



Software Publishing Corporation

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

November 11, 1983

Dear Shareholder,

Enclosed is the announcement of Software Publishing Corporation's Annual Shareholder Meeting.

Included with the announcement is a Proxy Statement and Proxy. Please use the Proxy to vote your shares, and please indicate on page two whether you'll attend the Shareholder Meeting on December 14th. Then sign and return the Proxy in the enclosed envelope. Or, if you are an employee, please return the Proxy to my office.

We do not yet have financial statements for FY83 from Coopers & Lybrand. As soon as they are available, I will send copies to you.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Kathleen A. Bailey".

Kathleen A. Bailey
Controller

SOFTWARE PUBLISHING CORPORATION
NOTICE OF ANNUAL MEETING OF
SHAREHOLDERS

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Software Publishing Corporation (the "Corporation"), a California corporation, will be held on December 14, 1983, at 3:00 p.m., at Rickey's Hyatt House, 4219 El Camino Real, Palo Alto, California, for the purpose of considering and acting upon the following proposals:

1. To amend Article I, Section 2 of the Bylaws of the Corporation to increase the number of directors to seven (7).

2. To elect directors to serve for the ensuing year and until their successors are elected.


The Corporation's Bylaws, as amended, provide for seven (7) directors and it is planned that a board of five (5) directors will be elected at the meeting. Management's nominees are: Janelle Bedke, Fred Gibbons, Bob Maxfield, John Page and Thomas A. Tisch. Two vacancies shall exist.

3. To ratify the appointment of Coopers & Lybrand as independent public accountants for the Corporation for the fiscal year ending September 30, 1984.

4. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only shareholders of record at the close of business on October 17, 1983 are entitled to notice of and to vote at the meeting.

THE BOARD OF DIRECTORS OF
SOFTWARE PUBLISHING CORPORATION



Fred Gibbons, President

SOFTWARE PUBLISHING CORPORATION AND SUBSIDIARY

REPORT ON EXAMINATIONS OF FINANCIAL STATEMENTS
for the years ended September 30, 1983 and 1982

**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, 1983 and 1982, and the related consolidated statements of income, shareholders' equity and changes in financial position for the years then ended. 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, 1983 and 1982, and the consolidated results of their operations and changes in their financial position for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers + Lybrand

San Jose, California
October 28, 1983

SOFTWARE PUBLISHING CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS, September 30, 1983 and 1982

ASSETS

	<u>1983</u>	<u>1982</u>
Current assets:		
Cash and cash equivalents	\$1,230,274	\$1,568,794
Bank certificates of deposit, at cost which approximates market value	874,296	540,060
Accounts receivable, net of allowance for doubtful accounts of \$20,000 and \$10,000 in 1983 and 1982	1,915,793	309,112
Inventories (Note 2)	321,603	39,213
Prepaid expenses	<u>193,079</u>	<u>73,771</u>
Total current assets	4,535,045	2,530,950
Fixed assets, at cost (Note 3)	511,799	246,956
Other assets	<u>73,975</u>	<u>40,504</u>
	<u>\$5,120,819</u>	<u>\$2,818,410</u>

LIABILITIES

Current liabilities:		
Trade accounts payable	767,343	139,125
Accrued profit sharing	153,427	115,565
Other accrued expenses	93,485	109,819
Income taxes payable (Note 9)	<u>603,073</u>	<u>411,831</u>
Total current liabilities	<u>1,617,328</u>	<u>776,340</u>

Commitments (Note 7).

SHAREHOLDERS' EQUITY
(Notes 5 and 6)

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)	<u>1,000,000</u>	<u>1,000,000</u>
	1,250,000	1,250,000
Common stock, no par value:		
Authorized: 20,000,000 shares;		
Issued and outstanding: 6,623,111 and 6,579,125 shares in 1983 and 1982	145,992	97,131
	<u>1,395,992</u>	<u>1,347,131</u>
Retained earnings	<u>2,107,499</u>	<u>694,939</u>
	<u>3,503,491</u>	<u>2,042,070</u>
	<u>\$5,120,819</u>	<u>\$2,818,410</u>

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

SOFTWARE PUBLISHING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
for the years ended September 30, 1983 and 1982

	<u>1983</u>	<u>1982</u>
Revenue:		
Sales	\$ 8,972,663	\$4,047,558
Royalty income (Note 8)	1,146,725	-
Interest and other income	161,986	116,255
	<u>10,281,374</u>	<u>4,163,813</u>
Costs and expenses:		
Cost of sales	1,600,308	959,460
Marketing	3,865,013	993,622
Research and development	1,310,256	558,212
General and administrative	945,756	542,886
	<u>7,721,333</u>	<u>3,054,180</u>
Income before provision for income taxes	2,560,041	1,109,633
Provision for income taxes (Note 9)	1,147,481	482,566
Net income	<u>\$ 1,412,560</u>	<u>\$ 627,067</u>

