

**SOLUTIONS MANUAL**

A graphic of a spiral-bound notebook with a black cover. The spiral binding is on the left side. The cover has the text "IMAGE COMING SOON" written in large, white, bold, sans-serif capital letters. The notebook is set against a white background with a subtle drop shadow.

**IMAGE  
COMING  
SOON**

## CAPSTONE CASE: SPATIAL TECHNOLOGY, INC.

### Suggested Case Discussions and Analyses

- A. *Describe Spatial Technology's "business model" in terms of revenues, profits, and cash flows.*

Spatial is the originator of a 3D modeling file format (SAT) and object manipulation protocol intended to facilitate general 3D modeling and animation. Its revenues historically have been due to prepaid royalties, licensing fees, and maintenance and training for users of its 3D products and formats. Exhibit 6c displays the statement of cash flows for the past three years. Only recently have operating cash flows become positive. Spatial still faces cash flow challenges.

- B. *What intellectual property, if any, does Spatial Technology possess?*

Spatial's file format (SAT) and modeling approach are its primary intellectual property. Although parts of this IP are protected, Spatial, in an attempt to have its approach adopted as an industry standard has published its file format, making it readily available to adopters and competitors.

- C. *Describe the experience and expertise characteristics of the management team.*

The management team has a founder that is well known in the field with previous successful experience. The operations and financing members of the team have been subject to turnover. The team seems to be stronger on technical expertise.

- D. *Describe Spatial Technology's pricing and marketing strategy.*

Spatial has adopted a strategy of forward-funding itself by taking large amounts of prepaid royalties. Historically, its two primary revenue areas were royalties and licenses. More recently, much of its revenue has been from "maintenance and training." Spatial's marketing strategy has varied, including some historical efforts to sell to the retail market. Spatial's marketing strategy is primarily to sell to software vendors who incorporate Spatial's technology in their own shipped products.