BITSTREAM INC
Form 10-K
March 31, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(mark one)

x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2008

or

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
COMMISSION FILE NUMBER: 0-21541

BITSTREAM INC.

(Exact name of Registrant as specified in its charter)

Delaware	**04-2744890**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

245 First Street, 17th Floor, Cambridge, Massachusetts 02142-1270

(Address of principal executive offices)

Registrant s telephone number, including area code: (617) 497-6222

Securities registered pursuant to Section 12(b) of the Act: Class A Common Stock

Securities registered pursuant to Section 12(g) of the Act: None

Exchange on which Class A Common Stock registered: The NASDAQ Stock Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to the filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant s knowledge, in definitive proxy or information statements incorporated by reference into Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company x

The aggregate market value of voting stock and non-voting stock held by non-affiliates of the Registrant as of June 30, 2008 was approximately $62 million.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of voting stock and non-voting stock held by non-affiliates of the Registrant as of March 17, 2009 was approximately $44 million. On March 17, 2009, there were 9,777,505 shares of Class A Common Stock, par value $0.01 per share issued and outstanding, and no shares of Class B Common Stock, par value $0.01 per share, issued or outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s definitive proxy statement for the 2009 Annual Meeting of Stockholders to be held on May 14, 2009, to be filed with the Securities and Exchange Commission, are incorporated by reference into Part III of this Annual Report on Form 10-K. Except with respect to information specifically incorporated by reference in this Form 10-K, the proxy statement is not deemed to be filed as part hereof.

Table of Contents

TABLE OF CONTENTS

		Page
	PART I	
Item 1.	Business	2
Item 1A.	Risk Factors	15
Item 1B.	Unresolved Staff Comments	19
Item 2.	Properties	19
Item 3.	Legal Proceedings	19
Item 4.	Submission of Matters to a Vote of Security Holders	19
	PART II	
Item 5.	Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	20
Item 6.	Selected Consolidated Financial Data	23
Item 7.	Management s Discussion and Analysis of Financial Condition and Results of Operations	23
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	37
Item 8.	Financial Statements and Supplementary Data	37
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	38
Item 9A.	Controls and Procedures	38
Item 9B.	Other Information	38
	PART III	
Item 10.	Directors, Executive Officers and Corporate Governance	39
Item 11.	Executive Compensation	39
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	39
Item 13.	Certain Relationships and Related Transactions, and Director Independence	40
Item 14.	Principal Accounting Fees and Services	40
	PART IV	
Item 15.	Exhibits and Financial Statement Schedules	41
	Signatures	43
	Financial Statements	F-1
	Exhibits	

Table of Contents

Special Note about Forward-Looking Statements

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These forward-looking statements generally are identified by the words believes , projects , expects , anticipates , estimates , intends , strategy , plan , may , will , would , will be , will continue , will likely result , and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section of this report entitled Risk Factors . We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. Business

GENERAL

Bitstream Inc. was incorporated in the State of Delaware in 1981. Bitstream Inc. (together with its subsidiaries, Bitstream or the Company) is a software development company focused on bringing unique software products to a wide variety of markets. Today, our core software products include award-winning fonts and font rendering technologies; mobile browsing technologies and variable data publishing; Web-to-print, and multi-channel communications technologies.

We maintain our executive offices at 245 First Street, 17th Floor, Cambridge, Massachusetts 02142-1270. Our telephone number is (617) 497-6222 and we maintain websites at www.bitstream.com, www.myfonts.com, and www.pageflex.com. Investors may obtain copies of our filings with the Securities and Exchange Commission (the SEC) free of charge from our website at www.bitstream.com or the SEC s website at www.sec.gov.

PRODUCTS AND MARKETS OVERVIEW

We categorize our products and technologies into three product lines: (1) fonts and font technology, (2) mobile browsing technology, and (3) variable data, Web-to-print publishing, and multi-channel communications technology.

FONTS AND FONT TECHNOLOGY

Techniques used to present text and graphics are based on existing desktop publishing technologies and, when used in new distribution media, often result in a loss of visual integrity, degraded system performance, or both. To efficiently deliver digital information that retains the author s intended visual impression, computer systems must use enabling technologies that reduce file size, minimize bandwidth consumption, and operate reliably across computing environments. The evolution of real-time operating systems (RTOS), mobile phone operating systems, wireless devices, PDAs, set-top boxes, information appliances, and embedded systems in general require the transition from (a) the use of bitmaps to display text on these devices to the use of outlines and vector-based shapes to display text that can be scaled to fit the content being viewed on these devices. Text that is easy to read on any hardware device, on any software platform, at any size, and at any resolution is immeasurably important.

