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# **Tymshare, Inc.**

## **1976 Annual Report**

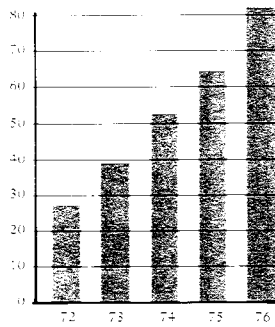
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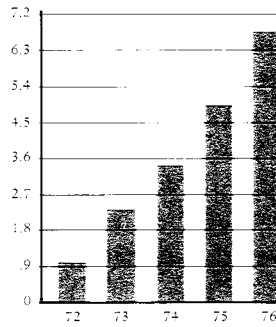
“Cupertino, Calif., February 28, 1977—  
Tymshare, Inc. today reported consoli-  
dated revenues of \$81.8 million and net  
income of \$6.7 million, or \$1.55 per share,  
for the year ended December 31, 1976...”

## Five-Year Highlights

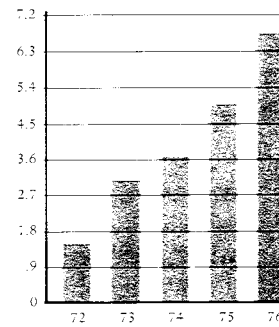
**Revenue**  
in millions of dollars



**Income After Taxes**  
in millions of dollars



**Net Income**  
in millions of dollars



(In Thousands of Dollars)	Years Ended December 31,				
	1972	1973	1974	1975*	1976*
Revenue	\$27,175	\$39,513	\$52,602	\$64,412	\$81,837
Income after taxes	973	2,292	3,434	4,969	6,713
Net income	1,617	2,973	3,638	5,094	6,713
Earnings per share					
Before extraordinary items	\$.25	\$.58	\$.86	\$1.19	\$1.55
Extraordinary items	.16	.17	.05	.03	—
Net income	\$.41	\$.75	\$.91	\$1.22	\$1.55

\*Quarterly breakdown of revenues and income for 1976 and 1975 is presented on page 27 in chart and tabular form.

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## To Our Shareholders

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The events and results of 1976 add up to a continuation of the financial progress and expanding business base which characterized Tymshare's first decade. The financial highlights which follow are based on restated 1975 figures reflecting changes brought about by acquisitions made during 1976 which were accounted for as poolings-of-interest:

- Revenues rose to approximately \$81.8 million, a 27 percent increase over the \$64.4 million level for 1975.

- Net income in 1976 reached \$6.7 million, equal to \$1.55 per share, compared with \$5.1 million or \$1.22 per share a year earlier. This represents a 32 percent gain in net income.

- Shareholders' equity investment for 1976 reached \$30.5 million, an increase of 38 percent over the 1975 level of \$22.1 million, further indication of the fundamental financial strength of the Company.

We believe that the direction of Tymshare's business over the past year reflects to some extent the changing dynamics of our industry and our marketplace. For several

years now, the senior management of the Company and I have devoted a great deal of time and effort to developing a long-range planning program to guide us in making decisions—decisions that will ensure the growth and vitality of Tymshare far into the future.

In a dynamic and growing industry such as ours, this requires that we anticipate changes in customer needs and market opportunities far enough in advance to enable us to develop products, and have the right organization in place, to take advantage of these changes when the opportunity arrives.

To assist us in this planning process, we have enlisted the aid of several outside researchers and market analysts. An example of such an independent source is the summary report on our industry which we asked Peter Cunningham, President of INPUT, a leading market research organization specializing in our industry, to prepare for inclusion in our 1976 Annual Report.

Reports such as this, coupled with our own research and experience, have led us to adopt a series of strategies over the years that will equip our Company with the tools needed now and in the future to make certain that we will continue to be a major factor in the computer service industry.

The cornerstone for this strategy is internal growth—taking what we have, making it better, and demonstrating to more and more prospects

the benefits of our service to them. To ensure continued success in this, we at Tymshare expend considerable time and money to maintain and expand this built-in momentum. In 1976, when compared with 1975 results before restatement for poolings, this effort accounted for the major part of our revenue increase.

Another important element of our growth strategy is broadening our business base by introducing services directed at new and growing markets. Quite often this involves acquiring proven products and market knowledge that could take several years and considerable expense if we were to develop this internally. Last year, acquisitions accounted for approximately one-third of our revenue gain, but they will contribute an increasing influence on internal growth as we merge these services into our remote access computing technology.

Another area of major growth will come from our own development projects designed to take advantage of minicomputers and/or intelligent terminals. The rapid decline in the cost of these devices enables us to greatly expand our service offerings beyond the communications terminal. We can now move onto our customers' premises with a fully integrated package of system design, including specialized software, hardware, and software maintenance, along with data communications and instant online computer backup support. We believe this new market opportunity will be almost as revolutionary as the introduction of time-shared computers 8 to 10 years ago.

Our challenge now is to exploit these new business opportunities by applying our technology, marketing skills, and financial strength, to take advantage of them as we have with our existing service products. To do this rapidly and effectively, we made a change in our marketing organization and management structure last year to take advantage of these new market areas.

This new structure recognizes the increasingly specialized nature of our evolving product line and of our marketplace, and enables us to more readily focus our efforts in product development, marketing,



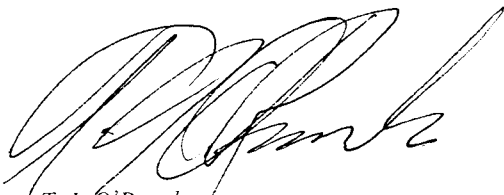
and customer support on the special needs of our various market sectors.

The ability to deliver specialized products and services, geared to the particular problems of differing business applications and business lines, will be increasingly instrumental in continued success in the computer services industry. This specialization is an important underlying force in shaping Tymshare's business direction as we move through our second decade.

We are moving aggressively from our traditional business base, to penetrate selected new market sectors with significant potential, and to further improve our financial, technical, and management resources which are so vital to continued growth in the years ahead.

Finally, I want to express my sincerest appreciation to each of our 1500 dedicated employees who made 1976 such a rewarding and productive year. It is only because of their professionalism and ability to meet new challenges that Tymshare has achieved its successes of the past and is moving with confidence and expanded capability into the future of our exciting industry. And, as always, we at Tymshare recognize and welcome the interest and support of our shareholders as we build that future.

We hope that the following chronicle and commentary on the major events of the year enables you to share in the active, successful year forged by Tymshare people in 1976.



T. J. O'Rourke  
President and Chairman of the Board

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### *In 1976, our Company . . .*

*launched its second decade as a growing, profitable business with record revenues . . .*

*restructured marketing operations to address new opportunities in the changing marketplace . . .*

*integrated acquired people, products, and services which represent additional specialized expertise . . .*

*expanded industry-oriented product development, marketing, and customer support . . .*

*broadened the foundation to serve banking and financial institutions . . .*

*deepened penetration into manufacturing and production control applications with new OPUS version of our highly successful MAGNUM information management system . . .*

*introduced new systems and services for data base management and personnel applications as part of our TYMCOM-370 product line . . .*

*obtained Federal Communications Commission approval to offer common carrier communications service through Tymnet, Inc. . . .*

*completed new joint ventures overseas for West German and Japanese affiliates to provide Tymshare services . . .*

*gained additional customers and contracts for our maintenance and refurbishment services in support of installed computer systems . . .*

*and added four new models to our expanding line of terminal products.*

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# Reorganization, Acquisitions Signal Stepped-up Emphasis on Specializing Products, Services for Growth Markets

"Cupertino, Calif., August 23—Tymshare, Inc., major international computer services corporation, has completed a broad-ranging reorganization of its 400-person marketing operations to accommodate the company's continuing rapid growth and increasing specialization into selected industries and application areas. Ronald W. Braniff, Tymshare marketing vice president and general manager, said the realignment involves . . ."

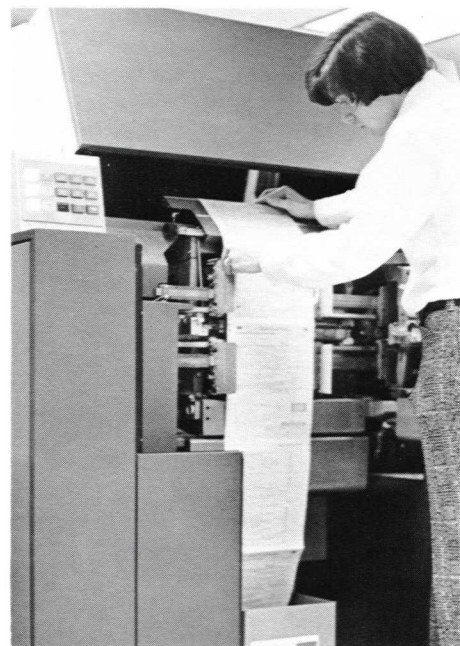
Three marketing subdivisions were created in this mid-year realignment to give increased impetus and direction to specific applications in selected business management functions, high-growth industry market sectors, and lines of business. The new subdivisions are Information Services, Industry Services, and Marketing Services.

The Information Services unit provides remote computer services to thousands of customer organizations through some 50 sales offices coast to coast. This division offers services to several major markets, financial institutions, national accounting firms, petrochemical companies, telephone utilities, and government organizations.

The new Industry Services Division serves the requirements of selected specialized industries and business sectors, currently including accounting firms for computerized income tax processing, cable TV operators, fuel oil dealers and distributors, hospitals and health care institutions, and travel agencies. Separate, specialized sales and customer support personnel and facilities serve each of these market sectors.

Marketing Services is the headquarters organization responsible for product planning, marketing, and support, as well as training, marketing documentation, terminal equipment marketing, and personnel development.

Veteran Tymshare marketing executives were named to manage the three new groups. The reorganization also provided several opportunities for experienced field sales managers to assume greater responsibility at regional, area, and branch office levels. Tymshare's longstanding practice of developing and promoting from within assures continuity and continuing professionalism as the new organization structure takes hold. ■



**TAX FORMS** rolled off high-speed printers at Tymshare data centers in record numbers in 1976, most successful year ever for the Company's computerized tax services. Unitax acquisition broadens customer and business base in this fast-growing market.

valuable experience of this large market for computer services on board immediately, as well as its roster of hospital applications products, computer center, and dedicated systems and customer support capability. Services will be expanded throughout the country, and a specialized nationwide marketing and sales force will sell these services in all major geographic markets.

## Acquisitions Extend Depth and Scope of Services for Specific Market Areas

"Cupertino, Calif., February 24—Tymshare, Inc. announced today that it has entered into an agreement in principle to acquire the business and operations of Medical Data Systems, Inc., Mahwah, N.J. . . ."

Tymshare completed the acquisition of Medical Data Systems June 2. MDS specializes in providing data processing services to professionals in the health care industry, with proven systems for financial, accounting, and administrative applications in hospitals. The acquisition joins the special expertise of MDS with Tymshare's extensive computer and communications resources for national distribution of health care systems and services.

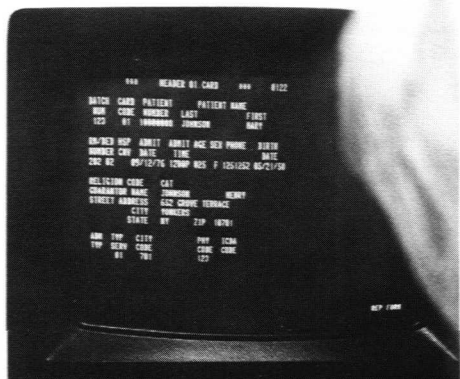
More than 100 MDS technical, operations, and marketing personnel joined Tymshare with the acquisition, bringing

## Unitax Shareholders Agree to Acquisition by Tymshare

"Cupertino, Calif., September 1—Tymshare, Inc. has completed the acquisition of Unitax, Inc., Anaheim-based supplier of low-cost computerized tax processing services, following overwhelming approval of the acquisition yesterday by Unitax shareholders . . ."

