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COMMUNICATIONS TEST DESIGN, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

COMMUNICATIONS TEST DESIGN, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Communications Test Design, Inc. and Subsidiaries
West Chester, Pennsylvania

We have audited the accompanying consolidated balance sheets of Communications Test Design, Inc. and Subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income and retained earnings, comprehensive income, and cash flows for the years then ended. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Communications Test Design, Inc. and Subsidiaries as of December 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Fischer Cunnane & Associates Ltd

March 7, 2003

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COMMUNICATIONS TEST DESIGN, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2002	DECEMBER 31, 2001
ASSETS		
CURRENT ASSETS		
Cash	$ 262,031	$ 1,158,186
Cash - restricted	991,647	978,487
Accounts receivable (less allowance for doubtful accounts of $350,000 in both 2002 and 2001)	56,323,543	56,308,577
Other receivables	638,870	512,949
Inventories	39,882,323	33,809,276
Prepaid expenses and other current assets	1,229,713	6,756,555
Total Current Assets	99,328,127	99,524,030
INVESTMENT IN UNCONSOLIDATED AFFILIATE (including unamortized goodwill of $6,766,328 in 2002 and $2,793,503 in 2001)	11,479,405	6,100,655
PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	48,043,700	48,787,786
Less accumulated depreciation and amortization	30,209,357	26,160,651
Total Property, Plant and Equipment	17,834,343	22,627,135
OTHER ASSETS		
Deposits and other assets	983,883	1,175,898
Loan fees and license fees (net of accumulated amortization of $882,591 in 2002 and $749,187 in 2001)	455,176	361,634
Total Other Assets	1,439,059	1,537,532
TOTAL ASSETS	$ 130,080,934	$ 129,789,352

The accompanying Notes are an integral part of these statements.

	DECEMBER 31, 2002	DECEMBER 31, 2001
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 5,527,124	$ 16,059,278
Accounts payable	35,792,607	45,268,003
Accrued payroll and related taxes withheld	3,838,984	3,969,958
Other accrued expenses	7,326,250	6,647,442
Unearned revenue	1,627,713	2,587,645
Total Current Liabilities	54,112,678	74,532,326
NONCURRENT LIABILITIES		
Long-term debt - net of current portion	33,509,534	18,894,594
Postretirement benefits obligation	1,543,281	1,341,165
Supplemental pension obligations	1,732,558	1,531,691
Financial instrument	511,380	542,274
Total Noncurrent Liabilities	37,296,753	22,309,724
Total Liabilities	91,409,431	96,842,050
MINORITY INTEREST	251,912	191,355
STOCKHOLDERS' EQUITY		
COMMON STOCK - $.01 par value; 50,845 shares authorized, 48,000 shares issued of which 1,000 shares are in the treasury	480	480
ADDITIONAL PAID-IN CAPITAL	6,850	6,850
RETAINED EARNINGS	38,911,364	33,958,320
COST OF TREASURY STOCK	(470,000)	(470,000)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Cumulative foreign currency translation adjustments	482,277	(197,429)
Financial instrument	(511,380)	(542,274)
Total Stockholders' Equity	38,419,591	32,755,947
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 130,080,934	$ 129,789,352

The accompanying Notes are an integral part of these statements.

COMMUNICATIONS TEST DESIGN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

	FOR THE YEARS ENDED DECEMBER 31,	
	2002	2001
SALES	$ 386,565,646	$ 410,910,052
OPERATING EXPENSES	354,760,571	373,692,598
GROSS PROFIT	31,805,075	37,217,454
SELLING EXPENSES	5,006,646	4,066,371
GENERAL AND ADMINISTRATIVE EXPENSES	20,412,242	19,235,079
INCOME BEFORE INCOME FROM UNCONSOLIDATED AFFILIATE AND OTHER (EXPENSE) INCOME	6,386,187	13,916,004
INCOME FROM UNCONSOLIDATED AFFILIATE	5,314,700	1,272,249
OTHER (EXPENSE) INCOME	(2,362,844)	(3,678,897)
NET INCOME	9,338,043	11,509,356
RETAINED EARNINGS - BEGINNING	33,958,320	26,081,964
DISTRIBUTIONS TO STOCKHOLDERS	(4,384,999)	(3,633,000)
RETAINED EARNINGS - ENDING	$ 38,911,364	$ 33,958,320

The accompanying Notes are an integral part of these statements.