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

SOFTWARE PUBLISHING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
for the years ended September 30, 1983 and 1982

	<u>Preferred Stock</u>		<u>Common Stock</u>	<u>Notes Receivable from Shareholders</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Class A</u>	<u>Class B</u>				
Balances, October 1, 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
Issuance of 149,663 shares of common stock			50,255			50,255
Repurchase of 105,677 shares of common stock			(1,394)			(1,394)
Net income					1,412,560	1,412,560
Balances, September 30, 1983	<u>\$250,000</u>	<u>\$1,000,000</u>	<u>\$145,992</u>	<u>-</u>	<u>\$2,107,499</u>	<u>\$3,503,491</u>

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 years ended September 30, 1983 and 1982

	<u>1983</u>	<u>1982</u>
Resources provided:		
From operations:		
Net income	\$1,412,560	\$ 627,067
Add depreciation and amortization not requiring working capital	<u>189,541</u>	<u>80,522</u>
Working capital provided from operations	1,602,101	707,589
Sale of preferred stock	-	1,000,000
Sale of common stock	48,861	6,544
Payment of notes receivable from shareholder	<u>-</u>	<u>2,392</u>
	<u>1,650,962</u>	<u>1,716,525</u>
Resources applied:		
Acquisition of fixed assets	441,385	274,104
Acquisition of other assets	<u>46,470</u>	<u>20,404</u>
	<u>487,855</u>	<u>294,508</u>
Increase in working capital	<u>\$1,163,107</u>	<u>\$1,422,017</u>
Increase (decrease) in working capital by component:		
Cash and cash equivalents	(338,520)	1,482,768
Bank certificates of deposit	334,236	190,060
Accounts receivable	1,606,681	224,761
Inventories	282,390	(54,048)
Prepaid expenses	119,308	66,771
Trade accounts payable and accrued expenses	(649,746)	(134,464)
Income taxes payable	<u>(191,242)</u>	<u>(353,831)</u>
Increase in working capital	<u>\$1,163,107</u>	<u>\$1,422,017</u>

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

SOFTWARE PUBLISHING CORPORATION AND SUBSIDIARY
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.

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 double-declining balance method over the estimated useful lives of the related assets (3-5 years). Leasehold improvements are amortized on the straight-line basis over the remaining term of the lease.

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.

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.

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SOFTWARE PUBLISHING CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Inventories:

	<u>1983</u>	<u>1982</u>
Purchased parts and components	\$199,610	\$ 9,885
Finished goods	<u>121,993</u>	<u>29,328</u>
	<u>\$321,603</u>	<u>\$39,213</u>

3. Fixed Assets:

	<u>1983</u>	<u>1982</u>
Computer equipment	\$355,975	\$130,990
Office furniture and fixtures	391,056	194,662
Leasehold improvements	<u>20,005</u>	<u>-</u>
	767,036	325,652
Less accumulated depreciation and amortization	<u>(255,237)</u>	<u>(78,696)</u>
	<u>\$511,799</u>	<u>\$246,956</u>

4. Credit Arrangements:

Under a bank line of credit agreement which expires December 31, 1983, the Company may borrow up to \$1,000,000 with interest at prime plus 5/8%. The Company has agreed to maintain an average minimum compensating balance of \$150,000, a current ratio of no less than 2:1 and tangible net worth in excess of \$2,000,000.

The Company had no borrowings under the line as of September 30, 1983.

5. 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

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SOFTWARE PUBLISHING CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

5. Preferred Stock, continued:

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, 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.

6. Common Stock:

The Company has an Incentive Stock Option Plan under which 1,000,000 shares of common stock were reserved for issuance as incentive or nonstatutory options to officers, directors and employees.

The options under the plan are granted 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 generally exercisable over a four-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, 1983, approximately 278,000 exercised options were subject to the Company's repurchase rights.

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SOFTWARE PUBLISHING CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

6. Common Stock, continued:

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

	Shares Available For Grant	Options Outstanding		
		Number of Shares	Price Per Share	Amount
Balances, 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	<u>125,000</u>			
Balances, September 30, 1982	326,500	195,875	\$.01 - \$.35	46,356
Options granted	(282,500)	282,500	\$.50 - \$1.90	262,550
Options exercised		(148,063)	\$.10 - \$.60	(49,490)
Options terminated	21,250	(21,250)	\$.10 - \$.60	(4,625)
Shares repurchased	<u>105,677</u>			
Balances, September 30, 1983	<u>170,927</u>	<u>309,062</u>	\$.01 - \$1.90	<u>\$254,791</u>

The Company has a stock bonus plan whereby 25,000 shares of common stock have been reserved for grant to employees, exclusive of officers and directors, as determined by a committee of the Board of Directors. The plan was adopted in 1982 and has a term of five years. The fair market value of shares at the date of grant is charged to compensation expense.