Table of Contents

Since 1981, Bitstream has played a leading role in the development of industry-standard font products and enabling technologies, including font rendering and display software. We have built substantial expertise in digital typeface design and production, technical font formats, and font portability and compaction software.

We believe that certain features of our products, such as performance, speed, compact size, system scalability, cross-platform portability, and high typographic quality, facilitate the adoption of such products in new and emerging markets. These markets include mobile handsets, handheld and wireless devices, gaming software, graphics applications, Internet and corporate intranet software, interactive TV and set-top boxes, high-definition digital theater and television, and embedded systems. We are currently developing, adapting, and marketing our enabling technologies and font solutions to third parties whose products address these new and developing markets.

Our fonts and font technologies are designed to support existing and new technological and typographic standards, such as OpenType, TrueType, and PostScript Type 1, as well as Unicode and native encodings. Our technologies are designed to be embedded within full-featured products produced by OEMs (original equipment manufacturers) and ISVs (independent software vendors). Our products are also designed to function in multi-platform computing environments, including Windows, Macintosh, UNIX, Linux, RTOS, and Java.

We have a long history of working with standards organizations worldwide to enhance technological development. We created the portable font resource (PFR) as a highly compact, resolution independent representation of characters that can be displayed on different systems while retaining font fidelity. Independent organizations responsible for setting digital TV standards have adopted the PFR font format as their standard for digital television, including ATSC (Advanced Television Systems Committee), DAVIC (Digital Audio Visual Council), DVB (Digital Video Broadcasting), DTG (Digital TV Group), MHP (Multimedia Home Platform), ISO/IEC 16500-6:1999 (International Organization for Standardization/International Electrotechnical Commission), and OCAP (Open Cable Application Platform).

We also sell fonts and font-related products developed and designed by third party foundries and designers. We established our MyFonts website as a universal source for fonts from a wide variety of international font vendors and designers. While prior approaches to selling fonts were generally satisfactory for professionals, they represented a barrier for the non-professional, casual user who is simply looking for a particular font. For example, if someone sees a font in a magazine, traditional sales channels offer no quick and easy way of finding out the name of that font. Even when the name of the font can be determined, it is not obvious where to buy it from among the hundreds, if not thousands, of font foundries offering their fonts through numerous channels. As a result of such obstacles, font sales to non-professionals have historically been almost non-existent. Bitstream continues to believe that this audience represents a large untapped market for fonts, and established MyFonts to make fonts accessible to everyone, which benefits both users and the font foundries.

For the general computer user, fonts have been difficult to find, purchase, and install, and often represent an unknown aspect of his or her desktop environment. Our goal is to provide access to fonts for all users, not just graphic arts professionals. MyFonts, created with the participation of some of the industry s most influential font foundries, provides one of the largest collections of fonts ever assembled. It features new ways to find and purchase fonts on-line, and offers unique typographic resources and a forum for interacting with font experts. As of March 1, 2009, over 450 foundries, large and small, domestic and international, participated as partners with MyFonts to offer their fonts for sale. This represents an aggregate collection of over 60,000 fonts. Some of the key features of MyFonts are: (1) an advanced search feature, which enables customers to browse and locate fonts using keywords both a novice and expert can understand; (2) WhatTheFont^{SM}, a free service which allows customers to scan images of typefaces and upload them to MyFonts.com for identification; (3) the ability to find fonts similar to a particular typeface design using the Show me more fonts like this feature; (4) test driving a font in text the user enters; (5) exploring the world of fonts with links to typographic resources available on the web; (6) the ability to collect fonts into one or more Font Albums for side-by-side comparison and collaborative decision making; and (7) the ability for users to click a button on the MyFonts website to download an automatic font installer.

Table of Contents

On May 9, 2005, the Company announced that the U.S. Patent and Trademark Office awarded a patent for MyFonts system for selecting and distributing fonts in conjunction with its e-commerce system. MyFonts was awarded the patent, number U.S. 6,853,980 B1, for specific technology underlying MyFonts.com that (1) enables users to find a font having a particular look or particular features, (2) enables users to upload an image of a font or font shapes, (3) displays fonts on the MyFonts website that most closely match (pattern match) the font or image the user is searching for, and (4) allows users to purchase and download the matching font.