The primary market for Unitax services has been in California, although there also have been sales activities in certain other western and midwestern markets. The potential market for Unitax service spans the entire country.

Unitax low-cost product is highly complementary to Tymshare's well established Dynatax computerized income tax processing services, which are offered through a specialized sales force in most major areas of the country. The combined scope of services represented now by Unitax and Dynatax offerings provides customers and prospects a wide range of options in features and prices from a single, national service supplier. Already a large submarket for computer services, tax processing growth potential is viewed



**TYMSHARE MEDICAL SYSTEMS** brings advanced computer services and techniques to the nation's hospitals. In-hospital data terminals facilitate preparation of, and access to, patient and hospital records. Important target of hospital computerization: containing soaring costs of institutional health care.



as being extremely promising by industry observers.

With the acquisition of Unitax, Tymshare becomes one of the largest tax service suppliers in the country and is well positioned to pursue the potential of this market.

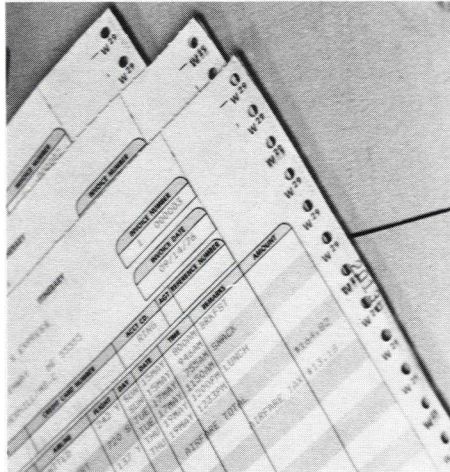
## Western 29 Entry Vehicle to Travel Industry

It was announced June 29 that Tymshare had acquired Western Twenty Nine, Inc., a San Francisco-based company, which had been providing remote computer services for the travel industry for more than four years in the United States and Canada. "System 29" service frees travel agents from the time- and dollar-consuming process of preparing tickets, itineraries, and invoices for customers. Instead, such transactions are handled via a computer terminal for production of such documents in seconds.

Management and accounting reports and other key banking and business records also are available as a by-product of the travel transaction, with the com-

puter retaining data necessary for such purposes.

Future growth in computer services for the travel industry, through arrangements and interconnections with travel associations and airlines, will be a key aspect of future business development in this market.



**INSTANT ITINERARY** is just one of the benefits to travel agents and their clients with Tymshare travel services, now being expanded to meet new needs.

## SDP Acquisition Extends Fuel Dealer Services

"Cupertino, Calif., October 7—Tymshare, Inc. announced today that shareholders of Simplified Data Processing, Inc. have approved an agreement reached August 11, 1976 for the merger of Simplified into Tymshare . . ."

Simplified, based on Long Island, N.Y., provides on-line Telefuel service for fuel oil distributors, giving customers direct terminal query capability to their accounting and management information. This service is a very compatible extension of Tymshare's Computafuel batch data processing service sold to this same market.

This transaction, which creates a broader product line, is expected to strengthen Tymshare's position as a prime vendor of computer services to the fuel oil distribution industry. Fuel industry marketing specialists operating out of key processing and customer service locations in the prime market centers are among the most knowledgeable in the business. ■

## INDUSTRY ASSESSMENT

By Peter Cunningham, President of INPUT

### The Changing Nature of the Computer Environment

The most fundamental change affecting the EDP world is that the computer is no longer the unknown and unknowable "black box." Managers know what can be obtained from these machines, and even how to get it. EDP departments are thus faced with users who are knowledgeable and demanding that their needs be met, or they will look elsewhere.

These demands mean the backlog of development work is greater than ever before. Furthermore, the applications requirements are increasingly complex: users want systems that are both sophisticated and flexible; they want information available on demand in a form they can understand.

The choice of solutions facing EDP managers is also complex and is changing more rapidly. It is no longer just a question of which computer to select. EDP managers must decide the size of computers to use (mini, midi, and/or maxi), level of intelligence in their terminals, languages, line speeds, network protocol, and levels of securi-

ty, among other items, all in a framework of rapid changes in technology.

Furthermore, computers, communications, and automation, including office automation, are coalescing. This increases and distributes the use of computers in organizations.

Another choice confronting EDP managers is selection from the many available computer services options.

Well, does the actual choice matter? Increasingly it does. EDP is no longer merely a "back room" operation performing routine functions effectively and efficiently; in many organizations, EDP is now an essential part of the business, affecting the ability of the enterprise to compete and survive.

### The Changing Nature of Computer Services

Computer services companies have also responded to change and, in some cases, have initiated it. In the 1960s, they were mainly selling utility services, programmers, machine time, and computer management capabilities. Some companies

were selling business services, such as accounting and payroll services. In ten years, the situation has changed drastically.

There are now a wide variety of specialized services supporting activities such as reservations, real estate listings, tax analysis, pension fund accounting, credit analysis, and market research. Such services have their own value: the fact that computers enable them to exist is of secondary importance to users.

Arrays of standard business services and products have been built which service the accounting, sales, and operational needs of many sizes and types of organizations. These services range from software packages for use on in-house equipment to packaged processing services which allow many companies to enjoy the benefits of computers without the problems of ownership.

Vendors today have computer tools, experience, and expertise which enable them to be increasingly effective in rapidly delivering applications for users. As the complexity of computer systems in-

(Continued)



# Tymshare Aims at 370-Based Market for Data Management and Analysis

"Cupertino, Calif., September 9—Tymshare has released a proprietary new data base management system called FOCUS for the company's IBM 370-based remote computer services product line. The new system combines large-scale data base management systems capability for the knowledgeable data processing professional with simplified reporting and information analysis for the nonprogrammer..."

With the addition of this new DBMS capability, the Tymshare family of information management, analysis, and reporting products and services now represents the most comprehensive service capability being offered for the huge 370-compatible market. The combination of technical design and user features makes the new system extremely complementary to in-house data management and analysis, both by data processing professionals and



TORONTO NEW TOWN developer, Cadillac Fairview Corp., Ltd., Canada's largest integrated real estate development company, uses Tymshare's FOCUS system for planning and analyzing land use yield in 7800-acre Erin Mills new community project. Residential areas like this will house some 170,000 people.

by nonprogrammers concerned with their unique applications requirements.

Release followed the most extensive preannouncement field testing program ever in preparation for release of a new Tymshare product. Some 50 users were employing the new system prior to commercial release in applications ranging from administrative functions such as personnel management and reporting through market research, planning and analysis, to manufacturing inventory and production control, and project status and control functions.

Immediate and widespread market acceptance of the new system quickly placed FOCUS among Tymshare's premier information management products. Tymshare's MAGNUM system for data base applications, introduced in 1975, experienced continuing rapid revenue growth in 1976. These two major new systems head a product line of data base management systems which position Tymshare as the industry leader in serving the needs of the large and growing marketplace for data base applications systems and services.

FOCUS was developed by Information Builders, Inc. ■

## INDUSTRY ASSESSMENT (Continued)

creases, so does the need for these resources.

As a result, the computer services industry reached a level of over \$5 billion a year in 1976. INPUT expects this to grow to more than \$11 billion a year by 1981, showing an average annual growth rate of 16%.

Two segments of the computer services industry are expected to grow faster than the industry average: the specialty applications segment in processing services, and the software products segment, both of which should show a 19-20% rate of growth annually through 1981.

### Where Will Computer Services Go?

In few of their markets have computer services vendors achieved saturation; in many, penetration is relatively small. Also, their activities have been aimed at limited segments of the business services market.

Therefore, considerable growth will come from services similar to the present. Vendors also will expand into services which, although computer dependent, are not normally considered computer services, such as tax form preparation and economic forecasting.

Computer services vendors will continue to provide specialized computer tools and skills which organizations cannot afford individually.

The present differentiation between services, such as "remote batch," "batch," and "time sharing," will disappear by 1980 and be replaced by industry and functional specialization differentiation. Vendors will be viewed as specialists, such as general business specialists, construction engineering specialists, CPA support firms, or personnel support specialists.

Consolidation in the industry through mergers and acquisitions will continue. However, the spread of computers and their applications will spawn many small specialized companies.

### What Must Computer Services Companies Do?

Successful companies of the future must:

- Remain at the forefront of technology by working closely with equipment and software vendors.
- Provide integrated service capability not tied to a single manufacturer or type of hardware; this will enable them to choose and use

the hardware and software most appropriate for the job.

- Concentrate on specific industries, applications, and functions so that their expertise is foremost in those areas.

- Select these carefully; the costs of specialization are high and companies must not spread their resources too thin.

- Emphasize services to industries where an efficient EDP function is an essential part of the competitive posture of the companies in those industries.

- Concentrate primarily on the rapidly growing domestic markets.

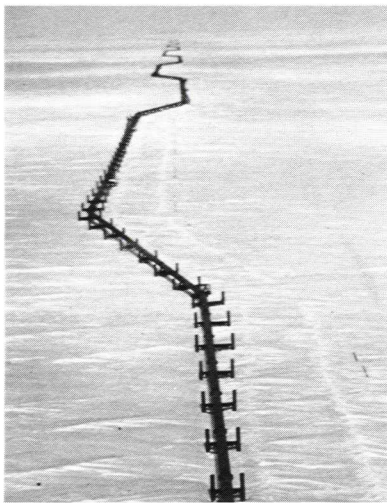
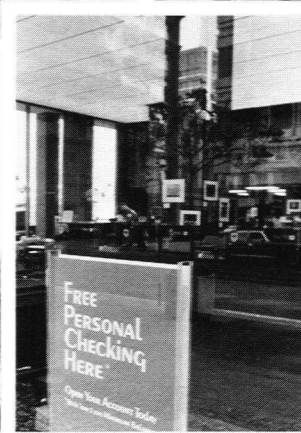
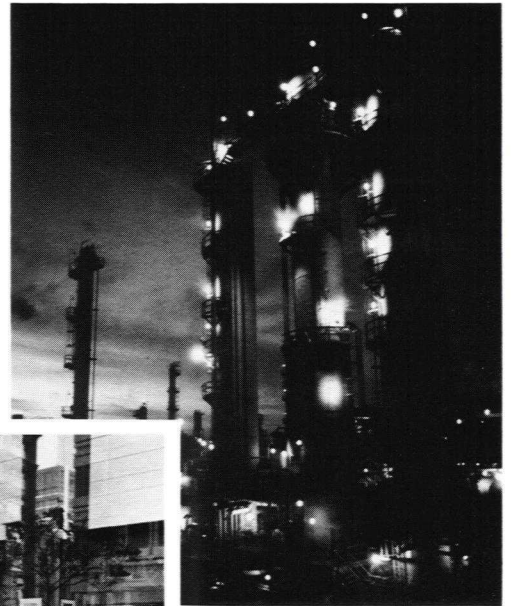
- Use overseas markets to leverage successful products developed for the domestic market.

- Obtain a larger segment of the "EDP pie" by deeper penetration of mainstream business activities.

- Provide distribution of services through networks and use of computer and terminal hardware which is appropriate to user needs.

- Put top priority on recruiting, training, and motivating the skilled personnel which form their main strength. Computer services is a "people-dependent" business.





## Industry/Applications Teams Tune Products to Specific Requirements

Selected industry market sectors and functional business management applications are receiving greater emphasis and concentrated attention of headquarters and field marketing teams with specialized industry expertise.

The first specialized industry marketing group was established in 1972 to develop and market Tymshare services exclusively to the telephone industry. In 1976, this group was given national responsibility and effected a consolidation of the eastern and western telephone marketing and support units under a national manager. This group added significant new telephone industry service contracts to its already large base of business from this important sector. Systems and services provided range from general time sharing to a national cost-estimating application for equipment used by all Bell System companies.

