Software Publishing Corporation

1901 Landings Drive
Mountain View, CA 94043
415-962-8910

February 21, 1983

Dear Shareholder,

Software Publishing Corporation has completed its fiscal year of 1982. I would like to share with you our financial results and our projections for the future.

In FY82 performance exceeded our original business plan by over 200% in both sales and profits. Actual sales for the period October 1981 through September 1982 were $4,163,813 with profit after tax of $627,067 or 15% of sales. The original business plan written in February 1980 projected sales of $2,090,000 and a net profit of $226,400 or 11% of sales for the same period. FY82 ended with earnings per share of $.06 up from $.01 in FY81. FY82 earnings per share are computed on the basis of 10,079,125 combined shares of common and convertible preferred. This stong performance is continuing in FY83. Sales for the first four months of FY83 are $2,149,487 with profit after tax at 13% of sales. The sales target for FY83 is $9,108,000.

We attribute FY82's success to a very strong market for personal computer software plus on-time introduction of our products. SPC exited FY81 with 2 products, PFS: FILE and REPORT on the APPLE II. SPC exited FY82 with 5 products; FILE and REPORT on the APPLE II and III plus GRAPH on the APPLE II. SPC expects to exit FY83 with 33 products.

Major events for SPC in FY83 include first shipments of FILE and REPORT by the IBM corporation for the IBM personal computer. SPC also has signed volume purchase agreements with TANDY and TEXAS INSTRUMENTS to supply FILE and REPORT for their personal computers. FY83 will also include the introduction of the fourth and fifth members of the PFS series; WRITE and CALC.

Competition is very strong. Our plan is to continue recruiting the most talented people in the industry and to aggressively pursue our new product program. I am confident that Software Publishing Corporation is emerging as one of the leading suppliers of personal computer software.

Best regards,

Fred Gibbons
President

SOFTWARE PUBLISHING CORPORATION AND SUBSIDIARY

REPORT ON EXAMINATIONS OF FINANCIAL STATEMENTS

for the year ended September 30, 1982 and the eleven months ended September 30, 1981

Coopers
&Lybrand

certified public accountants

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

We have examined the consolidated balance sheets of Software Publishing Corporation and Subsidiary as of September 30, 1982 and 1981, and the related consolidated statements of income, shareholders' equity and changes in financial position for the year ended September 30, 1982 and the eleven months ended September 30, 1981. 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 and Subsidiary at September 30, 1982 and 1981, and the consolidated results of their operations and changes in their financial position for the year ended September 30, 1982 and the eleven months ended September 30, 1981 in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

San Jose, California
October 26, 1982

SOFTWARE PUBLISHING CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS, September 30, 1982 and 1981

ASSETS	1982	1981
Current assets:		
Cash and cash equivalents	$2,108,854	$436,026
Accounts receivable, net of allowance for doubtful accounts of $10,000 in 1982	309,112	84,351
Inventories	39,213	93,261
Prepaid expenses	73,771	7,000
Total current assets	2,530,950	620,638
Fixed assets, at cost (Note 2)	246,956	39,734
Other assets	40,504	33,740
	$2,818,410	$694,112

LIABILITIES		
Current liabilities:		
Trade accounts payable	139,125	178,082
Accrued profit sharing	115,565	14,998
Other accrued expenses	109,819	36,965
Income taxes payable (Note 5)	411,831	58,000
Total current liabilities	776,340	288,045

Commitments (Note 6).

SHAREHOLDERS' EQUITY (Notes 3 and 4)		
Preferred stock, no par value:		
Class A; Authorized, issued and outstanding 2,500,000 shares - 1982 and 1981 with a liquidation value of $275,000	250,000	250,000
Class B; Authorized, issued and outstanding 1,000,000 shares - 1982 with a liquidation value of $1,100,000	1,000,000	-
	1,250,000	250,000
Common stock, no par value: Authorized 20,000,000 shares - 1982; issued and outstanding 6,579,125 shares - 1982; 6,380,000 shares - 1981	97,131	90,587
Less notes receivable from shareholders	-	(2,392)
	1,347,131	338,195
Retained earnings	694,939	67,872
	2,042,070	406,067
	$2,818,410	$694,112

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

SOFTWARE PUBLISHING CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

for the year ended September 30, 1982 and
the eleven months ended September 30, 1981