MyFonts technology relies on computerized systems to organize fonts in such a way that visitors to MyFonts.com will be able to find a font similar to the one for which they are searching, as accessed through the More Fonts Like This feature and through keyword searches. MyFonts technology also relies on computerized pattern matching for fonts, as accessed through the WhatTheFont feature. WhatTheFont is a font identifier for users who have found a font they like in a book, magazine, newspaper, or other source, but don t know its name. WhatTheFont accepts image files of fonts uploaded by users, analyzes the images, and then displays the fonts on the MyFonts site that most closely match the font shapes captured in the image. WhatTheFont is also available as an iPhone application.

Bitstream font technology products include:

Font Fusion®, a font rendering subsystem that enables developers of consumer electronics devices, mobile handsets, set-top boxes, digital TVs, printers, graphics and software applications, and other embedded systems to render high-quality characters in any language, any format, at any resolution, on any software platform or hardware device. Font Fusion renders high-quality characters in industry-standard font formats, compact portable font resources, and compact stroke-based Asian font formats. Font Fusion is also available as a pre-integrated BREW extension.

Bitstream Panorama , a global text composition engine. This product enables developers to draw strings of characters and lay out complex lines of text. Bitstream Panorama supports international languages, including such complex script languages as Arabic and Indian. Together with Font Fusion, it offers a complete line layout and font rendering solution for developers building mobile handsets, smart phones, personal digital assistants (PDAs), set-top boxes, graphics applications, and embedded systems. Bitstream Panorama is also available as a pre-integrated BREW extension.

btX3 , a font subsystem that enables Linux applications to render high-quality characters in industry-standard and highly compact formats. btX3 is a small, fast font rendering system that allows Linux developers to access worldwide fonts, a font rendering engine, responsive engineering support, and commercial use of TrueType hints all in one license agreement from one vendor. btX3 comes with a core set of 13 delta-hinted, TrueType screen fonts. Delta hinting involves fine-tuning fonts so that they look good on the screen, even at small point sizes on low-resolution devices, such as computer monitors.

TrueDoc®, a portable font technology that provides for the efficient distribution of text, with fidelity, in a highly compact format. OEMs and ISVs license and incorporate TrueDoc into their products to achieve reliable, compact, and efficient recording, transporting, and viewing, of documents resident on the recipient s system. TrueDoc has been engineered to be small in file and application size, to comply with all industry font standards, and to be cross-platform compatible. We believe that TrueDoc s small file size and efficient playback capabilities present advantages in applications where limitations on bandwidth and memory are significant factors.

TrueDoc Imaging System (TDIS), a font subsystem for developers of operating systems, servers, applications, printers, and printer controllers, where a complete font solution is needed to provide scaleable resident fonts and support for downloadable, industry-standard fonts.

Table of Contents

Bitstream font products include:

Bitstream Typeface Library, which consists of over 1,000 digital typefaces deliverable in industry-standard OpenType, TrueType, and PostScript Type 1 font formats. Most of these typefaces are for use with English or other Western European language-based computer systems.

BTN Library, which consists of 500 fonts for OEMs and ISVs. The BTN (Breaking the Norm) typeface library includes designs made up of text families and pi fonts, and a wide variety of display, headline, and handwriting fonts. The BTN fonts were designed for software applications (particularly game software and graphics/presentation applications), web applications, and printers.

Certified Simplified Chinese GB18030 Font, Bitstream Hei, a TrueType font that has been certified by both the SLC (State Language Committee) and CITS/CESI (Committee on Information Technology Standards/China Electronics Standardization Institute). The SLC and CITS/CESI are Chinese standards groups that approve multilingual fonts for distribution within the People s Republic of China (PRC). This includes the GB18030 font, which is the PRC s approved Chinese character set. The GB18030 font currently includes over 30,000 characters and supports Chinese, Mongolian, Tibetan, Yi, and Uyghur. The Chinese government requires that fonts be certified before they can be licensed to software and hardware developers entering the Chinese marketplace.

Asian Stroke-Based Fonts, which consist of Unicode and native encodings of Chinese, Japanese, and Korean fonts, all in a compact and scalable stroke format. Bitstream also provides a unified stroke-based font that includes all Chinese, Japanese, and Korean characters included in the separate fonts.