Tymshare services for the petroleum industry are now sold through a special Petro office located in Houston. Experts in applying Tymshare service capability to this industry count most of the major

industry firms among their specialized clientele.

Additional resources and professional marketing expertise were put in place during 1976 to expand other key product lines aimed at large and growing sectors of the market. Areas of major new development and marketing include federal government marketing, coordinated out of Washington, D.C., the banking industry, and major financial institutions, including insurance firms, brokerage houses, and national accounting firms. An entirely new headquarters marketing unit was established to develop the product line and improve national selling efforts to certified public accountants and major accounting organizations.

Selected management functions also are the targets for more specialized products and concentrated marketing activity. Significant new activity was initiated last year in personnel applications and applications products for financial, production control, and marketing functions in medium and large organizations.

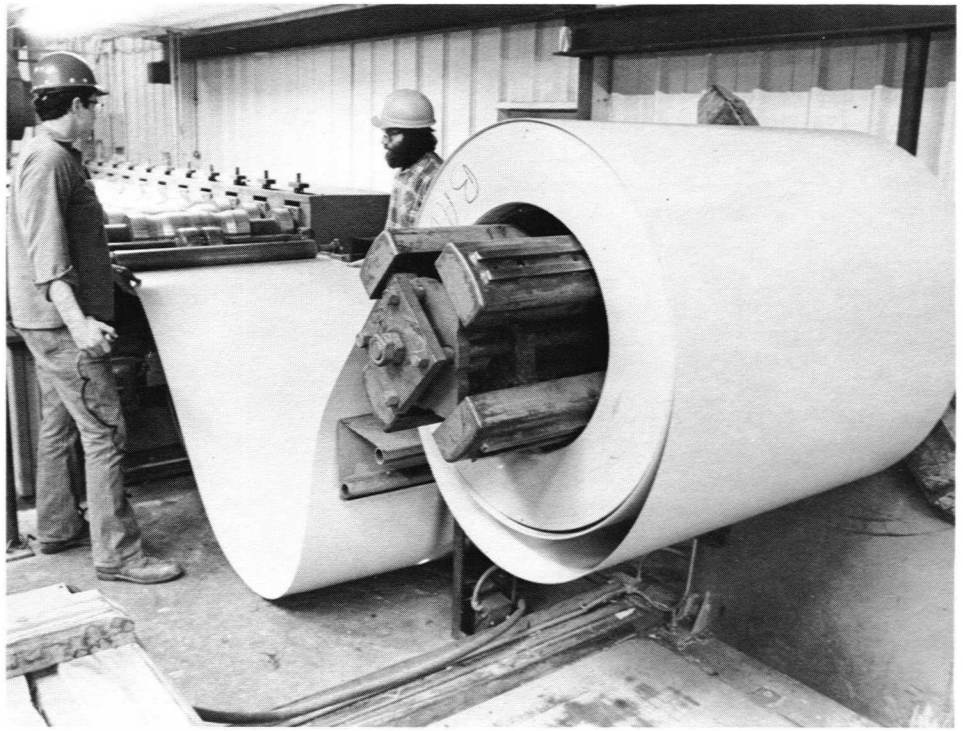
**TYPICAL TYMSHARE USES** would be difficult to find today, because our tools of solution fit common management problems in nearly every kind of organization. And our roster of specialized services meet the uncommon needs of more and more organizations each year. Some of the varied areas where Tymshare is helping today are shown above . . . century-old May Department Stores Company, interior of St. Louis downtown store . . . Exxon Chemical Company U.S.A., Baytown Chemical Plant . . . Bell System companies cable analysis and replacement . . . banking institutions, turning to Tymshare for major systems development . . . Department of Transportation library, managing the periodical flow . . . Alaskan natural gas pipeline planning for Northwest Pipeline.



## Tymshare Tailors MAGNUM Capability to Manufacturing

A specialized MAGNUM software subsystem designed to improve the flow of information vital to the operations of manufacturing firms was installed in several companies during 1976. Called MAGNUM OPUS, the new system provides a flexible and economic solution for inventory and materials management functions without requiring commitments for on-site computers and personnel. The system, which can be implemented in a matter of days, allows even the smaller firms to introduce computerized materials requirements planning (MRP) techniques into daily operations. MRP is widely acknowledged as an efficient way to plan, because it relates materials needs to anticipated sales.

OPUS carries the additional user benefit of being able to be integrated with other main-line functions, such as production scheduling, sales order entry, accounting, and other commonly automated applications systems. ■



**MAGNUM OPUS IMPROVES CONTROL** over some 1400 components in inventory, many formed from roll steel as shown here, for fast-growing Package Steel Building Systems, Sutton, Mass., manufacturer of pre-engineered metal industrial buildings. Benefits include four-times increase in inventory turnover, accurate records of cost and profit on each job, and more efficient materials planning and scheduling of personnel. Most important: capital isn't tied up in inventory as before, freeing cash for new equipment.

## Bank Sector Yield Nearly Doubles

The banking industry, identified as the No. 1 market sector for computer services by expert industry watchers, was the object of significant new service development and specialized marketing effort in 1976. The payoff, although just beginning, was almost a 100% increase in number of bank customers and service business for the year.

Additional resources, focused through the headquarters banking industry marketing team, are aimed at expansion of Tymshare's banking industry product line and the channeling of field sales activity through specialized representatives with in-depth banking expertise. Tymshare also intensified its efforts to develop or acquire specialized banking applications products and systems in conjunction with bank customers. Arrangements are being pursued to market such products to other banking institutions with the same or similar requirements.

It was apparent in 1976 that banks are moving toward greater dependence on qualified computer service firms for guidance and development of major computerized systems that involve a combination of traditional batch processing and the more advanced on-line time-sharing technology. Tymshare's TASC (Tymshare's Applications and Systems Con-

sultants) organization plays a major role in working with banks on such systems development.

Two important application areas developing, in addition to the current and expanding Tymshare bank service spectrum, involve proprietary data base access and network applications for domestic as well as international banking.

The groundwork laid in 1976 is expected to result in the addition of several new bank services and application products during 1977, some based on new applications of present Tymshare premium products and others growing out of cooperative development efforts with bank customers. ■

## PERS Meets Needs of Personnel Administration

Tymshare began limited marketing of a new Personnel Evaluation and Reporting System (PERS) during the latter half of 1976 to meet the needs of personnel management professionals for quick and flexible access to a company's personnel information and to ease the multiplying

government requirements for compliance reporting.

Due for enhancement to include additional features and national marketing in 1977, PERS addresses all of the key areas of concern among personnel executives and departments, including administration, affirmative action, attendance, benefit programs, compensation, labor relations, manpower development, occupational safety, recruiting and employment, and retirement applications.

Specialized headquarters and field marketing expertise is being focused on the sale and installation of the new system. Baset by increasing administrative and reporting complexity, the personnel function in companies and organizations has become one of the prime targets for the efficient application of computerized systems and services. ■

Job Category	Male	Female	Total
121 PROFESSIONALS	100.0	100.0	200.0
122 SPECIALISTS	100.0	100.0	200.0
123 TECHNICAL	100.0	100.0	200.0
124 OPERATIONAL	100.0	100.0	200.0
125 SUPPORT	100.0	100.0	200.0
126 UNCLASSIFIED	100.0	100.0	200.0
TOTAL	600.0	600.0	1200.0

**PERS SIMPLIFIES REPORTING** for federal requirements, as shown in this report detailing total employees by job category and breakdown by sex and minority classifications for each sex.



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## Tymshare's Valcomp Signs Agreement to Support Ampex Tape Drive Gear

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*"Westlake Village, Calif., July 12—The Valcomp division of Tymshare located here announced today the signing of an agreement with Ampex Corporation giving Valcomp rights to . . ."*

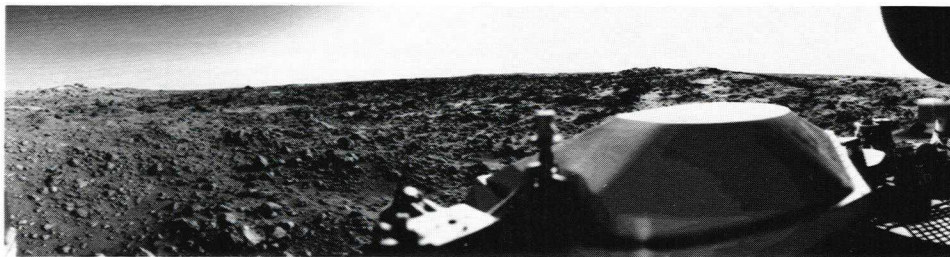
Valcomp may manufacture and sell spare parts for several Ampex-manufactured digital tape drives under this agreement. Included are some 10 models of Ampex drives and electronics which are no longer in production by the manufacturer. The agreement, first for Valcomp involving remanufacturing rights, will assure a continuing supply of replacement parts and refurbishment capability for users of the approximately 2000 such tape drives still in operation.

Valcomp, which specializes in supporting the "second life" of data processing systems in production and process



**READY FOR CHECKOUT** at Valcomp facilities are Ampex tape drives covered under new support agreement. Approximately 2000 such units still in use will be supported and refurbished by Valcomp.

control applications, helps to extend the useful and profitable operation of equipment no longer in production, but which can continue to suit operational requirements effectively for several more years. ■



**FIRST GLIMPSE OF MARS** surface, in photograph transmitted to earth from Viking I spacecraft, was taken in late Martian afternoon. Ground computers used in the Deep Space probe of Mars are supported by Tymshare Computer Maintenance organization. TCM also maintains other computers used for future Deep Space project development.

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## Tymshare Picked to Do Maintenance of JPL Space Network Computers

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*"Cupertino, Calif., February 2—Tymshare, Inc., has been awarded a one-year, renewable contract by Jet Propulsion Laboratories (JPL) of Pasadena, Calif., for Tymshare Computer Maintenance (TCM) service support for six computer systems used by the NASA Deep Space Network . . ."*

Two of JPL's six large-scale Xerox computers covered by the contract are used in the Deep Space network and perform complex message switching, data gathering, telemetry, and continuous monitoring related to the progress of the Helios, Pioneer, and Viking Deep Space projects. The remaining four under TCM contract are used in the development of future capabilities to be incorporated in the Deep Space network.

TCM provides all maintenance and

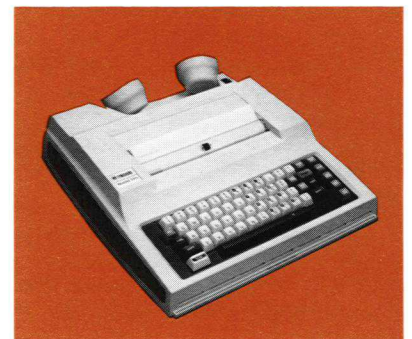
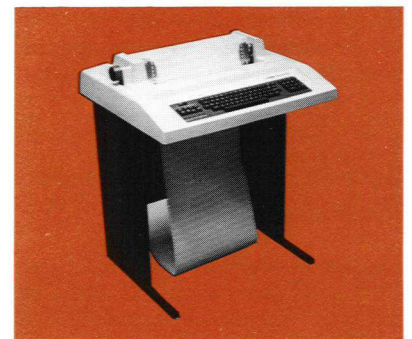
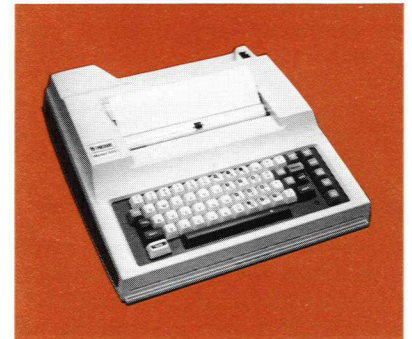
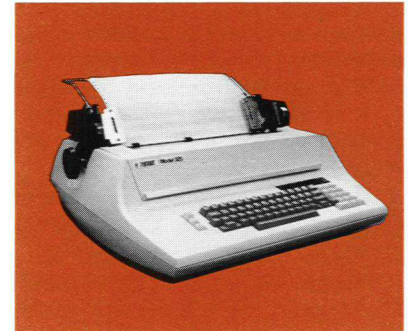
labor required to keep JPL computers operating at peak performance around the clock. An important and growing support service provided to Tymshare customers, TCM support is now rendered for nearly 70 computers for some 20 organizations, including Tymshare, more than double the number of a year ago.

