

V.I.M.COR
BUY RECOMMENDATION

PLATO Learning Inc			TUTR		\$ 9.125		GROWTH	
			EPS				AVERAGE DAILY VOLUME MILL \$	
52 WK PRICE RANGE	DIV	YIELD	1999	LATEST 12 MO	2000	2001		
\$14.50-4.37	\$ 0.00	0.00 %	\$0.70	\$ 2.25	\$ 0.94	\$ 1.18	0.108	
		P/E:	13.0 x	23.3 x	9.70 x	7.73x		
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EPS COMPOUND GROWTH RATE								
VAL MODEL	P/E LEAST GROWTH RT	PAST 5 YRS.	LATEST QUARTER	THIS YEAR	NEXT YEAR	NEXT 5 YRS.		
57.0 %	0.16 x	9 %	400.0 %	34.3%	25.5 %	30.0 %		

BASIS OF RECOMMENDATION

TUTR is taking advantage of today's trend towards more education for greater job advancement opportunities. The company makes and markets a set of interactive software products that allows the user to progress at their own pace. Target markets include schools, colleges, training programs, and consumers .

POSITIVES

- * Little competition in its primary market, software based learning aids for secondary and post secondary education. Primary competition is old, traditional style learning aids.
- * Strong value model and growth model attributes: Low P/E, low debt (only 16% of equity), strong future growth rate of 30%, and a P/E Least Growth rate of only 0.16x.
- * Company's product is well positioned to take advantage of growing Home Schooling trend.

NEGATIVES

- * The competition, as it exists, consists of large, well-financed companies: McGraw Hill-McMillan and Pearson, PLC.
- * Total Operating expenses (FY2000) are running at 110% of revenues.
- * Financials as reported to SEC are un-audited.

ANALYST	DATE OF STOCK PRICE	SPX PRICE THAT DATE	DATE OF THIS REPORT
Gary Vassalotti FILE: K:\INVEST\tutr.doc	April 20, 2000	\$ 1434.54	April 21, 2000

PLATO Learning, Inc

Company Description

TUTR was once part of Control Data Corporation and was purchased by an investor group in 1989 becoming a publicly held company in 1992. Between 1992 and 1998 the company's new owners began to reshape its future by selling or discontinuing non-core businesses such as the NASD Training and Certification business and the Aviation Training Business. This left the core business of Educational and training software, the PLATO series.

Product Description

The PLATO series of software consists of four proprietary tools:

1. PLATO Pathways
Instructional management system designed for system control, tracking and reporting of student performance, and administration.
2. Micro PLATO Authoring System (MPAS)
3. PLATO Curriculum Design, Development and Delivery (PCD3) System
The above (items 3&4) are tools for enhancing and maintaining portions of the PLATO Learning software system.
4. Win PLATO
A proprietary courseware-authoring framework for writing Windows courseware.

From 1998 to 1999 educational courseware sales (i.e., Plato) increased from \$35.7mm to \$ 40.5mm, an increase of 13.4%. TUTR states the increase is a result of higher sales to both established and new customers. Lower margin hardware and third party software sales decreased by 0.57%. The end result was a 10% increase in gross profit from \$35.1mm 1998 to \$38.8mm 1999.

The following table lists the software titles and types in the PLATO system. As you can see, the diversity of the curriculum provided gives the product the needed breadth to ensure sales to meet wide variety of needs.

PLATO COURSEWARE:	
COMMUNICATION	SCIENCE/ TECHNOLOGY
Reading 1 and 2	Science Fundamentals
Reading Strategies	Chemistry 1 and 2
Advanced Reading Strategies	Physics 1 and 2
Reading for Information	Applied Physical Science:
	Technology
Writing Series	Fundamentals
Writing in the Workplace	
Communication	SOCIAL STUDIES
Vocabulary Builder	Social Studies
MATHEMATICS	LIFE SKILLS
Math Fundamentals	Life and Job Skills
Math Fundamentals (Spanish Edition)	Parenting Skills
Math Problem Solving	