International Fonts, which consist of non-Western language typefaces such as Arabic, Chinese, Cyrillic, Greek, Hebrew, Indian, Japanese, Korean, Thai, and Vietnamese. Along with these international fonts, complex script languages such as Arabic and Indian are becoming increasingly important for OEMs and ISVs developing worldwide solutions.

Tiresias Screenfont, a font that was originally designed by a team led by Dr. John Gill, Chief Scientist for the Royal National Institute of the Blind (RNIB). The RNIB developed the Tiresias Screenfont to improve text for television subtitling. The DVB and DTG organizations have adopted the Tiresias Screenfont as their standard font for digital television.

Closed Caption Television (CCTV) Font Set and TV Font Pack, an EIA-708-B compliant set of closed captioning fonts that support the Federal Communications Commission (FCC) requirements for closed captioning display on digital and analog TVs; and a set of 12 typeface designs that provide a comprehensive collection of serif, sans serif, and monospaced fonts for viewing on TV screens.

MobileFonts , a set of fonts designed and hinted specifically for display on mobile handsets.

Printer Fonts a set of fonts for printer emulation products featuring optimized output combined with a small footprint. Support Arabic, Hebrew, Baltic and Central European character sets in addition to standard Western European character sets.

MOBILE BROWSING TECHNOLOGY

The top issue confronting mobile operators, device manufacturers and others involved in disseminating news, commerce and entertainment data is how to effectively display this information on a mobile device in order to create a robust revenue stream in the wireless market. Based on our expertise in software development, fonts and font rendering, we developed a browsing technology for mobile devices called ThunderHawk. ThunderHawk provides a fast, easy to use full HTML desktop-like browsing experience. Built with Bitstream core mobile technology,

ThunderHawk offers a feature-rich mobile browsing experience that enables users to find and read information quickly.

ThunderHawk Client/Server Technology offers powerful, user-friendly benefits in a small package to mobile operators and device manufacturers. It minimizes resource requirements on the handset and supports a vast range of mass-market and higher end phones, with extremely fast page load speeds and low over-the-air data

Table of Contents

sizes. When a subscriber uses ThunderHawk to access the Web, the ThunderHawk client residing on the handset communicates with a server cloud. The cloud receives a connection from the client, and requests an HTML Web page from the Internet over a fast data connection. Upon receiving the requested page, a server renders the content on-the-fly and compresses the graphics. A server sends the requested HTML page in a compressed compact transport format to the subscriber s handset, reducing the data size to approximately one-twenty-third, on small magnification setting, of the size of the page on the desktop. This results in extremely fast loading and display of Website content for a truly superior user experience. The client technology is available as a J2ME client that runs on a majority of the phones currently on the market or as a platform-agnostic C++ SDK, that can be ported to any environment including Windows Mobile, BREW and Symbian OS, enabling a feature-rich, full desktop-style HTML browsing experience on nearly any mobile device.

BOLT, a consumer-facing browser built on ThunderHawk Java Client/Server technology. Offering a browser directly to consumers allows for rapid testing of new features (such as streaming video and RSS support) to improve, and generate interest in, our OEM and mobile operator-facing browsing technologies.

VARIABLE DATA AND WEB-TO-PRINT PUBLISHING TECHNOLOGIES

In the past several years, corporate marketing departments have learned to take advantage of the web as a new marketing medium. These departments are becoming familiar with the qualities and opportunities of the new medium, such as the abilities to update information quickly and easily, to generate content pages dynamically directly from corporate databases, and to personalize the customer experience. At the same time, companies are realizing the increased customer loyalty and profits that result from treating customers as individuals. They recognize the importance of identifying their most valuable customers and lavishing attention on them in a way tailored specifically to their needs. To implement one-to-one communications, marketing communications must be moved from a one-size-fits-all approach to a custom manufacturing model, in which thousands of variations can be produced at low cost. With the advent of high-speed color printers and digital presses, it is no longer cost-prohibitive to print smaller quantities, whether for localized marketing materials (short-run) or for one-to-one personalized materials (a run of one).

