PRELIMINARY PROSPECTUS DATED OCTOBER 18, 1984

Software Publishing Corporation

1,600,000 Shares
Common Stock

Of the shares offered hereby, the Underwriters are acquiring 1,290,000 shares from the Company and 310,000 shares from the Selling Shareholders. See "Principal and Selling Shareholders." The Company will not receive any of the proceeds from the sale of shares by the Selling Shareholders. Prior to this offering, there has been no public market for the Common Stock of the Company. It is currently estimated that the initial public offering price will be between \$7.00 and \$9.00 per share. See "Underwriting" for information relating to the method of determining the initial public offering price.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Company(2)	Proceeds to Selling Shareholders(2)
Per Share	\$	\$	\$	\$
Total(3)	\$	\$	\$	\$

(1) For information regarding indemnification of the Underwriters, see "Underwriting."

(2) Before deducting expenses payable by the Company, estimated at \$, and payable by the Selling Shareholders, estimated at \$.

(3) The Company has granted the Underwriters a 30-day option to purchase up to 240,000 additional shares of Common Stock solely to cover over-allotments, if any. See "Underwriting." If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Company will be \$, \$, and \$, respectively.

The Common Stock is offered by the Underwriters as stated herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that delivery of certificates for such shares will be made against payments therefor on or about November , 1984.

Robertson, Colman & Stephens **L.F. Rothschild, Unterberg, Towbin**

The date of this Prospectus is November , 1984.

The Company intends to furnish its shareholders annual reports containing audited financial statements certified by an independent public accounting firm and quarterly reports for the first three quarters of each fiscal year containing unaudited financial information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

pfs:® and *Power Up!*® are registered trademarks of the Company. Computerland® is a registered trademark of Computerland Corporation; Businessland™ is a trademark of Businessland Inc.; ComputerCraft® is a registered trademark of ComputerCraft Corporation; Apple® is a registered trademark of Apple Computer, Inc.; Macintosh™ is a trademark licensed to Apple Computer, Inc.; IBM® is a registered trademark of International Business Machines Corporation; Radio Shack® and Tandy® are registered trademarks of Tandy Corporation; Compaq™ is a trademark of COMPAQ Computer Corporation; Panasonic Sr. Partner™ is a trademark of Panasonic Company; DEC Rainbow™ is a trademark of Digital Equipment Corporation.

SUMMARY

The following summary is qualified in its entirety by the more detailed information and consolidated financial statements appearing elsewhere in this Prospectus.

The Company

Software Publishing Corporation designs, develops and markets packaged applications software to increase the productivity of business professionals who are often first-time users of personal computers. The Company's product line consists of seven internally developed applications packages sold under the ***pfs:***® brand name—***pfs:*** WRITE (word processing), ***pfs:*** FILE (filing), ***pfs:*** REPORT (report generation), ***pfs:*** GRAPH (graphics), ***pfs:*** PLAN (spreadsheet calculation), ***pfs:*** ACCESS (communications) and ***pfs:*** PROOF (spelling correction). In fiscal 1984, sales of the first four of these packages accounted for substantially all of the Company's total revenues, yet no single package accounted for more than 40% of its total revenues. The ***pfs:*** packages are sold individually at suggested retail prices generally ranging from $100 to $150, but are frequently used together as an integrated family of productivity software.

The majority of the ***pfs:*** software packages have been sold for use on Apple, IBM and IBM compatible personal computers selling in the $1,000 to $5,000 price range. The ***pfs:*** packages are sold to approximately 3,500 retail dealers through commissioned independent sales representatives and distributors who purchase at volume discounts. In addition, the Company markets five ***pfs:*** packages through IBM under IBM's "Assistant Series" brand name. The Company also markets the entire ***pfs:*** product line to other original equipment manufacturers who purchase at volume discounts and resell to end-users. To date, more than 750,000 ***pfs:*** packages have been sold worldwide through the Company's distribution channels.

The Offering(1)

Common Stock Offered	1,600,000 shares, of which 1,290,000 shares will be sold by the Company and 310,000 shares will be sold by the Selling Shareholders.
Common Stock to be Outstanding After the Offering	6,384,947 shares. See "Capitalization."
Use of Proceeds	For purchase of equipment, leasehold improvements, expansion of retail distribution, product development and working capital.
Proposed NASDAQ Symbol	SPCO

Selected Consolidated Financial Information
(in thousands, except per share data)

	Year Ended September 30,			
	1981	1982	1983	1984
Statement of Income Data:				
Revenues	$732	$4,048	$10,119	$23,464
Income from operations	132	994	2,398	6,249
Net income	96	627	1,412	3,613
Net income per share	$.04	$.13	$.27	$.69
Shares used in computing net income per share	2,283	4,810	5,179	5,270

	September 30, 1984	
	Actual	As Adjusted(1)(2)
Balance Sheet Data:		
Working capital	$6,217	$
Total assets	9,948	
Debt	—	—
Shareholders' equity	7,224	

(1) Assuming no exercise of the Underwriters' over-allotment option.

(2) Adjusted to reflect the sale of the shares offered by the Company hereby and the anticipated use of the net proceeds therefrom. See "Use of Proceeds."

Except as otherwise noted herein, all information contained in this Prospectus relating to the Company's Common Stock reflects a one-for-two reverse stock split effective October 17, 1984, and, except for the Consolidated Financial Statements, the automatic conversion of all outstanding shares of Class A and Class B Preferred Stock into Common Stock on the date of the sale of the shares offered hereby.

THE COMPANY

Software Publishing Corporation designs, develops and markets packaged applications software to increase the productivity of business professionals who are often first-time users of personal computers. The Company's product line consists of seven internally developed applications packages sold under the ***pfs:*** brand name. Sales of four of these packages—***pfs:*WRITE** (word processing), ***pfs:*FILE** (filing), ***pfs:*REPORT** (report generation) and ***pfs:*GRAPH** (graphics)—have accounted for substantially all of SPC's revenues to date. The three remaining packages—***pfs:*PLAN** (spreadsheet calculation), ***pfs:*ACCESS** (communications) and ***pfs:*PROOF** (spelling correction)—were first shipped in the second half of fiscal 1984. The ***pfs:*** packages are sold individually at suggested retail prices generally ranging from $100 to $150. These software packages operate on many of the leading personal computers, including those manufactured by Apple Computer, Inc. ("Apple"), International Business Machines Corporation ("IBM") and Tandy Corporation, as well as on IBM compatible computers and several other popular personal computers.

While each ***pfs:*** package functions as a stand-alone productivity tool, each incorporates a common user interface and file system and can interconnect directly with other ***pfs:*** packages. Therefore, the packages are frequently used together and form an integrated family of productivity software. This integration of the ***pfs:*** product line allows SPC's customers to begin with one ***pfs:*** package for a single application and to purchase and integrate additional ***pfs:*** packages that perform other applications as users' needs grow.

More than 750,000 ***pfs:*** software packages have been sold, predominantly through two channels of distribution, retail computer stores and original equipment manufacturers ("OEMs"). The ***pfs:*** product line is now sold through more than 3,500 retail computer stores, including major national dealers such as Computerland®, Businessland™, Sears Business Systems Centers and ComputerCraft®. Sales to retail dealers comprised approximately 80% of total revenues in fiscal 1984.

The Company has entered into license agreements with IBM pursuant to which IBM is licensed to produce and market private label proprietary versions of ***pfs:*FILE**, ***pfs:*REPORT**, ***pfs:*WRITE**, ***pfs:*GRAPH** and ***pfs:*PLAN** under IBM's "Assistant Series" brand name. These products are sold by IBM through its worldwide sales channels. SPC also sells its ***pfs:*** family of software under the ***pfs:*** brand name to other OEMs, including Panasonic Company ("Panasonic"), Tandy Corporation ("Tandy"), Hewlett-Packard Company ("Hewlett-Packard") and Digital Equipment Corporation. In fiscal 1984, sales to OEMs and royalties from IBM comprised approximately 16% of SPC's total revenues. The Company also sells accessory software products which it markets directly to consumers through its *Power Up!*® catalog. These sales accounted for approximately 4% of total revenues in fiscal 1984.

The Company was incorporated in California on April 18, 1980. Its executive offices are located at 1901 Landings Drive, Mountain View, California 94043, and its telephone number at that location is (415) 962-8910. The Company's Standard Industrial Classification (SIC) Code is 7372. Unless the context otherwise requires, "SPC" and the "Company" refer to Software Publishing Corporation and its consolidated subsidiary.

CERTAIN FACTORS

The following factors should be carefully considered in evaluating the Company and its business before purchasing the shares offered by this Prospectus:

1. *Product Concentration.* Revenues from sales of four of the Company's ***pfs:*** packages—***pfs:***FILE, ***pfs:***REPORT, ***pfs:***WRITE and ***pfs:***GRAPH—accounted for approximately 35%, 23%, 21%, and 8%, respectively, of total revenues in fiscal 1984. While the Company expects to achieve more sales balance across its ***pfs:*** product line, these four packages will continue to account for a significant percentage of its total revenues. If for any reason these ***pfs:*** packages lost market acceptance or major new packages did not gain market acceptance, the Company's business would be adversely affected. See "Business—Products."

2. *Personal Computer Unit Sales.* The personal computer industry is relatively new and has been changing rapidly. Within the past 12 months, significant consolidation has occurred in the personal computer industry. Any general slowdown in unit sales of personal computers for which ***pfs:*** software has been designed would adversely affect the Company's revenues and profitability.

3. *Competition.* The market for SPC's applications software for personal computers is highly competitive and changing rapidly. The Company's major competitors are personal computer manufacturers and independent software suppliers. The computer manufacturers, principally Apple and IBM, have substantially greater financial, marketing and technological resources than the Company. SPC expects that these manufacturers will continue to develop their own software products which may compete with those of the Company. The Company also competes with independent software suppliers, including companies offering integrated programs which combine several productivity functions into a single package. To the extent that these competitors achieve either a performance or price advantage, the Company would have to respond promptly to such changes in order to remain competitive. Competitive pressures could result in price reductions which would adversely affect SPC's profit margins. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business—Competition."

4. *Technological Changes.* The market for applications software for personal computers has experienced rapid technological change requiring a continuing high level of expenditures for the enhancement of existing software and the development of new software products. The Company must continue to make modifications and enhancements in response to technological changes in both hardware and software, including the adaptation of its software products to operate on any new personal computer systems which may achieve significant market acceptance. To the extent that the Company does not respond promptly to such technological advances, the Company's products may become obsolete.

5. *Distribution Channels.* To date, the Company's ***pfs:*** product line has been sold primarily through retail computer stores by independent sales representatives and distributors. The Company is dependent upon such representatives and distributors who also typically represent other brands of competing software and tend to focus their sales efforts on the more profitable and popular software products. In addition, if Apple and IBM were to achieve a significantly larger share of the retail software market through direct sales or company-owned outlets, this could adversely affect the Company's business.

