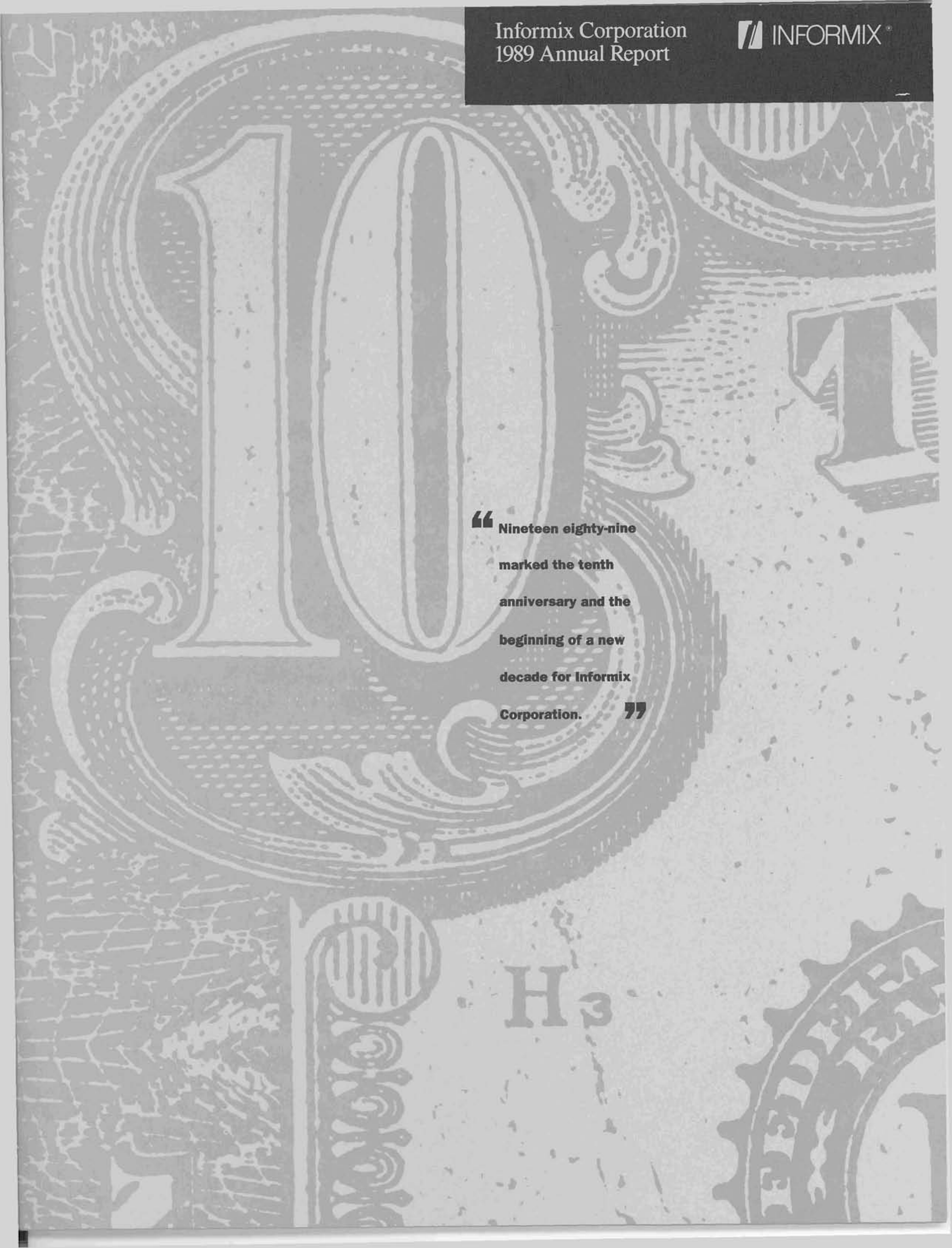
Informix Corporation
1989 Annual Report

INFORMIX®



"Nineteen eighty-nine marked the tenth anniversary and the beginning of a new decade for Informix Corporation."

To Our Shareholders:

Nineteen eighty-nine marked the tenth anniversary and the beginning of a new decade for Informix Corporation.

During the year, the Company made positive strides financially while introducing new products and hiring new senior management—all of which place Informix in a strong position to capitalize on the opportunities ahead.

Laying this foundation for the future paid off in the short term as well. The year's highlights include:

- A financial turnaround, including a 40 percent increase in annual revenues and a 338 percent increase in net income.
- Releasing and shipping four major new products, broadening all Informix product lines.
- Strengthening our senior management team by adding new top-level executives in almost every area of the company.
- Establishing three worldwide sales headquarters in the United States, Europe, and Asia to take advantage of global market opportunities.
- Expanding our marketing reach through significant distribution agreements.

For the ninth consecutive year, Informix increased its annual net revenues. For the year ended December 31, 1989, revenues totaled $145 million, compared to $103.5 million for 1988. Net income for the year topped the $6.3 million mark, representing a 338 percent increase over last year's net income of $1.5 million; 1989 net income per share increased to $0.48, up 300 percent from net income per share of $0.12 in 1988. Fourth quarter 1989 revenues of more than $43.2 million reflect a 55 percent increase over fourth quarter 1988 revenues of $27.9 million.

During 1989, the Company successfully launched four advanced technology products. In the beginning of the year, we shipped Wingz™, a graphical presentation spreadsheet, for the Apple® Macintosh®. Since its release, Wingz has earned all four of the top 1989 software awards in the Macintosh world and, in the fourth quarter of 1989, Wingz sales were averaging nearly 20 percent of the Macintosh spreadsheet market as reported by the StoreBoard Software Index. During the fourth quarter, we signed an agreement with Claris Corporation, Apple Computer's Macintosh software development subsidiary. The agreement gives Claris the rights to the technology in Wingz and HyperScript®, Wingz' built-in programming language.

Although we initially introduced Wingz for the Macintosh, we announced a multi-platform strategy that will make Wingz available across all major graphical desktop platforms during 1990, including OSF/Motif™, OS/2™, Open Desktop™, NextStep™, and Microsoft Windows™.

In the spring, we began shipping SmartWare®II, a new version of Informix's integrated office automation software package, and offered an upgrade program to our installed base of SmartWare users. The Smart Programming Language (SPL), built right into SmartWare II, enables users to create or customize applications that combine Smart's spreadsheet, word processing, and database functions. SmartWare II also supports a large number of printers, including PostScript, providing printed output from DOS PCs that rivals the Macintosh.

In the fourth quarter of 1989, we introduced and shipped two significant database products: INFORMIX-OnLine and INFORMIX-STAR. With OnLine, Informix builds on over two years of proven on-line transaction processing (OLTP) technology.

OnLine is the industry's first fault-tolerant, OLTP database engine to support multimedia databases. In addition to providing high database performance, OnLine allows users to integrate objects of information such as word processing documents, spreadsheets, graphs, scanned images, facsimiles, and voice—virtually any information that can be digitized—into a UNIX®-based database application.

