



# Software Publishing Corporation

PO Box 50375  
Palo Alto, CA 94303  
415-368-7698

June 17, 1981

**COMPANY  
CONFIDENTIAL**

## STATUS REPORT

### General

Congratulations everyone... we're a "two-product" company!!

### May Numbers

	<u>Actual</u>	<u>Target</u>	<u>% (+/-)</u>
Orders	1130 (505 PFS 625 REPORT)	500	+ 126%
Shipments	\$21,703	\$26,100	- 17% **
Receipts	\$28,919	\$22,777	+ 27%
Expenses	\$70,520	\$90,649	- 22%

\*\* Shipments were impacted by backlog of PFS:REPORT orders. As of June 16, shipments for June are \$71K. (Total June target is \$50K).

### Major Milestones (May 15 - June 15)

#### Operations

- : Moved into new office May 20 - furniture, phones, equipment, and insurance are all in place -- we're in business, folks!
- : PFS:REPORT shipped June 10 - backlog of over 1500 products completely shipped by June 12
- : Open house on June 10 was a success - approximately 125 people attended. Good food and bartending thanks to the Bedke family.
- : Employee stock options issued - Tom Duffy gave a presentation on "everything you ever wanted to know about stock options"

#### R&D

- : Heavy recruiting efforts - we're interviewing for R&D software engineers and a manual writer. Currently have two offers extended - Bessie Chin and Brian Look.
- : New product strategy resolved - plan is for 3 new products

	<u>Person Responsible</u>	<u>Status</u>
PFS II	D.D.	ERS (ugh) out
PFS:GRAPH	John	In design
PFS:PLANNER	John	??

R&D (cont)

- : D.D. updated the PFS recovery program based on new inputs from Pete - Pete's got crashed data base repairs down to 15 minutes!

Marketing

- : We broke 1000 orders for the month of May - 1130 total!
- : Added two new distributors:
  - Team Electronics (midwest)
  - Iret Informatica (Italy)
- : Pete got good reponse on his 2-for-1 offers - so far we've received 149 -
  - 53% 1st time dealers
  - 22% 2nd time dealers
  - 25% current PFS dealers
- : Continuing promotional efforts
  - interview with Infoworld
  - demo to Computerland corporate
  - demo to Castro Valley APPLE Computer Club

Goals for June 15-July 15

- : Hire R&D engineer and manual writer
- : ERS for PFS:GRAPH
- : Structural design complete for PFS II
- : Dealer demo should be complete by July 15 - plan to announce to dealers in August
- : Sign up Xerox retail stores
- : Complete Computerland show arrangements - show is in Toronto in August
- : Vacation time for Jackie and Fred!!
  - Jackie - midwest family visit - June 15-July 5
  - Fred - Virgin island sailing- June 25-July 12

*Jackie*



# Software Publishing Corporation

2021 Landings Drive  
Mountain View, CA 94043  
415-962-8910

**COMPANY  
CONFIDENTIAL**  
July 20, 1981

## STATUS REPORT

### General

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We experienced our first \$100K month. Something tells me it won't be our last!!

### June Numbers

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	Actual	Target	%
	-----	-----	-
Orders	1609	700	230%
	886 PFS 723 REPORT		
Shipments	\$106,673	\$51,500	+107%
	105,135 product 1,538 back-up		
Receipts	\$ 45,134	\$26,883	+ 68%
	39,499 product 1,538 back-up 4,097 other		
Expenses	\$ 74,902	\$91,750	- 18%

Major Milestones (June 15 - July 15)

Operations

- : One new employee hired-  
Diane Wheeler (July 16) - order processing manager  
Welcome, Diane. We're glad you're here.
- : Jackie has brought in reinforcements to help with data entry and assembly. Chris Schilling (her baby-sitter) has been a tremendous help.
- : Second month running of over 1000 orders (ratio seems to be fairly consistent at 8 PFS:REPORT to 10 PFS)
- : Final financial audit by Coopers & Lybrand (just wanted to make sure we didn't abscond with the venture capital funds - especially with Fred off in St. Lucia!)
- : Purchased copier - Savin 840. No more trips to the copy center! See Jackie for more information.

