

BDCCommunicator

Summer 1992

Boston Digital Corporation Employees

Volume III, Number 2

BD REPORTS HIGHEST EARNINGS IN 7 YEARS

The following is the Letter to the Shareholders from the 1992 Annual Report.

If you would like a copy of the 1992 Annual Report, please see Steve Trojan in Finance.

To Our Shareholders:

Fiscal year nineteen ninety-two was a good year for Boston Digital Corporation. A strong beginning backlog, timely reduction of fixed costs and the tireless and dedicated efforts of our employees enabled the Company to achieve satisfying financial results.

The Company earned 9 cents per share, a significant improvement from last year's net loss of 25 cents per share. This year's results include a one-time, pretax charge against earnings of \$142,000 taken in the third quarter to recognize the cost of downsizing the Company.

During FY'92 the machine tool industry was hard hit by a depressed economy and the resulting decline in demand for capital goods. Throughout the year, industry statistics reflected negative trends with only occasional signs of possible recovery which were not sustainable. Boston Digital was not immune from these negative economic forces on our traditional niche markets; however, a large opening backlog, which included a single major order for eighteen machines, permitted the Company to operate profitably despite the poor economic environment. We believe that the worst is over and that signs of recovery are beginning to show. Our plan is to continue to be cautious and prudently allocate the resources necessary to participate fully in the anticipated recovery.

Initial shipments of the Company's

BostoMatic machining centers equipped with the new BDC 3200 control were made in the second quarter. The market's acceptance of the BDC 3200 control has been gratifying.

The Company is pursuing an active product development strategy by which it expects to continue to improve its competitive position. During the year, efforts were focused on developing new features and enhancements for the BDC 3200. Later in the year, an ambitious project was initiated to create a totally new CNC Machining System. A team of engineers, designers and manufacturing personnel were selected to simultaneously design and prepare to manufacture this newest product. This involved computer aided design (CAD) pattern making, fixture design, CNC programming and dozens of other tasks. The result is VECTOR™, a world-class new machine tool, to be introduced at IMTS '92, a remarkable 253 days after the specifications were firm and the first lines generated on the CAD screen. This project perfectly illustrates what can be accomplished by a highly skilled, dedicated team.

VECTOR™ is the Company's first metric product designed from the beginning for a work market. It employs state-of-the-art technology with the finest components to produce a machine worthy of the BostoMatic hallmark. The evolution of VECTOR™ is illustrated by the graphics on the cover of this report.

The outlook for the Company's continued improvement in performance is good. We plan to maintain our focus on niche markets and to further expand our international market penetration by broadening our sales organization in Europe. The Company believes that international markets have significant growth potential and reliability.

During the year, delegations from

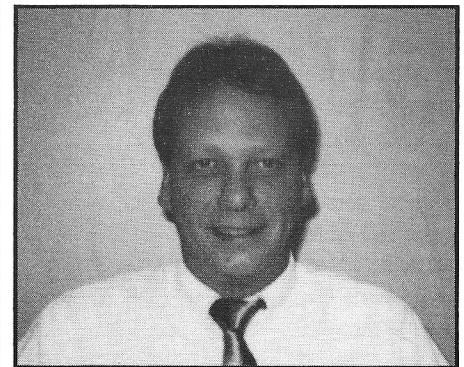
Russia, China, Japan and other nations visited the Company. These visits permitted us to demonstrate and expand Boston Digital's reputation for accuracy, quality and reliability.

This year's financial results and new developments in product technology are possible because of the individual and collective efforts of our customers, employees, distributors and suppliers. We are proud of their accomplishments and thank them for their dedication. We appreciate and thank our shareholders for their continuing support and confidence.

Ara Aykanian
Chairman, CEO

Thomas D. Linn
President

Joseph F. Banafato
Exec. V.P. & COO



Pictured above is Mike Reese

SALESMAN OF THE YEAR

Mike Reese started with Boston Digital in April of 1991 as Area Sales Manager based in Ohio. He brought to the Company his experience in machine tool sales from previous employment with Tipton Machinery and Cincinnati

Milacron. In his first year at Boston Digital, Mike was awarded the honor of "Salesman of the Year", exceeding his sales goal by 37%.

Mike and his wife Pam have two sons, Nick who is 7 years old, and Jonathon, 4 months old. Mike enjoys golf and fishing.

In May, Mike tore a calf muscle while playing basketball. Although he says his basketball days are over, it hasn't slowed him down. Despite his injury, he sold five machines in May and two in June. Looks like he's going to be a tough contender for Salesman of the Year next year too!

by Debbie Huntley

RECYCLE

Starting June 22, 1992, Boston Digital began a trial run on the recycling of cardboard. Charlie McLain has made arrangements for a special dumpster located outside the stockroom on the rear access road.

