



CEOCFO

Interviews & News!

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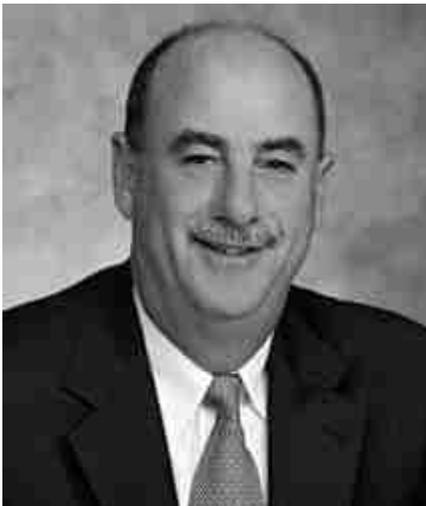
With Their Broad Footprint And A Base Of Engineering Talent, Avatech Is Well Positioned To Take Advantage Of Growth That Will Take Place In The Design Engineering Community Over The Next Three Years Due To The Advent Of New Technology



Technology
Business Software & Services
(AVSO-OTC: BB)

Avatech Solutions, Inc.

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George M. Davis
President and CEO

BIO:
As President and CEO, George has experience, leadership capabilities, and a

deep understanding of the software services business. He joined Avatech as a director in July 2006, and became Executive Vice Chairman. He has proved to be an essential resource and has developed a keen understanding of Avatech's many market opportunities.

He served as President and Vice Chairman of Aether Systems, a wireless data software and services company until 2003, helping to build the venture into a \$100 million company. He led its public offering in 1999 and several secondary offerings in 2000. From 1980 to 1996, he worked for Westinghouse Electric Corporation, now a division of Northrop Grumman, with increasing levels of responsibility in program management, including P&L accountability for major defense contracts involving the design, manufacture, and support of integrated military avionics.

George serves on the boards of Demesys, LLC, an electronic medical records software and services company and Defywire, a wireless software and services company.

He is a trustee of Bethany College in West Virginia, where he received a BS in Economics in 1978.

Company Profile:

Avatech Solutions is a nationwide design automation and technology services company providing innovative solutions that radically improve the way clients design, develop, and manage projects, products, and facilities.

Avatech serves the building design, civil, survey and mapping, manufacturing and facilities management markets. The com-

pany provides design, engineering, and facilities management software along with professional services including technology consulting, implementation, integration, training, and technical support services.

Avatech Solutions' industry-focused teams have unrivaled expertise and experience guiding clients to meet their business objectives and helping them achieve a competitive advantage. Typical projects include transitioning companies to 3D modeling and implementing advanced design automation strategies and practices, and include incorporating business rules, process change, workflows, and standards.

With offices nationwide, Avatech is headquartered in Owings Mills, Maryland. The company is the largest U.S.-based Autodesk (Nasdaq: ADSK) solutions provider as well as a leading provider of ARCHIBUS enterprise-wide facilities management software and Leica Geosystems high definition laser scanning solutions for as-built, detail, engineering, topographic, and architectural surveys.

Avatech's 18,000 customers include industry leaders from the *Fortune* 500 and *Engineering News Record's* Top 100 companies and government agencies.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Davis, how has Avatech changed under your leadership?

Mr. Davis: “We are taking the company in a little bit of a different direction. Avatech was built as somewhat of a roll-up in the design automation space by integrating several Autodesk solution providers together that supported the Autodesk brand of technology and software. Going forward under my direction, we are driving the company to be a more diverse solution provider. We are emphasizing our consultative and engineering support services, where we believe there is a huge market potential for us to exploit our technical expertise in addition to selling the software that we provide. Additionally, we have restructured our operations and implemented a more prudent cost structure in support of our focus on profitability. Initial results of this change in direction have led to a profitable first Quarter. In FY 2008 and we expect to be profitable on a consistent basis going forward, while driving modest revenue growth in the near term.”

CEOCFO: How do you go about achieving your goals?

Mr. Davis: “We are achieving our goals by building mindshare and cultivating the right culture in the company as well as our go to market strategies, transitioning from what was traditionally referred to as a value-added reseller to a direct national design automation and technologies services company. We will continue to investigate adding alternative products and services to our platform through both organic development efforts and acquisitions. We have a large installed customer base of over 18,000 clients and we intend to exploit that with diverse yet complementary product and services offerings. We want to drive more services including consulting, implementation, customization, training and support by reaching deeper and wider into our customer base with many value-added services.”

CEOCFO: What is an example of where those strengths show?

Mr. Davis: “Today we serve two primary markets, one is referred to as architectural engineering and construction

(AEC), and the other is manufacturing. In both of these markets, we service the design engineering community. In manufacturing, we serve companies that design industrial equipment and machinery, electronic components or consumer products. In addition to providing manufacturing design software or computer related design software, we implement and integrate that software with back-end business systems. We also provide data management product and engineering support. Our customized solutions extend far beyond simply providing software for a customer, and include onsite training with Avatech staff performing custom

“Avatech is extremely well positioned to take advantage of what has taken place in the design engineering community. There is a revolution taking place out there. Over the years, we have seen technology go from line drafting to 2-dimensional technology, now moving to 3-dimensional, 4-dimensional and 5-dimensional, integrated platforms coming into play. For our customers, be it in the architectural engineering construction or manufacturing space, to remain competitive they need to adopt these new technologies. As they do that, there will be a heavy demand for additional services and training support. This new technology simply requires much more services support. With our base of over 85 engineers, our broad footprint in the US and a focus on services, we are going to be in a tremendously strong position to capture a big share of that coming services business in the next three to five years.” - George M. Davis

work to integrate into Legacy backend systems and provide data management flow.