Tymshare's Valcomp division provides replacement parts for JPL and other customers as a complementary support service.

Tymshare support services, such as computer maintenance, equipment refurbishment and parts supply, and the provision of terminal devices to Tymshare customers, enable users to look to a single organization for the broad range of services related to their use and operation of computerized systems. ■

## FOUR NEW TERMINALS INTRODUCED IN '76

Additions to Tymshare terminal product line, top to bottom: Model 325 with adjustable wide carriage and exceptional print quality; Model 225 ultra-compact, quiet desk-top terminal; Model 315 for report generation with adjustable forms handling; and Model 125 lightweight portable, modem built in.





# Year Ends With FCC Approval of Tymnet, Inc. as Carrier

*"Cupertino, Calif., May 12—Tymshare, Inc. has formed a new, wholly-owned subsidiary called Tymnet, Inc., which has filed an application with the Federal Communications Commission for authorization to operate a "value-added" communications network service as an interstate common carrier..."*

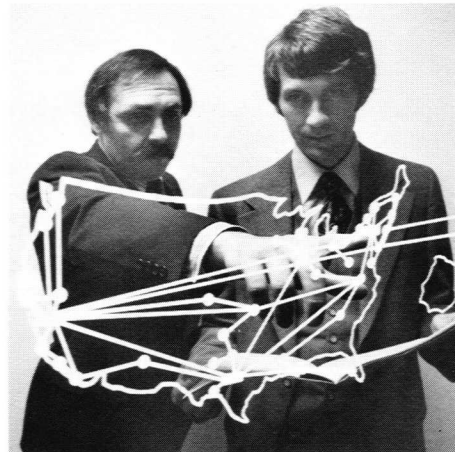
*"Cupertino, Calif., December 27—The Federal Communications Commission late last week granted approval for Tymnet, Inc., a subsidiary of Tymshare, Inc., to operate as an interstate communications common carrier..."*

Following a seven-month review process within the Federal Communications Commission, Tymnet, Inc. was granted approval by the FCC to offer communications network services to any organizations nationwide with requirements to transmit data and messages between their own computers and terminal devices. Approval represents the logical next stage in the evolution of TYMNET, the network designed and implemented by Tymshare in 1971, from a private, to shared, to a public communications facility.

Public availability of service over TYMNET offers organizations an economic, highly reliable, and technically advanced alternative to the development and management of their own networks for the broad range of data and message communications functions required by modern organizations. TYMNET was initially developed by Tymshare as the private delivery system for Tymshare interactive

computing services. Since 1972, the network's advanced features—automatic error control, alternate routing capability, and its ability to connect virtually any type of terminal device—has attracted an increasing number of "shared" users as allowed under provisions of other carrier tariffs.

Now, with common carrier status, this proven service can be extended to the entire community of users in the large



and growing computer/communications marketplace. Message communications service, not previously authorized under limited "shared use" mode of operation, represents a new service which can now be provided with carrier sanction.

The new Tymnet, Inc. carrier will operate as a separate subsidiary company, with its own management, operations

and technical personnel, separate marketing force, and independent business records in accord with FCC regulations. Tymnet benefits by being staffed for the most part by management and other personnel who have been associated with the operation and provision of network service for several years while the network was part of Tymshare. The network is proven over several years of usage, currently serving some 110 primary business centers and scheduled to expand between 150 and 200 locations by 1980.

Tymnet will provide service to any business, governmental, or institutional organization, including Tymshare, which at the outset is Tymnet's major customer.

It is expected that approval of tariffs would be received to allow carrier service to begin about April 1, 1977.

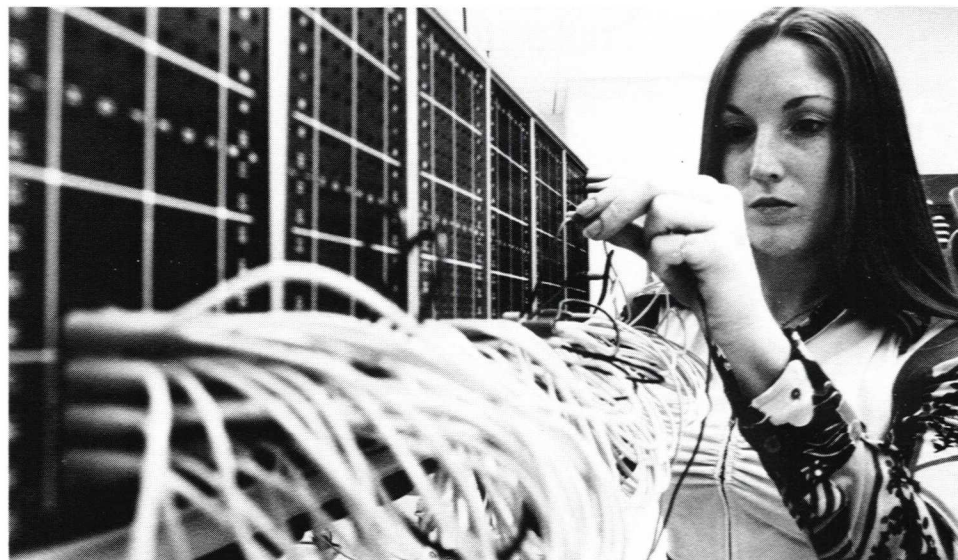
Tymnet, Inc. services are suited to a broad range of functions, including communication from remote points to centrally located data bases, general remote computing for business management and decision-making, data collection from diverse locations, sales order entry from widely scattered points, and intracompany business and administrative messages. Tymnet, Inc. is authorized to provide services to and from all parts of the contiguous United States where there is a demand for service. Tymnet "value-added" capabilities will be extended to users in international business centers as a result of agreements signed with the major international record carriers. These agreements allow overseas carriers to interconnect with TYMNET in the United States.

Initially, service will be offered for interactive terminal-to-computer communications. Message service, using store-and-forward techniques, will be the next major class of service introduced.

## Tymnet Marketing Expands Field Organization

In preparation for full-scale marketing of common carrier communications services, Tymnet, Inc. had several new field marketing offices in operation by the end of 1976. Regional and district sales and customer support offices in operation by year-end are located at Cupertino, Houston, Atlanta, New York City, suburban Boston, and Rockville, Md. near Washington, D.C.

Tymnet corporate management, as well as operations and technical support teams, are located in their own headquarters facilities in Cupertino.



**TYMNET TECHNICAL SUPPORT** specialist conducts preinstallation testing on plugboard for the specialized communications interface device used to connect customer computers and terminals to the network. The minicomputer-based device is especially modified and programmed to meet rigid network and customer requirements for Tymnet service.





**MARUBENI/TYMSHARE TEAM** discusses consolidated financial system during recent training sessions for Kokusai Tymshare, Ltd. personnel at corporate headquarters in preparation for startup of our new Japanese affiliate. The flowchart is written in Japanese Kanji symbols. Kokusai Tymshare is scheduled to open for business by mid-year.

## International Activity Keys on New Ventures in West Germany, Japan; French Investments

*"Cupertino, Calif., June 3—Tymshare announced today the signing of an agreement with Taylorlix, West German EDP services corporation based in Stuttgart, to form a joint venture as a separately operating company called Taylorlix-Tymshare GmbH, which will provide a wide range of remote computer services in West Germany..."*

Tymshare is the majority owner of the new European joint venture firm. Taylorlix, a privately owned company founded in 1921, will continue its present business as the largest commercial company of its kind in Germany. Taylorlix has major computer centers in Stuttgart and Hanover, with more than 40 sales offices concentrated primarily in West Germany.

Taylorlix-Tymshare, from headquarters in Frankfurt, is scheduled to begin operations in January 1977 under the direction of Dr. Werner Retzlaff, former marketing vice president of Taylorlix, as managing director of the joint venture company. Senior Tymshare sales and technical personnel will join the staff of Taylorlix-Tymshare in Frankfurt.

Entry into the West German marketplace means that Tymshare services will be available in all major West European markets, which together represent approximately 90% of the available market in Western Europe. Tymshare already participates through its earlier

joint ventures in computer services markets in the United Kingdom, France, Belgium, The Netherlands, and Switzerland.

### Marubeni Is Partner in Kokusai Tymshare

*"Cupertino, Calif., November 24—Tymshare, Inc. and Marubeni Corporation, Japan's third largest general trading company, announced today that they had reached agreement to form a jointly owned Japanese corporation which will provide Tymshare services in Japan..."*

Kokusai Tymshare is scheduled to launch operations in the first half of 1977, with headquarters in Tokyo. Marubeni, whose annual volume of trading transactions is approximately \$20 billion, is the majority owner of the new joint venture company.

Outside Japan, there is no precise equivalent for a general trading company such as Marubeni, which purchases, distributes, and markets a wide range of industrial, agricultural, and consumer products in Japan and internationally. The scope of Marubeni trading activities spans more than 270 subsidiaries and affiliates in Japan and nearly 140 such entities internationally, through an organization of some 10,000 employees. Marubeni accounts for approximately 12% of the total business volume handled by Japan's "big ten" trading companies. ■

## New Investments Increase Stake in French Markets

Tymshare completed arrangements August 11 for an investment in SLIGOS S.A. and for a greater share of ownership in CEGOS-Tymshare, a French affiliate since 1969.

For approximately \$1.5 million in cash, Tymshare purchased an 11% interest in SLIGOS, which provides computer services throughout France through several subsidiaries. In addition, Tymshare made a loan of approximately another \$1.5 million, which is convertible at Tymshare's option into an additional 9% equity interest in SLIGOS.

Tymshare also has increased its equity ownership in CEGOS-Tymshare from 20% to 45% for approximately \$1.1 million cash. Since its formation as a joint venture based in Paris in 1969, CEGOS-Tymshare has steadily increased its revenues and market penetration as well as expanding the availability of Tymshare services to Belgium, The Netherlands, and Switzerland. ■

### INTERNATIONAL INSIGHT

Alden Heintz, vice president for International and Corporate Operations, comments on the international scene:

"Tymshare's international plans are to extend our full range of computer services to all the major business and commercial centers around the world. We find strong support and encouragement from our multinational customers who consider this plan to be desirable and necessary in support of their own international operations and growth plans.

"Our primary efforts in recent years have been toward those areas with the most immediate potential and demand for our services. At present, we have business arrangements for providing services in all the major European markets, and Japan.

"Tymshare services based on the computing and communications technologies that we utilize in the United States have proven to be very useful and productive in each of the countries where they are available. We anticipate that those services will become available in many more countries in the coming years."