INFORMIX-STAR is an optional add-on to OnLine that provides distributed database capabilities, a key database technology for the 1990s. With INFORMIX-STAR, OnLine users have the ability to access information on multiple servers in the same transaction.

In 1989 and early 1990, we strengthened our executive management team by recruiting not only a new chief executive officer, but also a number of highly qualified vice presidents. These executives bring to Informix a wealth of experience in a variety of technological and functional areas. Our new senior executives are (in chronological order):

- Phillip E. White, chief executive officer;
- Jeffrey G. Bork, vice president, marketing;
- Norman R. DeWitt, vice president, customer service;
- Ira H. Dorf, vice president, human resources;
- Mark K. Ruport, senior vice president, sales, North America;
- Howard Haythornthwaite, vice president, Asia/Pacific operations; and
- Howard H. Graham, vice president, finance and chief financial officer. Howard took over this position from Wynne Jennings, who is now vice president, Lenexa operations.

With nearly half of our revenues coming from international markets, we continue to focus resources on expanding our global efforts. To that end, Informix has established three worldwide sales headquarters: The Americas' headquarters in Menlo Park, Calif.; European headquarters in London; and new Asia/Pacific headquarters in Singapore.

In 1989, Informix streamlined company structure by re-establishing a single corporate headquarters in Menlo Park while maintaining office automation product development and manufacturing functions in Lenexa, Kansas. In February 1990, Michael J. Brown, co-founder of Innovative Software, resigned as president of our office automation division and stepped down from Informix's board of directors to pursue personal interests effective April 1, 1990. The board of directors elected Mark R. Callegari, Innovative Software's other co-founder, to fill Mike's vacancy on the board and also appointed him vice president and site general manager, Lenexa.

We also combined our DBMS and office automation marketing groups into a single organization, enabling us to coordinate the implementation of our end-to-end product strategy: to provide access to corporate-level databases from desktop computers.

In February of 1990, we introduced Wingz-DataLink, enabling Wingz users to access information stored in an Informix SQL database from their desktop environment. SmartWare-DataLink, scheduled for release during 1990, will provide the same type of database access capabilities for SmartWare II users.

Realizing that strong reseller relationships are important to our success, Informix continues to cultivate a distribution philosophy based on partnership. During 1989, the Company signed several major distribution agreements, including:

- Our first agreement for the retail distribution of our SQL DBMS products with Ingram Micro D.
- A worldwide OEM agreement with Unisys Corporation, one of the world's largest suppliers of UNIX hardware.
- An agreement with Top Log International for Pan-European distribution of our complete line of UNIX-based software, enhancing our European distribution capabilities.
- Three major DBMS product awards from the U.S. Navy.

With 1989 behind us, we are ready to meet the challenges of the 1990s. Over the next decade, the UNIX market is expected to grow rapidly, with relational DBMS's growing at a faster rate than any other segment within that market.

In light of these industry trends, it is our mission to develop powerful distributed database management systems for industry-standard platforms, to deliver the information stored in those systems to every significant desktop platform, and to continue to meet the demand for integrating on-line transaction processing into corporate computing solutions.

We have high expectations for 1990, and over the course of the year it is our aim to:

- regain the number one position in the UNIX DBMS marketplace;
- be the first company to provide leading technology across all significant graphical platforms; and
- build our position as a leading supplier of database-to-desktop solutions.

We would like to take this opportunity to thank our employees for their outstanding accomplishments of 1989. Their enthusiasm, dedication, and hard work continue to be an invaluable asset to the Company.

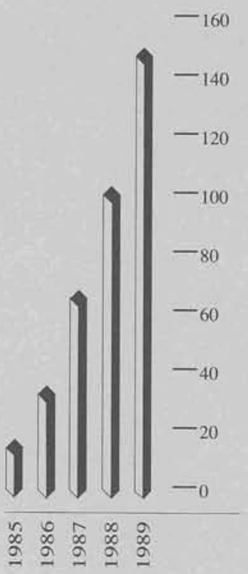
Finally, we believe that the decisions we made and the actions we took during 1989 give us a solid foundation of resources and a strategic direction unparalleled by any of our competitors. Our goal continues to be establishing Informix as the information management software company that sets the trends the rest of the industry follows.

Roger J. Sippl
Chairman

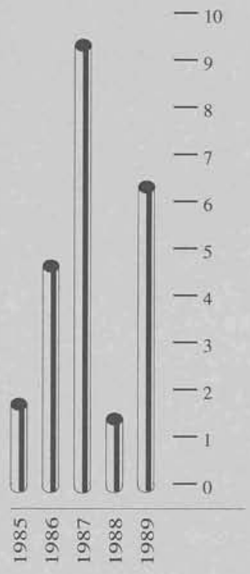
Phillip E. White
Chief Executive Officer

Informix Summary Information

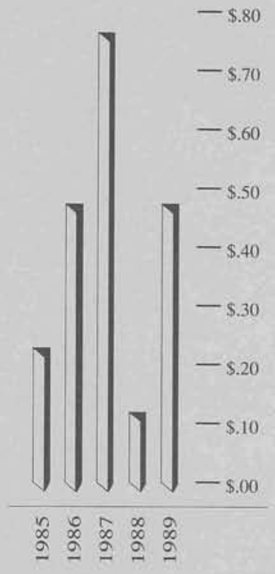
Net Revenues
(in thousands of dollars)



Net Income
(in thousands of dollars)



Net Income/Share
(in dollars)



	1989	1988	1987*	1986*	1985*
Net Revenues *(in thousands)*	145,000	103,505	68,471	36,184	18,878
Net Income *(in thousands)*	6,379	1,458	9,308	4,616	1,894
Net Income/ Share (fully diluted) *(in dollars)*	0.48	0.12	0.77	0.48	0.23
Total Assets *(in thousands)*	143,181	116,417	105,792	35,932	10,536
Long-Term Obligations *(in thousands)*	30,536	24,563	29,161	1,108	819
Stockholders' Equity *(in thousands)*	74,004	66,429	61,032	28,144	5,119

*Summary information for 1987 and prior years has been restated for the pooling of interests described in Note 1 to the Consolidated Financial Statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Following is a table setting forth for the last three fiscal years a) the percentages of net revenues represented by certain items in the Company's consolidated statements of operations and b) the percentage changes in such items from period to period. The Company believes that year-to-year comparisons of financial results are not necessarily indicative of future results.