Data Skills	WORKSKILLS/ SCHOOL-TO-WORK
Pre-Algebra	Quality Fundamentals
Beginning, Intermediate and Advanced Algebra	Reading for Information
Beginning and Intermediate Algebra (Spanish Edition)	Communication
Geometry and Measurement 1 and 2	Writing in the Workplace
Trigonometry	Data Skills
Calculus 1 and 2	The Employment Partnership
THIRD PARTY COURSEWARE:	The Problem Solving Experience
Reading Horizons	Business Software Training Series
Mindplay Writing Series	Substances Abuse Series
English Discoveries (ESL)	Blueprint Reading
Toward Algebra	Mastering Geometric Dimensioning and Tolerancing
	Ultrakey Keyboarding
PLATO SOFTWARE PRODUCTS:	
PLATO Curriculum Manager	PLATO Records Transfer and Consolidation Utility
PLATO Pathways Instructional Management System for Windows	PCD3 Authoring System
PLATO Remote Administration	PLATO S.T.A.R.
	PLATO on the Internet

Of course, how could we discuss software without mentioning the Internet somewhere? TUTR has embraced the Internet with the development of web based sales and product delivery systems. The PLATO software can be purchased to be run over the Internet, a local network (such as at a school system), or on stand-alone workstations via CD Rom.

Customer Base

The software lends itself to a growing trend of computer ownership and use in the American homes and educational systems. According to US Census bureau data, computer use among school children grew from 32.2 mm in 1984 to 74.4mm in 1997. In addition, computer access and usage is greater (as a percentage) among children in the age groups for Plato software; 55% of 12-17 yr olds had computer access vs 42% for 3-7 yr olds. 88% of the households with computer's had incomes greater than \$75,000, giving the families spend able income that could be used for PLATO products.

Valuation

The VIMCOR valuation model follows on the next page. Given the small cap nature of this company, a few modifications to the model have been made so that it would better reflect expected potential values. We believe that TUTR has the potential to increase in value by a substantial amount... in fact the growth model predicts a whopping 163% return near the end of year, giving a share price value of \$24. The value model is a bit more conservative, giving TUTR a potential return of 57% with a target price of \$14.30.

	2000	1999
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100.0%	Revenues	100.0%
	Cost of revenues	18.0

	Gross profit	82.0

	Selling, general and administrative expense	89.6
	Product development and customer support expense	20.6

	Total operating expenses	110.2

	Operating loss	(28.2)
(38.6)	Interest expense	3.1
	Other expense, net	0.5

	Loss before income taxes	(31.8)
(50.4)	Income tax benefit	(11.9)

We believe that TUTR's revenue will grow faster than its expenses this year, and that its net loss (shown on the illustration as a percentage of revenue) will disappear.

The end result will be a more traditionally valued growth stock that should be able to hit future estimated valuations.

Thus, a true company valuation is probably somewhere between the value model's prediction of

\$14.30/share and the growth models prediction of \$24/share.

VIMCOR Valuation Model

VIMCOR VALUATION MODEL

Ticker	Name	Price
TUTR	PLATO Learning Inc	9.125

Attribute
Growth

Institutional Ownership	23.9%
Debt/Equity	16.0%

P/E *			P/BK *			P/CF *			Dividends		Price/Sales		
Low	High	Current	Low	High	Current	Low	High	Current	Dollars	Yield	Low	High	Current
8.56	16.67	4.1	1.73	5.71	3.52	7.22	11.10	4.00	0.00	0.00%	0.88	2.41	1.56

Historical Earnings		Estimated Earnings (FFO for Reits)							Dividend Growth			
Ltst Qtr	Ltst 12 Mths	Currnt Qtr	% Chg	Lst FY	Currnt Yr	% Chge	Next Yr	% Chge	Future 5	% Chge	Last 5 yrs	Next 5Yrs
(\$0.23)	\$2.25	\$0.03	400%	\$ 0.70	\$0.94	34.3%	\$1.18	25.5%	\$ 2.59	30%	0.0%	0.0%

Projected Values - Value Model			
	End of YR	Next YR	5 Years
Price	\$14.30	\$16.17	\$25.53
Return	57%	77%	180%

Growth Model Predictions			
	End of Yr	Next YR	5 Years
Price	24.00	30.13	66.19
Return	163%	230%	625%
P/E Least Growth Rate:			0.16

Notes:

Due to the volatility in earnings and restructurings, some values included in the model above have been modified to better reflect analysts estimate of reasonability. Modified values noted with an *

Due to small cap nature of this equity, the normal growth model multiplier has been reduced from a valuation of 2x times P/E / Lowest Growth rate to only 1x P/E / Lowest Growth rate.