Tymshare, Inc. and Subsidiaries  
 Consolidated Balance Sheets  
 December 31, 1976 and 1975

**Assets**

	1976	1975
<b>Current assets:</b>		
Cash	\$ 2,118,709	\$ 1,940,491
Certificates of deposit	550,000	2,300,000
Accounts receivable, less allowance of \$650,806 in 1976 and \$581,156 in 1975 for doubtful accounts	14,713,215	11,698,400
Inventories (Note 1)	2,673,949	2,714,828
Prepaid expenses and deposits	2,182,526	2,165,835
Total current assets	<u>22,238,399</u>	<u>20,819,554</u>
<b>Property and equipment, at cost (Notes 1 and 3):</b>		
Land and buildings	1,243,510	1,162,797
Computer systems	20,308,082	14,409,255
Terminal and communication equipment	10,755,440	7,774,136
Purchased software	547,069	547,069
Furniture, fixtures, and other equipment	3,409,035	2,750,949
Leasehold improvements	1,615,815	1,471,172
	<u>37,878,951</u>	<u>28,115,378</u>
Less — Accumulated depreciation and amortization	<u>(16,132,744)</u>	<u>(12,472,331)</u>
	<u>21,746,207</u>	<u>15,643,047</u>
<b>Other assets:</b>		
Cost in excess of net tangible assets acquired (Notes 1 and 2)	3,566,860	3,426,565
Deferred charges	299,878	721,204
Investment in and loan to affiliates (Notes 1 and 2)	4,538,250	140,000
	<u>8,404,988</u>	<u>4,287,769</u>
	<u>\$52,389,594</u>	<u>\$40,750,370</u>

*The accompanying notes are an integral part of these balance sheets.*



## Liabilities

	1976	1975
<b>Current liabilities:</b>		
Notes payable to banks, unsecured (Note 3)	\$ 400,000	\$ 1,351,610
Current portion of long-term debt	1,907,768	572,513
Accounts payable	4,650,952	7,157,193
Accrued liabilities	2,501,354	2,438,004
Accrued income taxes	2,759,365	2,439,887
Total current liabilities	<u>12,219,439</u>	<u>13,959,207</u>
Deferred tax credits (Note 8)	<u>1,850,000</u>	<u>1,300,000</u>
Long-term debt (Note 3)	9,742,011	3,916,793
Less – Current portion shown above	<u>(1,907,768)</u>	<u>(572,513)</u>
	<u>7,834,243</u>	<u>3,344,280</u>
Commitments (Note 4)		
<b>Shareholders' investment (Notes 6 and 7):</b>		
Common stock, no par value –		
Authorized – 10,000,000 shares		
Outstanding – 4,204,757 shares in 1976 and 4,060,923 shares in 1975, stated at	15,109,257	13,550,265
Retained earnings	15,376,655	8,663,818
Treasury stock – 10,102 shares, at cost	–	(67,200)
	<u>30,485,912</u>	<u>22,146,883</u>
	<u>\$52,389,594</u>	<u>\$40,750,370</u>



Tymshare, Inc. and Subsidiaries  
Consolidated Statement of Income

For the Years Ended December 31, 1976 and 1975

	1976	1975
Revenue from services and sales	\$81,836,721	\$64,411,725
Cost of services and sales	<u>38,210,189</u>	<u>30,426,463</u>
Gross profit	<u>43,626,532</u>	<u>33,985,262</u>
Expenses:		
Selling, general and administrative	27,362,984	21,563,653
Technical development	<u>2,704,712</u>	<u>2,415,490</u>
	<u>30,067,696</u>	<u>23,979,143</u>
Income from operations	13,558,836	10,006,119
Interest expense, less interest income of \$106,566 in 1976 and \$172,098 in 1975	<u>395,999</u>	<u>148,298</u>
Income before provision for income taxes	<u>13,162,837</u>	<u>9,857,821</u>
Provision for income taxes (Note 8):		
Federal	5,350,000	3,927,200
State	<u>1,100,000</u>	<u>961,300</u>
	<u>6,450,000</u>	<u>4,888,500</u>
Income before extraordinary item	6,712,837	4,969,321
Extraordinary item — Federal income tax reduction from carryforward of prior years' losses (Note 8)	<u>—</u>	<u>125,000</u>
Net income	<u>\$ 6,712,837</u>	<u>\$ 5,094,321</u>
Earnings per share (Note 9):		
Income before extraordinary item	\$1.55	\$1.19
Extraordinary item	<u>—</u>	<u>.03</u>
	<u>\$1.55</u>	<u>\$1.22</u>

*The accompanying notes are an integral part of this statement.*



Tymshare, Inc. and Subsidiaries  
Consolidated Statement of Shareholders' Investment

For the Years Ended December 31, 1976 and 1975

	Common Stock		Retained Earnings	Preferred and Treasury Stock From Poolings	Total
	Shares	Amount			
<b>Balance, December 31, 1974</b>					
As previously reported	3,671,990	\$11,717,059	\$ 3,543,520	\$ —	\$15,260,579
Effect of pooling of interests (Note 2)	<u>285,848</u>	<u>902,083</u>	<u>512,951</u>	<u>(28,010)</u>	<u>1,387,024</u>
<b>Balance, December 31, 1974,</b>					
As restated	3,957,838	12,619,142	4,056,471	(28,010)	16,647,603
Purchase of 6736 shares of treasury stock				(34,120)	(34,120)
Sale of common stock, net of related expenses —					
Employee stock option plans	77,064	539,950			539,950
Employee stock purchase plan	5,213	34,948			34,948
Issuance of common stock upon exercise of warrant	677	5,625			5,625
Redemption of preferred stock			(2,453)	(5,070)	(7,523)
Market value of estimated number of shares to be issued under 1973 acquisition agreements (see below)	20,000	350,000			350,000
Effect of change in year end of acquired companies (Note 2)	131	600	(484,521)		(483,921)
Net income for the year			<u>5,094,321</u>		<u>5,094,321</u>
<b>Balance, December 31, 1975</b>	<u>4,060,923</u>	<u>13,550,265</u>	<u>8,663,818</u>	<u>(67,200)</u>	<u>22,146,883</u>
Sale of 909 shares of treasury stock under employee stock option plan		(3,040)		7,600	4,560
Sale of common stock, net of related expenses —					
Employee stock option plans	102,118	789,979			789,979
Employee stock purchase plan	39,685	653,653			653,653
Income tax benefit resulting from early disposition of shares acquired under stock options	—	109,000			109,000
Cancellation of treasury stock	(9,193)	(59,600)		59,600	—
Additional shares issued under 1973 acquisition agreements	7,554	—			—
Shares issued in acquisition of Western Twenty Nine, Inc. (Note 2)	3,670	69,000			69,000
Net income for the year			<u>6,712,837</u>		<u>6,712,837</u>
<b>Balance, December 31, 1976</b>	<u><u>4,204,757</u></u>	<u><u>\$15,109,257</u></u>	<u><u>\$15,376,655</u></u>	<u><u>\$ —</u></u>	<u><u>\$30,485,912</u></u>

The accompanying notes are an integral part of this statement.



Tymshare, Inc. and Subsidiaries  
 Consolidated Statement of Changes in Financial Position

For the Years Ended December 31, 1976 and 1975

	1976	1975
<b>Sources of funds:</b>		
Operations —		
Income before extraordinary item	\$ 6,712,837	\$4,969,321
Add — Expenses not requiring outlay of working capital in current period —		
Depreciation and amortization of property and equipment	3,942,127	2,941,929
Amortization of cost in excess of net tangible assets acquired	61,985	48,199
Less — Equity in earnings of CEGOS-Tymshare, which did not increase working capital	(220,000)	(140,000)
	<u>10,496,949</u>	<u>7,819,449</u>
Extraordinary item	—	125,000
	<u>10,496,949</u>	<u>7,944,449</u>
Long-term debt —		
Borrowings	6,600,000	2,763,928
Repayments	(774,782)	(3,256,688)
(Increase) decrease in current portion	(1,335,255)	1,325,538
	<u>4,489,963</u>	<u>832,778</u>
Proceeds from sale of common stock and treasury stock, net of related expenses	1,448,192	546,403
Income tax benefits resulting from early disposition of shares acquired under stock options	109,000	—
Issuance of common stock for the acquisition of Western Twenty Nine, Inc.	69,000	—
	<u>1,626,192</u>	<u>546,403</u>
Decrease in deferred charges	421,326	270,348
Increase in deferred tax credits	550,000	230,000
	<u>971,326</u>	<u>500,348</u>
Total sources of funds	<u><u>\$17,584,430</u></u>	<u><u>\$9,823,978</u></u>

(Continued on following page)



	1976	1975
<b>Uses of funds:</b>		
Increase in investment in affiliates —		
Investment in SLIGOS S.A.	\$ 3,053,250	\$ —
Additional investment in CEGOS-Tymshare	<u>1,125,000</u>	<u>—</u>
	<u>4,178,250</u>	<u>—</u>
Additions to property and equipment, net —		
Computer systems	5,906,228	5,269,509
Terminal and communication equipment	3,162,531	1,618,967
Furniture, fixtures, and other equipment	661,413	1,138,378
Other	<u>315,115</u>	<u>460,996</u>
	<u>10,045,287</u>	<u>8,487,850</u>
Increase (decrease) in cost in excess of net tangible assets acquired —		
Western Twenty Nine, Inc.	202,280	—
Quelex Data Systems, Inc.	—	260,252
Acquisition agreements in 1973	<u>—</u>	<u>(31,652)</u>
	<u>202,280</u>	<u>228,600</u>
Redemption of preferred stock	<u>—</u>	<u>7,523</u>
Increase (decrease) in working capital —		
Cash and certificates of deposit	(1,571,782)	697,862
Accounts receivable	3,014,815	2,359,772
Inventories	(40,879)	1,284,892
Prepaid expenses and deposits	16,691	586,984
Notes payable	951,610	(872,800)
Current portion of long-term debt	(1,335,255)	1,325,538
Accounts payable	2,506,241	(3,580,208)
Accrued liabilities	(63,350)	(22,467)
Accrued income taxes	<u>(319,478)</u>	<u>(679,568)</u>
	<u>3,158,613</u>	<u>1,100,005</u>
Total uses of funds	<u>\$17,584,430</u>	<u>\$9,823,978</u>

*The accompanying notes are an integral part of this statement.*



Tymshare, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements

December 31, 1976

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Consolidation

The consolidated financial statements include the accounts of Tymshare, Inc. and its majority owned subsidiaries after elimination of intercompany accounts and transactions. The accounts of foreign subsidiaries (which are not significant in relation to the consolidated financial statements) have been translated into U.S. dollars at current or historical rates of exchange, as appropriate. The outside minority interests (in two foreign subsidiaries) are not significant in amount.

The Company accounts for its 45% interest (20% prior to August 31, 1976) in CEGOS-Tymshare, an affiliated French corporation, on the equity method. At December 31, 1974, the Company's share of the affiliate's losses equaled its investment and had been recognized in the financial statements in prior years (\$93,200 in 1972 and \$194,000 in 1973). The Company's share, \$220,000 in 1976 and \$140,000 in 1975, of the affiliate's income is included in revenue from services and sales.

### Inventories

Inventories are stated principally at the lower of cost (first-in, first-out) or market and are comprised of computer parts and equipment used for maintenance or held for resale, technical manuals, and other data processing supplies.

### Software Development

The cost of software developed by the Company is charged to expense as incurred.

### Depreciation and Amortization

Depreciation and amortization are provided using the following estimated useful lives:

Computer systems*	3 to 10 years
Buildings	10 to 40 years
Terminal and communication equipment	4 to 7 years
Purchased software	5 to 6 years
Furniture, fixtures, and other equipment	3 to 10 years
Leasehold improvements	Life of lease

\*Certain computer systems are depreciated using the sum-of-the-months-digits method, and all other property and equipment are depreciated on the straight-line method.

Maintenance and repairs are charged to expense as incurred. The cost of renewals or betterments that increase the useful life of the property is capitalized and depreciated over the estimated remaining useful life of the property. The net gain or loss on property retired or otherwise disposed of is credited or charged to income, and the asset cost and related accumulated depreciation are removed from the accounts.



### Cost in Excess of Net Tangible Assets Acquired

Costs associated with acquisitions in 1971 and thereafter are being amortized generally over 40 years; costs associated with acquisitions in prior years are not being amortized (see Note 2). Tax benefits resulting from the use of acquired companies' operating loss and investment tax credit carryovers have been applied as a reduction of these costs.