Any and all types of cardboard products are acceptable except:

- poly-foam filled
- paint soaked
- grease/oil soaked
- laminates of paper
- greased cardboard or paper

In line with our focus this year to reduce fixed costs (utilities, services, etc.), this should substantially reduce our trash removal cost. Currently, "mixed" trash costs four times that of the removal of cardboard. We estimate that approximately 50% of our disposal is cardboard, so the cost reduction is apparent.

All cardboard falling into the recyclable category can be handled by either contacting Bill Bishop or Mark Pasiczniak in the stockroom or calling Charlie McLain or Mario DeMontigny for pick up.

by Jim Warhurst

QUALITY IMPROVEMENT PROGRAM

Boston Digital has chosen quality, more precisely the quality improvement process, as an area of major importance to the Company. Significant attention will be given to establishing a quality improvement process throughout Boston Digital.

As an initial step, a Quality Steering Committee has been formed consisting of the Operating Committee plus Rich Mezzanotti. The purpose of the Steering Committee is to define the primary framework and allocate the necessary resources to insure the success of the quality improvement process.

Recently, the Steering Committee visited the FLEXcon Company in Spencer, Massachusetts to view firsthand their quality program and to learn how FLEXcon's experience might benefit Boston Digital.

FLEXcon's quality process is impressive and useful as a model for Boston Digital. FLEXcon has had a process in place since 1986. They have made a major commitment to the program and all employees are involved. The Steering Committee came away with many useful ideas, the most timely of which was that the quality process must begin with EDUCATION. This reinforced our own belief that education is a key to success, and we have agreed education will be the initial focus of Boston Digital's program.

There are many quality driven success stories from companies like FLEXcon who have implemented quality improvement plans. These successful programs all have certain things in common: first, top management believes in and fully supports the program; secondly, all employees are involved; and importantly they have been FUN. Boston Digital's quality improvement process will include these important elements as well.

I look forward to participating in this process with your involvement in helping to make it a success.

by Joe Banafato

MILFORD CHAMBER OF COMMERCE SALUTES HONORS GRADUATES

On May 21st, the Chamber of Commerce held a banquet for the scholars in the top 10% of the graduating class of 1992. Students from the High Schools of Milford, Medway, Millis, Nipmuc Regional, Hopedale, Bellingham, Holliston, Hopkinton and Blackstone Valley Regional Vocational Technical were represented.

Many local companies sponsored students to attend the ceremonies. Boston Digital was pleased to sponsor Richard Stearman from Hopkinton High School. Richard will be attending Hartwick College in Oneonta, N.Y. from which he has received a scholarship to study biology.

Students and their families were honored with a dinner held at the Sheraton Milford Hotel. Judge Frances J. Larkin was the keynote speaker.

BD SUGGESTS

One of the questions recently asked at a "Coffee with Joe" session, was if Boston Digital would incorporate a suggestion program.

About 18 months ago, we established a suggestion box system, whereby anyone in the Company can make suggestions, voice an opinion, and generally feed their feelings back to management.

To date we have had suggestions ranging from water quality and drug testing to a wash sink in the machine shop.

There are two suggestion boxes, one located in the cafeteria, and the other located in Manufacturing. Each box has a supply of forms for anyone to use.

The boxes are checked weekly by Human Resources, and any suggestions collected are entered into a log by serial number. Each one is reviewed at the operating committee meeting and assigned to one of the members for further investigation. The person assigned the suggestion is also recorded

in the Human Resources log to keep traceability. Depending on the nature of the suggestion, the operating committee may review the investigative material and recommendation, and give a decision. This decision is returned to the suggestor in letter form.

The important thing to remember, is that all suggestions get logged, reviewed and answered.

The idea for the system, which originated from a suggestion that we have one, came from one of us. Our success depends in great part to our continuing ability to improve and charge our processes, be it accounting or final mill assembly. The belief that insight to improvement best comes from the person doing it, is time tested true.

Our suggestion system is the conduit to our combined experience, intelligence and creativity. The stronger it is, the greater our chance for success.

By Jim Warhurst

JOE VISITS JAPAN

In February, Joe Banafato ventured across the seas and found himself in the land of sushi, sashimi, geisha, kabuki and the rising sun.....Japan.

Joe went to Japan to finalize a new distributor agreement with International Machine Co. Ltd. IMC, as they are commonly known, are an established import machinery distributor in Japan, with offices in Yokohama, Nagoya and Osaka. They also represent Moore Special Tools, Hardinge, National Broach, Ex-Cell-O and Lapointe, to name a few.