USE OF PROCEEDS

The net proceeds to the Company from the sale of the 1,290,000 shares of Common Stock being offered by the Company are estimated to be $ ($ if the Underwriters' over-allotment option is exercised in full). Of these proceeds, approximately $2,500,000 will be used to purchase capital equipment and to make leasehold improvements, and approximately $2,000,000 will be used to finance the expansion of its marketing, sales and customer support organization to enhance retail distribution. These expenditures are expected to be made over the next 24 months. The balance of the proceeds will be added to working capital to be used for general corporate purposes, including the continued enhancement of existing products and development of new products and the financing of anticipated additional inventories and receivables. A portion of the proceeds may be used in the future for the acquisition of companies or software technology complementary to the Company's business; however, no such acquisitions are currently being negotiated or planned. Pending such uses, the Company intends to invest the net proceeds in short-term, interest bearing securities.

The Company will not receive any proceeds from the sale of shares by the Selling Shareholders.

DIVIDEND POLICY

The Company has not paid any cash dividends. The Board of Directors does not anticipate paying cash dividends in the foreseeable future because it believes the Company should retain its earnings for use in its business.

CAPITALIZATION

The following table sets forth the capitalization of the Company at September 30, 1984, and as adjusted to give effect to the sale of 1,290,000 shares of Common Stock offered by the Company (assuming no exercise of the Underwriters' over-allotment option):

	September 30, 1984	
	Outstanding	As Adjusted
Debt	$ —	$ —
Shareholders' equity: (1) (2)		
Preferred Stock, 2,000,000 shares authorized, none outstanding	—	—
Common Stock, 20,000,000 shares authorized, 5,094,947 shares outstanding, 6,384,947 shares outstanding as adjusted	$1,504,000	$
Retained earnings	5,720,000	5,720,000
Total shareholders' equity	$7,224,000	$

(1) Adjusted to reflect the automatic conversion of all outstanding Class A and Class B Preferred Stock into 1,750,000 shares of Common Stock effective on the sale of the Common Stock offered by this Prospectus, and the creation of a new class of Preferred Stock. See "Description of Capital Stock."

(2) Excludes 483,681 shares of Common Stock reserved for issuance pursuant to options granted or to be granted under the Company's 1981 Stock Option Plan, of which options for 344,618 shares were outstanding, and 250,000 shares reserved for issuance under the Employee Stock Purchase Plan. See "Management—Stock Option Plan—Employee Stock Purchase Plan."

DILUTION

The net tangible book value of the Company at September 30, 1984 was $7,069,000, or $1.39 per share, assuming the conversion of all outstanding shares of Preferred Stock into Common Stock. After giving effect to the sale by the Company of 1,290,000 shares of Common Stock offered hereby, the pro forma net tangible book value at September 30, 1984 would have been $, or $ per share, representing an immediate increase in net tangible book value of $ per share to existing shareholders and an immediate dilution of $ per share to new investors. The following table illustrates this per share dilution:

Public offering price(1)		$
Net tangible book value before offering(2)	$1.39	
Increase attributable to new investors		
Pro forma net tangible book value after offering		
Dilution of net tangible book value to new investors		$

(1) Before deduction of underwriting discounts and commissions and offering expenses to be paid by the Company.

(2) Net tangible book value per share is determined by dividing the number of shares outstanding into the tangible net worth of the Company (tangible assets less liabilities).

The following table summarizes on a pro forma basis as of September 30, 1984 the difference between the existing shareholders and the new investors with respect to the number of shares purchased from the Company, the total consideration paid, and the average price per share:

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing shareholders(1)	5,094,947	80%	$1,504,000	%	$.30
New investors	1,290,000	20			
Total	6,384,947	100%	$	100%	

(1) Sales by Selling Shareholders in this offering will reduce the number of shares held by existing shareholders to 4,784,947, or 75% of the total shares of Common Stock outstanding and will increase the number of shares held by new investors to 1,600,000, or 25% of the total shares of Common Stock outstanding after the offering.

The above computations assume no exercise of the Underwriters' over-allotment option or of outstanding stock options. As of September 30, 1984 and after giving effect to shareholder approval in November 1984, an aggregate of 733,681 shares of Common Stock were reserved for issuance under the Company's employee stock option and stock purchase plans. See "Management—Stock Option Plan—Employee Stock Purchase Plan."

SELECTED FINANCIAL DATA

The following selected consolidated financial data is qualified in its entirety by, and should be read in conjunction with, the more detailed consolidated financial statements and related notes included elsewhere herein. Such financial data has been derived from the Company's consolidated financial statements, which statements have been examined by Coopers & Lybrand, independent accountants, as indicated in their report which appears elsewhere in this Prospectus.

	April 18, 1980 (inception) to September 30, 1980	Year Ended September 30, 1981	1982	1983	1984
		(In thousands, except per share data)			
Statement of Income Data:					
Revenues	$ 3	$732	$4,048	$10,119	$23,464
Costs and expenses:					
Cost of sales	1	196	959	1,600	4,566
Marketing and sales	—	93	994	3,865	8,046
Research and development	—	104	558	1,310	2,970
General and administrative	30	207	543	946	1,633
Total costs and expenses	31	600	3,054	7,721	17,215
Income from operations	(28)	132	994	2,398	6,249
Interest and other income	—	15	116	162	423
Income before provision for income taxes	(28)	147	1,110	2,560	6,672
Provision for income taxes	—	51	483	1,148	3,059
Net income	$ (28)	$ 96	$ 627	$ 1,412	$ 3,613
Net income per share	$(.06)	$ .04	$ .13	$ .27	$ .69
Shares used in computing net income per share	444	2,283	4,810	5,179	5,270

	September 30, 1980	1981	1982	1983	1984
			(In thousands)		
Balance Sheet Data:					
Working capital	$ (25)	$333	$1,755	$ 2,918	$ 6,217
Total assets	13	694	2,818	5,128	9,948
Debt	—	—	—	—	—
Shareholders' equity	(21)	406	2,042	3,503	7,224

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The Company's revenues and net income have increased significantly each year since its first full fiscal year ended September 30, 1981. Management believes that the principal reasons for this growth were the introduction of new ***pfs:*** packages, the adaptation of the ***pfs:*** software to new personal computers, principally the IBM® PC, and the growing market acceptance of the Company's ***pfs:*** family of productivity software.

The following table sets forth for the three fiscal years indicated certain items in the Consolidated Statement of Income as a percentage of revenues, and the percentage change of such items as compared to the prior year:

	Percent of Revenues			Percent Change	
	Year Ended September 30,			1983 vs.	1984 vs.
	1982	1983	1984	1982	1983
Revenues	100%	100%	100%	150%	132%
Costs and expenses:					
Cost of sales	24	16	19	67	185
Marketing and sales	24	38	34	289	108
Research and development	14	13	13	135	127
General and administrative	13	9	7	74	73
Total costs and expenses	75	76	73	153	123
Income from operations	25	24	27	141	161
Interest and other income	3	1	1	39	163
Income before provision for income taxes	28	25	28	131	161
Provision for income taxes	12	11	13	138	166
Net income	16%	14%	15%	125	156

Revenues from the sale of ***pfs:*** software packages increased approximately 150% and 132% in fiscal 1983 and 1984, respectively, from the prior years. In fiscal 1983, this revenue growth was primarily attributable to the adaptation of ***pfs:*** FILE, ***pfs:*** REPORT and ***pfs:*** GRAPH to the IBM PC, the shipment of ***pfs:*** WRITE for use on Apple and IBM computers, initial shipments of ***pfs:*** products for the Apple® IIe, and royalty revenues received from IBM.

Revenue growth in fiscal 1984 was primarily due to increased unit sales resulting from a high volume of personal computer sales during the fiscal year, significantly increased sales to OEMs, principally Panasonic and Tandy, and the introduction of ***pfs:*** FILE and ***pfs:*** REPORT on the Apple Macintosh™. Three new products, ***pfs:*** PROOF, ***pfs:*** ACCESS and ***pfs:*** PLAN, were shipped in the last half of fiscal 1984, but did not contribute significantly to revenues. In addition, sales of the Company's *Power Up!* catalog products commenced in fiscal 1984 and accounted for approximately 4% of SPC's total revenues in that year.

Cost of sales includes the cost of purchasing blank disks, transferring software programs onto these disks and printing user manuals. The decrease in cost of sales as a percentage of revenues in fiscal 1983 compared with fiscal 1982 reflects increased manufacturing efficiencies and economies of scale associated with higher production volumes. The increase in cost of sales as a percentage of revenues in fiscal 1984 was attributable primarily to increased sales to OEMs, on which SPC recognizes a lower gross margin than it does on products sold for retail distribution. Royalty revenue from IBM decreased as a percentage of revenues in fiscal 1984 from fiscal 1983. The Company's gross margin is higher on royalty revenue from IBM which has no significant associated costs.

Significant marketing and selling expenses are typical in the personal computer packaged software business. These expenses have increased as a percentage of revenues primarily as a result of increased competition in the industry. In fiscal 1983, the increase in marketing and sales expenses reflected the Company's development of its sales organization. In that year commission-based independent sales representatives were added and the internal sales staff was increased. See "Business—Distribution and Sales." Advertising and promotion expenses are also significant components of SPC's marketing and sales expenses. These costs have remained at a relatively constant percentage of revenues during SPC's last two fiscal years.

SPC's investment in research and development has been relatively constant as a percentage of revenues in the last three fiscal years. As the Company's practice is to develop substantially all of its software products internally, research and development costs relate primarily to staffing levels of software engineers. SPC anticipates that planned increases in research and development expenses in fiscal 1985 will result in an increase in such expenses as a percentage of revenues. See "Business—Product Development."

General and administrative expenses include the finance, facilities and administrative departments of the Company. These expenses have decreased as a percentage of revenues since many of these expenses do not vary in proportion to changes in revenues.

During SPC's last three fiscal years, operating income has been between 24% and 27% of revenues, and net income has been between 14% and 16% of revenues. The Company's effective tax rate in fiscal years 1982, 1983 and 1984 was 43%, 45% and 46%, respectively. SPC's profit margins have been subject to quarterly variations (see "Quarterly Results"), and its historical profit margins are not necessarily indicative of future margins.

To date, the Company has not experienced any significant effects from inflation. The Company has not had any material price increases for any of its ***pfs:*** products during the past two fiscal years.

Quarterly Results

The Company believes that industry sales of applications software for personal computers sold through retail channels are seasonal, and generally increase during the business year-end and holiday season in the December quarter and are followed by a post-holiday slowdown in the March quarter. SPC believes that its operating results in fiscal 1985 will reflect this seasonal retail sales pattern. Historically, SPC's quarterly operating results also have been influenced by (i) the timing of new product introductions, (ii) the impact of new ***pfs:*** packages for use on newly introduced personal computers which achieve rapid market acceptance, such as the IBM PC in fiscal 1983 and the Apple Macintosh in the fourth quarter of fiscal 1984, and (iii) the level and mix of sales to OEMs in any fiscal quarter.