COMMUNICATIONS TEST DESIGN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	FOR THE YEARS ENDED DECEMBER 31, 2002	2001
NET INCOME	$ 9,338,043	$ 11,509,356
OTHER COMPREHENSIVE INCOME (EXPENSE):		
Foreign currency translation adjustments	679,706	(199,077)
Financial instrument, including the cumulative effect for change of accounting principle of ($237,057) in 2001.	30,894	(542,274)
COMPREHENSIVE INCOME	$ 10,048,643	$ 10,768,005

The accompanying Notes are an integral part of these statements.

COMMUNICATIONS TEST DESIGN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31, 2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 9,338,043	$ 11,509,356
Adjustments to reconcile net income to net cash:		
Depreciation and amortization	4,969,999	5,104,549
Loss on sale of assets	149,617	580,963
Minority interest in income of consolidated subsidiaries	33,026	23,548
Income from unconsolidated affiliate	(5,314,700)	(1,272,249)
(Increase) decrease in assets, net of effects of purchase		
Cash - restricted	(13,160)	(17,450)
Accounts receivable	(14,966)	7,932,949
Other receivables	(125,921)	(156,827)
Inventories	(6,073,047)	12,035,923
Prepaid expenses and other current assets	5,526,842	(6,034,694)
Deposits and other assets	(35,033)	8,385
Increase (decrease) in liabilities, net of effects of purchase		
Accounts payable	(9,475,396)	(21,088,215)
Accrued expenses and payroll taxes withheld	(130,974)	472,812
Other accrued liabilities	678,808	4,171,683
Unearned revenue	(959,932)	1,827,436
Postretirement benefits and supplemental pension obligations	402,983	323,350
Total Adjustments	(10,381,854)	3,912,163
Net Cash Provided by (Used in) Operating Activities	(1,043,811)	15,421,519
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property and equipment, net of effects of purchase	(2,532,758)	(4,862,853)
Proceeds from sale of assets	2,339,440	17,306
Investment in unconsolidated affiliate	(729,141)	(34,788)
Dividend from unconsolidated affiliate	1,263,014	388,000
Net Cash Provided by (Used in) Investing Activities	340,555	(4,492,335)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term borrowings	9,615,000	-
Repayment of long-term notes	(5,532,214)	(10,688,934)
Distributions to stockholders	(4,384,999)	(3,633,000)
Other	109,314	(209,334)
Net Cash Used in Financing Activities	(192,899)	(14,531,268)
NET DECREASE IN CASH	(896,155)	(3,602,084)
CASH - BEGINNING OF YEAR	1,158,186	4,760,270
CASH - END OF YEAR	$ 262,031	$ 1,158,186
CASH WAS PAID DURING THE YEARS FOR:		
Interest	$ 2,322,283	$ 3,679,143

The accompanying Notes are an integral part of these statements.

COMMUNICATIONS TEST DESIGN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE A - Business

Communications Test Design, Inc. and Subsidiaries (the "Company") provides multiple services to the telecommunications industry to customers throughout the United States, Canada, South Korea, Brazil, Mexico, Thailand, China, and Singapore.

The Company also has a 20% ownership interest in CTDI Nethouse Services GmbH ("CTDI Nethouse"). CTDI Nethouse also provides multiple services to the telecommunications industry to customers throughout Germany and the United Kingdom.