The Company issued 1,600 and 1,500 shares, respectively in 1983 and 1982. Compensation expense amounted to less than \$1,000 in each year.

7. Commitments:

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

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SOFTWARE PUBLISHING CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

7. Commitments, continued:

At September 30, 1983 the aggregate future minimum rental commitment for all noncancellable operating leases was as follows:

1984		\$ 477,500
1985		491,500
1986		491,500
1987		455,200
1988		56,000
1989		14,000
		<u>\$1,985,700</u>

Rent expense for the years ended September 30, 1983 and 1982 was \$310,733 and \$145,035, respectively.

8. License Agreement:

The Company has licensed certain of its products to a micro-computer manufacturer for a fixed royalty for each sale made by such manufacturer.

9. Income Taxes:

The provision for income taxes comprises:

	<u>1983</u>	<u>1982</u>
Current:		
Federal	\$ 916,681	\$376,278
State	<u>232,000</u>	<u>105,588</u>
	<u>1,148,681</u>	<u>481,866</u>
Deferred:		
Federal	(16,300)	(6,300)
State	<u>15,100</u>	<u>7,000</u>
	<u>(1,200)</u>	<u>700</u>
	<u>\$1,147,481</u>	<u>\$482,566</u>

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SOFTWARE PUBLISHING CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

9. Income Taxes, 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:

	<u>1983</u>	<u>1982</u>
Tax provision at statutory rates	46.0%	46.0%
Effect of graduated rates	(1.0)	(1.7)
State taxes, net of federal tax benefit	5.2	5.2
Research and development tax credit	(4.7)	(3.7)
Investment tax credit	(1.1)	(2.0)
DISC earnings not subject to federal tax	(.8)	(.7)
Other	<u>.5</u>	<u>.4</u>
	<u>44.1%</u>	<u>43.5%</u>

The components of the deferred tax provision are as follows:

	<u>1983</u>	<u>1982</u>
Prepaid advertising costs	\$49,900	\$38,000
DISC dividend not deemed declared	10,300	6,700
State franchise taxes	<u>(61,400)</u>	<u>(44,000)</u>
	<u>\$(1,200)</u>	<u>\$ 700</u>

The accumulated net income of the Company's DISC subsidiary for which no provision for income taxes has been made was \$62,000 at September 30, 1983.

plied by the number of directors who are to be elected, and he may cast all such votes for a single director or may distribute them along the number to be voted for, or for any two or more of them, as he sees fit.

AMENDMENT TO BYLAWS

The Corporation's Bylaws currently provide for five (5) directors. It is proposed that Article I, Section 2 be revised as set forth below to increase the number of authorized directors to seven (7).

"The authorized number of directors shall be seven (7) until changed by a duly adopted amendment to the articles of incorporation or by an amendment to this bylaw adopted by the vote or written consent of holders of a majority of the outstanding shares entitled to vote; provided, however, that an amendment reducing the number of directors to a number less than five (5) cannot be adopted if the votes cast against its adoption at a meeting, or the shares not consenting in the case of action by written consent, are equal to more than sixteen and two-thirds percent (16-2/3%) of the outstanding shares entitled to vote thereon."

NOMINATIONS AND ELECTION OF DIRECTORS

Five (5) directors of the Corporation are to be elected to serve for the ensuing year and until their successors are elected and qualified. All of the nominees named below are members of the present board of directors. It is intended that unless another nominee is named, votes pursuant to the proxy solicited by management will be cast for the named nominees. In the event that a nominee for director shall become unavailable, it is intended that votes under the proxies will be cast for such substitute nominees as may be nominated by the board of directors.

Set forth below is the name of each nominee and his principal occupation:

<u>Name</u>	<u>Occupation</u>
Janelle Bedke	Vice President and Secretary of the Corporation
Fred Gibbons	President and Chief Financial Officer of the Corporation

Robert Maxfield	Executive Vice President, Rolm Corporation
John Page	Vice President of the Corporation
Thomas A. Tisch	Venture Capitalist

Two vacancies shall exist.

APPOINTMENT OF AUDITOR

The approval of the appointment by management of Coopers & Lybrand as independent public accountants for the Corporation for the fiscal year ending September 30, 1984 will be presented for ratification.

OTHER BUSINESS

The board of directors knows of no business which will be presented for consideration at the annual meeting other than as stated in the notice of meeting. If, however, other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying form of proxy to vote the shares represented thereby on such matters in accordance with their best judgment.

PERSONS MAKING THE SOLICITATION

This solicitation of proxies is made on behalf of the management of the Corporation and the cost thereof will be borne by the Corporation.

By Order of the Board of Directors



Fred Gibbons, President