## 2. ACQUISITIONS AND INVESTMENTS

During 1976, the Company acquired the following companies in exchange for shares of Tymshare common stock in transactions accounted for as poolings of interest: June 1976—Medical Data Systems, Inc. (MDS) for 81,985 shares; August 1976—Unitax, Inc. (Unitax) for 144,090 shares; October 1976—Simplified Data Processing Systems, Inc. (SDP) for 52,451 shares. Prior-year financial statements have been restated to reflect these poolings. The effect upon previously reported results of operations for the year ended December 31, 1975 is as follows:

	<u>As Previously Reported</u>	<u>Pooled Companies</u>	<u>As Restated</u>
	(In Thousands of Dollars)		
Revenues from services and sales	<u>\$56,443</u>	<u>\$7,969</u>	<u>\$64,412</u>
Income before extraordinary items	<u>\$ 4,597</u>	<u>\$ 372</u>	<u>\$ 4,969</u>
Extraordinary items	<u>\$ 125</u>	<u>\$ —</u>	<u>\$ 125</u>
Net income	<u>\$ 4,722</u>	<u>\$ 372</u>	<u>\$ 5,094</u>

The restated amounts combine the results of operations of Tymshare and MDS for the year ended December 31, 1975 with the results of operations of Unitax for the year ended April 30, 1975 and SDP for the year ended July 31, 1975. The results of operations of Unitax from May 1, 1975 to January 31, 1976 and SDP from August 1, 1975 to December 31, 1975 were:

	<u>Unitax*</u>	<u>SDP</u>	<u>Total</u>
Revenues from services and sales	<u>\$ 581,900</u>	<u>\$785,200</u>	<u>\$1,367,100</u>
Net income (loss)	<u>\$(503,700)</u>	<u>\$ 19,179</u>	<u>\$ (484,521)</u>

\*The business of Unitax is highly seasonal with virtually all its revenues and net income being derived in the months of February through April of each year.

Revenue and net income in 1976 of pooled companies prior to their acquisition dates were \$7,025,000 and \$696,000, respectively.

In June 1976, the Company also acquired Western Twenty Nine, Inc. for approximately \$75,000 and 3670 shares of the Company's common stock. This acquisition has been accounted for as a purchase. On the date of acquisition, the purchase price exceeded the fair value of tangible net assets by \$202,280, which has been included in cost in excess of net tangible assets acquired. In connection with the acquisition, the Company has agreed to issue additional shares up to a maximum of \$1,000,000 at market value under an earn-out provision based upon Western Twenty Nine revenue growth over the next three years. If this acquisition had taken place at the beginning of 1975, the effect upon the results of operations for 1975 and 1976 would have been insignificant.

In August 1976, the Company increased its equity ownership in CEGOS-Tymshare from 20% to 45%, in consideration of the Company's payment of \$1,125,000. The additional investment exceeded the underlying equity in net assets acquired by \$796,000, which is being amortized over 40 years. Also in August 1976, the Company entered into an agreement providing for the Company's right to acquire up to a 20% interest in SLIGOS S.A., a French corporation. The Company's investment was in the form of \$1,526,625 cash for an 11% equity interest, and a convertible note for \$1,526,625, guaranteed by a bank, convertible at the option of the Company for an additional 9% equity interest.

In December 1975, the Company acquired the business and assets of Quelex Data Systems, Inc. (Quelex) for \$1,522,625. This acquisition has been accounted for as a purchase. On the date of acquisition, the purchase price exceeded the fair value of tangible net assets acquired by \$260,252, which has been included in cost in excess of net tangible assets acquired. The acquisition agreement also provides for additional payments based upon earnings resulting from the acquisition over the next three years. If this acquisition had taken place at the beginning of 1975, the effect upon results of operations for 1975 would have been insignificant.

Acquisitions in 1976 and prior years have given rise to costs in excess of net tangible assets acquired as follows:

	<u>1976</u>	<u>1975</u>
Balance beginning of year	\$3,426,565	\$2,896,164
Additional payments resulting from two acquisitions in 1973 —		
Reduction in accrual	—	(31,652)
Payable in common stock	—	350,000
Acquisitions —		
Quelex	—	260,252
Western Twenty Nine	202,280	—
Less — Amortization charged to expense	<u>(61,985)</u>	<u>(48,199)</u>
Balance end of year	<u>\$3,566,860</u>	<u>\$3,426,565</u>

Costs of \$1,738,617 are not being amortized.

### 3. BANK LINES OF CREDIT AND LONG-TERM DEBT

#### Bank Lines of Credit

The Company has separate lines of credit with two banks. Under the first line of credit, \$15,000,000 is available for unsecured short-term borrowings through March 31, 1978 at the bank's prime interest rate. The Company has the option to convert any advance under the line within 45 days to a secured, six-year term loan. All amounts converted are repayable in 24 equal quarterly installments including interest at ½% above the prime rate and reduce the remaining availability under the unsecured line.

Prior to July 1975, borrowings under the first line of credit were nominal and no balances were outstanding at any month end. Subsequent to July 1975 through December 31, 1975, average month-end balances were \$1,267,000, maximum borrowings were \$1,600,000, and the average interest rate was 7.8%. During 1976, average month-end balances were \$533,000, maximum borrowings were \$800,000, the average interest rate was 7.1%, and the year-end balance was \$400,000.

The second line of credit provides for unsecured borrowings, of which \$5,000,000 with interest at ½% above the prime rate is available through June 1977 in the form of a term loan maturing in August 1981, and \$5,000,000 is available through April 1977 as a revolving line of credit at variable interest rates. In August 1976, the Company borrowed \$4,200,000 on an unsecured five-year installment note to finance its investments in affiliates. A compensating balance of 10% of the unpaid principal of this note is required by the bank. The revolving line of credit has not been used.

In connection with the above borrowings, the Company has agreed to certain conditions, the most restrictive of which provide that the ratio of current assets to current liabilities must be at least 1.35 to 1, total unsubordinated liabilities may not exceed 1.15 times tangible net worth, and quarterly consolidated income before provision for income taxes must be at least \$2,000,000.



**Long-term Debt**

	1976	1975
Notes payable to banks —		
Five-year installment note due August 1981, payable \$210,000 quarterly plus interest at prime plus ½% (6¾% at December 31, 1976)	\$3,990,000	\$ —
Five-year term loan due April 1982, payable \$120,000 quarterly plus interest at prime plus ½% (6¾% at December 31, 1976)	2,400,000	—
Five-year term loan due April 1981, payable \$115,000 quarterly plus interest at prime plus ½% (6¾% at December 31, 1976)	1,955,000	2,300,000
Other, due in varying amounts to 1998 with interest rates of 6% to 9%	<u>1,397,011</u>	<u>1,616,793</u>
	9,742,011	3,916,793
Less — Current maturities	<u>(1,907,768)</u>	<u>(572,513)</u>
	<u>\$7,834,243</u>	<u>\$3,344,280</u>

Property and equipment with an original cost of approximately \$6,132,000 has been pledged to secure certain of the above indebtedness.

The maturities of long-term debt as of December 31, 1976 are:

<u>Payable During</u>	<u>Amount</u>
1977	\$1,907,768
1978	2,030,159
1979	1,981,023
1980	1,873,553
1981	1,307,295
Thereafter	<u>642,213</u>
	<u>\$9,742,011</u>

**4. COMMITMENTS**

The Company leases computers and related equipment, and office and computer facility space for periods to 1985 with options to renew. Approximate future lease commitments under these leases as of December 31, 1976 are:

<u>Year(s)</u>	<u>Computers and Equipment</u>	<u>Office and Computer Space</u>	<u>Total</u>
1977	\$ 4,415,000	\$1,955,000	\$ 6,370,000
1978	3,217,000	1,642,000	4,859,000
1979	1,877,000	1,416,000	3,293,000
1980	810,000	972,000	1,782,000
1981	488,000	580,000	1,068,000
1982-85	<u>163,000</u>	<u>1,568,000</u>	<u>1,731,000</u>
	<u>\$10,970,000</u>	<u>\$8,133,000</u>	<u>\$19,103,000</u>

In the opinion of management, the leases of the computers and the majority of the related equipment generally provide the lessors with recovery of their investments over the lease terms, and accordingly are considered to be "finance" type leases. Facility leases and certain equipment leases are "operating" type leases. Rental expense by type of lease was:

<u>Year</u>	<u>Finance Leases</u>	<u>Operating Leases</u>	<u>Total</u>
1976	\$2,944,000	\$7,007,000	\$9,951,000
1975	<u>\$3,123,000</u>	<u>\$5,797,000</u>	<u>\$8,920,000</u>

The finance lease rentals contain finance charges, or interest, ranging from 5.0% to 13.7%. The present values of the future commitments on finance leases, discounted at the interest rates implicit in the leases, were:

<u>December 31,</u>	<u>Present Value</u>	<u>Average Interest Rate</u>
1976	\$6,840,000	10.2%
1975	<u>\$9,227,000</u>	<u>9.9%</u>

If the finance leases were capitalized, the related assets amortized on a straight-line basis, and the interest cost accrued in relation to the outstanding lease obligations, the effect upon results of operations would not be significant.

## 5. LITIGATION

The Company is a party to certain litigation and other proceedings arising from its business activities. In the opinion of management, the outcome of these matters will not significantly affect the Company's financial position or results of its operations.

## 6. COMMON STOCK

In 1976, the Company increased the authorized number of common shares from 5,000,000 to 10,000,000 and authorized a class of preferred stock, 2,000,000 shares, \$10 par value. No preferred stock has been issued.

The Company has reserved 493,219 shares of its common stock at December 31, 1976 for the following:

	<u>Number of Shares</u>
Stock options	374,373
Employee stock purchase plan	68,215
Warrants	<u>50,631</u>
	<u>493,219</u>

The warrants provide for the purchase of 42,500 common shares at \$7.00 per share and 8,131 common shares at \$11.07 per share, and expire in 1977.

## 7. EMPLOYEE STOCK OPTION AND STOCK PURCHASE PLANS

Options have been granted generally at 100% of the fair market value on the date of grant. However, the 1975 Stock Option Plan permits the Company to grant options at less than fair market value.

Options are exercisable on a cumulative basis at various dates and expire five years from the date granted.



The status of stock options is:

Options Outstanding at December 31, 1976 by Year of Grant	Number of Shares	Option Price		Fair Value at Date of Grant	
		Per Share	Total	Per Share	Total
1972	20,462	\$ 8.75		\$ 8.75	
		to 14.39	\$ 208,278	to 14.39	\$ 208,278
1973	38,358	7.25		7.25	
		to 12.43	289,208	to 12.43	289,208
1974	63,008	5.75		5.75	
		to 15.86	442,509	to 15.86	442,509
1975	90,924	7.25		7.25	
		to 16.75	1,469,267	to 16.75	1,469,267
1976	146,000	14.50		14.50	
	<u>358,752</u>		<u>2,117,000</u>		<u>2,117,000</u>

Options Which Became Exercisable During the Year Ended December 31,	Number of Shares	Option Price		Fair Value When Exercisable	
		Per Share	Total	Per Share	Total
1975	86,716	\$ 5.75		\$ 9.62	
		to 14.39	\$ 656,242	to 19.08	\$1,314,682
1976	59,432	5.75		15.50	
		to 16.75	<u>638,766</u>	to 27.00	<u>1,374,432</u>

Options Exercised During the Year Ended December 31,	Number of Shares	Option Price		Fair Value When Exercised	
		Per Share	Total	Per Share	Total
1975	77,064	\$ 4.43		\$ 9.62	
		to 14.39	\$ 549,273	to 19.08	\$1,352,585
1976	102,118	5.75		16.93	
		to 16.75	<u>789,979</u>	to 25.41	<u>2,263,666</u>

Under the employee stock purchase plan, eligible employees may elect to purchase shares of common stock at 85% of the lower of the fair market value at the beginning or end of a 12-month offering period. In July 1976, 39,246 shares were issued to participants at \$16.58 per share, which was 85% of the fair market value at the beginning of the third offering period. At December 31, 1976, payroll deductions for the fourth offering period ending June 30, 1977 amounted to \$479,382. At the beginning of this offering period, 85% of the fair market value was \$20.83 per share.