R&D

- : Three new employees hired -  
Tracy Deliman (July 20) - writer  
Bessie Chin (Aug 1) - software development engineer  
Bryon Look (Aug 15) - software development engineer  
Congratulations Fred & John. We've built up an outstanding R&D team.
- : Tracy will have responsibility for all PFS manuals. Her first job will be to add indices to the two existing manuals. Welcome, Tracy. It's nice to have an experienced writer on board.
- : D.D. has the PFS II externals completely defined. Watch out for another best seller.
- : John has the PFS:GRAPH definition ready to go. Bessie will be taking over from here.

## Marketing

- : Added three new distributors -
  - Canadian Micro Distributors (Canada)
  - Micro D (So. Calif)
  - Electronic Concepts (Australia)Distributors account for approximately 50% of sales.
- : Pete's still holding on to his record of 100% hit rate for crashed data bases. Good work, Pete. (How many of those were Carlos'?)
- : The PFS demo is terrific. Everyone should take a look at it.
- : Final preparation for the Computerland Toronto fair. Fred & Janelle will be attending the middle of Aug.
- : Toray, Japan has translated the PFS:REPORT manual - initial order was for 100 products.
- : Potential 'big deal' with APPLE - they're talking about ordering 50,000 PFS for a Christmas special.

## Goals for July 15 - August 15

- : Annual Stockholder's Meeting scheduled for 3:00 pm July 29, here. Looks like most of our investors are going to attend. (Where are they all going to sit?)
- : Finalize agreement with APPLE.
- : Decide on Y-strategy.
- : Announce PFS Series demo with promotional mailing to our dealers (Pete)
- : Begin coding PFS II (D.D.)
- : Start writing PFS II manual (Tracy)
- : First Marketing/Operations Picnic - August 2 at Janelle's. Mark your calendar. Details later.

QUESTION: Does anyone read this? I'd appreciate feedback and suggestions.

SOFTWARE PUBLISHING CORPORATION  
NOTICE OF ANNUAL MEETING OF  
SHAREHOLDERS

TO THE SHAREHOLDERS OF SOFTWARE PUBLISHING CORPORATION.

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Shareholders of SOFTWARE PUBLISHING CORPORATION, a California corporation, will be held on July 29, 1981 at 3:00 P.M., at 2021 Landings Drive, Mountain View, California, for the purpose of considering and acting upon the following proposals:

1. To elect directors of the corporation to serve for the ensuing year and until their successors are elected. The following are the names of nominees intended at the time of this notice to be presented by management for election:

<u>Name of Nominee</u>	<u>Director Since</u>
Fred Gibbons	May, 1980
John Page	April, 1981
Janelle Bedke	April, 1981
Robert Maxfield	April, 1981
Thomas Tisch	April, 1981

2. To consider and act upon the ratification of the appointment of independent auditors, Coopers & Lybrand.

3. To transact any other business as may properly come before the meeting or any adjournment thereby.

Only the shareholders of record at the close of business on July 1, 1981 will be entitled to vote at the meeting.

All shareholders are cordially invited to attend the meeting in person. However, to assure your representation at the meeting, you are urged to sign and return the enclosed Proxy as promptly as possible in the postage prepaid envelope enclosed for that purpose. Any shareholder attending the meeting may vote in person even if he returned a Proxy.

Dated: July 15, 1981.

THE BOARD OF DIRECTORS

## SOFTWARE PUBLISHING CORPORATION

### PROXY STATEMENT

#### I. Information Concerning Solicitation and Voting. General.

The enclosed Proxy is solicited on behalf of Software Publishing Corporation (the "Company") for use at the Annual Meeting of Shareholders to be held on Friday, July 29, 1981, at 3:00 P.M., or at any adjournment thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Shareholders. The Annual Meeting will be held at 2021 Landings Drive, Mountain View, California. The Company's telephone number is (415) 962-8910.

These proxy solicitation materials were mailed on or about July 16, 1981, to all shareholders entitled to vote at the meeting.