	1982	1981
Revenue:		
Sales	$4,047,558	$717,902
Interest income	116,255	15,304
	4,163,813	733,206
Costs and expenses:		
Costs of sales	959,460	190,811
Marketing	993,622	92,931
Research and development	558,212	104,159
General and administrative	542,886	195,308
	3,054,180	583,209
Income before provision for income taxes	1,109,633	149,997
Provision for income taxes (Note 5)	482,566	51,000
Net income	$ 627,067	$ 98,997

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

SOFTWARE PUBLISHING CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

for the year ended September 30, 1982
and the eleven months ended September 30, 1981

	Preferred Stock Class A	Preferred Stock Class B	Common Stock	Notes Receivable from Shareholders	Retained Earnings (Deficit)	Total
Balances November 1, 1980			$ 7,000		$(31,125)	$ (24,125)
Issuance of 2,500,000 shares of preferred stock	$250,000					250,000
Issuance of 5,680,000 shares of common stock			83,587	$(2,392)		81,195
Net income					98,997	98,997
Balances, September 30, 1981	250,000	-	90,587	(2,392)	67,872	406,067
Issuance of 1,000,000 shares of preferred stock		$1,000,000				1,000,000
Issuance of 324,125 shares of common stock			7,794			7,794
Repurchase of 125,000 shares of common stock			(1,250)			(1,250)
Repayment of notes receivable from shareholders				2,392		2,392
Net income					627,067	627,067
Balances, September 30, 1982	$250,000	$1,000,000	$97,131	$ -	$694,939	$2,042,070

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

SOFTWARE PUBLISHING CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

for the year ended September 30, 1982
and the eleven months ended September 30, 1981

	1982	1981
Resources provided:		
From operations:		
Net income	$ 627,067	$ 98,997
Items not requiring working capital:		
Depreciation and amortization	80,522	18,864
	707,589	117,861
Sale of preferred stock	1,000,000	250,000
Sale of common stock	6,544	81,195
Payment of notes receivable from shareholder	2,392	-
	1,716,525	449,056
Resources applied:		
Acquisition of fixed assets	274,104	47,087
Acquisition of other assets	20,404	39,000
Repayment of note payable to shareholders	-	27,500
	294,508	113,587
Increase in working capital	$1,422,017	$335,469
Increase (decrease) in working capital by component:		
Cash and cash equivalents	$1,672,828	$431,019
Accounts receivable	224,761	78,931
Inventories	(54,048)	91,838
Prepaid expenses	66,771	7,000
Accounts payable and accrued expenses	(134,464)	(215,319)
Income taxes payable	(353,831)	(58,000)
Increase in working capital	$1,422,017	$335,469

The accompanying notes are an integral part of these 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.

Inventories:

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

Depreciation:

Depreciation is computed using the double-declining balance method over the estimated useful lives of the related assets (3-5 years).

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 income for financial statement and income tax purposes.

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

Income taxes are not provided on certain qualified undistributed earnings of the Company's Domestic International Sales Corporation because management intends to permanently utilize such earnings in qualified export activities.

Continued

1. Summary of Significant Accounting Policies, continued:

Fiscal Year:

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

Reclassification of Accounts:

Certain amounts in the 1981 financial statements have been reclassified to conform to the 1982 presentation.

2. Fixed Assets:

At September 30, fixed assets comprised:

	1982	1981
Computer equipment	$130,990	$37,275
Office furniture and fixtures	194,662	14,823
	325,652	52,098
Less accumulated depreciation	(78,696)	(12,364)
	$246,956	$39,734

3. Preferred Stock:

During 1982 the Company's shareholders authorized a second class of preferred stock consisting of 1,000,000 authorized shares of Class B Preferred. In addition, 2,500,000 preferred shares issued in 1981 were redesignated Class A Preferred Stock. Each share of preferred stock entitles the holder to receive annual dividends in an amount equal to the dividend that would be payable, as declared by the Company's Board of Directors, on the number of shares of common stock, into which it is then convertible. Preferred dividends have preference over any dividends that may be declared on the common stock. The preferred stock is convertible at any time to and has the same voting rights as the common stock on a one-for-one basis. The Company may, at any time after April 1, 1988, redeem all of the outstanding shares of the Class A and Class B preferred stock at $.11 and $1.10 per share, respectively, plus any declared and unpaid dividends. In the event of liquidation,

Continued

3. Preferred Stock, continued:

the Class A and Class B preferred shares have a liquidation preference of $.11 and $1.10 per share, respectively, plus all declared and unpaid dividends. Should insufficient assets exist to fully liquidate these shares, the liquidation preference for distribution of available assets will be according to the ratio of the preference rates described above.