Our variable data and Web-to-print multi-channel publishing products, which are marketed and sold under the Pageflex brand, use intelligent, flexible templates to automatically assemble customized content logos, imagery, illustrations, and text in print, bitmap, or HTML formats for production through a wide range of digital print output devices, the web, and e-mail. Pageflex templates are based on the principle of separating document content raw information from document design how the page is laid out, what fonts and colors are used, and how images are sized and positioned. The copyfitting and placement rules, together with permissions that govern user ability to change elements, are built into each design template by the designer. Content providers can modify and add their content with little or no design skill. Document designs originally developed in Quark Xpress and Adobe InDesign can be imported into Pageflex through the use of Pageflex plug-ins that enable these third-party applications to export to the Pageflex XML data format.

The Pageflex product line consists of:

Pageflex Server, an enterprise server platform consisting of variable publishing modules, gives enterprises in many industries and digital printing service providers the ability to design and produce customized database-driven or web form-driven marketing communications on demand. It is designed to be the one server application that allows customers to do All Things Variable . Pageflex Server enables companies to offer interactive document editing capabilities to customers, employees, marketing partners, and dealers or franchise owners over a corporate website. Customers deploying Pageflex can create flexible templates that maintain their brand and corporate identity by using approved fonts, design elements, and images. They can also limit the editing capabilities made available to their end users and constrain portions of the document so that they cannot be modified.

Pageflex modules provide a variety of document customization options including database merging, Web form driven customization, interactive online design and editing, and cross media (print and

Table of Contents

HTML) publishing with campaign tracking features. The Online Design and Editing Module provides a revolutionary level of interactivity for web-to-print solutions. It utilizes Pageflex .EDIT technology, which was the first web browser-based application that enabled non-designers to create typography-rich, layout-rich documents with just a browser and an Internet connection. It brings desktop publishing capabilities into a Web browser with a true WYSIWYG display.

Pageflex Server provides companies with the robust server tools and stability they need to run high-volume, multi-server installations 24x7x365, including automatic failover and backup options. The queue-based architecture enables concurrent job processing, batching, and priority processing when multiple orders are placed at the same time. New servers can be added quickly and without service-disruption as the quantity of end user editing transactions increases.

Pageflex Storefront is a turn-key software product that enables customers to define, auto-generate and manage attractive online document customization and ordering sites. Service providers use Pageflex Storefront to provide their clients with a catalog of customizable document products, and corresponding e-mail and cross media campaigns. Included in the package is user account, shopping cart and order management, as well as personalization and customization technology for online document editing. At the core of the solution, is Pageflex web-to-print composition technology, including flexible templates that enable document layouts to flex , accommodating variable content within sophisticated designer-specified guidelines. Pageflex Storefront was a winner of the prestigious GATF InterTech Technology Award for 2005 and was the only software package for web-to-print or variable data publishing to be honored with this award, which is recognized industry wide as a mark of excellence and innovation. The judges described the system as elegant , user friendly , and amazingly powerful . Pageflex Storefront has gone on to win numerous other industry awards as we have enhanced the product with capabilities specific to business-to-business and business-to-consumer sites, integrations with third-party print production systems that enable streamlined and automated workflows, and product internationalization including the end-user UI and support for a variety of different country taxes. Pageflex Storefront is sold as licensed software, with some customers then offering individual Pageflex Storefront portals in a SaaS model to their customers.

Pageflex Persona Cross Media Suite is a desktop software application enabling targeted and personalized content in both print and e-mail. The product incorporates award-winning variable data and cross-media functionality from Pageflex into a desktop application. It is the only desktop application on the market to enable database-driven personalized output in both print and e-mail. Among its compelling features are cross-media capabilities for creating coordinated print and e-mail marketing campaigns, variable-length document capabilities, flexible layouts, and the ability to compose text in more than 60 languages, including Japanese and Chinese. Another key capability is its cross compatibility with Pageflex server-class products, meaning all templates, variables, and projects can be easily reused for web-to-print applications, providing a variety of options for migration and expanded Pageflex configurations.

Pageflex Campaign Manager addresses the growing industry trend that requires marketers to show measurable results for all expenditures, while also increasing the company (or product) relationship with each customer. Pageflex Campaign Manager simplifies the process of creating a multi-touch marketing campaign, while providing robust reporting capabilities to track a campaign s success. It allows marketers to focus on crafting the marketing message, not the mechanism for getting it distributed. Pageflex Campaign Manager is used to produce printed direct mail, email, and Web microsites, with each of these components being personalized for the individual recipient. The direct mail and email components can contain a personalized URL (PURL) that the recipient can visit online. At the resulting Web microsite the Web content can be personalized and customized for the individual based on demographic or buying information that is known about them. Pageflex Campaign Manager can be used to develop surveys on the Web microsite pages to gather additional information about the customer. The system can generate follow-up emails to the individual, alerts to the appropriate sales person, and follow-up print mailings.