	% of Net Revenues			% Increases(Decreases)	
	Year Ended December 31,			**1989 Compared to 1988**	1988 Compared to 1987
	1989	1988	1987		
Net Revenues	**100%**	100%	100%	**40%**	51%
Costs and expenses:					
Cost of software distribution	**13**	12	13	**51**	41
Sales and marketing	**59**	66	47	**26**	110
Research and development	**8**	8	7	**42**	54
General and administrative	**13**	15	13	**19**	78
Total costs and expenses	**93**	101	80	**29**	89
Operating income (loss)	**7**	(1)	20	**NA**	NA
Other income (expense), net	**-**	1	2	**NA**	(45)
Income before income taxes and extraordinary item	**7**	0	22	**1,646**	(96)
Provision for income taxes	**3**	0	9	**1,693**	(97)
Income before extraordinary item	**4**	0	13	**1,619**	(96)
Extraordinary item	**-**	1	1	**NA**	163
Net income	**4**	1	14	**338**	(84)

Revenues

The Company derives revenues principally from licensing its software. Such revenues may involve the shipment of product by the Company or the granting of a license to manufacture products. From time to time Informix has recognized substantial net revenue from single large software license agreements. These transactions, which are difficult to predict or plan for, have caused fluctuations in net revenues and net income because of the relatively high gross margin on such revenues. The Company expects this sort of transaction and the resultant fluctuations to continue. Revenues increased 40% from 1988 to 1989, and 51% from 1987 to 1988. The growth has resulted from increased license volume for the Company's database products; Wingz, a graphical spreadsheet introduced in February 1989; and SmartWare II, a modularly integrated office automation product introduced in May 1989. These newer products combined with the increased revenue generated by the Company's international subsidiaries contributed significantly to overall revenue growth.

Continued growth in revenues will be dependent on favorable market acceptance of these new products as well as successful and timely adaption of these products to operate in various hardware and operating system environments. Also, almost half of the Company's revenue is derived from sales in foreign countries.

The 51% increase in revenue from 1987 to 1988 resulted from increased volume for the Company's products, INFORMIX-SQL, INFORMIX-4GL, and SmartWare, which in turn resulted from increased sales and marketing activities. Growth in revenues generated by the Company's international subsidiaries has contributed significantly to overall revenue growth.

Costs and Expenses

In January 1989 the Company implemented a program of operating cost reductions, including a reduction in work force of approximately 15%, to bring costs more in line with revenues and to restore profitability. Selective headcount increases have occurred since that time as revenues have increased. However, if revenues in future quarters are lower than planned, operating expenses as a percentage of revenues would likely increase from recent levels until appropriate cost reduction programs could be implemented.

Cost of Software Distribution

Software distribution costs consist of media, documentation, and product assembly and purchasing costs. Such costs as a percentage of revenue were relatively constant at 13%, 12%, and 13% for 1987, 1988, and 1989 respectively. Fluctuations in this ratio may occur from time to time depending on the proportions of office automation vs. database products and foreign vs. domestic revenues but are not expected to vary significantly.

Sales and Marketing Expenses

During the three year period, sales and marketing expenses increased each year in absolute amount as such efforts increased with higher revenue. These expenditures, which represented 47% and 66% of net revenues, respectively, in 1987 and 1988, decreased as a percentage of net revenues to 59% in 1989. The large increase in 1988 was caused primarily by increase in numbers of personnel devoted to these activities as well as the expansion of the Company's domestic and international sales offices. In addition, during 1988, expenditures were incurred in the preparation of two new products, Wingz and SmartWare II, which were delayed in shipment, resulting in no offsetting revenue. During 1989, sales and marketing expenditures continued to increase in absolute amount, but were less than the corresponding increase in revenue, resulting in a lower percentage. Additionally, during the second half of the year the Company incurred expenses in preparation of launching a new relational, multimedia database product called INFORMIX-OnLine.

Research and Development Expenses

The Company's expenditures for research and development increased 42% from 1988 to 1989 and 54% from 1987 to 1988. As a percentage of revenues, research and development expenditures remained constant at 8% in 1989 and 1988 and up from the 7% incurred in 1987.

The Company accounts for its research and development expenses in accordance with Statement of Financial Accounting Standards No. 86, which requires that once technological feasibility of a developing product has been established, all subsequent costs incurred in developing that product to a commercially acceptable level be capitalized and amortized ratably over the revenue life of the product. The Company's research and development expenses are net of amounts so capitalized amounting to $5,050,000 in 1989, $3,293,000 in 1988, and $1,803,000 in 1987 (and include amortization of previously capitalized software development costs $2,153,000 in 1989, $1,210,000 in 1988, and $485,000 in 1987). See Note 1 of Notes to Consolidated Financial Statements. The Company believes that research and development expenditures are essential to maintaining its competitive position in its primary markets and expects to increase these expenditures in future periods.

General and Administrative Expenses

General and administrative expense increased 19% from 1988 to 1989, and 78% from 1987 to 1988. Relative to net revenues, these expenses were 13% in 1989, compared to 15% in 1988 and 13% in 1987.

The absolute increase in general and administrative expenses generally reflects continued additions of administrative personnel to support development of marketing and anticipated business volume increases. In 1988 and 1987, approximately $800,000 and $400,000, respectively, was expended relating to the merger of Informix Software and Innovative Software.

Extraordinary Items

Results of operations in 1988 include the effect of management's decision to repurchase on the open market and retire certain of the Company's outstanding convertible subordinated debentures, achieving a gain due to the discounts at which the debentures were repurchased. This item is reported net of its related income tax effect. Operating results in 1987 included tax benefits resulting from the carryforward of tax operating losses sustained in previous periods by Innovative Software.

Income

Pre-tax income decreased 96% from 1987 to 1988 and increased 1,646% from 1988 to 1989 as a result of the factors described above. The effective tax rates were 37.0%, 36.0%, and 41.5% in 1989, 1988, and 1987 respectively. The reduction in rate from 1987 to 1988 was principally the result of the reduction in the statutory U.S. income tax rate from 40% to 34%. Net income per share reflects issuance of 342,000 shares in 1989, 412,000 shares in 1988, and 332,000 shares in 1987 pursuant to employee stock option and employee stock purchase plans.

Liquidity and Capital Resources

The Company's working capital increased from $59,633,000 at December 31, 1988 to $70,903,000 at December 31, 1989. This increase of approximately $11 million was comprised primarily of an increase in accounts receivable of $29 million, partially offset by an increase of $6 million in accounts payable and accruals and smaller increases in deferred income taxes and deferred maintenance contracts. The increase in accounts payable and accruals is largely due to the generally increased level of operations from 1988 to 1989.

During the latter half of 1989, the Company entered into sale/leaseback financing of approximately $8.9 million. The fixed assets involved in these transactions included certain office furniture and data processing equipment. Capital expenditures of $6.3 million were reduced significantly from the $17.6 million expended in 1988 and primarily consisted of acquisitions of data processing equipment.

The Company has a DM2,200,000 credit line with a German bank, secured by substantially all assets of its German subsidiary, bearing interest at a rate which approximates the bank's prime rate. There were borrowings against the German line aggregating $1,242,000 at December 31, 1989.

In order to support the growth in receivables, property and equipment, and capitalized software development costs during the past three years, the Company has supplemented internally generated funds principally by the issuance of common stock, both through a public offering and through employee stock option/stock purchase plans, and by the sale and leaseback of computer and office equipment.