The following table sets forth certain unaudited quarterly financial information for SPC's last six fiscal quarters. This information includes all normal recurring adjustments which the Company considers necessary for a fair presentation thereof:

	Quarter Ended					
	June 30, 1983	Sept. 30, 1983	Dec. 31, 1983	Mar. 31, 1984	June 30, 1984	Sept. 30, 1984
	(In thousands, except per share data)					
Revenues	$2,739	$3,612	$5,577	$4,523	$5,978	$7,386
Costs and expenses:						
Cost of sales	419	594	940	1,011	1,152	1,463
Marketing and sales	906	1,599	1,864	1,784	1,794	2,604
Research and development	364	424	557	659	750	1,004
General and administrative	221	366	256	284	402	691
Total costs and expenses	1,910	2,983	3,617	3,738	4,098	5,762
Income from operations	829	629	1,960	785	1,880	1,624
Interest and other income	39	47	47	110	76	190
Income before provision for income taxes	868	676	2,007	895	1,956	1,814
Provision for income taxes	391	300	903	402	887	867
Net income	477	376	1,104	493	1,069	947
Net income per share	$.09	$.07	$.21	$.09	$.20	$.18

Liquidity and Capital Resources

The Company's primary source of liquidity has been cash from operations. At September 30, 1984, in addition to working capital of $6,217,000, the Company had $2,000,000 of available borrowings under an unsecured bank line of credit which bears interest at the prime rate plus ½%. As of September 30, 1984, there were no outstanding borrowings under this line of credit. See Note 4 of Notes to Consolidated Financial Statements.

The Company uses working capital to finance on-going operations. Longer term cash requirements, other than normal operating expenses, are anticipated to relate to the expansion of its marketing, sales and customer support organization and the possible future acquisition of companies or software technology complementary to its business. See "Use of Proceeds" and "Business—Product Development." The Company believes that the net proceeds of this offering, together with existing cash balances, cash generated from operations and available borrowings under its line of credit will be sufficient to satisfy the Company's cash requirements through fiscal 1986.

BUSINESS

Industry Background

Technological advances in semiconductors and rotating memory, combined with the evolution of microprocessor technology, have created a growing worldwide demand for personal computers. As estimated by *Future Computing*, the U.S. installed base of personal computers was 4 million units at the end of 1983, with an estimated 2.7 million units to be shipped in 1984 and 31.8 million units to be shipped from 1985 to 1989. IBM and Apple currently dominate the personal computer market.

However, ready-to-use packaged applications software is required in order for these personal computers to be productive for the non-technical user. *Future Computing* estimates that the worldwide market for such applications software was $2.0 billion in 1983, is estimated to be $3.2 billion in 1984 and is projected to be $15 billion by 1989; however, such projections may not be indicative of the future for the industry or SPC. The Company's ***pfs:*** series of productivity software operates on Apple, IBM and IBM compatible computers, as well as Tandy and several other popular personal computers.

The Company believes that the market for packaged applications software is segmented into two principal types of business users. The first segment is characterized by the business professional who uses applications software to improve productivity, but who is not an intensive user or computer expert. This user prefers software which can be operated with a minimum investment of user training time and which features plain English commands that are easy to remember. This user does not generally require the more sophisticated features required by the intensive user, and does not want to invest the time necessary to customize the output. The second segment is characterized by the business professional who uses a personal computer intensively and is a frequent user of sophisticated applications software. This user prefers programs with a high degree of functionality and rapid processing, and which produce highly customized reports, even though these programs generally require a substantial investment of user training time. Currently, applications software that offer the higher degree of functionality required by the more sophisticated and frequent user are integrated packages generally priced above $300, while the software designed to meet the needs of the first-time or less sophisticated user are single function packages generally priced between $100 and $150.

SPC Product and Marketing Strategy

The Company's ***pfs:*** line of software is aimed at first-time computer users who want to increase their productivity without becoming computer experts. Since the Company's inception in 1980, its product strategy has been to:

- Develop simple products positioned for the first-time user at prices ranging from $100 to $150 in anticipation of a market that would segment by price and ease-of-use.
- Develop a line of productivity software which allows customers to purchase and integrate additional stand-alone ***pfs:*** packages as users' needs grow.
- Design and develop each software package to require minimal pre-sale user training and post-sale customer support.
- Develop products internally to assure product quality and consistency and to permit modification and enhancement in response to technological advances in hardware and software.

The Company's product marketing strategy, using techniques of the packaged goods industry, has been to:

- Use selective high visibility advertising and other retail marketing techniques to emphasize brand awareness for the ***pfs:*** family of software products.

- Reduce the cost of introducing new products by building ***pfs:*** brand name recognition in order to win rapid customer acceptance and retail shelf space.
- Develop a channel of distribution among personal computer software distributors and dealers.
- Develop a group of independent sales representatives who provide dealer training, in-store merchandising and inventory management to enhance retail sales.
- Develop a private label marketing relationship with IBM to broaden the worldwide market for the Company's products.
- Develop complementary channels of distribution through original equipment manufacturers.

The Company believes that its base of ***pfs:*** users may require additional productivity software. Accordingly, the Company is currently developing new ***pfs:*** products and may acquire software technology complementary to its ***pfs:*** product line. See "Business—Product Development." In addition, under the brand name *Power Up!*, the Company sells through a direct mail catalog a series of accessory software packages, developed primarily by outside designers, which increase the utility of personal computers.

Products

pfs: Product Line

The ***pfs:*** product line consists of a family of seven compatible personal productivity packages for the business professional. The following chart shows the total number of ***pfs:*** packages shipped under the ***pfs:*** and IBM Assistant Series brand names during each of the last four fiscal years:

	Date of First Shipment	Year Ended September 30, 1981	1982	1983	1984
pfs: FILE	9/80	18,500	51,700	110,500	178,700
pfs: REPORT	5/81	4,400	19,700	72,900	126,000
pfs: GRAPH	5/82	—	4,900	16,900	48,900
pfs: WRITE	6/83	—	—	10,700	91,200
pfs: ACCESS	5/84	—	—	—	4,900
pfs: PROOF	5/84	—	—	—	5,800
pfs: PLAN	9/84	—	—	—	5,500
		22,900	76,300	211,000	461,000
	Cumulative units shipped				771,200

The ***pfs:*** packages use plain English commands which eliminate the need to remember complicated command sequences. The Company's products are simple to use, yet incorporate many of the performance features of more sophisticated, higher priced products. The programs have a common user interface and can directly interconnect with one another. For example, the filing system (***pfs:*** FILE) works with the word processing system (***pfs:*** WRITE) so that names and addresses can be retrieved from a file and inserted in a letter. The Company believes this integration of the ***pfs:*** product line allows the user to purchase only the package needed, reduces the learning time in using other ***pfs:*** packages, and diminishes product obsolescence by allowing for the addition of compatible new packages as the user's needs grow. The following seven packages currently comprise the ***pfs:*** product line.

*Database—**pfs:** FILE and **pfs:** REPORT*

pfs: FILE is a forms oriented, information management system that works much like a paper filing system, allowing users to record, retrieve and review information on any subject. The user first designs a blank form on the screen, and then the program creates a file of these blanks that the user fills out. Data is retrieved by filling out a search form with the known data, and the system retrieves all the forms on file that match it. Options are provided for printing out the data in various formats, including mailing labels.

***pfs*:REPORT** uses the files created by ***pfs*:FILE** to produce presentation quality reports in tabular form. This package allows users to sort and organize data as well as to compute totals, subtotals, averages, sub-averages and record counts. ***pfs*:REPORT**'s automatic page layout feature produces output that can be inserted directly into ***pfs*:WRITE** documents.

*Graphics—**pfs**:GRAPH*

***pfs*:GRAPH** allows numerical data to be turned into presentation quality charts. Information can be presented as bar, line, pie or area charts. ***pfs*:GRAPH** permits multiple data series to be presented on the same chart to facilitate comparison of information. As a companion product to ***pfs*:FILE** and the Company's recently introduced ***pfs*:PLAN** spreadsheet package, ***pfs*:GRAPH** can transform data directly from a database file or spreadsheet into a chart.

*Word Processing—**pfs**:WRITE and **pfs**:PROOF*

***pfs*:WRITE** is a word processing package which displays text on the computer screen as it will appear on the typewritten page. The program provides editing and formating features which meet the needs of most business and professional users. ***pfs*:WRITE** can also incorporate output such as charts, reports and spreadsheets from other ***pfs*:** products.

***pfs*:PROOF** is a companion package to ***pfs*:WRITE** that automatically checks spelling, typographical errors and capitalization against a 100,000-word dictionary. ***pfs*:PROOF**'s dictionary can be extended to include specialized terminology, and text corrections can be accomplished with a single keystroke.

*Communications—**pfs**:ACCESS*

***pfs*:ACCESS** allows a personal computer to be used as a communications terminal that can access public database services and electronic mail systems. In addition, ***pfs*:ACCESS** allows the user to transmit information from a data file to another computer or terminal, reducing connect time and permitting easier text manipulation. ***pfs*:ACCESS** can store a sequence of commands and repeat them with a single keystroke. This greatly simplifies performing repetitive tasks such as accessing an information service or obtaining routine stock quotations.

*Spreadsheet—**pfs**:PLAN*

***pfs*:PLAN**, first shipped in September 1984, is a time-saving spreadsheet package which makes the design of multiple calculations easy and understandable. To accomplish this, commands can be specified across columns of data, or across the entire spreadsheet, eliminating the need to specify calculations for each number on the page. Calculations are specified using English words rather than mathematical formulas, permitting the calculations to be read and understood later. ***pfs*:PLAN** has a "target" feature that allows the user to specify a desired result, and the program will automatically compute the values needed to reach that number.