#### Record Date and Share Ownership

Shareholders of record at the close of business on July 1, 1981 are entitled to notice of and to vote at the meeting. At the record date 8,875,000 shares of the Company's common stock were issued and outstanding.

#### Revocability of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to the Company a written notice of revocation or a duly executed proxy bearing a later date or by attending the shareholder meeting and voting in person.

#### Voting and Solicitation

Every shareholder voting at the election of directors may cumulate such shareholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shareholder's shares are entitled, or distribute the shareholder's votes on the same principle among as many candidates as the shareholder thinks fit, provided that votes cannot be cast for more candidates than the number of directors to be elected. However, no shareholder shall be entitled to cumulate votes unless the candidate's name has been placed in nomination prior to the voting and the shareholder or any other shareholder has given notice at the meeting prior to the voting of the intention to cumulate the shareholder's votes; on all other matters, each share has one vote.



## II. Election of Directors

The Company's By-Laws provide for five directors and it is planned that a Board of five directors will be elected at the meeting. Unless otherwise instructed, the proxy holders will vote, the proxies received by them for Company's nominees named below, all of whom are presently directors of the Company. In the event that any Company nominee shall become unavailable, the proxy holders will vote in their discretion for a substitute nominee. It is not expected that any nominee will be unavailable. The term of office of each person elected as a director will continue until the Next Annual Meeting of Shareholders or until his successor has been elected and qualified.

The names of the nominees are set forth below:

### Nominees

Fred Gibbons  
John Page  
Janelle Bedke  
Robert Maxfield  
Thomas Tisch

## III. Appointment of Auditors

The Board of Directors has selected Coopers & Lybrand as independent accountants for the current fiscal year.

## IV. Other Matters

Company knows of no other matters to be submitted to the meeting. If any other matters properly come before the meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares they represent as Company may recommend.

Dated: July 15, 1981

THE BOARD OF DIRECTORS

SOFTWARE PUBLISHING CORPORATION

THIS PROXY IS SOLICITED BY THE MANAGEMENT  
Proxy for Annual Meeting of Shareholders

The undersigned hereby appoints Fred Gibbons, John Page, and Janelle Bedke, and each of them, with full power of substitution, the attorney in proxy of the undersigned to attend the Annual Meeting of Shareholders of Software Publishing Corporation (the "Company") to be held on July 29, 1981, at 3:00 P.M., and any adjournment thereof, and to vote if then and there personally present, on all matters set forth in the Notice and Proxy Statement, a copy of which has been received by the undersigned, as follows:

1. The election of Fred Gibbons, John Page, Janelle Bedke, Robert Maxfield and Thomas Tisch as directors of the Company, to serve until the next Annual Meeting of Shareholders or until their successors shall be duly elected and qualified:

Vote for ( ) Withhold Vote ( )

2. The ratification of appointment of Coopers & Lybrand as independent accountants.

Vote for ( ) Withhold Vote ( )  
Abstain ( )

3. In their discretion on any other matter or matters which may properly come before said meeting or any adjournment thereof.

THIS PROXY WILL BE VOTED IN ACCORDANCE WITH THE SPECIFIC INDICATION ABOVE. IN THE ABSENCE OF SUCH INDICATION, THIS PROXY WILL BE VOTED FOR MANAGEMENT'S SLATE OF DIRECTORS AND IN THE DISCRETION OF THE PROXY HOLDERS ON ANY OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENTS THEREOF.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature of Shareholder

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature of Shareholder

\_\_\_\_\_  
PLEASE PRINT NAME(S)  
\_\_\_\_\_

I plan to attend the meeting:      Yes\_\_\_      No\_\_\_

Sign exactly as your name(s) appears on the stock certificate(s). A corporation is requested to sign its name by the President or other authorized officer, with the office held designated. Executors, administrators, trustees, etc., are requested to so indicate when signing. If a stock is registered in two names, both should sign.



**COMPANY  
CONFIDENTIAL**

2021 Landings Drive  
Mountain View, CA 94043  
415-962-8910

September 24, 1981

STATUS REPORT

General

We had our first month of positive cash flow. Income exceeded expenses by about \$11K.