Substantial growth in revenues, if continued, as well as ongoing investments in computer and office equipment will likely result in continued growth in non-cash working capital and total assets during 1990. The Company anticipates that if existing cash balances are not sufficient to support expected levels of activity, adequate credit should be available from commercial banks or other sources to meet the Company's cash needs.

Consolidated Balance Sheets

December 31, 1989 and 1988

(in thousands, except share data) **Informix Corporation and Subsidiaries**

Assets	**1989**	1988
Current Assets:		
Cash and cash equivalents	**$ 25,018**	$ 15,223
Short-term investments	**143**	12,600
Accounts receivable, less allowances for doubtful accounts of $1,575 in 1989 and $891 in 1988	**72,500**	43,535
Recoverable income taxes	**1,573**	4,127
Inventories	**5,281**	3,985
Other current assets	**2,889**	3,383
Total current assets	**107,404**	82,853
Property and Equipment, at cost (Note 7):		
Computer equipment	**16,926**	16,789
Office equipment and leasehold improvements	**13,843**	13,298
	30,769	30,087
Less accumulated depreciation and amortization	**9,059**	6,594
	21,710	23,493
Software Costs, less accumulated amortization of $3,990 in 1989 and $1,837 in 1988	**12,490**	8,385
Other	**1,577**	1,686
Total assets	**$ 143,181**	$ 116,417
Liabilities and Stockholders' Equity		
Current Liabilities:		
Notes payable to bank (Note 2)	**$ 1,242**	$ 1,119
Accounts payable	**8,671**	6,879
Accrued expenses	**14,614**	10,399
Deferred income taxes	**3,646**	634
Deferred maintenance contracts	**5,956**	3,596
Current portion of capital lease obligations (Note 7)	**2,342**	468
Current portion of other liabilities	**30**	125
Total current liabilities	**36,501**	23,220
Convertible Subordinated Debentures (Note 3)	**23,750**	24,000
Deferred Income Taxes	**2,140**	2,205
Capital Lease Obligations, less current portion (Note 7)	**6,561**	440
Other Liabilities, less current portion (Note 6)	**225**	123
Stockholders' Equity (Notes 4, 5 and 6):		
Preferred stock, par value $.01 per share-authorized 5,000,000 shares, issued none	**—**	—
Common stock, par value $.01 per share-authorized 20,000,000 shares, issued 12,328,588 shares in 1989 and 11,987,005 shares in 1988	**123**	120
Additional paid-in capital	**53,392**	51,907
Notes receivable from stockholders	**—**	(30)
Deferred compensation	**—**	(111)
Retained earnings	**20,998**	14,619
Foreign currency translation adjustment	**(509)**	(76)
Total stockholders' equity	**74,004**	66,429
Total liabilities and stockholders' equity	**$ 143,181**	$ 116,417

See notes to consolidated financial statements.

Consolidated Statements of Operations

Years ended December 1989, 1988 and 1987

(in thousands, except per share data)

Informix Corporation and Subsidiaries

	1989	1988	1987
Net Revenues	**$145,000**	$103,505	$68,471
Costs and Expenses:			
Cost of software distribution	**18,182**	12,016	8,533
Sales and marketing	**85,944**	67,941	32,283
Research and development	**11,118**	7,833	5,087
General and administrative	**19,138**	16,027	8,990
	134,382	103,817	54,893
Operating income (loss)	**10,618**	(312)	13,578
Other Income (Expense), net	**(492)**	892	1,628
Income before income taxes and extraordinary item	**10,126**	580	15,206
Income Taxes (Note 9)	**3,747**	209	6,312
Income before extraordinary item	**6,379**	371	8,894
Extraordinary Items:			
Gain on repurchase and retirement of convertible subordinated debentures, net of $612 in related income taxes	**—**	1,087	—
Utilization of tax operating loss carryforward	**—**	—	414
Net Income	**$ 6,379**	$ 1,458	$ 9,308
Net Income Per Common and Common Equivalent Share:			
Primary:			
Income before extraordinary item	**$ 0.50**	$ 0.03	$ 0.74
Extraordinary item	**—**	0.09	0.03
Net income	**$ 0.50**	$ 0.12	$ 0.77
Fully Diluted:			
Income before extraordinary item	**$ 0.48**	$ 0.03	$ 0.74
Extraordinary item	**—**	0.09	0.03
Net income	**$ 0.48**	$ 0.12	$ 0.77
Weighted Average Number of Common and Common Equivalent Shares Outstanding:			
Primary	**12,777**	12,554	12,012
Fully diluted	**13,223**	12,554	12,074

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

(in thousands)

Informix Corporation and Subsidiaries

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Notes Receivable from Stockholders	Deferred Compensation	Retained Earnings	Foreign Currency Translation Adjustment	Total
Balances at January 1, 1987	9,095	$ 91	$ 24,841	$ (322)	$ (332)	$ 3,866	$ —	$ 28,144
Exercise of stock options (318 shares as restated for the 1987 Innovative stock split)	313	3	773	—	—	—	—	776
Proceeds from public offering of Informix shares, net of issuance expenses of $319	1,184	12	21,277	—	—	—	—	21,289
Repurchase of stock from employees	(9)	(1)	(185)	154	—	—	—	(32)
Payments received on notes	—	—	—	50	—	—	—	50
Payments on ESOP liability	—	—	—	—	111	—	—	111
Sale of stock to employees under employee stock purchase plan	13	—	248	—	—	—	—	248
Income tax benefit from stock options	—	—	1,262	—	—	—	—	1,262
Effect of Innovative three-for-two stock split in the form of a 50% stock dividend	978	10	3	—	—	(13)	—	—
Cost associated with registration of stock previously issued on exercise of warrants	—	—	(80)	—	—	—	—	(80)
Foreign currency translation adjustment	—	—	—	—	—	—	(44)	(44)
Net income	—	—	—	—	—	9,308	—	9,308
Balances at December 31, 1987	11,574	115	48,139	(118)	(221)	13,161	(44)	61,032
Exercise of stock options	361	4	733	—	—	—	—	737
Payments received on notes	—	—	—	88	—	—	—	88
Payments on ESOP liability	—	—	—	—	110	—	—	110
Sale of stock to employees under employee stock purchase plan	52	1	591	—	—	—	—	592
Income tax benefit from stock options	—	—	2,444	—	—	—	—	2,444
Foreign currency translation adjustment	—	—	—	—	—	—	(32)	(32)
Net income	—	—	—	—	—	1,458	—	1,458
Balances at December 31, 1988	11,987	120	51,907	(30)	(111)	14,619	(76)	66,429
Exercise of stock options	224	2	624	—	—	—	—	626
Payments received on notes	—	—	—	30	—	—	—	30
Payments on ESOP liability	—	—	—	—	111	—	—	111
Sale of stock to employees under employee stock purchase plan	118	1	861	—	—	—	—	862
Foreign currency translation adjustment	—	—	—	—	—	—	(433)	(433)
Net income	—	—	—	—	—	6,379	—	6,379
Balances at December 31, 1989	**12,329**	**$123**	**$53,392**	**$ —**	**$ —**	**$20,998**	**$ (509)**	**$74,004**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31 1989, 1988 and 1987

