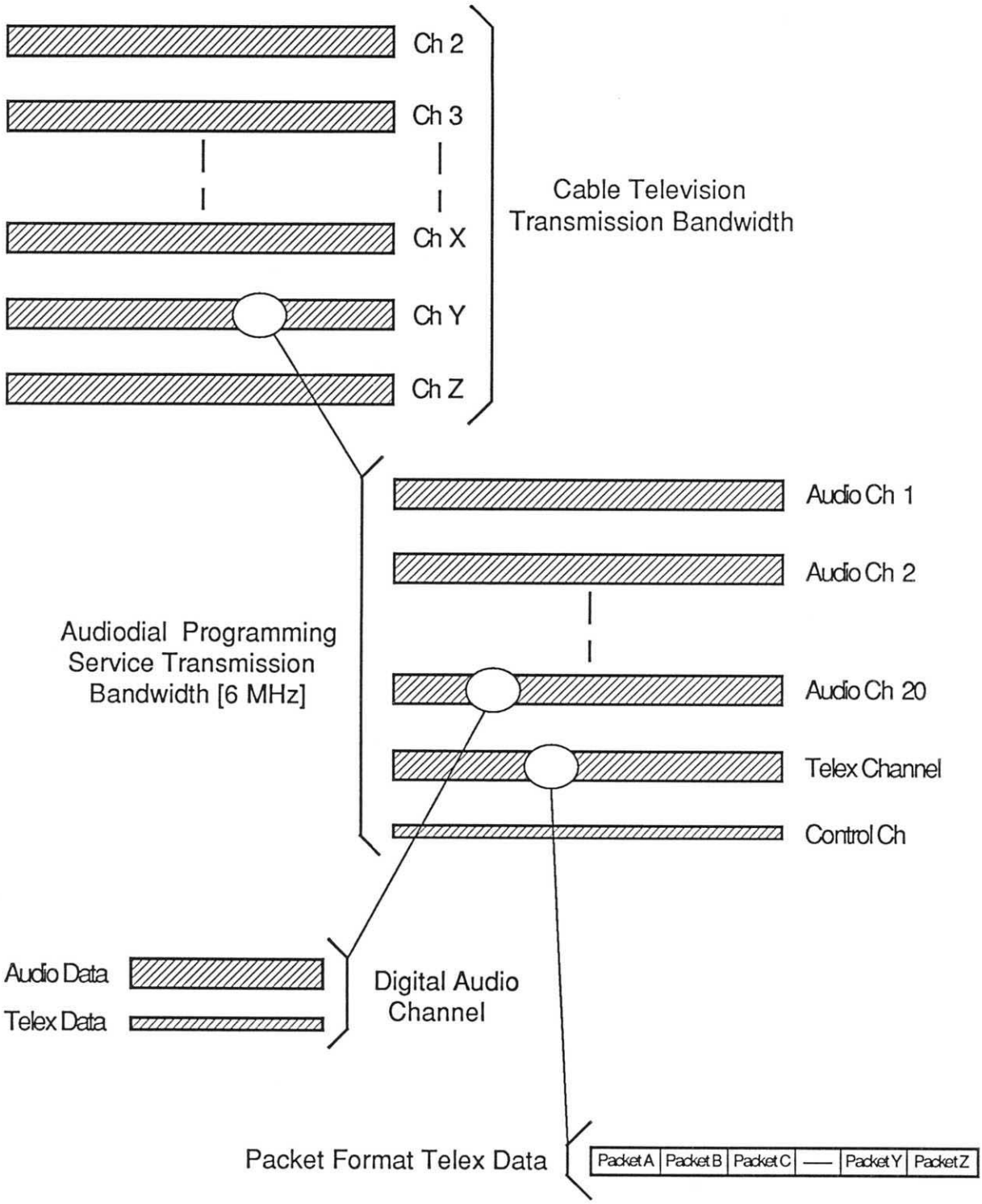


Figure K-2 Illustration of Audiodial Service Multiplexing Technique