IBM Assistant Series

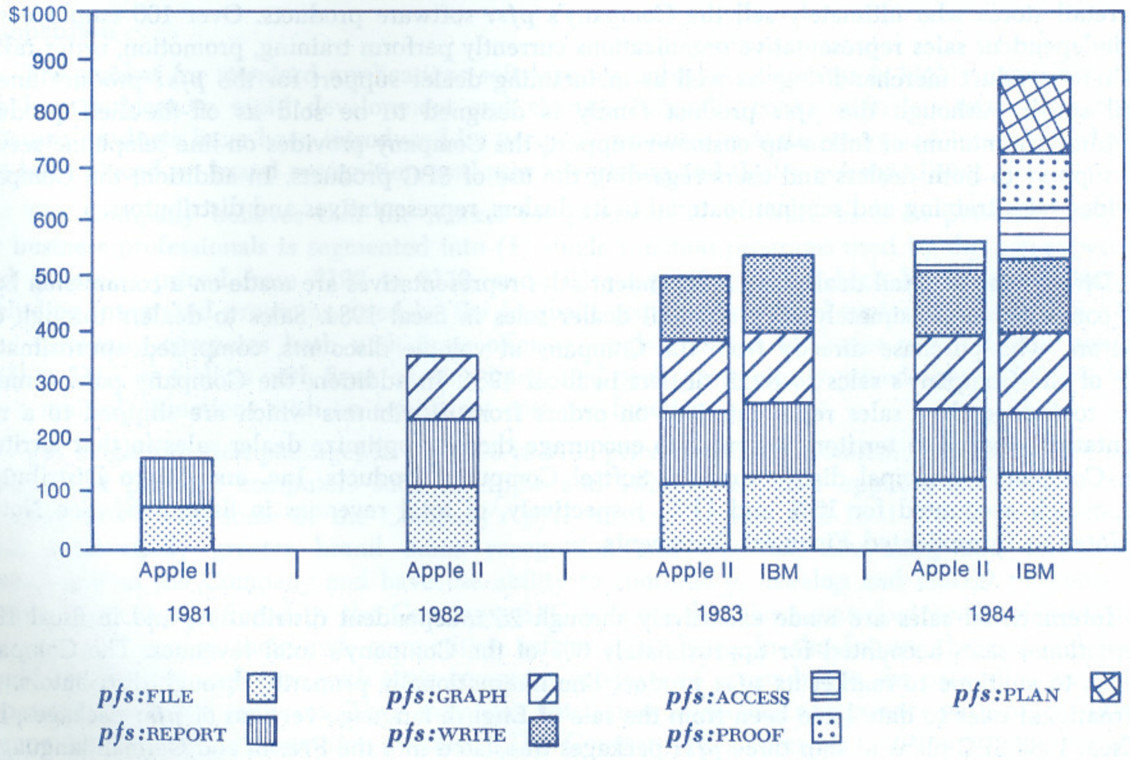
In fiscal 1983 and fiscal 1984, the Company entered into license agreements with IBM under which IBM is licensed to produce and sell IBM proprietary versions of ***pfs*:FILE**, ***pfs*:REPORT**, ***pfs*:WRITE**, ***pfs*:GRAPH** and ***pfs*:PLAN**. These products are available under the IBM "Assistant Series" brand name through IBM's retail, direct and international trade channels. The Assistant Series differs from ***pfs*:** packages by conforming to IBM standards for the user interface and has certain additional features. Under these agreements, the Company furnishes IBM with enhancements to the products which improve performance or utility. If SPC develops new functions, IBM has the right to license these improvements on terms no less favorable than those under which they are being offered to other potential licensees. IBM is responsible for providing customer support for the Assistant Series, however SPC provides IBM with initial training on the programs. IBM has the right to determine its method of marketing, including the right to discontinue marketing the Company's products. The Company receives royalties based upon IBM's total unit shipments. In fiscal years 1983 and 1984, royalty payments from IBM accounted for approximately 11% and 6%, respectively, of the Company's revenues. See Note 1 of Notes to Consolidated Financial Statements. The Company believes this relationship increases the availability of SPC's products to large corporations who typically purchase software products directly from IBM's sales force, as well as increasing the retail shelf space available for its products.

Hardware Compatibility

The Company initially develops its ***pfs:*** products to operate on Apple, IBM and IBM compatible personal computers and subsequently adapts them for use on the other leading personal computers which are priced between $1,000 and $5,000. The majority of the Company's software packages have been sold for use on Apple, IBM and IBM compatible personal computers which dominate this market. Most ***pfs:*** software packages can be used on the following personal computers:

IBM PC	Apple II Plus	Compaq™ Portable	DEC Rainbow™
IBM PC jr.	Apple IIe	Compaq Plus	TI Professional
IBM XT	Apple IIc	Compaq Desk Pro	Hewlett-Packard HP150
IBM AT	Apple III	Tandy® Model 2000	Commodore 64
IBM Portable	Apple Macintosh	Radio Shack® TRS-80 Models 3 and 4	Panasonic Sr. Partner™

The graph below shows the aggregate dollar value at recommended retail prices of ***pfs:*** packages available for use on the Apple II and IBM families of personal computers at the end of the last four fiscal years:



Marketing

The Company believes that the majority of ***pfs:*** users are not computer experts, and therefore the simplicity, versatility, low price and integration of ***pfs:*** products are important purchasing motivations. The ***pfs:*** products sell generally in the range of $100 to $150, which SPC believes are priced to encourage initial product purchases. The Company believes that its customers are likely to purchase their first ***pfs:*** package for a single application, knowing that other ***pfs:*** packages are available as their needs grow.

The Company's advertising program is designed to increase brand awareness and customer preference for the ***pfs:*** family of software. SPC's advertising targets new customers as well as the installed base of ***pfs:*** users to encourage follow-on sales. The Company advertises primarily through business and trade periodicals. The Company implements sales promotions to support the retail dealers' sales efforts, including price promotions, rebates, special packaging and in-store displays. In addition, new product promotions have included a free "trial size" version of the product, which provides a sample of certain features, a promotion which is frequently used in the packaged goods industry. The Company also engages in joint promotional activities with major personal computer manufacturers.

Distribution and Sales

Retail Sales and Support

The Company sells its ***pfs:*** family of software through approximately 3,500 retail computer stores, including major national dealers such as Computerland, Businessland, Sears Business Systems Centers and ComputerCraft. Sales to these dealers are made through 18 independent sales representative organizations and eight distributors, all of which are supported by the Company's marketing and sales force. The Company believes that it is essential to properly educate and train the salespersons in the retail stores who ultimately sell the Company's ***pfs:*** software products. Over 100 employees of the independent sales representative organizations currently perform training, promotion, order taking and new product merchandising, as well as maintaining dealer support for the ***pfs:*** product line in retail stores. Although the ***pfs:*** product family is designed to be sold as off-the-shelf products requiring a minimum of follow-up customer support, the Company provides on-line telephone service and support to both dealers and users regarding the use of SPC products. In addition, the Company provides sales training and seminar material to its dealers, representatives and distributors.

Direct sales to retail dealers by independent sales representatives are made on a commission basis and comprised approximately 35% of retail dealer sales in fiscal 1984. Sales to dealers through distributors, who purchase directly from the Company at volume discounts, comprised approximately 65% of the Company's sales to retail dealers in fiscal 1984. In addition, the Company pays commissions to independent sales representatives on orders from distributors which are shipped to a representative's exclusive territory, in order to encourage them to optimize dealer sales in that territory. The Company's principal distributors are Softsel Computer Products, Inc. and Micro Distributors, Inc., which accounted for 15% and 11%, respectively, of total revenues in fiscal 1984. See Note 8 of Notes to Consolidated Financial Statements.

International sales are made exclusively through 25 independent distributors, and in fiscal 1984 international sales accounted for approximately 6% of the Company's total revenues. The Company intends to continue to market its ***pfs:*** product line internationally primarily through distributors. All international sales to date have been from the sale of English language versions of ***pfs:*** packages, but in fiscal 1985 SPC plans to ship three ***pfs:*** packages translated into the French and German languages. See "Product Development." To date, all international sales have been invoiced by the Company in

U.S. dollars, but SPC anticipates that in the future some foreign sales will be invoiced in foreign currencies.

Sales to distributors and dealers are subject to return within 60 days of shipment, provided the products are returned in their original condition. These returns are subject to a 10% restocking charge. To date, product returns have not been significant. The Company typically ships products within days after receipt of orders, which is customary in the retail software business. Accordingly, the Company does not believe that backlog is a meaningful indicator of future business.

Original Equipment Manufacturers

The Company markets its ***pfs:*** family of packages to a number of major personal computer manufacturers, including principally Panasonic, Tandy, Hewlett-Packard and Digital Equipment Corporation. These OEMs purchase products from the Company at volume discounts, and resell such products under the ***pfs:*** brand name to their customers. Sales to original equipment manufacturers, excluding royalties, comprised approximately 10% of the Company's total revenues in fiscal 1983 and 1984.

Catalog Sales

The Company believes that there is a market opportunity for accessory software products that may be sold to users subsequent to their initial purchase of a personal computer and supporting software. Accordingly, SPC introduced *Power Up!*, its second proprietary brand of products. *Power Up!* is an assortment of accessory software products generally priced between $40 and $100, which are designed by independent authors and sold through a full color, direct mail catalog. These catalog products are designed to allow customers to get more use and enjoyment from their personal computers. These products include software for business productivity, self improvement, education and child development. Many of these products are designed to SPC's specifications and are available exclusively through the *Power Up!* catalog.

Competition

The market for standard applications software for personal computers is highly competitive and has been subject to rapid development and change. Recently, competition has intensified as new software products have been introduced by personal computer manufacturers and increased emphasis has been placed on brand recognition, end-user advertising and dealer merchandising.

The Company believes that the market for productivity software used on personal computers by business professionals is segmented into (i) single function programs used by the non-expert user and generally priced from $100 to $150, and (ii) programs offering high levels of functionality, including integrated programs, used by the frequent computer user and typically priced above $300. The Company competes both with firms offering single function packages priced in the range of $100 to $150, as well as with firms offering integrated packages typically priced above $300 but which have multiple functions with an equivalent cost per function.

For single function packages in the $100 to $150 price range, SPC competes primarily with manufacturers of personal computers such as Apple and IBM which offer applications software which is competitive with some of the Company's ***pfs:*** software. Apple and IBM are large corporations with substantially greater brand name recognition and financial, marketing and technological resources than the Company and have the ability to continue to develop and market products competitive with those offered by the Company. SPC believes that these manufacturers will continue to develop and market their own competitive software products. In the future, these manufacturers could bundle their software with their computer products at prices below the prevailing market for separately packaged software. They may also enter into marketing agreements with other software companies providing competitive products. The Company also faces competition from a variety of independent software suppliers, which range in size from small local firms to large national firms.

The Company competes, primarily on the basis of ease-of-use, functionality and price per function, with firms such as Lotus Development Corporation and Ashton-Tate which offer highly functional, integrated packages at prices above $300 but which have an equivalent cost per function to that of the ***pfs:*** product line. The Company also competes with companies offering single function products for the more sophisticated and frequent computer user. These products have typically been priced above $300, but these prices may decline as a result of increasing price pressures.

In addition, the Company could face competition from independent software companies presently producing software for larger computer systems, but which may decide to enter the market for applications software for personal computers.

The Company believes that the principal competitive factors in its industry are product performance and reliability, ease of understanding and use, price, integration of product line, hardware compatibility, brand name recognition, product promotion, channels of distribution and quality of customer support. The Company believes that it competes favorably as to each of these factors, and that its competitive position will depend on its continued ability to enhance existing products and develop new products which increase productivity for the less frequent computer user.

In addition, SPC competes for its channels of distribution, principally retail dealers, distributors and original equipment manufacturers, based on profit margins, product training and marketing support and credit terms.

Product Development

The personal computer software industry is characterized by rapid technological change which requires a continuing high level of expenditures for the on-going enhancement of existing products and the development of new software products. The Company believes it must make modifications and enhancements in response to technological changes in both hardware and software, including adapting its software products to operate on any new personal computers which achieve significant market acceptance. To the extent that the Company does not make changes in response to such technological advances, the Company's products may become obsolete. Accordingly, the Company is committed to the continued enhancement of its existing ***pfs:*** software products.

Substantially all ***pfs:*** product development is performed by the Company. SPC believes internal development enables it to maintain technical control over the product line and to make modifications and enhancements in response to technological changes in both hardware and software. Product enhancements continually increase the utility of individual software programs. New product development efforts are directed toward adding new applications to the ***pfs:*** product family as market needs evolve. In addition, product enhancement and new product development are designed to increase the utility of the software program as the user's requirements increase. The Company has purchased and may continue to purchase or acquire licenses for software technology from outside sources. Certain portions of ***pfs:***PROOF were developed by an outside designer according to SPC's specifications, for which SPC pays a percentage royalty based upon net revenues. To date, such royalty payments by SPC have been insignificant. In addition, the Company has recently commenced design of a second product family which is intended to complement its ***pfs:*** product line; however, there can be no assurance that this development effort will be successful.