(in thousands) **Informix Corporation and Subsidiaries**

Operating Activities	**1989**	1988	1987
Net income	**$ 6,379**	$ 1,458	$ 9,308
Adjustments to reconcile net income to net cash and cash equivalents provided by (used in) operating activities:			
Depreciation and amortization	**8,431**	5,194	2,072
Provision for losses on accounts receivable	**1,601**	1,090	934
(Gain) loss on sale of property and equipment	**(237)**	61	—
Provision for deferred income taxes	**4,329**	1,609	1,287
Gain on repurchase and retirement of convertible subordinated debentures	**—**	(1,699)	—
Changes in operating assets and liabilities:			
Accounts receivable	**(30,262)**	(23,401)	(12,397)
Recoverable income taxes	**1,041**	(1,683)	—
Inventories and other current assets	**(790)**	(1,041)	(4,345)
Accounts payable and accrued expenses	**5,821**	7,395	6,434
Income taxes payable	**—**	(1,355)	958
Deferred maintenance contracts	**2,336**	1,719	1,204
Net cash and cash equivalents provided by (used in) operating activities	**(1,351)**	(10,653)	5,455
Investing Activities			
Decrease (increase) in short-term investments	**12,457**	17,544	(18,523)
Purchase of property and equipment	**(6,347)**	(17,565)	(7,376)
Proceeds from sale of property and equipment	**2,274**	35	—
Proceeds from sale/leaseback	**8,865**	—	—
Additions to software costs	**(6,258)**	(6,238)	(2,129)
Other	**(190)**	275	(798)
Net cash and cash equivalents provided by (used in) investing activities	**10,801**	(5,949)	(28,826)
Financing Activities			
Proceeds from issuance of convertible subordinated debentures	**—**	—	28,500
Payment of debt issuance costs	**—**	—	(1,288)
Repurchase of convertible subordinated debentures	**(250)**	(2,607)	—
Proceeds from public stock offerings	**—**	—	21,209
Proceeds from other issuances of stock	**1,488**	1,329	1,024
Payments received on notes receivable from stockholders	**30**	88	50
Repurchased common stock	**—**	—	(32)
Principal payments on capital leases	**(778)**	(175)	(99)
Payments on other liabilities	**(30)**	(491)	(751)
Proceeds from notes payable to bank	**948**	1,119	—
Payments on notes payable to bank	**(895)**	—	—
Net cash and cash equivalents provided by (used in) financing activities	**513**	(737)	48,613
Effect of exchange rate changes on cash and cash equivalents	**(168)**	(32)	(44)
Increase (decrease) in cash and cash equivalents	**9,795**	(17,371)	25,198
Cash and cash equivalents at beginning of year	**15,223**	32,594	7,396
Cash and cash equivalents at end of year	**$ 25,018**	$ 15,223	$ 32,594

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1989

Note 1—Summary of Significant Accounting Policies

Operations. Informix Corporation, a Delaware corporation, through its wholly-owned subsidiary Informix Software, Inc., and its foreign subsidiaries (collectively "the Company") designs, develops, manufactures, markets and supports computer software systems to perform general purpose data management functions on various computer systems; modularly integrated business application software (featuring word processor, database manager, and spreadsheet with graphics) operating under both the DOS and UNIX operating systems; and a graphical spreadsheet application for the Apple Macintosh.

Merger. On February 8, 1988, Informix Software, Inc. merged with and into Innovative Software, Inc. ("Innovative") as part of a plan of reorganization under which each outstanding share of Innovative common stock was exchanged for three quarters of a share of Informix Corporation common stock. Informix Corporation issued 2,955,294 shares of common stock in the transaction. As a result, Innovative became a wholly-owned subsidiary of Informix Corporation and changed its name to Informix Software, Inc. The transaction has been accounted for as a "pooling of interests," and accordingly, the consolidated financial statements reflect the retroactive restatement of the results of operations, financial position, cash flows, and changes in stockholders' equity of the combined entities of Informix Corporation and subsidiaries and Innovative for all periods prior to the date of the merger. Following is a summary of net revenues and income (loss) before extraordinary item of Innovative and Informix prior to the merger, for the periods included in the consolidated statements of operations (in thousands of dollars):

	Informix	Innovative	Combined
Period from January 1 to February 8, 1988:			
Net revenues	$ 4,600	$ 2,145	$ 6,745
Income (loss) before extraordinary item	9	(1,042)	(1,033)
Year ended December 31, 1987:			
Net revenues	$41,616	$26,855	$68,471
Income before extraordinary item	5,941	2,953	8,894

Principles of Consolidation. The consolidated financial statements include the accounts of Informix Corporation and its wholly-owned subsidiaries. All material intercompany accounts, transactions, and profits have been eliminated in consolidation.

Revenues. The Company recognizes product revenue at the time of shipment except with respect to non-refundable license fee commitments payable to the Company within 12 months, for which it recognizes license fee revenue at contract signing, or at such time as the contract amount becomes due within 12 months. License fee revenues recognized at signing amounted to $74,580,000 in 1989, $20,099,000 in 1988 and $1,736,000 in 1987. Accounts receivable included $33,991,000 and $13,715,000 at December 31, 1989 and 1988, respectively, representing the remaining unbilled balance of such license fee commitments. Maintenance contract revenue is recognized over the term of the contract. In 1988 and 1987, a single customer accounted for 12% and 10%, respectively, of the Company's consolidated revenues. No single customer accounted for at least 10% of consolidated revenue in 1989.

Income Taxes. In December 1987 the Financial Accounting Standards Board (FASB) issued Statement No. 96, "Accounting for Income Taxes," which requires an "asset and liability" approach for the financial reporting and accounting for income taxes. The Company must adopt the provisions of the statement no later than 1992. The Company has not determined when it will adopt this new statement, but the effect of its adoption is not expected to be material.

Deferred income taxes resulted primarily from different accounting methods for license fee commitments and software development costs for tax and financial reporting purposes. In addition, differences in depreciation methods and a change in reporting taxable income from the cash basis to the accrual method for Innovative's results prior to its tax year beginning July 1, 1987 also generated deferred taxes.

Inventories. Inventories, which consist primarily of software product components, finished software products and marketing and promotional materials, are carried at the lower of cost (first in, first out) or market value.

Software Costs. The Company capitalizes software development costs incurred in developing a product once technological feasibility of the product has been determined. Software costs also include amounts paid for purchased software and outside development on products which have reached technological feasibility. All software costs are amortized on the basis of each product's projected revenues but not less than on a straight-line basis over the remaining estimated economic life of the product. The Company recorded amortization of software costs of $2,153,000, $1,210,00 and $485,000 in 1989, 1988 and 1987, respectively.

Property and Equipment. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful life for financial reporting purposes and by accelerated methods for tax purposes.