The proceeds received upon exercise of stock options or in connection with stock purchase plans are credited to the common stock account. No amounts have been reflected in the income statement with respect to stock options or stock purchase plans.

## 8. INCOME TAXES

Income tax expense for 1976 and 1975 is made up of the following components:

	<u>U.S. Federal</u>	<u>State</u>	<u>Total</u>
Year ended December 31, 1976:			
Current portion	\$4,646,000	\$1,050,000	\$5,696,000
Increase in deferred tax credits	550,000	—	550,000
Prepaid tax expense	<u>154,000</u>	<u>50,000</u>	<u>204,000</u>
	<u>\$5,350,000</u>	<u>\$1,100,000</u>	<u>\$6,450,000</u>
Year ended December 31, 1975:			
Current portion	\$3,651,200	\$ 946,300	\$4,597,500
Tax benefit from operating loss carryforward	125,000	—	125,000
Increase in deferred tax credits	230,000	—	230,000
Prepaid tax expense	<u>(79,000)</u>	<u>15,000</u>	<u>(64,000)</u>
	<u>\$3,927,200</u>	<u>\$ 961,300</u>	<u>\$4,888,500</u>

The Company accounts for investment tax credits using the deferral method. Deferred tax credits represent investment tax credits reported for tax purposes in excess of credits reported for book purposes to December 31, 1976.

Prepaid tax expense results from timing differences in the recognition of certain costs and expenses for financial and tax reporting purposes. The sources of the timing differences and their tax effects were:

	<u>1976</u>	<u>1975</u>
Balance beginning of year	<u>\$846,000</u>	<u>\$782,000</u>
Tax effect of changes during the year —		
Tax depreciation in excess of book depreciation	(284,000)	(168,000)
Provisions for state taxes not deductible currently for federal purposes	91,000	154,000
Other costs and expenses	<u>(11,000)</u>	<u>78,000</u>
	<u>(204,000)</u>	<u>64,000</u>
Balance end of year	<u>\$642,000</u>	<u>\$846,000</u>
Balance sheet classification —		
Amount applicable to current items included in prepaid expenses and deposits	\$604,000	\$518,000
Amount applicable to non-current items included in deferred charges.	<u>38,000</u>	<u>328,000</u>
	<u>\$642,000</u>	<u>\$846,000</u>

Total tax expense for 1976 and 1975 differs from the amount computed by applying the prevailing federal and state rates to income before taxes, primarily because of the application of investment tax credits of \$360,000 in 1976 and \$402,000 in 1975.



The Internal Revenue Service has completed an examination covering the federal income tax returns of Tymshare, Inc. and its subsidiary Tymshare East, Inc. for the years 1973 and 1974. The Company has agreed to adjustments proposed by the examining agent resulting in additional taxes of \$259,000, which were paid subsequent to December 31, 1976. Substantially all these additional taxes result from timing difference adjustments which will be carried forward to reduce taxable income in years after 1974 and thus offset the effect of the additional taxes. The Company has not agreed to additional tax deficiencies of \$1,093,000 proposed by the agent and is contesting the issues involved, which include both permanent and timing difference adjustments. Management is of the opinion that resolution of these issues will not significantly affect working capital or results of operations.

## 9. EARNINGS PER SHARE

Earnings per share have been computed based on the average number of common shares and common equivalent shares (stock options, warrants, and employee stock purchase plans) outstanding during each period. The average number of shares used in the computation was 4,337,189 in 1976 and 4,159,191 in 1975. Earnings per share assuming full dilution are substantially the same as earnings per share shown.

## 10. 1976 QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

As described in Note 2, the Company acquired MDS in June 1976, Unitax in August 1976, and SDP in October 1976. These acquisitions have been accounted for as poolings of interest, and the first three quarters have been restated to give effect to the poolings as follows:

	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>	<u>Total</u>
	(In Thousands of Dollars)				
Revenues from services and sales --					
Previously reported	\$18,444	\$19,240	\$18,549	Not Applicable	
Restated	<u>23,375</u>	<u>19,894</u>	<u>19,002</u>	<u>\$19,566</u>	<u>\$81,837</u>
Gross profit --					
Previously reported	\$10,012	\$10,580	\$ 9,729	Not Applicable	
Restated	<u>12,499</u>	<u>10,731</u>	<u>9,838</u>	<u>\$10,559</u>	<u>\$43,627</u>
Net income --					
Previously reported	\$ 1,583	\$ 1,704	\$ 1,155	Not Applicable	
Restated	<u>2,475</u>	<u>1,598</u>	<u>1,180</u>	<u>\$ 1,460</u>	<u>\$ 6,713</u>
Earnings per share --					
Previously reported	\$.39	\$.41	\$.27	Not Applicable	
Restated	<u>.57</u>	<u>.37</u>	<u>.27</u>	<u>\$.34</u>	<u>\$1.55</u>

The business of Unitax is highly seasonal, with virtually all its revenue and net income being derived in the months of February through April of each year. The above restated quarterly amounts include the Unitax fiscal quarters of April 30 and July 31, 1976, the two months ended September 30, 1976, and the calendar quarter ended December 31, 1976.

## Auditors' Report

### To the Shareholders and the Board of Directors of Tymshare, Inc.:

We have examined the consolidated balance sheets of Tymshare, Inc. (a California corporation) and subsidiaries as of December 31, 1976 and 1975, and the related consolidated statements of income, shareholders' investment, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Tymshare, Inc. and subsidiaries as of December 31, 1976 and 1975 and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

**Arthur Andersen & Co.**

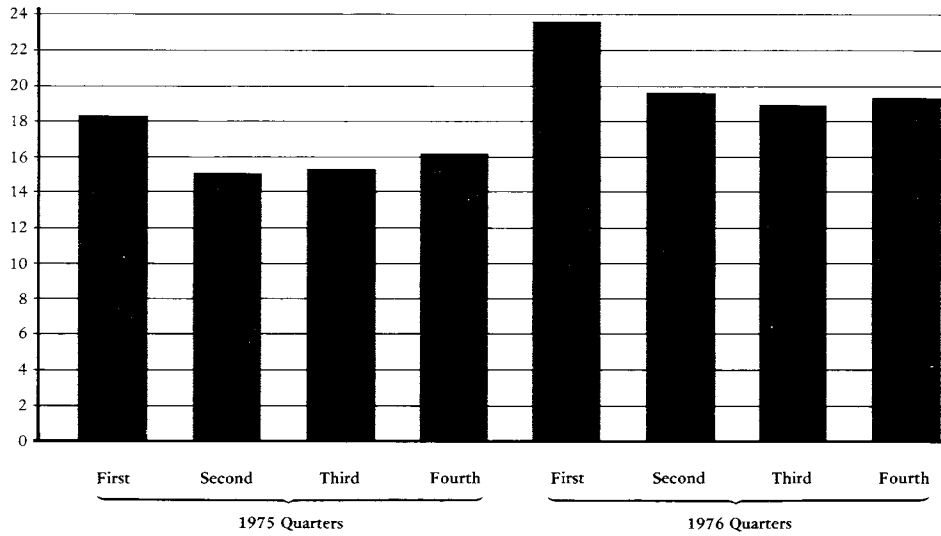
San Jose, California  
February 28, 1977



# 1976 and 1975 Quarterly Highlights

The following consolidated financial information is unaudited.

**Revenue**  
*in millions of dollars*

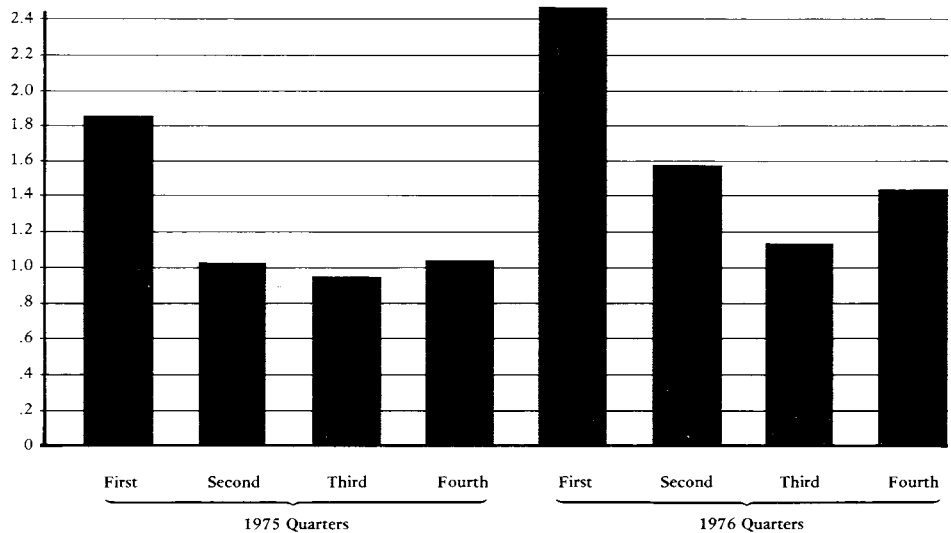


(In Thousands of Dollars)

Year/Quarter	Revenue	Income			Income Margin %	
		Before Taxes	After Taxes	Net	Before Taxes	After Taxes
1975 – First	\$18,104	\$3,650	\$1,855	\$1,955	20.2%	10.2%
Second	15,182	2,007	1,030	1,055	13.2	6.8
Third	15,226	2,006	977	977	13.2	6.4
Fourth	16,022	2,040	1,032	1,032	12.7	6.4
1976 – First	23,375	4,929	2,475	2,475	21.1	10.6
Second	19,894	3,152	1,598	1,598	15.8	8.0
Third	19,002	2,322	1,180	1,180	12.2	6.2
Fourth	19,566	2,760	1,460	1,460	14.1	7.5

The quarterly amounts for 1975 combine for comparative purposes only the Tymshare calendar quarter operating results with the Unitax operating results for its fiscal quarters ended April 30, July 31 and October 31, 1975 and January 31, 1976. The annual amounts for 1975 included in the accompanying statement of income and summary of operations combine the calendar operating results of Tymshare with the operating results of Unitax for its fiscal year ended April 30, 1975. See Note 2 of Notes to Consolidated Financial Statements.