The Company's principal current product development activities include enhancing and updating of its present ***pfs:*** packages. In addition, the Company is in the process of releasing ***pfs:***REPORT, ***pfs:***GRAPH and ***pfs:***WRITE in French, German, Italian, Swedish and British English, and ultimately intends to release the entire ***pfs:*** product family in major foreign languages. The Company plans to continue to develop applications software and acquire software technology (such as algorithms and source code) to enhance and expand its ***pfs:*** line of productivity software, and may use a portion of the proceeds of this offering for such product development or acquisition. See "Use of Proceeds."

During fiscal 1982, 1983 and 1984, SPC expended $558,000, $1,310,000, and $2,970,000 respectively for product enhancement and development activities representing approximately 14%, 13% and 13%, respectively, of total revenues. All product development costs are expensed as incurred. As of September 30, 1984, the Company employed 57 persons in product development activities, principally in software product design and test, programming, technical documentation and new product management.

Production and Facilities

The Company's product development staff performs final product testing and produces the master diskette and user manual for its proprietary software as part of its product development activities. Duplication of the master diskette and user manual, production of the packaging material and assembly of the disk and manual into the package are performed by outside sources to the Company's specifications. After packaging, the products are returned to the Company for final inspection and shipment. To date, the Company has not experienced any material difficulties or delays in production of its software and related documentation. Media for the Company's ***pfs:*** software, primarily 5¼″ floppy disks and 3½″ micro-diskettes which the Company generally purchases under volume discounts, are available from multiple sources of supply.

The Company leases approximately 50,000 square feet of office space for an annual rental of approximately $900,000, in three adjacent buildings in Mountain View, California, under leases expiring in 1987. The Company's executive, marketing, product development and production activities are located at these facilities. The Company believes that its facilities are adequate for its present and immediately foreseeable needs and that suitable additional space is available to accommodate further expansion. See Note 6 of Notes to Consolidated Financial Statements. In addition, the Company owns a variety of personal computers which it uses primarily for new product development, enhancement and testing. During the next 12 months, the Company will make substantial leasehold improvements and intends to purchase additional computer equipment for use in product development, enhancement and testing, and will use a portion of the proceeds of this offering therefor. See "Use of Proceeds."

Proprietary Rights

The Company regards its software as proprietary and relies primarily on a combination of copyrights and trade secret laws to establish its proprietary interest and maintain the confidentiality of its software products. Under the existing patent laws of the United States and most foreign countries, applications software generally cannot be patented. The Company owns and has applied for registration of various trademarks and copyrights. ***pfs:*** is a registered trademark with substantial product brand name identification.

The Company copyrights all of its software and related user documentation, but the copyright laws afford only limited practical protection against duplication of the media embodying the programs and the related user manuals. The Company works with the duplicators of its master disks to imbed in the disks protections against copying. However, it still is possible for competitors or users to copy aspects of the Company's products or to obtain information which the Company regards as trade secrets. Detection and prevention of unauthorized copying and use of software programs sold through retail channels is very difficult. The Company relies principally upon innovative management, software engineering and marketing skills to develop, enhance and market its products, rather than on copyright or trade secret protection.

The Company retains exclusive ownership rights to all of its internally developed software. The ***pfs:*** software licensed to IBM on a private label basis for resale is provided in object code only with contractual restrictions on disclosure and transferability. However, access to the ***pfs:*** source code is provided to IBM for maintenance purposes or if the Company does not enhance its products to be compatible with future versions of IBM personal computers. Software technology acquired from outside sources is generally obtained under non-exclusive licenses.

Employees

As of September 30, 1984, the Company had 130 full-time employees, of whom 57 were in product enhancement and development, 40 in marketing, sales and customer support, 15 in production and 18 in finance and administration. The Company believes that its future success will depend, in part, on its ability to continue to attract and retain highly skilled technical, marketing and management personnel who are in great demand.

None of the Company's employees is subject to a collective bargaining agreement, and the Company has never experienced a work stoppage. SPC believes that its employee relations are good.

MANAGEMENT

Directors and Executive Officers

The directors and executive officers of the Company are as follows:

Name	Age	Position
Fred M. Gibbons(1)	35	President and Chief Executive Officer and Director
Kathleen A. Bailey	37	Vice President, Finance and Chief Financial Officer
Janelle Bedke	35	Vice President and General Manager Productivity Software Division, Secretary and Director
John D. Page	40	Vice President, Corporate Research and Development and Director
Thomas A. Tisch	45	Director
Robert R. Maxfield(1)	43	Director
John M. Purtell, Jr.	42	Director
E. E. van Bronkhorst(1)	60	Director

(1) Member of Audit Committee.

All directors hold office until the next annual meeting of shareholders or until their successors are duly elected and qualified. Executive officers are elected annually by the Board of Directors and serve at the discretion of the Board. There are no family relationships among directors or executive officers of the Company.

Mr. Gibbons, a founder of the Company, has served as President and Chief Executive Officer and a director of the Company since May 1980. From September 1975 to February 1981, he was employed by Hewlett-Packard, a diversified electronic measurement and computer equipment manufacturer, in a number of product and marketing manager capacities and most recently as Marketing Manager for its small business systems. Mr. Gibbons received a B.S. degree in Science Engineering and an M.S. degree in Computer Science in 1972 from the University of Michigan. Mr. Gibbons also received an M.B.A. degree in 1975 from the Harvard Graduate School of Business Administration.

Ms. Bailey became Vice President, Finance and Chief Financial Officer of the Company in June 1984, and served as Controller of the Company from October 1981 to June 1984. From August 1979 to October 1981, Ms. Bailey was employed by Hewlett-Packard in various internal accounting positions. Ms. Bailey received a B.S. degree in 1969 from Georgetown University and an M.B.A. degree in 1979 from the University of California, Berkeley.

Ms. Bedke, a founder of the Company, has served as a Vice President since the Company's inception, and as Secretary and a director since April 1981. In June 1984, Ms. Bedke became General Manager of the Company's Productivity Software Division, which includes all ***pfs:*** product development, manufacturing, marketing and sales. From 1969 through 1979, Ms. Bedke was employed by Hewlett-Packard in a variety of product development and product manager capacities. Ms. Bedke received a B.S. degree in Mathematics and Computer Science in 1969 from the University of Utah.

Mr. Page, a founder of the Company, has served as a Vice President since August 1981, and as a director since April 1981. From 1970 to 1980, Mr. Page was employed by Hewlett-Packard as European and U.S. Support Manager for Hewlett-Packard's System 3000 product line and as a Project Manager for its advance technology relational data base software. Mr. Page received a Higher National Certificate in 1964 from the University of London.

Mr. Tisch has served as a director of the Company since May 1981. Since January 1984, Mr. Tisch has been a general partner of Rothschild, Unterberg, Towbin Management Company, a venture capital management firm which is a general partner of Rothschild, Unterberg, Towbin Ventures, a venture capital partnership. From January 1983 to December 1983, Mr. Tisch served as the general partner of California Technology Ventures, a venture capital partnership. From June 1980 to December 1982, he was a senior member and general manager of Melchor Venture Management, a venture capital management firm. From August 1978 to January 1980, Mr. Tisch was President of Heuristics, Inc., a computer peripheral equipment manufacturer.

Mr. Maxfield has served as a director of the Company since May 1981. Mr. Maxfield is a cofounder of ROLM Corporation, a manufacturer of computer-controlled branch exchange telephone systems and general purpose computers intended for use in severe environments, and has served as a Vice President of ROLM since its organization in 1969. He is also a director of ROLM Corporation and Saratoga National Bank, N.A.

Mr. Purtell has served as a director of the Company since January 1984. Since October 1984, Mr. Purtell has been President of CompuShop Incorporated, a computer retailing firm. From March 1983 to September 1984, Mr. Purtell was President of OnLine Microcenters, Inc., a computer retailing firm. From 1965 to 1983, he was employed by Sears Roebuck and Co., a general merchandise retailing firm, in a variety of merchandising and retailing positions.

Mr. van Bronkhorst has served as a director of the Company since May 1984. Mr. van Bronkhorst is Retired Chief Financial Officer of Hewlett-Packard where he was employed from 1953 to 1984, and served most recently as Senior Vice President and Chief Financial Officer. Mr. van Bronkhorst is also a director of ROLM Corporation.

Mr. Gibbons, Ms. Bedke and Mr. Page may be considered "founders" of the Company within the rules and regulations under the Securities Act of 1933, as amended.

Executive Compensation

The following table sets forth the cash compensation for each of the four executive officers of the Company, and for all executive officers as a group, during the fiscal year ended September 30, 1984:

Name of Individual or Number in Group	Capacities in Which Served	Cash Compensation(1)(2)
Fred M. Gibbons	President and Chief Executive Officer	$119,305
Janelle Bedke	Vice President	$107,108
John D. Page	Vice President	$107,108
Kathleen A. Bailey(3)	Vice President and Chief Financial Officer	$ 75,312
All executive officers as a group (4 persons)		$408,833

(1) Includes amounts earned for fiscal 1984 under a cash profit sharing plan, and amounts earned in fiscal 1983 and paid in fiscal 1984 under the plan. See "Profit Sharing Plan." The Company has no pension, retirement, annuity, savings or similar benefit plan.

(2) No executive officer received other compensation in excess of the lesser of $25,000 or 10% of such officer's cash compensation, nor did all executive officers as a group receive other compensation in excess of the lesser of $25,000 times the number of such officers or 10% of all executive officers' aggregate cash compensation.

(3) Includes all compensation paid to Ms. Bailey who became an officer in June 1984.

Each director who is not an employee (currently four persons) receives $250 for each meeting of the Board attended.

Profit Sharing Plan

Since fiscal 1981, the Company has made cash distributions to all eligible employees in an aggregate amount equal to 10% of income before provision for income taxes for each six-month period of the fiscal year. Distributions under the plan are made by the Company within 60 days after the end of each six-month period and are allocated among employees by applying to their base compensation for the six-month period a percentage equal to the total amount to be distributed divided by the aggregate of all base compensation of participating employees in that period. All full-time employees are eligible to participate in the plan from their date of hire. In fiscal 1984, $668,207 was earned under the plan.

Stock Option Plan

The Company's 1981 Stock Option Plan (the "Option Plan") was adopted by the Board of Directors in April 1981 and approved by the shareholders in July 1981. A total of 875,000 shares of Common Stock have been reserved for issuance under the Option Plan, of which 250,000 shares are subject to shareholder approval to be sought in November 1984. The Option Plan provides for the granting to key employees of either "incentive stock options" within the meaning of Section 422A of the Internal Revenue Code of 1954, as amended, or non-statutory stock options. As of September 30, 1984, options to purchase 391,319 shares had been exercised (of which 118,621 shares have subsequently been repurchased), options to purchase 344,618 shares of Common Stock were outstanding at a weighted average exercise price of $4.25, and 139,063 shares remained available for future grants under the plan. Kathleen A. Bailey, Vice President, Finance and Chief Financial Officer of the Company, was granted options to purchase 30,000 shares of Common Stock at a weighted average exercise price of $2.18 per share, and she has exercised options for 15,000 shares at an exercise price equal to the then fair market value. No other officer or director of the Company has been granted or has exercised options under the Option Plan.