Table of Contents

Pageflex Campaign Manager includes a password-protected online dashboard where the marketer can view in real-time an accurate, detailed account of the effectiveness of each component used in the multi-touch campaign. Individual recipients are tracked, including how many times they are touched and their responses to online surveys. Overall campaign statistics can be viewed and analyzed.

Pageflex NuDoc is an advanced document composition engine based on the principle of separating form from content. Leveraging object-oriented technology, NuDoc is a reusable building block for document processing applications. NuDoc object classes provide an application programming interface (API) that supports the importing, editing, displaying, or printing of electronic documents. One of the important strengths of NuDoc is its ability to dynamically create layout-intensive pages through the import of separate content and style files.

We design our publishing products and technologies to support technological standards. We are a founding member of the Print On Demand Initiative (PODi), an alliance of key vendors and service providers working in the digital color printing market. PODi members include Adobe, Canon, Electronics for Imaging (EFI), Hewlett-Packard, Kodak, Konica Minolta, and Xerox. We also actively participate in the PODi standards development group, which has written and released a PPML standard harmonizing the ten vendor-specific proprietary protocols currently used to drive digital presses at high speed into one open standard supporting PostScript and PDF. Our publishing software, since its inception, has sought to drive all brands of digital printers. With strong input from the Company, PPML has been adopted as a standard across the industry, and we continue to play a leading role in this standardization program. In February 2007 Pageflex was the industry s first PPML producer to receive PPML Certification from PODi.

SALES AND MARKETING

We manage our sales and marketing efforts from our corporate headquarters in Cambridge, Massachusetts. Sales personnel receive a base salary plus commissions. Our sales and marketing organization focuses on direct sales and marketing activities and on maintaining and expanding reseller and OEM relationships. We also seek to enhance our relationships with existing and potential customers and have training and technical support teams who work with existing and potential customers, resellers, and strategic partners to support the sales process and to facilitate the implementation and use of the Company s software products and technologies.

We promote our products through (1) attendance and exhibition at major industry trade shows, (2) participation in tradeshow booths and sales events sponsored by our strategic partners for our browsing and publishing technologies, (3) participation in several standards committees, (4) PR efforts to secure editorial coverage in industry and business publications, web sites, and blogs (5) advertising in industry publications and on related websites, (6) engaging in direct marketing activities including print, email and web marketing campaigns, (7) sponsorship and delivery of webinars (8) our various websites including, www.bitstream.com, www.myfonts.com, and www.pageflex.com, www.mymms.info, and (9) through search engine optimization of websites.

The principal objectives of our marketing strategy for fonts and font technology are to continue to increase sales to OEMs and ISVs, who integrate Bitstream font technology software into their products, and to continue to increase sales of our fonts to retail and corporate customers. OEM and ISV agreements to which we are a party range from a license for a small group of typefaces to agreements for an entire spectrum of font products and/or technologies that can be incorporated into the customer s hardware or software products. The principal objective of our marketing strategy for our mobile browsing technologies is to expand awareness of these technologies while generating new business relationships with major mobile operators and device manufacturers. The principal objective of our marketing strategy for our publishing technologies is to continue to expand awareness of our on-demand marketing software products among web-to-print providers, digital service and print providers, corporate marketing departments, design firms, advertising agencies, direct mail houses, and other corporations

Table of Contents

and end users, as well as to encourage existing customers to make additional investments in Pageflex products and services. Marketing activities for our e-commerce initiative have been focused on recruiting font foundries to include their products on our MyFonts.com site, making web users aware of MyFonts.com and attracting them to the website. Marketing activities to increase awareness on the part of potential font buyers consist of efforts aimed at building web links from search engines and other Internet sites, as well as referrals.

Since 2004, we have sent regular newsletters to our e-commerce subscriber base including, a monthly Rising Stars newsletter featuring top-selling fonts and a monthly Creative Characters newsletter featuring an interview with a font designer. In addition, new foundries are featured shortly after joining MyFonts on the MyFonts blog. We plan to continue these marketing efforts in the future and, as new opportunities arise, we intend to evaluate other marketing approaches.