August Numbers

	<u>Actual</u>	<u>Target</u>	<u>%</u>
Orders	1421	900	158%
	759 PFS 662 REPORT		
Shipments	\$ 66,707	\$51,500	+ 30%
	64,017 product 2,690 back-up		
Receipts	\$ 86,979	\$43,054	+102%
	77,968 product 2,587 back-up 6,424 other		
Expenses	\$ 76,847	\$91,477	- 16%

CONFIDENTIAL  
COMPANY

Major Events (August 15 - September 15)

Operations

- : After a lot of consideration, we decided not to invest in ALT. Although the educational market is still of interest to us, we felt that the current ALT team required a higher level of investment than we felt was appropriate.
- : Jackie, Diane, and Tim have moved into the new 500 sq ft room down the hall. The next step will be to commit to a facility large enough to accomodate our growth for the next year (with easy expansion for another two years). We're looking at additional space here at Landmark.
- : We are currently looking for a financial person to start as soon as possible. This person will be responsible for preparation of our monthly financial statements, payroll, writing checks, and other related financial activities.
- : ATARI is showing some interest. Fred is pursuing possible working relationships.
- : Results of targeting show sales of \$3M in 1982!
- : Effective Oct 1, we have added maternity coverage to our medical insurance policy. See Janelle if you have any questions.

Marketing

- : We've selected a new ad agency - Tycer, Fultz, Bellack in Palo Alto. Their first task will be designing an ad directed at our dealers. Then we'll begin work launching our new product program for 1982.

- : We've also selected a PR agency - Franson/Brough. They are working to maximize our exposure in the press. Their initial tasks will be to announce our selection as the data base product for the APPLE II family system campaign, and to promote our introduction on the APPLE ///.
- : Diane's been coordinating the first delivery of the APPLE shipment. The products are being assembled by Hope Rehabilitation in Sunnyvale. First partial delivery to APPLE was Sept 18. The final delivery of 10,000 happened Sept 24. By the way, APPLE increased their order from 30,000 to 35,000.
- : The demo announcement is out and we're starting to see some response.
- : Pete's lined up Pickett Sales - an APPLE sales rep organization in Northern California. They are really excited about carrying our product, so we're looking forward to increased penetration in the Bay Area.
- : We also signed up Softech - APPLE distributor in Ireland.
- : We are looking for a support person to help out answering customer questions, as well as writing demo and recovery utilities. The sooner the better!
- : We're also looking for a product manager to begin work on our application products. (First task will be to organize the infamous Book of Forms).
- : Pete's been working closely with APPLE to insure we get maximum visibility when they re-announce the APPLE /// with the Profile hard disk. We have hired Marsha Hoak (a temp) to generate a sample PFS file - a catalog of APPLE II/III software - that APPLE will be using to demonstrate the capabilities of the APPLE /// hard disk. All elements of the APPLE /// introduction are on schedule - new box, labels, ad, brochure.
- : We've hired Tim Gildersleeve - a student at DeAnza college to work 20 hrs/week doing data entry. He'll be entering data about our customers (both potential and actual) so Jackie can provide us with updated statistics on who our users are.

R&D

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- : John has PFS and PFS:REPORT converted to the APPLE /// with the Profile hard disk. There is still some fine tuning and testing to do, but all the major functions work. Primary differences between the II and III are:
  - \* much larger file capacity with the Profile
  - \* 80 column vs 40 (bigger forms possible)
  - \* upper/lower case (nice on the eyeballs)
  - \* cursor & ENTER keys (nice on the fingertips)
  - \* 20 columns and 255 character maximum for REPORT
- : Tracy's released the APPLE /// PFS manual to Mike and expects the REPORT manual to follow soon.
- : D.D. has the new, enhanced PFS up and running. It includes the new screens and all the basic PFS features. The goodies (sort and restructure) are next.
- : Bessie has many of the basic utilities of GRAPH working - she's even able to demonstrate color charts.
- : Ken Mintz started Sept 21. He will be working on the word processor module of the series.
- : We have two of the new IBM personal computers on order - delivery is expected sometime in late October.