Net Income per Common Share. Net income per common share is based on the weighted average of common and common equivalent shares outstanding during each year. All stock options are considered common stock equivalents and are included in the weighted average computations. The convertible subordinated debentures are not considered in the weighted average computations because they are neither common stock equivalents nor dilutive to per share earnings.

Statement of Cash Flows. In 1988 the Company adopted the provisions of the FASB Statement No. 95, "Statements of Cash Flows," and restated prior periods accordingly.

Foreign Currency Translation. The local currency is the functional currency for substantially all of the Company's foreign subsidiaries. In accordance with FASB Statement No. 52, the translation of the functional currencies into U.S. dollars is performed at the exchange rate in effect at the balance sheet date for balance sheet accounts, and at a weighted average exchange rate for revenue and expense accounts. Exchange gains or losses resulting from such translation are included as a component of stockholders' equity. Exchange gains or losses when realized are included in the statements of operations.

Cash, Cash Equivalents, and Short-Term Investments. The Company considers liquid investments purchased within three months of maturity to be cash equivalents. Other short-term investments are recorded at cost, which approximates fair market value.

Reclassifications. Certain items shown in prior years have been reclassified to conform to the current year presentation.

Note 2—Note Payable to Bank

The Company has a DM2,200,000 line of credit with a German bank, with interest at a rate which approximates the bank's prime rate and which grants the bank a security interest in substantially all assets of the Company's German subsidiary. The balance payable under this borrowing facility was $1,242,000 at December 31, 1989.

In 1989, 1988, and 1987 the Company made interest payments on notes payable to banks, convertible subordinated debentures, and other obligations aggregating $2,086,000, $2,449,000 and $139,000, respectively.

Note 3—Convertible Subordinated Debentures

In July 1987, Innovative sold $28,500,000 of 7 3/4% convertible subordinated debentures, due in 2012. The debentures are convertible into Informix Corporation common stock at any time prior to maturity, unless previously redeemed, at $32.67 per share. At December 31, 1989 the Company had reserved approximately 727,000 shares of Informix common stock for issuance upon conversion. The debentures are redeemable at any time at the Company's option, upon at least 15 days' notice, at prices declining from 105.425% of the principal amount. Annual sinking fund payments commencing July 15, 1998 are calculated to retire 70% of the debentures prior to maturity. The debentures are subordinated to all existing and future superior indebtedness, as defined in the indenture under which the debentures are issued. Such superior indebtedness, consisting primarily of capital lease obligations and the note payable to bank, aggregated $10,255,000 at December 31, 1989.

During 1988, the Company repurchased for $2,607,000 and subsequently retired convertible debentures with a face value of $4,500,000. The gain realized thereby, net of related bond issuance costs expensed and income taxes, amounted to $1,087,000 ($.09 per share) and is reported as an extraordinary item in the consolidated statement of operations for the year ended December 31, 1988.

Note 4—Common and Preferred Stock

In February 1988, the authorized number of preferred shares was increased to 5,000,000. The Board of Directors is authorized to fix or alter the rights, privileges and restrictions of any wholly unissued series of preferred stock, including the dividend rights, dividend rates and voting rights.

In May, 1987 Innovative declared a three-for-two split in the form of a 50% stock dividend. All net income per common share and weighted average common share amounts, as well as information in Note 5 relative to common shares, have been adjusted as applicable to give retroactive effect to the split.

Note 5–Employee Stock Option and Purchase Plans

During 1986, all previously established option plans of Informix were combined into the 1986 Option Plan. Effective with the merger between Informix and Innovative, outstanding Innovative incentive and non-qualified stock options became exercisable for shares of Informix common stock according to the existing vesting terms of the options, and in amounts adjusted for the exchange ratio of shares in the merger agreement. Options are granted at fair market value on the date of the grant. Options issued under the Informix plans are generally exercisable in cumulative annual installments over three to five years, whereas those originally issued under the Innovative plans are generally exercisable in the same manner over three years. Payment for shares purchased upon exercise of options may be by cash, or with Board approval, by full recourse promissory note or by exchange of shares of the Company's common stock at fair market value on the exercise date. Options expire ten years after the date of grant. At December 31, 1989, 4,100,000 shares were authorized for issue under the Plan.

Additionally, 100,000 shares were authorized for issue under the 1989 Directors Option Plan whereby non-employee directors are automatically granted non-qualified stock options upon election or re-election to the Board of Directors.

Following is a summary of activity (including activity in the Innovative plans prior to the merger, adjusted for the exchange ratio) for both stock option plans for the three years ending December 31, 1989:

	Number of Shares	Option Price per Share
Outstanding at January 1, 1987	1,477,474	$1.00 to $ 12.23
Options granted	348,350	9.10 to 24.33
Options exercised	(318,284)	1.00 to 11.38
Options cancelled	(100,005)	1.38 to 19.75
Outstanding at December 31, 1987	1,407,535	$1.00 to $ 24.33
Options granted	940,322	6.75 to 24.25
Options exercised	(360,418)	1.00 to 12.16
Options cancelled	(99,058)	1.00 to 24.33
Outstanding at December 31, 1988	1,888,381	$1.00 to $ 24.33
Options granted	1,120,950	7.88 to 14.25
Options exercised	(223,871)	1.00 to 11.33
Options cancelled	(364,583)	1.65 to 24.33
Outstanding at December 31, 1989	2,420,877	$1.00 to $ 24.33
Options exercisable at December 31, 1989	563,352	
Available for grant at December 31, 1989	916,174	

In December 1986, the Board of Directors approved a qualified Employee Stock Purchase Plan under which employees may purchase up to 300,000 shares in the aggregate. Under the terms of the Plan, employees may contribute via payroll deductions up to 10% of their base pay and purchase up to 250 shares per quarter (with the limitation of purchases of $25,000 annually in fair market value of the shares). Employees may elect to withdraw from the Plan during any quarter and be returned their contributions for the period. Also, employees may elect to reduce the rate of contribution one time in each quarter. The price at which employees may purchase shares is 85% of the lower of the fair market value of the stock at the beginning or end of the quarter. The Plan is qualified under Section 423 of the Internal Revenue Code. During 1989, 1988 and 1987, the Company issued 117,691 shares, 51,142 shares, and 13,525 shares, respectively, under this plan.

Note 6—Employee Stock Ownership Plan

In 1985, the Stockholders and Board of Directors approved the adoption of the 1985 Employee Stock Ownership Plan and Trust (the "Plan"). The Plan purchased 236,000 shares from the Company's president and one other officer, financed by issuing $413,000 in 9% notes payable with principal and interest due in equal annual installments from 1986 through 1989. The notes were guaranteed by the Company and are, accordingly, included on the consolidated balance sheets along with deferred compensation in equal amount. The notes were entirely repaid during 1989. Company contributions to the Plan amounted to $112,000, $122,000, and $131,000 in 1989, 1988 and 1987, respectively. In 1989, the Plan was terminated and the assets were distributed.