CUSTOMERS

We license our font and font technology products to a variety of OEM and ISV customers worldwide. We also sell custom and other typeface products directly to corporate customers and individual end users through various means including sales to consumers worldwide through our e-commerce website. We license our mobile browsing technologies to mobile operators, device manufacturers, corporations and end users, as appropriate. We license our publishing products directly to web-to-print providers, print service providers, marketing services companies, advertising agencies, major corporations and end users, and indirectly through resellers and strategic partners. We intend to continue to broaden our customer base through increased marketing efforts, by developing relationships with systems integrators, OEMs, and partners, and by introducing new product offerings and third party integrations that expand the use of our products and the markets which they serve.

No customer accounted for 10% or more of our revenue for any of the years ended December 31, 2008, 2007, or 2006. From time to time, product sales to a specific customer during a fiscal quarter may constitute more than 10% of our revenue for such quarter and a single customer may be responsible for 10% or more of our accounts receivable balance at any point in time. At December 31, 2008, two customers accounted for 17% and 11% of our accounts receivable, respectively, and at December 31, 2007, two customers accounted for 16% and 14% of our accounts receivable, respectively. We have broadened and intend to continue to broaden our customer base through expanded product offerings and increased marketing efforts. Revenue by geographic area is included in Footnote 9 in the Notes to the Consolidated Financial Statements enclosed herewith.

RESEARCH AND DEVELOPMENT

Bitstream is committed to developing innovative software to enhance communications. In particular, we focus on (1) developing software to allow for the best browsing experience on mobile devices, (2) developing premier font technology solutions that render high-quality text in any language for any application or device, (3) developing leading-edge technology for MyFonts.com, and (4) advancing our variable data and Web-to-print publishing technologies to meet the needs of an expanding market. To accomplish these goals, we have invested, and expect to continue to invest, significant resources in research and development.

During 2008, our research and development activities produced the following:

Font Fusion 4.5 In April 2008, we released version 4.5 of Font Fusion®, the Company s font rendering subsystem. Bitstream s Font Fusion is a font subsystem that has been designed to allow developers to render high-quality characters in almost any format, at almost any resolution, on almost any device. It is designed to support embedded systems, mobile handsets, printers, operating systems, software applications, low-resolution screen devices, high-definition television screens (HDTVs), set-top boxes, personal digital assistants (PDAs), and other embedded systems. The product has been optimized for

Table of Contents

small, resource-constrained embedded systems, such as mobile handsets. Version 4.5 of Font Fusion includes new features designed to extend the product s functionality, including support for 32-bit Unicode for interpreting large font files such as CJK with extended CMAPPs for 32-bit Unicode values, SmartScale dynamic character scaling, glow text filter, additional support for common Windows bitmap font format FNT/FON, and additional support for CID keyed fonts.

Bitstream Panorama 4.5. In April 2008, in concert with the release of Font Fusion 4.5, we released version 4.5 of our global text composition engine, which features the ability to layout, position, substitute, and render characters in worldwide languages, including complex script languages. This release includes several significant new features designed to simplify complex text composition including range based font mapping for fonts based on Unicode ranges, style-based font mapping, alpha channel support in LCD mode, 32-bit Unicode support, SpaceWrap feature that wraps any spaces that are before a character in a new line, and termination style support that enables ellipses termination.

Font Fusion BREW Edition. In May 2008, we introduced a BREW version of our Font Fusion font rendering subsystem, offering lossless font compression and best-of-breed rendering speeds to the hundreds of devices on the BREW platform.

Bitstream Panorama BREW Edition. In May 2008, we introduced a BREW version of our Bitstream Panorama global text composition engine, enabling developers to draw strings of characters and layout complex lines of text on the hundreds of devices on the BREW platform.

ThunderHawk BREW Edition. In May 2008, we introduced a BREW version of our ThunderHawk Client/Server browsing technology. Based on our C++ SDK, this release enables ThunderHawk to be ported directly to the hundreds of mobile devices on the BREW platform.

WhatTheFont iPhone app allows iPhone users to take a photo of lettering and immediately get the font identified using WhatTheFont.