The Option Plan is administered by the Board of Directors or a committee appointed by the Board, which determines the terms of options granted under the Option Plan, including the exercise price, number of shares subject to the option, the exercisability thereof, and the form of consideration payable upon exercise thereof, which may consist of promissory notes. The exercise price of all stock options granted under the Option Plan must be at least equal to the fair market value of the Common Stock on the date of grant, and the maximum term of each option is ten years. All options granted under the Option Plan have had terms of five years and generally have been exercisable in full immediately, subject to restricted stock purchase agreements under which the Company has the right to repurchase unvested shares. Such repurchase right lapses with respect to one-eighth of the shares subject to the option after every six months of continued employment after the date of grant of the option. The aggregate fair market value of the Common Stock (determined at the date of the option grant) for which any employee may be granted incentive stock options in any calendar year may not exceed $100,000, plus certain carry-over allowances from the previous three years.

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan (the "Purchase Plan") was adopted by the Board of Directors in October 1984 and will be submitted to the shareholders for approval in November 1984. A total of 250,000 shares of Common Stock are reserved for issuance under the Purchase Plan. The Purchase Plan, which is intended to qualify under Section 423 of the Internal Revenue Code of 1954, as amended, will be implemented by one offering during each six-month period, and will be administered by the Board of Directors or by a committee appointed by the Board. Employees are eligible to participate if they are customarily employed by the Company for at least 20 hours per week and for more than five months per year. The Purchase Plan permits eligible employees to purchase Common Stock through payroll deductions (which may not exceed 10% of an employee's compensation), at a price equal to 85% of the lower of the fair market value of the Common Stock at the beginning or at the end of each six-month offering period. To date, no shares have been offered or sold to employees pursuant to the Purchase Plan.

Certain Transactions

Between May 1980 and April 1981, the Company sold 1,000,000 shares of its Common Stock at a purchase price of $.02 per share to each of the following officers: Fred M. Gibbons, Janelle Bedke and John D. Page. In April 1981, these shares were made subject to restricted stock purchase agreements which will terminate on the date of the sale of Common Stock offered by this Prospectus. Mr. Gibbons paid cash for the shares, Ms. Bedke purchased the shares in consideration for consulting services rendered and the assignment of certain ***pfs:*** property rights to the Company, and Mr. Page purchased the shares in consideration for the assignment of certain ***pfs:*** property rights to the Company.

In February 1984, directors Maxfield, Purtell and Tisch each purchased 5,000 shares of Common Stock at a purchase price of $4.00 per share, and in May 1984, director van Bronkhorst purchased 5,000 shares of Common Stock at a purchase price of $6.00 per share. The shares are subject to repurchase by the Company at the original sale price in the event of termination of directorship within specified periods. The purchase price was paid by promissory notes, each of which has been paid in full.

The Company sold in two private placement transactions: (i) an aggregate of 2,500,000 shares of Class A Preferred Stock at $.10 per share in April 1981, and (ii) 1,000,000 shares of Class B Preferred Stock at $1.00 per share in May 1982. Each share of Class A and Class B Preferred Stock will be converted into one-half of a share of Common Stock concurrently with the sale of Common Stock offered under this Prospectus. The purchasers included, among others, the following:

Name	Class A Preferred Stock	Class B Preferred Stock	Common Stock Issuable Upon Conversion of Preferred Stock
Portola Venture Fund(1)	1,250,000	125,000	687,500
Robert R. Maxfield	150,000	25,000	87,500
Thomas A. Tisch(1)	50,000	3,000	26,500
New Enterprise Associates II L.P.	—	550,000	275,000
L.F. Rothschild, Unterberg, Towbin Venture Capital Fund	—	150,000	75,000

(1) Mr. Tisch, a director of the Company, is a limited partner in the general partner of Portola Venture Fund.

The investors who purchased the shares of Class A and Class B Preferred Stock were granted certain rights to registration of the Common Stock issuable upon conversion of the Preferred Stock. See "Description of Capital Stock—Registration Rights."

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth certain information regarding beneficial ownership of the Company's Common Stock as of September 30, 1984, giving pro forma effect to the conversion of the outstanding Preferred Stock, and as adjusted to reflect the sale of the shares offered by this Prospectus, (i) by each person who is known by the Company to own beneficially more than 5% of the Company's Common Stock, (ii) by each of the Company's directors, (iii) by all directors and officers as a group and (iv) by other Selling Shareholders.

Directors, Officers and 5% Shareholders	Shares Beneficially Owned Prior to Offering(1)		Shares to Be Sold	Shares Beneficially Owned After Offering(2)	
	Number	Percent		Number	Percent
John D. Page 1901 Landings Drive Mountain View, CA 94043	950,000	18.6%	95,000	855,000	13.4%
Janelle Bedke 1901 Landings Drive Mountain View, CA 94043	950,000	18.6%	90,000	860,000	13.5%
Fred M. Gibbons 1901 Landings Drive Mountain View, CA 94043	925,000	18.2%	92,500	832,500	13.0%
Portola Venture Fund 170 State Street Los Altos, CA 94022	687,500	13.5%		687,500	10.8%
New Enterprise Associates II L.P. 1025 Russ Bldg. San Francisco, CA 94104	275,000	5.4%	—	275,000	4.3%
Robert R. Maxfield(3)	92,500	1.8%	—	92,500	1.4%
Thomas A. Tisch(4)	31,500	0.6%	—	31,500	0.5%
John M. Purtell, Jr.	5,000	0.1%	—	5,000	0.1%
E. E. van Bronkhorst	5,000	0.1%	—	5,000	0.1%
All directors and officers as a group (8 persons)(5)	2,989,000	58.7%	277,500	2,711,500	42.5%
Other Selling Shareholders					
Crown Associates	180,000	3.5%	25,000	155,000	2.4%
Robert N. Noyce	75,000	1.5%	7,500	67,500	1.1%

(1) The persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them, subject to community property laws where applicable and the information contained in the footnotes to this table.

(2) Assuming no exercise of the Underwriters' over-allotment option.

(3) Includes 87,500 shares held by Mr. Maxfield and Melinda Cemira Maxfield as Trustees of the Robert Roy Maxfield and Melinda Cemira Maxfield Trusts dated May 2, 1977.

(4) Includes 26,500 held by Mr. Tisch and Rosemary S. Tisch as Trustees of the Thomas A. Tisch and Rosemary S. Tisch Trusts dated October 3, 1981.

(5) Includes 5,000 shares issuable upon exercise of an option held by an executive officer.

Upon completion of the offering made hereby, the current officers and directors of the Company will own or control approximately 42% of the Company's outstanding shares and may therefore be able to elect a majority of the Company's Board of Directors and control major corporate action required to be voted upon by shareholders, such as mergers, reorganizations, sales of substantially all of the Company's assets or liquidation.

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 20,000,000 shares of Common Stock and 2,000,000 shares of Preferred Stock, after giving effect to the proposed amendment of the Company's Articles of Incorporation to delete references to Class A and Class B Preferred Stock and to create a new class of Preferred Stock which will be filed immediately after conversion of such Class A and Class B Preferred into Common Stock as described below. See Note 5 of Notes to Consolidated Financial Statements.

Common Stock

As of September 30, 1984, there were 3,344,947 shares of Common Stock outstanding and held of record by 76 shareholders, not including shares of Common Stock issuable upon conversion of the Company's outstanding Class A and Class B Preferred Stock. There will be 6,384,947 shares of Common Stock outstanding (assuming the Underwriters' over-allotment option is not exercised) after giving effect to the sale of the shares of Common Stock offered hereby and the automatic conversion of Class A and Class B Preferred Stock into Common Stock as described herein.

The holders of Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders, except that upon giving notice required by law shareholders may cumulate their votes in the election of directors. Subject to preferences that may be applicable to any outstanding Preferred Stock, holders of Common Stock are entitled to receive ratably such dividends as may be declared by the Board of Directors out of funds legally available therefor. See "Dividend Policy." In the event of a liquidation, dissolution or winding up of the Company, holders of Common Stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any outstanding Preferred Stock. Holders of Common Stock have no preemptive rights and have no rights to convert their Common Stock into any other securities. The outstanding shares of Common Stock are, and the Common Stock to be outstanding upon completion of this offering will be, fully paid and non-assessable.

Preferred Stock

Prior to the sale of Common Stock under this Prospectus, the Company had two authorized classes of Preferred Stock consisting of 2,500,000 shares of Class A Preferred Stock and 1,000,000 shares of Class B Preferred Stock. As of September 30, 1984, all of the authorized shares of Class A Preferred Stock and Class B Preferred Stock were outstanding and held of record by 20 shareholders. As of the date of the sale of Common Stock under this Prospectus, each outstanding share of Class A and Class B Preferred Stock will be automatically converted into one-half of a share of Common Stock. Immediately after such conversion, the Company's Articles of Incorporation will be amended to eliminate the Class A and Class B Preferred Stock and to authorize a new class of 2,000,000 shares of Preferred Stock, none of which will be outstanding.

The Board of Directors will have the authority to issue the Preferred Stock in one or more series and to fix rights, preferences, privileges and restrictions including the dividend rights, dividend rate, conversion rights, voting rights, terms of redemption, redemption price or prices, liquidation preferences and the number of shares constituting any series or the designation of such series, without any further vote or action by the shareholders. The Company has no present plans to issue any of the Preferred Stock.

Shares Eligible for Future Sale

Upon completion of this offering, the Company will have outstanding 6,384,947 shares of Common Stock (assuming no exercise of the Underwriters' over-allotment option) based upon shares outstanding as of September 30, 1984. Of these shares, the 1,600,000 shares sold in this offering will be freely tradeable without restriction or registration under the Securities Act of 1933, as amended (the "Act"). The remaining 4,784,947 shares (the "Restricted Shares") were issued and sold by the Company in private transactions in reliance upon the "private placement" exemption contained in Section 4(2) of the Act. Of these Restricted Shares, approximately 570,000 shares may be sold immediately beginning on the date of this Prospectus pursuant to Rule 144(k). An additional 3,931,792 Restricted Shares will become eligible for sale in the public market in reliance upon Rule 144 under the Act beginning 90 days after the date of this Prospectus. Approximately 283,155 Restricted Shares will become eligible for sale pursuant to Rule 144 at varying dates upon the expiration of the two-year holding period from their date of acquisition.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who has beneficially owned his or her Restricted Shares for at least two years, including persons who may be deemed "affiliates" of the Company, as that term is defined under the Act, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of the then outstanding shares of the Company's Common Stock (approximately 63,850 shares assuming no exercise of the Underwriters' over-allotment option) or the average weekly trading volume in the over-the-counter market in the Company's Common Stock during the four calendar weeks preceding such sale. Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements, and to the availability of current public information about the Company. However, a person who is not deemed to have been an affiliate of the Company at any time during the 90 days preceding a sale, and who has beneficially owned his or her Restricted Shares for at least three years, would be entitled to sell such shares under Rule 144 without regard to the volume limitations, manner of sale provisions or notice requirements.

All of the Selling Shareholders, all holders of Preferred Stock and all officers and directors of the Company have agreed with the Underwriters not to sell, directly or indirectly, any shares of Common Stock beneficially owned by them (an aggregate of 4,470,000 shares after the offering contemplated hereby) in the public market for a period of 180 days after the date of this Prospectus without prior written consent of the Representatives of the Underwriters. In addition, with the exception of options granted pursuant to the Option Plan and shares of Common Stock issued to employees upon exercise of options and under the Purchase Plan, the Company has also agreed with the Underwriters not to sell any securities in the public market during such 180-day period without the Representatives' consent.