Note 7—Leases

The Company leases certain computer and office equipment under capital leases having terms of three to five years. Amounts capitalized for such leases are included on the consolidated balance sheets as follows (in thousands of dollars):

	December 31	
	1989	1988
Computer equipment	$5,418	$ —
Office equipment	4,368	1,302
	9,786	1,302
Less: accumulated amortization	691	421
	$9,095	$ 881

Amortization with respect to leased equipment is included in depreciation expense.

In 1989 the Company entered into a sale/leaseback agreement whereby the Company sold certain computer and office equipment for $8,865,000 and leased back the same equipment under agreements accounted for as capital leases. This transaction resulted in a gain of $188,000 which was deferred and is being amortized over the lease term. Equipment capitalized under this lease totalled $8,579,000 and is reflected in the above schedule net of accumulated amortization of $198,000. The lease terms range from 48 to 60 months and the future obligations thereunder are shown in the following schedule of future minimum payments. The Company has the option to purchase the lease equipment at fair market value following the third year of the lease term.

The Company leases certain of its office facilities and equipment under noncancelable operating leases. Total rent expense under such operating leases aggregated $8,511,000, $4,125,000 and $2,062,000 in 1989, 1988 and 1987, respectively.

Future minimum payments, by year and in the aggregate, under the capital and noncancelable operating leases with remaining terms of one year or more as of December 31, 1989, are as follows (in thousands of dollars):

Year Ending December 31	Capital Leases	Noncancellable Operating Leases
1990	$ 3,371	$ 8,271
1991	3,331	7,399
1992	3,044	4,708
1993	1,053	3,223
1994	330	1,987
Thereafter	—	12,475
Total payments	11,129	$ 38,063
Less: amount representing interest	2,226	
Present value of minimum lease payments	$ 8,903	

In November 1989, the Company subleased a portion of their operating facilities which are accounted for as operating leases above. The Company will receive a total of $1,109,000 of sublease rental through 1992 under this agreement. The Company's Lenexa, Kansas office and warehouse facilities are leased under an initial ten-year operating lease term (with two five-year renewal options) from a partnership in which the Company is a 50% partner. Rental payments, which are approximately $987,000 annually for the first five years of the lease term and $1,086,000 annually for the second five years of the term, commenced in April 1988. This related commitment is included in the above schedule of noncancelable operating lease payments.

Note 8—Business Segments

Net revenues, operating income (loss) and identifiable assets for the Company's United States, European, and other foreign operations are summarized below by year (in thousands of dollars):

	United States	European	Other	Total
1989:				
Net revenues	$ 92,558	$ 49,302	$ 3,140	$ 145,000
Operating income	4,760	5,774	84	10,618
Identifiable assets	95,059	45,573	2,549	143,181
1988:				
Net revenues	$ 82,827	$ 20,678	$ —	$ 103,505
Operating income (loss)	(2,756)	2,444	—	(312)
Identifiable assets	95,383	21,034	—	116,417
1987:				
Net revenues	$ 61,216	$ 7,255	$ —	$ 68,471
Operating income	11,656	1,922	—	13,578
Identifiable assets	101,293	4,499	—	105,792

Transfers between United States and foreign operations are generally recorded at a standard percentage of retail prices, and all intercompany profit is eliminated in consolidation.

Income before income taxes and extraordinary item from foreign operations accounted for 60%, 405% and 13% of consolidated income before income taxes and extraordinary items in 1989, 1988 and 1987, respectively.

Export revenues, consisting of sales from the Company's United States operating subsidiary to nonaffiliated customers primarily in Europe, Canada and Australia aggregated $15,468,000, $24,334,000 and $15,911,000 in 1989, 1988 and 1987, respectively.

Note 9—Income Taxes

The provision for income taxes applicable to income before extraordinary item consists of the following (in thousands of dollars):

	1989	1988	1987
Currently payable (refundable):			
Federal	**$(1,381)**	$ (1,218)	$ 4,038
State	**—**	(182)	987
Foreign	**799**	—	—
	(582)	(1,400)	5,025
Deferred:			
Federal	**1,880**	207	1,099
State	**251**	79	188
Foreign	**2,198**	1,323	—
	4,329	1,609	1,287
	$ 3,747	$ 209	$ 6,312

The extraordinary item in 1988 is net of a $612,000 income tax provision.

The components of deferred tax expense (all applicable to income before extraordinary item) resulted from the following (in thousands of dollars):

	1989	1988	1987
Net operating loss carry-forward utilized (generated)	**$ (1,702)**	$ —	$ 2,301
Cash versus accrual basis of reporting taxable income	**(482)**	(455)	(807)
Software development costs capitalized for financial reporting purposes	**1,642**	1,122	712
Installment sales method used for tax purposes	**—**	(119)	(137)
Profit recognition on license fee commitments	**6,627**	1,702	(121)
Profit in foreign subsidiary inventory	**(132)**	(495)	(268)
Expense accruals and valuation allowances not currently deductible	**(305)**	(412)	(319)
Depreciation	**(779)**	430	114
Research and development credit utilized	**(777)**	(122)	(178)
Capitalized leases	**226**	13	21
Other, net	**11**	(55)	(31)
	$ 4,329	$ 1,609	$ 1,287

The reasons for the difference between tax expense and the amount computed by applying the statutory federal income tax rate to income before income taxes and extraordinary item are as follows (in thousands of dollars):

	1989 Amount	1989 Percent	1988 Amount	1988 Percent	1987 Amount	1987 Percent
Computed tax at federal statutory rate	**$3,443**	**34.0%**	$197	34.0%	$6,082	40.0%
Nondeductible merger expenses	**—**	**—**	265	45.7	153	1.0
Research and development credit	**(645)**	**(6.4)**	(715)	(123.3)	(641)	(4.2)
Effect of foreign subsidiary income and related taxes	**987**	**9.7**	636	109.6	—	—
State income taxes (benefit), net of federal tax benefit	**166**	**1.7**	(68)	(11.7)	705	4.6
Tax-exempt interest	**(83)**	**(.8)**	(162)	(27.9)	(111)	(.7)
Nondeductible business expenses	**48**	**.5**	47	8.1	—	—
Foreign Sales Corporation benefit	**(243)**	**(2.4)**	—	—	—	—
Other, net	**74**	**.7**	9	1.5	124	.8
	$3,747	**37.0%**	$209	36.0%	$6,312	41.5%

Income taxes paid amounted to $197,000, $2,415,000 and $3,425,000 in 1989, 1988 and 1987, respectively. Income tax refunds received were $2,736,000 in 1989.

At December 31, 1989, the tax basis net operating loss, research and development tax credit, and foreign tax credit carryforwards and related expiration dates are as follows (in thousands of dollars):

Year of Carryforward Expiration	Net Operating Losses	Research & Development Tax Credit	Foreign Tax Credits
1993	$ —	$ —	$ 342
1994	—	—	—
1995	—	1	—
1996	—	34	—
1997	—	47	—
1998	47	51	—
1999	527	109	—
2000	—	49	—
2001	—	59	—
2002	—	72	—
2003	1,206	593	—
2004	4,125	777	—
	$ 5,905	$ 1,792	$ 342

The tax benefits of these carryforwards can only be realized to the extent and at the time that the Company generates taxable income in the future.