SOFTWARE PUBLISHING CORPORATION

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REPORT ON EXAMINATIONS OF FINANCIAL STATEMENTS

for the eleven months ended September 30, 1981  
and the period from April 18, 1980  
(date of incorporation) to October 31, 1980



To the Board of Directors  
Software Publishing Corporation  
Palo Alto, California

We have examined the balance sheets of Software Publishing Corporation as of September 30, 1981 and October 31, 1980, and the related statements of income (loss), shareholders' equity (deficiency), and changes in financial position for the eleven months ended September 30, 1981 and the period from April 18, 1980 (date of incorporation) to October 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the financial statements referred to above present fairly the financial position of Software Publishing Corporation at September 30, 1981 and October 31, 1980, and the results of its operations and changes in its financial position for the eleven months ended September 30, 1981 and the period from April 18, 1980 (date of incorporation) to October 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

*Coopers & Lybrand*

San Jose, California  
October 30, 1981

SOFTWARE PUBLISHING CORPORATION  
BALANCE SHEETS, September 30, 1981 and October 31, 1980

ASSETS	<u>1981</u>	<u>1980</u>
Current assets:		
Cash and certificates of deposits	\$436,026	\$ 5,007
Accounts receivable	84,351	5,420
Inventories	93,261	1,423
Prepaid taxes	7,000	-
Total current assets	620,638	11,850
Fixed assets, at cost (Note 2)	39,734	5,011
Other assets	33,740	1,240
	<u>\$694,112</u>	<u>\$18,101</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	230,045	14,726
Income taxes payable (Note 3)	58,000	-
Total current liabilities	288,045	14,726
Note payable to shareholder (Note 5)	-	27,500
	<u>288,045</u>	<u>42,226</u>
Commitments (Note 6).		
SHAREHOLDERS' EQUITY (DEFICIENCY) (Notes 4 and 5)		
Preferred stock, no par value: 2,500,000 authorized, issued and outstanding	250,000	-
Common stock, no par value: authorized 10,000,000 shares; issued and outstanding 6,380,000 shares (1981) and 700,000 shares (1980)	90,587	7,000
Less notes receivable from shareholders	(2,392)	-
	338,195	7,000
Retained earnings (deficit)	67,872	(31,125)
	<u>408,459</u>	<u>(24,125)</u>
	<u>\$694,112</u>	<u>\$18,101</u>

The accompanying notes are an integral  
part of these financial statements.

SOFTWARE PUBLISHING CORPORATION  
 STATEMENTS OF INCOME (LOSS)  
 for the eleven months ended September 30, 1981  
 and the period from April 18, 1980  
 (date of incorporation) to October 31, 1980

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	<u>1981</u>	<u>1980</u>
Revenue:		
Sales	\$717,902	\$ 16,768
Interest income	<u>15,304</u>	<u>-</u>
	<u>733,206</u>	<u>16,768</u>
Costs and expenses:		
Costs of sales	190,811	2,594
Marketing	92,931	-
Research and development	104,159	-
General and administrative	195,308	41,504
Royalties	<u>-</u>	<u>3,795</u>
	<u>583,209</u>	<u>47,893</u>
Income (loss) before provision for income taxes	149,997	(31,125)
Provision for income taxes (Notes 1 and 3)	<u>51,000</u>	<u>-</u>
Net income (loss)	<u>\$ 98,997</u>	<u>\$(31,125)</u>

The accompanying notes are an integral  
part of these financial statements.

SOFTWARE PUBLISHING CORPORATION  
 STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)  
 for the eleven months ended September 30, 1981  
 and the period from April 18, 1980  
 (date of incorporation) to October 31, 1980

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Notes Receivable from Shareholder</u>	<u>Retained Earnings</u>	<u>Total</u>
Issuance of 700,000 of common stock		\$ 7,000			\$ 7,000
Net loss		_____		\$(31,125)	(31,125)
Balance, October 31, 1980		7,000		(31,125)	(24,125)
Issuance of 2,500,000 shares of preferred stock	\$250,000				250,000
Issuance of 5,680,000 shares of common stock		83,587	(2,392)		81,195
Net income	_____	_____	_____	98,997	98,997
Balance, September 30, 1981	<u>\$250,000</u>	<u>\$90,587</u>	<u>\$(2,392)</u>	<u>\$ 67,872</u>	<u>\$406,067</u>

The accompanying notes are an integral  
 part of these financial statements.