In the architectural engineering and construction industry, there is a transformation taking place. The entire industry from designer to builder through to the owner of commercial buildings and projects is moving more to an integrated platform approach as opposed to technology being segregated from architects to engineers to contractors and subcontractors. Avatech is helping our clients pull all this together. This is referred to as building information modeling (BIM) which allows the entire building supply

chain to digitize and visualize the entire process so they can coordinate across all disciplines, get projects done faster and on budget. Additionally, our technologies and services support the construction of a building that is environmentally sustainable, as well as being able to promulgate asset and facility management in the end. It is an end-to-end stream of technology that we are helping to integrate and bring together.”

CEOCFO: What is the competitive landscape?

Mr. Davis: “We are fairly entrenched in the Autodesk economy – a \$2 billion industry giant in the design engineering space. There are over nine million users and in that space, we compete with other solution providers. Autodesk primarily goes to market through a channel strategy so there are many Autodesk solution providers throughout the country. We are the largest US-based Autodesk solutions provider and have a national presence. We win because we have a strong brand, a broad footprint, as we are located in 19 cities across the U.S. and have a large satisfied installed base of customers. We have over eighty five engineers with more critical mass and expertise to offer up to our customer and hence much more value add. We have some of the best engineering talent in the industry which gives us a very strong competitive edge.”

CEOCFO: Is it difficult to find the personnel you need?

Mr. Davis: “One of our biggest obstacles, and that is industry wide, is finding engineering talent. We have been fortunate through the evolution of the company that we brought along through acquisitions of over ten companies, some very strong engineering talent and we are doing everything in our power to retain that base. We need to grow it, and we are in the process of hiring. The entire design engineering industry is faced with the same challenge – a shortage of technical talent. We are looking for solution experts in architecture, structural, civil, and me-

chanical engineering, as well as data management expertise. Avatech's standards are high, so it is a difficult task. We think we have built a great go-to environment for that engineering base and have a strong recruiting mechanism. We intend to take advantage of that shortage in the industry by being a go-to company for engineering sources."

CEO CFO: How is business these days?

Mr. Davis: "We are marching forward to our targets for the year. We just completed our second quarter of FY2008, which we will be reporting in February. We said to the community that we would do modest revenue growth this year and we are on-track to deliver this. Equally important, we guided that we would be consistently profitable and we are definitely guiding towards that. I am pleased with the performance of the team over the first six months of our fiscal year. The outlook for the next six months looks to be on-track with everything that we thought would take place this year. Of course we need to keep a close eye on the Economy, but as of today, we remain on track."

CEO CFO: Will you be affected by the downturn in the economy?

Mr. Davis: "Being in the building sector, we obviously have an eye on that. We are continuously tracking what is going on with the sub-prime and credit situation, and confidence issues more than anything else. Fortunately, in our space, there is a tremendous amount of backlog business out there from both the private and public sectors. We support a lot of civil and structural engineering and in the major building sector we haven't seen any tremendous slow-down yet. In some of our regions, we have seen some impacts and we are going to keep a close eye on that."

We will continue to review the situation and see what happens over the coming months. No one is expecting a fantastic 2008 from an economy perspective, but our market looks fairly stable right now."

CEO CFO: Do you see additional acquisitions?

Mr. Davis: "Acquisitions are one of the cornerstones of our strategy going forward. Historically, our acquisition model has been much more in tune with driving towards other value-added solution providers within the Autodesk economy. However, our strategy has since changed. We are now looking more for diverse opportunities from an acquisition perspective – companies that can bring us high services components of business, not necessarily competitive, but complimentary to what we do. We have quite a few things on our radar and we do expect to be doing some acquisitions in the coming quarters."

CEO CFO: Why should potential investors be interested and what should they realize about Avatech that doesn't jump off the page?

Mr. Davis: "First, Avatech has built an extremely strong brand and has a large diverse client base. We need to do a better job of leveraging that and getting that message to the investor base. At the same time, due to some headwinds that the company had to fight through in our last fiscal year, which included some major changes from Autodesk that impacted our margins and some one-time charges fueled by restructure and transition management, we ended up with a somewhat disappointing year relative to profitability even though we grew revenue significantly to over \$50M."

Our recent cost reduction efforts and establishment of a prudent cost base has allowed the company to return to profitability as demonstrated by our last Quarters performance. We are going to consistently drive profitability going forward and provide enhanced value and return to our investors. Today, we are significantly undervalued. I understand some of the implications of what we did in the last year, but going forward I see nothing but positive upside for the company. We want to be viewed and valued from a profitability perspective as much as from a growth perspective, and I believe for fiscal year 2008 we are laser focused on that. In addition, I certainly expect to return consistent profits and enhanced shareholder value in the coming quarters."

CEO CFO: Final thoughts?

Mr. Davis: "Avatech is extremely well positioned to take advantage of what has taken place in the design engineering community. There is a revolution taking place out there. Over the years, we have seen technology go from line drafting to 2-dimensional technology, now moving to 3-dimensional, 4-dimensional and 5-dimensional, integrated platforms coming into play. For our customers, be it in the architectural engineering construction or manufacturing space, to remain competitive they need to adopt these new technologies. As they do that, there will be a heavy demand for additional services and training support. This new technology simply requires much more services support. With our base of over 85 engineers, our broad footprint in the US and a focus on services, we are going to be in a tremendously strong position to capture a big share of that coming services business in the next three to five years."

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