Prior to this offering, there has been no public market for the Common Stock of the Company, and no precise predictions can be made of the effect, if any, that market sales of shares or the availability of shares for sale will have on the market price prevailing from time to time. Nevertheless, sales of substantial amounts of the Common Stock of the Company in the public market could adversely affect prevailing market prices and could impair the Company's ability to raise capital at that time through the sale of its equity securities.

The Company intends to file a Registration Statement on Form S-8 under the Act to register the shares of Common Stock reserved for issuance to its employees under the Option Plan and the Purchase Plan. Such Registration Statement is expected to be filed approximately 90 days after the date of this Prospectus and will become automatically effective 20 days after filing. Shares issued upon exercise of options under the Option Plan and the Purchase Plan after the effective date of such Registration Statement generally will be available for sale in the open market, except shares held by persons subject to the lock-up agreements described above.

Registration Rights

The holders of an aggregate of 1,750,000 shares of Common Stock issued upon conversion of Preferred Stock by the Company pursuant to purchase agreements for Class A and Class B Preferred Stock (collectively, the "Holders") are entitled to certain registration rights with respect to their shares under the Securities Act of 1933, as amended (the "Act"). Such Holders may request that the Company file a registration statement under the Act with respect to such Common Stock, and the Company shall use its best efforts to effect such registration, provided that the aggregate proposed offering price of the shares proposed to be registered is at least $3,000,000 and subject to certain other conditions. The Company is required to effect only one such registration under the terms of the Preferred Stock purchase agreements. Furthermore, whenever the Company proposes to register any of its securities under the Act either for its own account or an account of other security holders exercising registration rights, the Company is required each time to notify each Holder of the proposed registration, and include all Common Stock which such holder may request to be included in such registration; provided, among other things, that an underwriter of the offering has the right to limit the number of such shares being registered.

Transfer Agent and Registrar

The Transfer Agent and Registrar for the Common Stock is Bank of America National Trust and Savings Association.

UNDERWRITING

The Underwriters named below, acting through their representatives, Robertson, Colman & Stephens and L.F. Rothschild, Unterberg, Towbin (the "Representatives"), have severally agreed, subject to the terms and conditions of the Underwriting Agreement, to purchase from the Company and the Selling Shareholders the number of shares of Common Stock set forth opposite their respective names below. The Underwriters are committed to purchase and pay for all such shares if any are purchased.

Name	Number of Shares
Robertson, Colman & Stephens	
L.F. Rothschild, Unterberg, Towbin	
Total	1,600,000

The Company and the Selling Shareholders have been advised by the Representatives that the Underwriters propose to offer the shares of Common Stock to the public at the initial offering price set forth on the cover page of this Prospectus and to certain dealers at such price less a concession of not more than $ per share, of which $ may be reallowed to other dealers. The public offering price, concession and reallowance to dealers may be reduced before or after the date when proceeds are to be paid to the Company and the Selling Shareholders. No such reduction shall change the amount of proceeds to be received by the Company or the Selling Shareholders as set forth on the cover page of this Prospectus.

The Company has granted to the Underwriters an option exercisable during a 30 day period after the date of this Prospectus, to purchase up to 240,000 additional shares of Common Stock at the same price per share as the Company and the Selling Shareholders receive for the 1,600,000 shares which the Underwriters have agreed to purchase. To the extent that the Underwriters exercise such option, each of the Underwriters will have a firm commitment to purchase approximately the same percentage thereof which the number of shares of Common Stock to be purchased by it shown in the above table bears to 1,600,000 and the Company will be obligated pursuant to such option only to cover over-allotments made in connection with the sale of the shares of Common Stock offered hereby. If purchased, additional shares will be sold by the Underwriters on the same terms as those on which the 1,600,000 shares are being sold.

The Underwriting Agreement contains covenants of indemnity among the Underwriters and the Company and the Selling Shareholders against certain civil liabilities including liabilities under the Act.

L.F. Rothschild, Unterberg, Towbin Venture Capital Fund, an affiliate of one of the Underwriters, owns 150,000 shares of the Company's Class B Preferred Stock which shares will automatically convert into 75,000 shares of Common Stock upon the sale of the shares offered hereby.

The Company and all of the Selling Shareholders, all officers and directors and certain other shareholders who together will own approximately 4,470,000 shares of Common Stock of the Company after the offering contemplated hereby have agreed to refrain from selling, for a period of 180 days from the date of the Prospectus, any shares of Common Stock without the prior written consent of the Representatives. See "Description of Capital Stock—Shares Eligible for Future Sale."

The Underwriters do not intend to confirm sales to accounts over which they exercise discretionary authority.

Prior to this offering, there has been no public market for the Common Stock of the Company. Consequently, the initial offering price will be determined through negotiation between the Company and the Representatives of the Underwriters. Among the factors to be considered in such negotiations are prevailing market conditions, price earnings ratios of publicly traded companies that the Company and the Representatives believe to be comparable to the Company, the sales and results of operations of the Company in recent periods, estimates of the business potential of the Company, the present state of the Company's development and the current state of the industry and the economy as a whole. The public offering price range set forth on the cover of this Prospectus is subject to change as a result of market conditions and other factors.

LEGAL MATTERS

The validity of the shares of Common Stock offered hereby will be passed upon for the Company and the Selling Shareholders by Wilson, Sonsini, Goodrich & Rosati, Palo Alto, California. Pillsbury, Madison & Sutro, San Francisco, California, are acting as counsel for the Underwriters in connection with certain legal matters relating to the shares of Common Stock offered hereby.

EXPERTS

The consolidated financial statements, selected financial data and the financial statement schedules included in this Prospectus and the Registration Statement have been so included in reliance on the reports of Coopers & Lybrand, independent certified public accountants, given on the authority of said firm as experts in auditing and accounting.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission, Washington D.C. 20549, a Registration Statement under the Securities Act of 1933, as amended, with respect to the Common Stock offered hereby. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information with respect to the Company and the Common Stock, reference is hereby made to such Registration Statement, exhibits and schedules which may be obtained from the Commission's principal office in Washington, D.C., upon payment of the fees prescribed by the Commission.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors
Software Publishing Corporation
Mountain View, California

We have examined the consolidated balance sheets of Software Publishing Corporation as of September 30, 1983 and 1984, and the related consolidated statements of income, shareholders' equity and changes in financial position for each of the three fiscal years in the period ended September 30, 1984. 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 consolidated financial position of Software Publishing Corporation as of September 30, 1983 and 1984, and the consolidated results of operations and changes in financial position for each of the three fiscal years in the period ended September 30, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

We have also previously examined, in accordance with generally accepted auditing standards, the consolidated balance sheets as of September 30, 1980, 1981, and 1982, and the related consolidated statements of income, shareholders' equity and changes in financial position for the period from April 18, 1980 (date of incorporation) to September 30, 1980 and for the year ended September 30, 1981 (none of which are presented herein); and we expressed unqualified opinions on those consolidated financial statements. In our opinion, the information set forth under "Selected Financial Data" for each of the five fiscal years in the period ended September 30, 1984, appearing on page 8 is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

COOPERS & LYBRAND

San Jose, California
October 15, 1984

SOFTWARE PUBLISHING CORPORATION

CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 1983	September 30, 1984
Current assets:		
Cash and cash equivalents	$2,104,000	$5,275,000
Accounts receivable, net of allowance for doubtful accounts and sales returns of $20,000 and $177,000 in 1983 and 1984	1,916,000	2,583,000
Inventories	322,000	531,000
Prepaid expenses and other current assets	193,000	283,000
Deferred income taxes	8,000	269,000
Total current assets	4,543,000	8,941,000
Fixed assets, at cost, net of accumulated depreciation and amortization	512,000	850,000
Other assets	73,000	157,000
	$5,128,000	$9,948,000

LIABILITIES

	1983	1984
Current liabilities:		
Trade accounts payable	767,000	1,240,000
Accrued profit sharing	153,000	378,000
Accrued commissions	46,000	274,000
Other accrued expenses	48,000	249,000
Income taxes payable	611,000	583,000
Total current liabilities	1,625,000	2,724,000
Commitments (Note 6)		

SHAREHOLDERS' EQUITY

	1983	1984
Preferred stock, no par value:		
Class A: Authorized, issued and outstanding: 2,500,000 shares (aggregate liquidation value of $275,000)	250,000	250,000
Class B: Authorized, issued and outstanding: 1,000,000 shares (aggregate liquidation value of $1,100,000)	1,000,000	1,000,000
	1,250,000	1,250,000
Common stock, no par value: Authorized: 20,000,000 shares; Issued and outstanding: 3,311,554 and 3,344,947 shares in 1983 and 1984	146,000	254,000
	1,396,000	1,504,000
Retained earnings	2,107,000	5,720,000
Total shareholders' equity	3,503,000	7,224,000
	$5,128,000	$9,948,000

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

SOFTWARE PUBLISHING CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended September 30,		
	1982	1983	1984
Revenues	$4,048,000	$10,119,000	$23,464,000
Costs and expenses:			
Cost of sales	959,000	1,600,000	4,566,000
Marketing and sales	994,000	3,865,000	8,046,000
Research and development	558,000	1,310,000	2,970,000
General and administrative	543,000	946,000	1,633,000
Total costs and expenses	3,054,000	7,721,000	17,215,000
Income from operations	994,000	2,398,000	6,249,000
Interest and other income	116,000	162,000	423,000
Income before provision for income taxes	1,110,000	2,560,000	6,672,000
Provision for income taxes	483,000	1,148,000	3,059,000
Net income	$ 627,000	$ 1,412,000	$ 3,613,000
Net income per share	$.13	$.27	$.69
Shares used in computing net income per share	4,810,000	5,179,000	5,270,000

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

SOFTWARE PUBLISHING CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Preferred Stock		Common Stock	Notes Receivable from Shareholders	Retained Earnings	Total
	Class A	Class B				
Balances, October 1, 1981	$250,000		$ 90,000	$(2,000)	$ 68,000	$ 406,000
Issuance of 1,000,000 shares of preferred stock		$1,000,000				1,000,000
Issuance of 162,063 shares of common stock			8,000			8,000
Repurchase of 62,500 shares of common stock			(1,000)			(1,000)
Repayment of notes receivable from shareholders				2,000		2,000
Net income					627,000	627,000
Balances, September 30, 1982	250,000	1,000,000	97,000	—	695,000	2,042,000
Issuance of 74,832 shares of common stock			50,000			50,000
Repurchase of 52,839 shares of common stock			(1,000)			(1,000)
Net income					1,412,000	1,412,000
Balances, September 30, 1983	250,000	1,000,000	146,000	—	2,107,000	3,503,000
Issuance of 36,675 shares of common stock			110,000			110,000
Repurchase of 3,282 shares of common stock			(2,000)			(2,000)
Net income					3,613,000	3,613,000
Balances, September 30, 1984	$250,000	$1,000,000	$254,000	—	$5,720,000	$7,224,000

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

SOFTWARE PUBLISHING CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year Ended September 30,		
	1982	1983	1984
Resources provided:			
From operations:			
Net income	$ 627,000	$1,412,000	$3,613,000
Add depreciation and amortization not requiring working capital	81,000	190,000	294,000
Working capital provided from operations	708,000	1,602,000	3,907,000
Sale of preferred stock	1,000,000	—	—
Sale of common stock	7,000	49,000	108,000
Payment of notes receivable from shareholders	2,000	—	—
	1,717,000	1,651,000	4,015,000
Resources applied:			
Acquisition of fixed assets	274,000	441,000	622,000
Acquisition of other assets	21,000	47,000	94,000
	295,000	488,000	716,000
Increase in working capital	$1,422,000	$1,163,000	$3,299,000
Increase (decrease) in working capital by component:			
Cash and cash equivalents	$1,673,000	$ (4,000)	$3,171,000
Accounts receivable	225,000	1,607,000	667,000
Inventories	(54,000)	282,000	209,000
Prepaid expenses and other current assets	68,000	118,000	90,000
Deferred income taxes	(1,000)	1,000	261,000
Trade accounts payable and accrued expenses	(135,000)	(650,000)	(1,127,000)
Income taxes payable	(354,000)	(191,000)	28,000
Increase in working capital	$1,422,000	$1,163,000	$3,299,000

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

SOFTWARE PUBLISHING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies:**

Principles of Consolidation:

The consolidated financial statements include the accounts of Software Publishing Corporation and its wholly-owned subsidiary, Software Publishing International, a Domestic International Sales Corporation ("DISC"), after elimination of intercompany accounts and transactions.