Formerly, we had been represented by C. Itoh Mechatronic, then RCI Engineering, who were import distributing divisions of the giant trading company, C. Itoh. Until last year, when IMC joined the C. Itoh group, IMC had been an independent machine tool importer. This move into the C. Itoh group opened the door for us to change our agency from RCI to IMC, thus

accomplishing two major objectives for Boston Digital. First, it moved us to a distributor with more experience, contacts and sales people in the high precision industries of Japan. Secondly, it allowed us to remain within the C. Itoh group, a member of the DKB Keiretsu, which represents a secure and stable transition from one agency to another for our end users in Japan.

Accompanied by Gary Wells, Joe visited facilities ranging from small family owned shops, to large corporate Research & Development firms.

During their stay, Joe and Gary took time out of their hectic schedule to accept a dinner invitation at a private residence, which is considered to be a rare Japanese honor. During their visit with the Ohashi family, they sampled Japanese delicacies such as sushi, sashimi, tempura, goyzoa and yakitori.

By Gary Wells

PROJECT 253 OFFICIALLY LABELED VECTOR

On May 20, 1992, a news release was issued introducing the new VECTOR

series to the trade journals. On June 27, 1992, photographs of the machine in full show colors was completed and the excitement for the IMTS unveiling is really building within the Company.

On the technical side, the machine is currently under servo power and final assembly of the tool changer and spindle drive is in process. Preliminary dynamic response testing looks encouraging and final testing began on July 13, 1992.

I would like to thank the Project 253 team for a great effort to date and feel that we will be introducing a fine product in September.

by Bob Newton

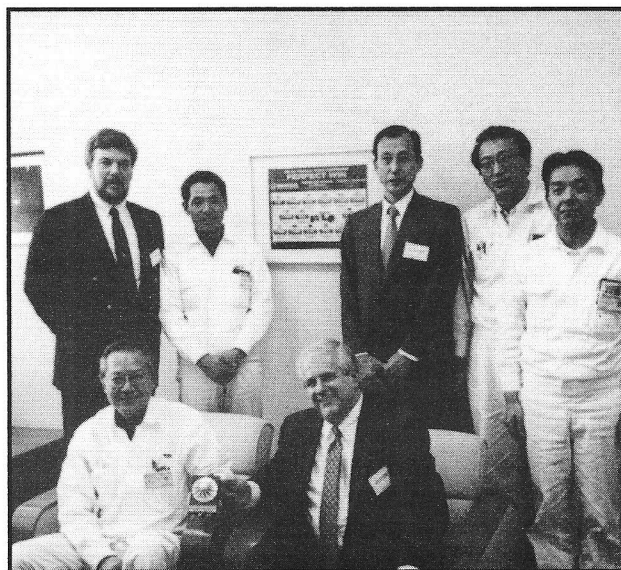
CHINA TO RECEIVE 5-AXIS MACHINE

We have finally received the hard copy of the United States Export License after a long and rigorous 6-month application process. Gary Wells, who secured the order, worked alongside Diane Pepi, Gail Sullivan, Tom Linn and Ara Aykanian. They worked extremely hard negotiating with the Department of Commerce, State and Defense, securing political lobbying

on behalf of Boston Digital and dealing with the never ending questions, concerns and bureaucratic red tape surrounding the export of a 5-axis machine to China.

This accomplishment represents a major victory for Boston Digital. Our 505 machine will be the first freely exported piece of this type of equipment to China, outside of a strictly supervised exchange of technology program between our two governments.

Through slides, photographs and



Pictured above is Joe Banafato and Gary Wells with representatives from Honda and IMC

BDCommunicator is published for employees, retirees and friends of Boston Digital
 Editor: Karen Robinson
 For article submission please call
 (508) 473-4561
 Special Thanks to all the employees who submitted articles to this newsletter.
 Without your contribution this newsletter would not be published.

by Gary Wells

videos, Gary was able to show the customer various stages of production of our machines. Gary feels that this type of promotion gives the customer, especially in far away countries, assurance of the quality of work that actually goes into our products. We should all feel very proud of this accomplishment since each and everyone one of us played an important role in its success.

China Cont'd

Service Awards

Congratulations to the following employees who received a service award on June 2, 1992.

15-Year Awards

Warren Chick - Production Control Mgr.
 Paul Lentini - Paint Shop
 Joan Smith - Field Engineering Sec.
 Gary Wells - Far East Sales Mgr.

10-Year Awards

Keith Bennett - Sales Mgr., Chicago Area
 Colin Stearman - VP Software Eng.

5-Year Awards

Bruce Beifus - District Svc. Mgr., Cleveland Area
 Michael Davis - Mill Assembly
 Kirk DeRousse - Gen. Mgr. Distributor Sales
 Richard DiMartino - Mill Assembly
 Irene Lafayette - Electrical Assembly
 Kenneth Paquin - Paint Shop
 Chip Wells - District Sales Mgr., Charlotte Area
 Jesse Willbanks - District Svc. Mgr., Los Angeles Area

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