4. Common Stock:

During 1982, the Company's shareholders approved an amendment to the Articles of Incorporation which increased the total of the Company's authorized common stock to 20,000,000 shares.

In December 1981, the shareholders approved an amendment to the nonqualified stock option plan to permit the issuance of incentive stock options in accordance with the provisions of the Economic Recovery Tax Act of 1981. The options under the plan are granted to officers and employees of the Company at prices not less than fair market value at the date of grant as determined by the Board of Directors. The shares under option are exercisable over a five-year period and may be exercised in whole or in part at any time subsequent to the date of grant. Exercised shares are subject to repurchase by the Company at the option price upon employee termination. The Company's right of repurchase expires over four years from date of grant. At September 30, 1982, approximately 328,167 shares were subject to the Company's repurchase rights. The Company has reserved 1,000,000 shares of common stock with respect to the stock option plan.

Continued

4. Common Stock, continued:

Activity under the 1981 Stock Option Plan is as follows:

	Shares Available For Grant	Options Outstanding: Number of Shares	Price Per Share	Amount
Plan adopted	1,000,000			
Options granted	(545,000)	545,000	$.01	$ 5,450
Options exercised		(280,000)	$.01	(2,800)
Balance, September 30, 1981	455,000	265,000	$.01	2,650
Options granted	(253,500)	253,500	$.01 - $.35	50,975
Options exercised		(322,625)	$.01 - $.25	(7,269)
Shares repurchased	125,000		$.01	
Balance, September 30, 1982	326,500	195,875	$.01 - $.35	$46,356

In May 1982, the Board of Directors adopted the 1982 Stock Bonus Plan. Under this plan, 25,000 shares of common stock have been reserved for grant to employees, exclusive of officers and directors. Such grants shall be at the discretion of a committee of the Board of Directors. The plan has a term of five years. During 1982, 1,500 shares have been granted under the plan at a fair market value of $.35 per share as determined by the Board of Directors. The Company has charged $525 of compensation expense in 1982 with respect to these grants.

Continued

5. Income Taxes:

The provision for income taxes comprises:

	1982	1981
Current:		
Federal	$376,278	$43,000
State	105,588	15,000
	481,866	58,000
Deferred:		
Federal	(6,300)	(7,000)
State	7,000	-
	700	(7,000)
	$482,566	$51,000

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

	1982	1981
Tax provision at statutory rates	46.0%	46.0%
Effect of graduated rates	(1.7)	(11.5)
State taxes, net of federal tax benefit	5.2	5.3
Research and development tax credit	(3.7)	(4.0)
Investment tax credit	(2.0)	(2.5)
DISC income	(.7)	-
Other	.4	.7
	43.5%	34.0%

The components of the deferred tax provision are as follows:

	1982	1981
Prepaid advertising costs	$38,000	-
DISC income	6,700	-
State franchise taxes	(44,000)	$(7,000)
	$ 700	$(7,000)

The accumulated net income of the Company's DISC subsidiary for which no provision for income taxes has been made is $18,000 at September 30, 1982.

Continued

6. Commitments:

The Company rents office facilities under an operating lease which expires August 31, 1987. The Company is responsible for maintenance, taxes and insurance on the facility. Future annual lease payments are $255,748 (1983), $278,448 (1984 through 1986), and $255,244 (1987). Rent expense for the year ended September 30, 1982 and the eleven months ended September 30, 1981 was $145,035 and $9,421, respectively.

7. License Agreement:

The Company has entered into an agreement with a major manufacturer of microcomputers under which a nonexclusive license to use and market certain software materials developed by the Company has been granted to the manufacturer. Under the terms of the agreement, the licensee will pay the Company certain fixed royalties for each sale of the licensed software through the licensee's marketing channels. In addition, the agreement calls for $180,000 of advanced royalties to be paid during the period of software development and acceptance testing. As of September 30, 1982, $60,000 of such advanced royalties had been paid to the Company and included in accrued expenses as deferred revenue to be recognized ratably over future sales under the license agreement.