NOTE B - Principles of Consolidation and Summary of Significant Accounting Policies

Principles of Consolidation - The consolidated financial statements include the accounts of Communications Test Design, Inc. and its majority-owned or wholly-owned subsidiaries, CTDI Korea, LTD., CTDI DO Brazil, LTDA, CTDI Canada, Inc., Communications Repair Logistics Company, CTDI Mexico, S.A. DE C.V., CTDI Asia Pacific, Inc., CTDI Pacific Warehousing & Services (Shanghai) Co., Ltd., and Communications Test Design Singapore, PTE, Ltd. All significant intercompany accounts and transactions have been eliminated.

Investment in Unconsolidated Affiliate - The Investment in Unconsolidated Affiliate at December 31, 2002 represents a 20% ownership interest in CTDI Nethouse which is accounted for by the equity method.

Basis of Accounting - The Company maintains its records on the accrual basis of accounting for both financial statement and income tax purposes.

Goodwill - Prior to 2002, goodwill was amortized over 40 years using the straight-line method. Effective January 1, 2002, the Company adopted Statements of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, as such goodwill is no longer amortized.

Financial Instruments - The Company's financial instruments recorded on the consolidated balance sheets include cash, accounts receivable, accounts payable and debt. Because of their short maturity, the carrying amount of cash, accounts receivable, accounts payable and short-term bank debt approximates fair value. The carrying value of the Company's long-term debt approximates fair value since actual interest rates approximate market rates.

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COMMUNICATIONS TEST DESIGN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE B - *Principles of Consolidation and Summary of Significant Accounting* Policies - continued

Interest rate swap agreements are used by the Company, from time to time, to manage interest rate risk on its debt portfolio. Each interest rate swap is matched as a hedge against a specific debt instrument and has a notional amount related to the debt instrument principal. Interest rate swap agreements are generally entered into at the time the related floating rate debt is issued in order to convert the floating rate debt to fixed rates. Fair value of these instruments is based on estimated current settlement cost.

Effective January 1, 2001, the Company adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. The Company's interest rate swap agreement is accounted for under SFAS No. 133. SFAS No. 133 requires that derivative instruments be recognized at fair value in the balance sheet. The Company's interest rate swap agreement is accounted for as a cash flow hedge. Settlements of the interest rate swap agreement are recorded as adjustments to interest expense in the consolidated statements of income when paid or received. Changes in the fair value of derivative instruments that qualify as effective hedges of cash flows are recognized as a component of other comprehensive income (loss). Changes in the fair value of derivative instruments for all other hedging activities (none at December 31, 2002 and 2001), including the ineffective portion of cash flow hedges, are recognized in current period earnings. During 2002, the Company had no ineffective portion of its cash flow hedge, and as such, all losses are reported as a component of other comprehensive loss.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable - The Company follows the reserve method of providing for doubtful accounts receivable.

Inventories - Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out or average cost methods. Inventories are comprised of telecommunications equipment, which is held for resale, and parts and material, which are utilized in the repair of telecommunications equipment. The inventory components at the balance sheet dates are as follows:

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COMMUNICATIONS TEST DESIGN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE B - Principles of Consolidation and Summary of Significant Accounting Policies - continued

	2002	2001
Telecommunications equipment	$28,105,415	$20,809,271
Repair parts and material	11,776,908	13,000,005
Total	$39,882,323	$33,809,276

Property, Plant and Equipment - Capital additions are stated at cost. Maintenance, repairs and minor renewals are charged to operations as incurred. Depreciation is provided over the estimated useful lives of the assets by the straight-line method. The estimated useful lives of the various classes of assets are:

	Range in Years
Buildings	10 - 40
Machinery and equipment	3 - 10
Furniture and fixtures	5 - 10
Transportation equipment	3 - 5
Leasehold improvements	5 - 40

Loan Fees and License Fees - Loan fees and license fees are being amortized over 5 - 15 years by the straight-line method. Amortization expense in the amounts of $133,506 and $195,449 has been charged to operations for the years ended December 31, 2002 and 2001, respectively.

Income Taxes - The Company has elected to be an S corporation for federal and state income tax purposes. Profits or losses pass through to the stockholders to be included in their individual income tax returns. Therefore, no provision or liability for federal and state income taxes has been included in the financial statements for the years ended December 31, 2002 and 2001.