Note 10—Litigation

On August 10, 1988, Informix Corporation was served with a complaint in a purported stockholder class action suit against Informix and certain of its current and former officers and directors and a former stockholder. In March 1989, the court granted defendants' motion to dismiss but permitted the plaintiff to file an amended complaint. An amended complaint, filed in April 1989, added additional defendants and additional claims. The original complaint and the amended complaint allege that Informix made false and misleading statements in reports to stockholders and that certain officers and directors traded Informix common stock on inside information. In June 1989, Informix and its codefendants filed motions to dismiss the amended complaint. A hearing on the motions was held in December 1989. A ruling granting in part and denying in part the motions was made by the court. Discovery has not begun and the final outcome of the case cannot be determined. The Company intends to vigorously defend this matter.

Note 11—Selected Quarterly Financial Data (Unaudited)

The following is a summary of unaudited quarterly results of operations for the thirteen-week fiscal quarterly periods within the years ended 1989 and 1988 (in thousands of dollars except per share data):

	Fiscal Quarter Ended			
1989	April 1	July 1	September 30	December 31
Net revenues	$ 31,002	$ 33,608	$ 37,178	$ 43,212
Operating income	854	1,926	3,549	4,289
Net income	482	1,113	2,078	2,706
Net income per share, fully diluted	0.04	0.09	0.16	0.20
1988	April 2	July 2	October 1	December 31
Net revenues	$ 25,827	$ 26,070	$ 23,691	$ 27,917
Operating income (loss)	3,417	2,199	(1,065)	(4,863)
Income (loss) before extraordinary item	2,455	1,518	(517)	(3,085)
Extraordinary item	—	—	615	472
Net income (loss)	2,455	1,518	98	(2,613)
Per share data, fully diluted				
Income (loss) before extraordinary item	0.20	0.12	(0.04)	(0.25)
Extraordinary item	—	—	0.05	0.04
Net income (loss)	0.20	0.12	0.01	(0.21)

Operating income for the first quarter 1989 is greater than operating income reported in Form 10-Q for the quarter ended April 1, 1989 due to a reclassification of $82,000 of other income.

In 1988, the Company recorded adjustments in the fourth quarter, decreasing income before taxes and extraordinary item by approximately $950,000 related to physical inventory differences and accounts receivable reserves.

Report of Ernst & Young, Independent Auditors

Board of Directors
Informix Corporation

We have audited the accompanying consolidated balance sheets of Informix Corporation and subsidiaries as of December 31, 1989 and 1988, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1989. 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 did not audit the financial statements of Informix Corporation and subsidiaries for 1987 (period prior to their merger with Innovative Software, Inc., as described in Note 1), which statements reflect total revenues constituting 61% in 1987 of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Informix Corporation and subsidiaries for 1987, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and, for 1987, the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Informix Corporation and subsidiaries at December 31, 1989 and 1988, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1989 in conformity with generally accepted accounting principles.

Ernst + Young

Kansas City, Missouri
February 10, 1990

Corporate Information

Board of Directors

Roger J. Sippl,
Chairman

Mark R. Callegari,
Vice President and
Site General Manager, Lenexa

John L. deBenedetti, III,
President, Cypress Properties, Inc.

Albert F. Knorp, Jr.,
Partner, Shearer, Lanctot,
Walsh & Knorp

Thomas A. McDonnell,
Vice Chairman and Chief Executive Officer,
DST Systems, Inc.

Dan G. Sully,
President, Sully Associates

Phillip E. White,
Chief Executive Officer

Corporate Officers

Roger J. Sippl,
Chairman

Phillip E. White,
Chief Executive Officer

Richard C. Blass,
Vice President, Corporate Controller

Jeffrey G. Bork,
Vice President, Marketing

Mark R. Callegari,
Vice President and
Site General Manager, Lenexa

D. Kenneth Coulter,
Vice President, Europe

Richard B. Curtis,
Vice President,
DBMS Product Development

Thomas A. DeBacco,
Vice President, Reseller Distribution

Norman R. Dewitt,
Vice President, Customer Service

Ira H. Dorf,
Vice President, Human Resources

Howard H. Graham,
Vice President, Finance and
Chief Financial Officer

Mark D. Hanson,
Vice President, Sales

Roy V. Harrington, III,
Vice President,
Advanced Product Research

Howard Haythornthwaite,
Vice President, Asia/Pacific

Wynne R. Jennings,
Vice President, Lenexa Operations

Christopher W. Maloney,
Vice President, Research and Development,
Workstation Products

Mark K. Ruport,
Senior Vice President, Sales

David H. Stanley,
Vice President, Legal,
General Counsel and Assistant Secretary

Dan G. Sully,
Secretary

Transfer Agent

Bank of America,
San Francisco, California

Independent Public Auditors

Ernst & Young
Kansas City, Missouri

Legal Counsel

Shearer, Lanctot, Walsh & Knorp
San Francisco, California

Ware & Friedenrich
Palo Alto, California

Form 10-K

A copy of the Company's 10-K Annual Report as filed with the Securities and Exchange Commission, including financial statements and schedules, will be provided without charge upon request to:

David H. Stanley
Vice President, Legal
Informix Corporation
4100 Bohannon Drive
Menlo Park, California 94025

Annual Meeting

The Annual Meeting of Stockholders will be held at 5:30 P.M. on Tuesday, May 15, 1990 at the Stanford Park Hotel, 100 El Camino Real, Menlo Park.

Common Stock Trading Range

The Company's Common Stock has been traded on the over-the-counter market under the NASDAQ symbol IFMX since the Company's initial public offering on September 24, 1986. The following table sets forth for the Company's Common Stock the range of high and low closing prices on the NASDAQ National Market System.

1988	High	Low
1st quarter	$ 25.25	$ 19.00
2nd quarter	24.25	17.25
3rd quarter	24.50	7.125
4th quarter	9.25	6.75
1989	**High**	**Low**
1st quarter	**$ 11.375**	**$ 7.75**
2nd quarter	**11.625**	**8.75**
3rd quarter	**11.25**	**8.375**
4th quarter	**15.375**	**9.875**

At February 28, 1990, there were approximately 1,299 stockholders of record of the Company's Common Stock, as shown in the records of the Company's transfer agent.

The Company has never paid dividends on its Common Stock and its present policy is to retain its earnings to finance anticipated future growth.

Sales Offices

Domestic

Atlanta	New York
Boston	Newport Beach
Chicago	Phoenix
Dallas	Pittsburgh
Denver	Portland, OR
Detroit	San Francisco
Edison, NJ	Seattle
Los Angeles	St. Louis
Minneapolis	Toronto
Montreal	Washington, D.C.

International

Australia	The Netherlands
Canada	Singapore
France	Spain
Germany	Sweden
Italy	United Kingdom

Corporate Headquarters

4100 Bohannon Drive
Menlo Park, California 94025
(415) 926-6300

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