SOFTWARE PUBLISHING CORPORATION  
STATEMENTS OF CHANGES IN FINANCIAL POSITION  
for the eleven months ended September 30, 1981  
and the period from April 18, 1980  
(date of incorporation) to October 31, 1980

	<u>1981</u>	<u>1980</u>
Resources provided:		
From operations:		
Net income (loss)	\$ 98,997	\$(31,125)
Depreciation and amortization	<u>18,864</u>	<u>2,235</u>
	117,861	(28,890)
Sale of preferred stock	250,000	-
Sale of common stock	81,195	7,000
Note payable to shareholder	<u>-</u>	<u>27,500</u>
	449,056	5,610
Resources applied:		
Acquisition of fixed assets	47,087	7,086
Acquisition of other assets	39,000	1,400
Note payable to shareholder	<u>27,500</u>	<u>-</u>
	<u>113,587</u>	<u>8,486</u>
Increase (decrease) in working capital	<u>\$335,469</u>	<u>\$ (2,876)</u>
Increase (decrease) in working capital by component:		
Cash and certificates of deposit	431,019	5,007
Accounts receivable	78,931	5,420
Inventory	91,838	1,423
Prepaid taxes	7,000	-
Accounts payable and accrued expenses	(215,319)	(14,726)
Income taxes payable	<u>(58,000)</u>	<u>-</u>
Increase (decrease) in working capital	<u>\$335,469</u>	<u>\$ (2,876)</u>

The accompanying notes are an integral part of these financial statements.

SOFTWARE PUBLISHING CORPORATION  
NOTES TO FINANCIAL STATEMENTS

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1. Summary of Significant Accounting Policies:

Inventories:

Inventories, primarily finished goods, are stated at cost (first-in, first-out basis) and not in excess of market.

Depreciation:

Depreciation is computed using the double-declining balance method over the estimated useful lives of the related assets (3-7 years).

Research and Development Expenditures:

Research and development expenditures are charged to operations as incurred.

Income Taxes:

Deferred income taxes are provided to reflect differences in reporting certain items (principally state franchise taxes) for financial statement and income tax purposes. Investment tax credits are recorded as a reduction of provision of income taxes by the flow-through method.

Previously, the Company elected to be treated as a small business corporation (Subchapter S) for federal income tax purposes. As a result, the net loss and investment tax credits available at October 31, 1980 were used by the individual shareholder of the Company.

In 1981 the Company changed its fiscal year-end to September 30 from October 31 for both financial and tax reporting purposes.

2. Fixed Assets:

Fixed assets comprise:

	<u>1981</u>	<u>1980</u>
Computer equipment	\$37,275	\$6,856
Office furniture and fixtures	<u>14,823</u>	<u>330</u>
	52,098	7,086
Less accumulated depreciation	<u>(12,364)</u>	<u>(2,075)</u>
	<u>\$39,734</u>	<u>\$5,011</u>

Continued

SOFTWARE PUBLISHING CORPORATION  
NOTES TO FINANCIAL STATEMENTS, Continued

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3. Income Taxes:

The provision for income taxes comprises:

Currently payable:	
Federal, net of investment tax credits (\$3,700) and research and develop- ment tax credits (\$6,000)	\$43,000
State	<u>15,000</u>
	58,000
Deferred, federal	<u>(7,000)</u>
	<u>\$51,000</u>

4. Preferred Stock:

In April 1981, the Company issued 2,500,000 shares of preferred stock for \$250,000. Each share of preferred stock entitles the holder to receive cumulative annual dividends of \$.01, as may be declared by the Board of Directors, in preference to any dividends that may be declared on the common stock. The preferred stock is convertible to and has the same voting rights as the common stock on a one-for-one basis. The Company may, at any time after April 1, 1988, redeem all of the outstanding shares of the preferred stock at \$.11 per share plus any declared and unpaid dividends. In the event of liquidation, the preferred shares have a liquidation preference of \$.11 per share plus all declared and unpaid dividends.