**Income After Taxes**  
*in millions of dollars*



# Five-Year Consolidated Summary of Operations

(In Thousands of Dollars)	Year Ended December 31,				
	1976	1975	1974	1973	1972
Revenue from services and sales	<u>\$81,837</u>	<u>\$64,412</u>	<u>\$52,602</u>	<u>\$39,513</u>	<u>\$27,175</u>
Costs and expenses:					
Cost of revenue and operating expenses	68,278	54,406	45,405	34,504	24,776
Interest	<u>396</u>	<u>148</u>	<u>487</u>	<u>633</u>	<u>302</u>
	<u>68,674</u>	<u>54,554</u>	<u>45,892</u>	<u>35,137</u>	<u>25,078</u>
Income before provision for income taxes	13,163	9,858	6,710	4,376	2,097
Provision for income taxes	<u>6,450</u>	<u>4,889</u>	<u>3,276</u>	<u>2,084</u>	<u>1,124</u>
Income before extraordinary items	6,713	4,969	3,434	2,292	973
Extraordinary items – Primarily federal income tax reduction from carryforward of prior years' losses	<u>—</u>	<u>125</u>	<u>204</u>	<u>681</u>	<u>644</u>
Net income	<u>\$ 6,713</u>	<u>\$ 5,094</u>	<u>\$ 3,638</u>	<u>\$ 2,973</u>	<u>\$ 1,617</u>
Earnings per share:					
Income before extraordinary items	\$1.55	\$1.19	\$.86	\$.58	\$.25
Extraordinary items	<u>—</u>	<u>.03</u>	<u>.05</u>	<u>.17</u>	<u>.16</u>
Net income	<u>\$1.55</u>	<u>\$1.22</u>	<u>\$.91</u>	<u>\$.75</u>	<u>\$.41</u>
Average shares used to compute earnings per share	<u>4,337,189</u>	<u>4,159,191</u>	<u>3,999,130</u>	<u>3,985,193</u>	<u>3,902,908</u>

## Management's Discussion and Analysis of the Consolidated Summary of Operations

### General

The consolidated summary of operations for Tymshare, Inc. and subsidiaries shows increasing revenue and income from the prior year for each year of the period shown, which management attributes to a general expansion of the Company's business achieved through greater market penetration and a broadening of service offerings. Management believes that the major factors contributing to such expansion were: (1) the continued growth of the Company's products and services, which was achieved through internal development, the increased use of proprietary products, and the acquisition of other businesses in the computer services industry, (2) the geographic expansion of the data communications network, (3) the addition of new com-

puter systems and the enhancement of installed systems, and (4) the benefits of economies of scale associated with business growth.

The major acquisitions made by the Company during the five-year period of 1972 through 1976, including three of the four acquisitions made in 1976, have been accounted for as poolings of interest and therefore are reflected in the historical results of operations. Management believes that these acquisitions have had a further favorable impact upon the Company's offering of new products and services and market penetration.

### 1976 Compared With 1975

Revenue for the year ended December 31, 1976 increased by approximately \$17.4 million (27%) compared with the

prior year. Management attributes such increase to the general expansion of its business, primarily derived through the internal growth of its existing service revenue exclusive of the companies acquired in 1976 on a pooling-of-interests basis. The contribution to revenue in 1976 from such pooled companies did not significantly increase from 1975 as restated; management attributes this principally to customary problems associated with integrating the business and operations of such acquired companies. In addition to the factors contributing to such general business expansion set forth above, management believes the improvement during 1976 from the economic recession of 1975 produced an increase in data processing expenditures by many of the Company's customers.



## Notes to Consolidated Summary of Operations:

This summary includes the accounts of three companies—Medical Data Systems (MDS); Unitax, Inc. (Unitax); and Simplified Data Processing Systems, Inc. (SDP)—acquired in 1976 on a pooling-of-interests basis. Prior-year financial statements have been restated to reflect these poolings as follows:

	Year Ended December 31,			
	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>
	(In Thousands of Dollars)			
Revenue from services and sales —				
As previously reported	\$56,443	\$46,455	\$35,200	\$24,242
Pooled companies	<u>7,969</u>	<u>6,147</u>	<u>4,313</u>	<u>2,933</u>
As restated	<u>\$64,412</u>	<u>\$52,602</u>	<u>\$39,513</u>	<u>\$27,175</u>
Income before extraordinary items —				
As previously reported	\$ 4,597	\$ 3,148	\$ 2,043	\$ 896
Pooled companies	<u>372</u>	<u>286</u>	<u>250</u>	<u>77</u>
As restated	<u>\$ 4,969</u>	<u>\$ 3,434</u>	<u>\$ 2,293</u>	<u>\$ 973</u>
Extraordinary items —				
As previously reported	\$ 125	\$ 150	\$ 611	\$ 635
Pooled companies	<u>—</u>	<u>54</u>	<u>70</u>	<u>9</u>
As restated	<u>\$ 125</u>	<u>\$ 204</u>	<u>\$ 681</u>	<u>\$ 644</u>
Net income —				
As previously reported	\$ 4,722	\$ 3,298	\$ 2,654	\$ 1,531
Pooled companies	<u>372</u>	<u>340</u>	<u>319</u>	<u>86</u>
As restated	<u>\$ 5,094</u>	<u>\$ 3,638</u>	<u>\$ 2,973</u>	<u>\$ 1,617</u>

The above amounts combine the results of operations of Tymshare and MDS for the four years ended December 31, 1975, with results of operations of Unitax for the four years ended April 30, 1975 (including one year ended July 31, 1972) and with SDP for the four years ended July 31, 1975. Revenue and net income in 1976 of pooled companies prior to their acquisition dates were \$7,025,000 and \$696,000, respectively. See Note 2 of Notes to Consolidated Financial Statements.

Total cost of revenue and operating expenses for 1976, excluding interest, increased by approximately \$13.9 million (26%) compared with the prior year, producing an operating profit margin of 16.6% of revenue as compared with 15.5% in the prior year. Management attributes the increase in costs primarily to the corresponding increase in revenue, and notes that such increase in costs is in line with the relative increases in costs as compared with increases in revenue in each of the prior four years. Further, substantial costs were incurred in 1976 in connection with the Company's acquisition of four domestic companies and the significant expansion of its foreign interests during 1976. The increase in interest expense (net) of approximately \$250,000 resulted primarily from borrowings made

during 1976 to finance the Company's investments in foreign affiliates and for its purchase of additional computer equipment.

### 1975 Compared With 1974

Revenue during the year ended December 31, 1975 increased by approximately \$11.8 million (22%) compared with the prior year, which management attributes primarily to the general expansion of its business. Although the economic recession during 1975 did not significantly impact the Company, management believes that it may have resulted in reduced data processing by some present and potential customers. Total cost of revenue and operating expenses for 1975, excluding interest, increased by approximately \$9 million (20%) com-

pared with the prior year, resulting in an operating profit margin equal to 15.5% of revenue as compared with 13.7% of revenue in 1974. Management believes that the increase in costs corresponds directly to the increase in revenue and general expansion of the Company's business and operations to meet and facilitate such growth, including costs associated with the acquisition of additional computer systems, increased use of proprietary programs, and increased marketing expenses related to expanding operations. The decrease in interest expense (net) of approximately \$340,000 results from the general reduction in prime interest rate, the repayment of high-interest loans, and the increase in interest income due to increased cash flow of the Company.

## Board of Directors

T. J. O'ROURKE  
President and  
Chairman of the Board,  
Tymshare, Inc.

MAX B. E. CLARKSON  
Dean of Faculty of  
Management/Studies,  
University of Toronto

BERNARD GOLDSTEIN  
Vice President,  
Tymshare, Inc.

ANTHONY M. LAMPORT  
First Vice President,  
Drexel Burnham & Co.,  
Incorporated,  
investment bankers

ROGER L. MOSHER  
Partner,  
Wilson, Mosher & Sonsini,  
Attorneys-at-Law

GEORGE QUIST  
Partner,  
Hambrecht & Quist,  
investment bankers

## Corporate Officers

T. J. O'ROURKE  
President and  
Chairman of the Board

RONALD W. BRANIFF  
Vice President

ALBERT A. EISENSTAT  
Vice President and  
Corporate Counsel

EDWARD J. FIELD  
Vice President and Treasurer

BERNARD GOLDSTEIN  
Vice President

ALDEN R. HEINTZ  
Vice President

WARREN F. PRINCE  
Vice President

LASZLO RAKOCZI  
Vice President

## Audit Committee

MAX B. E. CLARKSON, Director  
Dean of Faculty of Management/  
Studies, University of Toronto

ANTHONY M. LAMPORT, Director  
First Vice President  
Drexel Burnham & Co.,  
Incorporated

## General Legal Counsel

Wilson, Mosher & Sonsini,  
Palo, Alto, California

## Auditors

Arthur Andersen & Co.,  
San Jose, California

## Transfer Agents

First National City Bank,  
New York, New York

Bank of America N.T. & S.A.,  
San Francisco, California

## Registrars

Morgan Guaranty Trust Company,  
New York, New York

Wells Fargo Bank,  
San Francisco, California

## Stock Symbols

Tymshare stock is traded in  
the over-the-counter market,  
NASDAQ symbol TSHR,  
Ultronic symbol TSH



#### Market Prices of Common Stock

Tymshare's common stock is traded in the over-the-counter market. As reported by NASDAQ, the high and low bid prices of Tymshare's common stock during 1975, 1976, and the first quarter of 1977 were as follows:

	High Bid	Low Bid
1975		
First quarter	12 <sup>3</sup> / <sub>8</sub>	6 <sup>3</sup> / <sub>4</sub>
Second quarter	20 <sup>1</sup> / <sub>8</sub>	10 <sup>3</sup> / <sub>4</sub>
Third quarter	20 <sup>1</sup> / <sub>2</sub>	14 <sup>7</sup> / <sub>8</sub>
Fourth quarter	20 <sup>3</sup> / <sub>4</sub>	16 <sup>1</sup> / <sub>4</sub>
1976		
First quarter	27 <sup>3</sup> / <sub>4</sub>	18 <sup>1</sup> / <sub>2</sub>
Second quarter	27 <sup>5</sup> / <sub>8</sub>	22 <sup>1</sup> / <sub>2</sub>
Third quarter	27 <sup>1</sup> / <sub>8</sub>	17 <sup>1</sup> / <sub>4</sub>
Fourth quarter	19 <sup>1</sup> / <sub>2</sub>	14 <sup>1</sup> / <sub>4</sub>
1977		
First quarter	19 <sup>1</sup> / <sub>2</sub>	14

These quotations do not include retail mark-up, mark-down, or commission, and may not represent actual transactions. The Company has never paid dividends.

Shareholders are entitled to receive, without charge and upon written request, a copy of the Company's Form 10-K Report for the year ended December 31, 1976, which has been filed with the Securities and Exchange Commission.

Address requests to:  
Vice President and Treasurer,  
Tymshare Corporate  
Headquarters.

## Principal Marketing Locations

**Information Services Division***Western Region*

Mountain View, Calif.  
415/941-6010

*Central Region*

Houston, Tex.  
713/785-7720

*Eastern Region*

Darien, Conn.  
203/655-7693

*The TASC Group*

*(Tymshare Applications and  
Systems Consultants)*  
New York, N.Y.  
212/490-8780

*Telephone/Utilities Industry*

New York, N.Y.  
212/490-6700

*Federal Government*

Arlington, Va.  
703/527-1333

**United States Subsidiary***Tymnet, Inc.*

Corporate Headquarters  
Cupertino, Calif.  
408/446-7000

*Western Region*

Cupertino, Calif.  
408/446-6654

*Central Region*

Houston, Tex.  
713/785-3100

*Eastern Region*

Rockville, Md.  
301/770-5710

**Industry Services Division***Banking Software Systems*

Birmingham, Ala.  
205/942-6700

*Cable TV Industry*

Cablefacts  
Lexington, Ky.  
606/269-2323

*Computerized Tax Processing*

Dynatax  
Cupertino, Calif.  
408/446-6273

*Unitax*

Anaheim, Calif.  
714/956-3640

*Fuel Oil Distribution Industry*

Computafuel/Telefuel  
Syracuse, N.Y.  
315/437-7081

*Hospital/Health Care Industry*

Tymshare Medical Systems  
Mahwah, N.J.  
201/825-1100

*Travel Industry*

Western 29  
San Francisco, Calif.  
415/885-2929

**International Affiliates***Belgium*

CEGOS-Tymshare  
Brussels, Belgium

*England*

Tymshare U.K., Ltd.  
London, England

*France*

CEGOS-Tymshare  
Paris, France

*Japan*

Kokusai Tymshare, Ltd.  
Tokyo, Japan

*The Netherlands*

CEGOS-Tymshare  
The Hague, Netherlands

*West Germany*

Taylorix-Tymshare GmbH  
Frankfurt, West Germany

*Sales offices in most major U.S. cities.*



Corporate Headquarters  
20705 Valley Green Drive  
Cupertino, California 95014  
408/446-6000