Treasury Stock - Treasury stock is accounted for using the cost method. The cost of shares issued from the treasury is determined by the first-in, first-out method.

NOTE C - Investment in Unconsolidated Affiliate

Effective October 1, 2000, the Company purchased a 20% ownership interest in CTDI Nethouse for approximately $4,900,000 in cash and the transfer of certain assets, liabilities, and operations related to CTDI UK, Limited with a net book value of approximately $168,000. The purchase price included $2,839,352 of goodwill.

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COMMUNICATIONS TEST DESIGN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE C - Investment in Unconsolidated Affiliate - continued

On January 11, 2002, the Company exercised its option to purchase an additional 31% interest (the "partial interest") in CTDI Nethouse for Euro 17,234,838. The purchase must be completed by December 31, 2004. According to the terms of the agreement, the Company began to share in the earnings (or losses) of CTDI Nethouse in 2002 as if the additional partial interest had been fully acquired.

Any additional dividends due the Company under this participation agreement will be paid to the seller and reflected as a payment of the deferred payment fee, equal to 1% above the six-month Euribor, with the balance applied as a partial payment against the Company's commitment. In 2003, a payment of EURO 3,413,746 was made to the seller. Of this amount, EURO 769,670 was applied to deferred payment fees and EURO 2,644,076 was applied to the purchase commitment. After the payment, the remaining balance owed for the partial interest was EURO 14,590,762.

Ultimate control of CTDI Nethouse will not vest with the Company until the purchase price is paid in full. Both the earnings and deferred payment fee attributed to the additional partial interest for the year ended December 31, 2002 have been included in goodwill.

NOTE D - Property, Plant and Equipment

Property, plant and equipment at the balance sheet dates consisted of the following:

	2002	2001
Land	$ 1,243,472	$ 1,232,705
Buildings	6,267,726	6,173,774
Machinery and equipment	34,365,939	35,351,345
Furniture and fixtures	2,133,495	2,057,442
Transportation equipment	362,205	522,429
Leasehold improvements	3,670,863	3,450,091
	48,043,700	48,787,786
Less accumulated depreciation and amortization	30,209,357	26,160,651
Total	$17,834,343	$22,627,135

Depreciation and amortization on property, plant and equipment in the amounts of $4,836,493 and $4,837,335 have been charged to operations for the years ended December 31, 2002 and 2001 respectively.

COMMUNICATIONS TEST DESIGN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE E - Long-term Debt

Long-term debt consisted of the following at December 31:

	Rate	Maturity	2002	2001
Revolving Credit Facility (Note F)		2005	$20,190,000	$10,575,000
Mortgage loan	2.0%	2011	515,752	569,716
Mortgage loan	7.1%	2008	3,794,830	4,006,950
Mortgage loan	variable	2008	236,076	302,206
Term loan [1]	LIBOR plus 250 basis points	2005	14,300,000	19,500,000
Total			39,036,658	34,953,872
Less current maturities included in current liabilities			5,527,124	16,059,278
Net Long-term Debt			$33,509,534	$18,894,594

Interest charged against income amounted to $2,317,707 and $3,557,604 for the years ended December 31, 2002 and 2001, respectively.

Maturities on long-term debt in each of the next five years and thereafter are as follows:

2003	$ 5,527,124
2004	5,639,223
2005	24,539,626
2006	450,796
2007	451,962
Thereafter	2,427,927
Total	$39,036,658

Substantially all of the assets of the Company are pledged as collateral on credit facilities and notes and mortgages payable. Certain agreements require the Company to maintain certain financial ratios and minimum net worth. The Company also has guaranteed certain debt of an affiliated partnership.

[1]At December 31, 2002 and 2001, the Company had one interest rate swap agreement, wherein the Company pays a fixed rate of interest and receives a LIBOR-based floating rate. The contract matures in 2005. At December 31, 2002, the notional amount of the swap was $7,150,000 with a fair value of approximately $(511,380). At December 31, 2001, the notional amount of the swap was $9,750,000 with a fair value of approximately $(542,274). The contract is not held for trading purposes.