Revenues:

The Company recognizes revenue, net of allowance for estimated returns, from the sale of personal computer software to independent distributors and retail outlets upon shipment. Revenues derived from royalties pursuant to license agreements with certain computer manufacturers, are recognized as received. Royalty revenues were none, $1,147,000 and $1,506,000 in 1982, 1983 and 1984, respectively.

Inventories:

Inventories are stated at the lower of cost (first-in, first-out basis) or market and are not in excess of net realizable value.

Depreciation and Amortization:

Depreciation of fixed assets is computed using the straight-line method over the estimated useful lives of the related assets (3-7 years). Leasehold improvements are amortized on the straight-line basis over their estimated useful lives or the remaining lease term, if shorter.

Research and Development Expenditures:

Research and development expenditures are charged to operations as incurred.

Income Taxes:

Deferred income taxes are provided to reflect timing differences in reporting certain items for financial statement and income tax purposes.

Investment tax credits are accounted for by the flow-through method.

Net Income Per Share:

Net income per share has been computed using the weighted average number of common and common equivalent (dilutive stock options and convertible preferred stock) shares during each year. Also, in accordance with the accounting rules of the Securities and Exchange Commission, shares issued or options granted in the twelve months prior to September 30, 1984 have been considered outstanding (21,000 shares) or granted (73,000 common equivalent shares) for all periods. The fair value of the Company's stock has been determined by the Board of Directors.

2. **Inventories:**

	1983	1984
Purchased parts	$200,000	$ 292,000
Finished goods	122,000	239,000
	$322,000	$ 531,000

3. **Fixed Assets:**

	1983	1984
Computer equipment	$356,000	$ 681,000
Office furniture and fixtures	391,000	677,000
Leasehold improvements	20,000	31,000
	767,000	1,389,000
Less accumulated depreciation and amortization	(255,000)	(539,000)
	$512,000	$ 850,000

4. Credit Arrangements:

Under a bank line of credit agreement which expires December 31, 1984, the Company may borrow up to $2,000,000 with interest at prime plus ½%. The Company has agreed, among other things, to maintain an average minimum compensating balance of $100,000 and a current ratio of no less than 2:1.

The Company had no borrowings under the line at September 30, 1984.

5. Capital Stock:

Preferred Stock:

Each share of preferred stock is convertible at the shareholder's option into one-half share of common stock, with automatic conversion upon a public offering of common stock with gross proceeds to the Company of at least $3,000,000 at a price per share not less than $6.00. Preferred shareholders have voting rights in proportion to their conversion privileges. In addition, preferred shareholders have certain dividend and liquidation preferences. All preferred shares are redeemable by the Company at any time after April 1, 1988 if not converted.

Common Stock:

The Company has a 1981 Stock Option Plan, as amended, under which 875,000 shares of common stock were reserved for issuance as incentive or nonstatutory options to employees, including officers and directors.

The options under the plan may be granted for periods of up to ten years and at prices not less than fair value at the date of grant as determined by the Board of Directors. Options become exercisable at such times and under such conditions as determined by the Board of Directors. Options currently outstanding are generally exercisable in full immediately, subject to restricted stock purchase agreements under which the Company has the right to repurchase unvested shares upon termination of the employee. The Company's right of repurchase expires over four years from date of grant of the option. At September 30, 1984, 66,063 shares and 300,375 unexercised options, if exercised, were subject to repurchase rights.

Activity under the 1981 Stock Option Plan for fiscal 1982, 1983 and 1984 is as follows:

		Options Outstanding		
	Shares Available for Grant	Number of Shares	Price Per Share	Amount
Balances, September 30, 1981	352,500	132,500	$.02	
Options granted	(126,750)	126,750	$ .02–$ .70	$ 50,975
Options exercised	—	(161,312)	$ .02–$ .50	(7,269)
Balances, September 30, 1982	225,750	97,938	$ .20–$2.60	
Options granted	(141,250)	141,250	$1.00–$2.60	262,550
Options exercised	—	(74,032)	$ .20–$1.20	(48,241)
Options terminated	10,625	(10,625)	$ .20–$1.20	(4,625)
Balances, September 30, 1983	95,125	154,531	$ .20–$2.60	
Additional options made available for grant	250,000	—	—	
Options granted	(213,250)	213,250	$4.00–$6.00	1,245,500
Options exercised	—	(15,975)	$ .50–$2.60	(16,366)
Options terminated	7,188	(7,188)	$1.00–$6.00	(20,113)
Balances, September 30, 1984	139,063	344,618	$ .20–$6.00	

The Company established an employee stock purchase plan in October 1984, for which 250,000 shares of common stock have been reserved for issuance to employees meeting minimum employment criteria. The plan provides that issuance of shares under the plan may not result in the employee's ownership (including options to purchase shares) of 5% or more of total outstanding shares. In addition, the fair value of shares made available to any employee for purchase under the plan may not exceed $25,000 in any calendar year. Employees may participate through payroll deductions in amounts related to their basic compensation. The participant's purchase price is 85% of the lower of fair market value at the beginning or the end of the offering period.

The Company's stock bonus plan, whereby 12,500 shares of common stock had been reserved for grant to employees was terminated in October 1984. The Company issued 900 and 700 shares under the plan in 1983 and 1984, respectively. Compensation expense, based on the fair value of shares at the date of grant, amounted to $1,320 in 1983 and $3,130 in 1984.

Reverse Stock Split:

A one-for-two reverse stock split of common stock was effected in October 1984. Accordingly, all common share and per share data in the financial statements and notes thereto have been retroactively adjusted to reflect the reverse split.

6. Commitments:

The Company leases its office facilities and certain equipment under noncancellable operating leases expiring at various dates through 1989. The lease terms provide that the Company is responsible for maintenance, taxes and insurance.

At September 30, 1984 the aggregate future minimum rental commitment for all noncancellable operating leases was as follows:

1985	$ 803,000
1986	971,000
1987	940,000
1988	64,000
1989	29,000
	$2,807,000

Rent expense for the years ended September 30, 1982, 1983 and 1984 was $145,000, $315,000 and $615,000, respectively.

7. Income Taxes:

The provision for income taxes comprises:

	1982	1983	1984
Current:			
Federal	$376,000	$ 917,000	$2,664,000
State	106,000	232,000	656,000
	482,000	1,149,000	3,320,000
Deferred:			
Federal	(6,000)	(16,000)	(248,000)
State	7,000	15,000	(13,000)
	1,000	(1,000)	(261,000)
	$483,000	$1,148,000	$3,059,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The difference between the actual tax provision and the amount obtained by applying the U.S. federal statutory rate to income before tax is as follows:

	1982	1983	1984
Tax provision at statutory rates	46.0%	46.0%	46.0%
State taxes, net of federal tax benefit	5.2	5.2	5.1
Investment and research and development tax credits	(5.7)	(5.8)	(4.7)
Other	(2.0)	(1.3)	(.5)
	43.5%	44.1%	45.9%

The components of the deferred tax provision are as follows:

	1982	1983	1984
Prepaid advertising costs	$38,000	$50,000	$ 20,000
State franchise taxes	(44,000)	(61,000)	(182,000)
Other	7,000	10,000	(99,000)
	$ 1,000	$(1,000)	$(261,000)

8. **Segment Information:**

Software Publishing Corporation designs, develops and markets software for personal computers principally for sale through retail computer stores and sales arrangements with personal computer manufacturers. The Company conducts its business within one industry segment.

The following customers accounted for 10% or more of total revenues during fiscal years 1982, 1983 and 1984:

	1982	1983	1984
Softsel Computer Products, Inc.	16%	18%	15%
Micro Distributors, Inc.	11%	11%	11%
IBM	(*)	11%	(*)

(*) Less than 10% of total revenues.

FAMILY COMPUTING
Computer Review
BusinessWeek
CHASE'S BATTLE TO CATCH UP
LIST
PERSONAL COMPUTING
Venture
COMPUTER UPDATE
TECH JOURNAL
PERSONAL SOFTWARE
SOPHISTICATED COMMUNICATION CAN BE SURPRISINGLY SIMPLE.
pfs: write
pfs: access
pfs: report
PFS SOFTWARE
THE POWER OF SIMPLICITY
SOPHISTICATED RESULTS CAN COME FROM SIMPLE TOOLS.
pfs: graph
PFS SOFTWARE
THE POWER OF SIMPLICITY.
digital review
DEC-COMPATIBLE PRINTERS
Personal Computer Age
MICRO COMMUNICATIONS
POPULAR COMPUTING
SOFTALK
IT DOESN'T HAVE TO BE COMPLICATED TO BE POWERFUL.
pfs: graph
pfs: file
pfs: write
pfs: access
pfs: report
pfs: proof
PFS SOFTWARE
THE POWER OF SIMPLICITY
THE MOST USEFUL IDEAS ARE OFTEN REMARKABLY SIMPLE.
pfs: file
A SOFTWARE FEAST!
MS-DOS
CP/M

No dealer, salesperson or other person has been authorized to give any information or to make any representations not contained in this Prospectus in connection with the offering made hereby. If given or made, such information or representation must not be relied upon as having been authorized by the Company, the Selling Shareholders or the Underwriters. This Prospectus does not constitute an offer of any securities other than the Common Stock to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction. Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances create an implication that the information contained herein is correct as of any time subsequent to the date hereof.

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Until   , 1985 (90 days after the date of this Prospectus), all dealers effecting transactions in the Common Stock, whether or not participating in this distribution, may be required to deliver a Prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Software Publishing Corporation

1,600,000 Shares

Common Stock

PROSPECTUS

Robertson, Colman & Stephens

L.F. Rothschild, Unterberg, Towbin