5. Common Stock:

In December 1980, the Company issued 300,000 shares of common stock as bonuses to two key employees and a consultant. The fair market value of the shares at the date of the grant (\$3,000) has been charged to expense.

In April 1981, the Company issued 5,100,000 shares of common stock to three employees on repayment of a note payable (\$27,500), an exclusive software license relating to the Company's principal product (\$20,000), product documentation and manual (\$19,000) and accrued salaries and royalties (\$11,287). The assets received in the transaction are being amortized over three years.

Continued

SOFTWARE PUBLISHING CORPORATION  
NOTES TO FINANCIAL STATEMENTS, Continued

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5. Common Stock, continued:

In 1981, the shareholders approved a nonqualified stock option plan reserving 1,000,000 of the Company's stock for granting to employees as determined by the Board of Directors. The stock options are granted at prices equal to fair market value as determined by the Board of Directors. The shares under option which are exercisable over a four-year period and are subject to repurchase by the Company at the option price upon employee termination. The Company's right of repurchase expires over four years from date of grant.

The activity under the stock option plan through September 30, 1981 is set forth below:

		<u>Options Outstanding</u>		
	Share Available for Grant	Number of Shares	Price Per Share at Grant Date	Amount
New plan adopted	1,000,000			
Options granted	(545,000)	545,000	\$.01	\$5,450
Options exercised		(280,000)	\$.01	(2,800)
	455,000	265,000	\$.01	\$2,650

Approximately 516,000 shares outstanding or subject to grant were eligible for repurchase at September 30, 1981.

6. Commitments:

The Company rents research and development and office facilities under an operating lease which expires December 31, 1984. The Company is responsible for maintenance, taxes and insurance on the facility. Future annual lease payments are \$109,650 (1982), \$135,000 (1983), \$135,000 (1984), \$33,750 (1985). Rent expense amounted to \$9,421 for fiscal 1981.





# Software Publishing Corporation

2021 Landings Drive  
Mountain View, CA 94043  
415-962-8910

December 12, 1981

Dear Stockholder,

Software Publishing Corporation has just completed its fiscal year of 1981. I would like to share with you our financial results and our projections for the future.

In FY81 performance exceeded our original business plan by over 200% in both sales and profits. Actual sales for the period November 1980 through September 1981 were \$717,000 with profit after tax of \$99,000 or 14% of sales. The original business plan projected sales of \$300,000 and a net loss of (\$160,000) for the same period. FY81 ended with earnings per share of \$.01 on 8,880,000 combined shares of common and convertible preferred.


This strong performance is continuing in FY82. Sales for the first quarter are projected at just below \$1,000,000. This is due in large part to a volume purchase of 35,000 units of our PFS product. This resulted in revenues of \$250,000 in FY81 and \$625,000 in the first quarter of FY82. The steady state shipment rate for Software Publishing corporation is currently \$150,000 per month and is expected to increase to \$350,000 per month by October 1982. The sales target for FY82 is \$3.1M.

We attribute FY81's success to a very strong market for personal computer software plus on-time introduction of our new product PFS:REPORT. In addition we have launched an aggressive marketing campaign to both end users and computer retailers world wide. PFS is now ranked as the #1 selling data base management software package on the APPLE by COMPUTER MERCHANDISING magazine.

Competition is very strong with many new software companies entering the market. Our plan is to continue recruiting the most talented people in the industry and to rapidly develop our new GRAPHICS and WORD PROCESSING products plus continue to enhance the base PFS. We will be introducing these on APPLE and IBM in FY82.

Overall I am confident that Software Publishing Corporation is emerging as one of the leading suppliers of personal computer software. Our objective is to be the leader.

Best regards,

  
Fred Gibbons  
President