COMMUNICATIONS TEST DESIGN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE F - Revolving Credit Facilities

At December 31, 2002, the Company had available a $33,000,000 revolving credit facility with a bank, expiring in September, 2005. At December 31, 2001, the Company had available a $27,000,000 revolving credit facility. Interest on borrowings varies based on the bank's prime rate or LIBOR. The unused available borrowings under these agreements were $12,810,000 and $16,425,000 at December 31, 2002 and 2001, respectively. The revolving credit facility is subject to the same financial covenants as the $14,300,000 term loan (See Note E).

Borrowings of $20,190,000 and $10,575,000 under the revolving credit facility, at December 31, 2002 and 2001, respectively, have been reflected in Note E.

At December 31, 2002, the Company has outstanding letters of credit as follows:

Amount	Expires
$ 9,791	06/30/03
262,000	11/30/03
600,181	03/31/04
150,000	11/01/03
$1,021,972	

NOTE G - Operating Lease Commitments

The Company is obligated under noncancelable leases principally for buildings and equipment which are accounted for as operating leases in accordance with SFAS No. 13. Third party rental expense for the years ended December 31, 2002 and 2001 was $14,399,323 and $9,323,105, respectively.

The Company leases several buildings from stockholders and related partnerships of the Company. The related party rental expense charged against income was $3,056,400 and $2,705,616 for 2002 and 2001, respectively.

Minimum annual rental commitments under noncancelable leases with initial or remaining terms of one year or more for the Company are as follows:

	Others	Related Party	Total
2003	$ 9,347,953	$ 2,882,652	$12,230,605
2004	7,414,879	2,894,652	10,309,531
2005	5,236,113	2,906,652	8,142,765
2006	2,467,214	2,918,652	5,385,866
2007	961,501	2,930,652	3,892,153
Thereafter	-	19,668,625	19,668,625
Total	$25,427,660	$34,201,885	$59,629,545

COMMUNICATIONS TEST DESIGN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE H - Profit Sharing and Pension Plans

The Company has a noncontributory profit sharing plan covering substantially all of its employees. Company contributions to the plan, at the discretion of the Board of Directors, are based on compensation paid to covered employees, not to exceed the maximum allowable deduction permitted under the Internal Revenue Code. The charge to income for Company contributions to the plan for 2002 and 2001 was $5,164,067 and $5,939,213, respectively.

The Company has a defined contribution plan 401(k) covering substantially all of its employees. Total expense for 2002 and 2001 was $277,243 and $287,099, respectively. Contributions are based upon and limited to specified percentages of the compensation of covered employees. There is no unfunded past service cost under this plan.

NOTE I - Related Party Transactions

CTDI UK Ltd. is a wholly-owned Subsidiary of CTDI Nethouse. Included in the accounts receivable balance was a total of $312,848 and $282,221 due from CTDI UK Ltd. and CTDI Nethouse GmbH, for the years ending December 31, 2002 and 2001, respectively. Included in the accounts payable balance was a total of $630,985 due to CTDI UK Ltd. and CTDI Nethouse GmbH as of December 31, 2002.

Due from CTDI Nethouse and included in other receivables were $140,102 and $64,438 for the years ending December 31, 2002 and 2001, respectively.

Trillion Communications Corp. ("Trillion") was formed in November, 2002 for the purpose of providing outsourced materials management services. The Company owns 49% of the stock of Trillion, which had limited operating activity for the year ended December 31, 2002.

It is likely that Trillion will qualify as a Variable Interest Entity ("VIE") as defined by FASB Interpretation 46, *Consolidation of Variable Interest Entities*, which is an interpretation of Accounting Research Bulletin 51, *Consolidated Financial Statements*. Despite owning less than a majority-share of the stock of Trillion, the Company meets the criteria for being considered the *Primary Beneficiary* of the potential VIE. Hence, it is reasonably possible that the consolidated financial statements in future years will include the accounts of Trillion when the Interpretation becomes effective. The Company's maximum exposure to loss as a result of its involvement with Trillion is not known as of December 31, 2002.

