

ATARI, INC. dba SYZYGY CO.
 NOTES TO THE FINANCIAL STATEMENTS
 June 2, 1973

1. Organization and accounting policies

Organization

The Company was formed in June 1972 as a continuance of Syzygy Co., a partnership which was organized in January 1971. Atari, Inc. issued common stock valued at \$5,000 and notes of \$6,032 in exchange for the net partnership assets. The Company manufactures and sells amusement machines and operates amusement arcades.

Inventories

Inventories are valued at the lower of average cost or market and consist of the following at June 2, 1973:

Raw materials	\$523,610
Work in process	151,127
Finished goods	<u>147,411</u>
	<u>\$822,148</u>

Property and equipment

Property and equipment are stated at cost. Depreciation is calculated principally by the use of accelerated methods over the following estimated useful lives of the assets:

Description	Useful Lives
Leasehold improvements	Lease term
Automobiles and equipment	3 to 5 years
Amusement machines	3 years

Research and development

Research and development costs are charged to expense as incurred.