Included in the December 31, 2002 other receivables balance was $116,889 due from Trillion.

COMMUNICATIONS TEST DESIGN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE J - Other (Expense) Income

At December 31, 2002 and 2001, other (expense) income consisted of the following:

	DECEMBER 31,	
	2002	2001
Interest expense	$(2,317,707)	$(3,557,604)
Interest income	74,597	214,779
Loss on the sale of assets	(149,617)	(580,963)
Other	29,883	244,891
Total Other (Expense) Income	$(2,362,844)	$(3,678,897)

NOTE K - Supplemental Pension and Other Postretirement Benefits

The Company maintains a supplemental pension benefit plan covering certain unionized employees. Benefits under the plan commence at the employees' retirement date and are payable until age 65, provided the employee has completed 10 years of service. Benefit amounts are based on employee classification, age, and completed years and months of continuous service. Payments are guaranteed until age 65 and are reduced if the employee retires with an actuarially reduced pension from the negotiated pension plan (See Note L). If an employee retires at age 65, a lump sum benefit is payable.

A similar plan is available to certain non-union employees. Benefits under this plan are paid on a lump sum basis at retirement and are based on the employee's earnings, classification, and years of employment.

Benefit obligations under these plans are calculated in accordance with SFAS No. 87, *Employers' Accounting for Pensions*.

In addition to providing supplemental pension benefits, the Company provides health care benefits and life insurance to certain retirees. In accordance with SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, the estimated expected cost of providing retiree health care and insurance benefits is charged to expense during the years that the employees render service.

For measurement purposes, a 7.3% annual rate of increase in the per capita cost of covered supplemental hospital and prescription drugs was assumed for 2002 and 2001, trending down to 4.5% by 2007, and remaining level thereafter. Extended health care and dental care are assumed to increase a level 4.5% for 2002 and 2001.

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COMMUNICATIONS TEST DESIGN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE K - Supplemental Pension and Other Postretirement Benefits - continued

The 2002 and 2001 actuarially computed supplemental pension cost and postretirement benefit cost include the following components:

	Supplemental Pension Benefits		Other Benefits	
	2002	2001	2002	2001
Benefit obligation	$1,732,558	$1,531,691	$1,543,281	$1,341,165
Fair value of plan assets	-	-	-	-
Funded status	(1,732,558)	(1,531,691)	(1,543,281)	(1,341,165)
Amounts recognized in the statement of financial position consist of:				
Accrued benefit liability	1,732,558	1,531,691	1,543,281	1,341,165
Weighted average assumptions:				
Discount rate	6.75%	6.75%	6.75%	6.75%
Expected return on plan assets	-	-	-	-
Rate of compensation increase	3.00%	3.00%	-	-
Net periodic benefit cost	175,090	159,260	160,695	145,187
Employer contribution	-	-	-	-
Plan participants' contributions	-	-	-	-
Benefits paid	-	-	-	-

Although not reflected in plan assets above, the Company has restricted cash in the amount of $991,647 at December 31, 2002 and $978,487 at December 31, 2001, segregated to partially fund supplemental pension benefit obligations.

NOTE L - Contingency

Associated with the 1999 acquisition of certain assets and the assumption of certain liabilities from a third party, the Company will assume the responsibility and the related assets of a defined benefit pension plan. It is the Company's intention to complete the conversion of this plan to a defined contribution plan during the year 2003. An expense of $1,250,000 was charged against income for the year ended December 31, 2002 to establish a liability for the Company's estimated portion of the underfunded status of this plan. However, there is a potential liability, which cannot be determined at this time, for the difference between the Company's estimate and its portion of the actual underfunded status in the plan prior to conversion. The Company believes that, should additional liability be incurred, it will not have a material impact to the Company.