Pageflex 6.0/6.1. In the first quarter of 2008, we released Pageflex 6.0 and then in May 2008 released additional functionality with Pageflex 6.1. Collectively these releases brought enhancements to all server-based Pageflex products. The primary focus of these releases was to introduce to the market Pageflex Campaign Manager, a comprehensive solution for producing, managing, and tracking multi-touch marketing campaigns. Pageflex Campaign Manager gives marketers an easy and robust way to track and analyze all aspects of their campaigns, providing them with the critical information needed to evaluate the return on their marketing investment. The tracking capabilities provide marketers an accurate, detailed account of the effectiveness of each tool used in a comprehensive campaign, such as email, personalized URLs and landing pages, and direct mail. A simple, menu-driven interface allows users to define each step of the campaign. A customizable online tracking dashboard then specifically measures their effectiveness in real time, through display of both numeric and graphical representations of the quantifiable results. In addition, Pageflex 6.0 introduced an Adobe Flash-based version of our award-winning online design and editing application (also called .EDIT or Free Edit in Pageflex Storefront) with DHTML controls, enhancing our capabilities for providing interactive online document editing. With Pageflex 6.1 came support for Microsoft Windows Vista in Pageflex Studio (the desktop application used to create document templates and projects for use by all Pageflex products). Pageflex 6.1 also brought improved handling of large databases in Pageflex Storefront.

Pageflex Persona Cross Media Suite 2008. In the first quarter of 2008, we released the new version of Pageflex Persona Cross Media Suite which builds on the feature set of this desktop application that enables targeted and personalized content in both print and e-mail. New features include the ability to build projects for Pageflex Campaign Manager, and various enhancements to the PDF print capabilities of the application.

Table of Contents

Pageflex Product Integrations. Integrations of third party products with our Pageflex product line continue to provide additional functionality to our customers applications. In 2008, we completed a number of third party integrations that include:

Enhanced existing Pageflex Storefront integration with AccuData to add support for six additional data lists.

Integration with the Avanti Graphic Arts Management System to provide streamlined job data transfer from online document customization and ordering in Pageflex Storefront through to the print production environment for printing, finishing and shipment.

Integration with the Canadian Postal Service Householder data list enabling Pageflex Storefront users to query, purchase, and use data lists from within the application.

Integration of all Pageflex products with DirectSmile Online to gain process improvements. This integration benefits customers that have a Pageflex document with multiple DirectSmile images where rendering speed is a priority.

Integration of Pageflex Storefront with DuoShare s address verification and sorting (NCOA/CASS) service. DuoShare also makes the necessary postal paperwork for obtaining discounted rates available for download from the Storefront Administrator interface.

Integration with Enterprise Print Management Solutions (EPMS) to communicate production information seamlessly with Pageflex Storefront.

Integration of Pageflex Storefront and Heidelberg Prinect in support of customers with hybrid workflow in which Web-to-print drives automated production of versioned offset runs, in addition to personalized digital print. This integration utilizes the industry standards JDF, JMF, and PDF.

Integration of Pageflex Storefront with HP SmartStream Production Pro Server to seamlessly transfer job order information between the two systems via JDF.

Extended Pageflex Storefront to allow end user credit card payment via the Network Merchants Inc. Gateway Services, which supports USD (United States Dollar) currency.

Extended Pageflex Storefront to allow end user credit card payment via the Protx Payment Gateway, which supports GBP (British Pounds Sterling) currency.

Integration of Pageflex Storefront with Xerox FreeFlow Process Manager MAX to provide an automated process from work order submission through print submission (i.e. no operator involvement). After testing and validation by Xerox, Pageflex Storefront has been designated Optimized for Xerox FreeFlow®.

COMPETITION

Our font technology products compete with the solutions offered by a variety of companies, including other suppliers of enabling technologies, software application developers, and vendors of computer operating systems. Moreover, the market for our enabling technologies and products

may be adversely affected to the extent that computer hardware, operating system, and application software vendors incorporate similar functionality or bundle competitive offerings with their products and thereby reduce the market for our technology or products. The competition for our sales of typefaces generally comes from a number of comparably sized or smaller companies offering their own typeface libraries and custom typeface services. Competition with our font rendering, font compression, and worldwide text layout technologies principally comes from Monotype Imaging Corporation, Arphic, and FreeType, an open source collaborative organization that provides its Linux font rendering code for free. Three limitations of the FreeType organization are (1) its inability to provide fonts; (2) its inability to provide a license for TrueType hinting, important for rendering readable, legible characters and

Table of Contents

retaining character shapes at small sizes on low-resolution screens and computer monitors; and (3) its inability to provide hands-on, one-to-one engineering support. Both Bitstream and Monotype Imaging can license TrueType hinting technology and fonts to developers. Competitors to our e-commerce initiative, MyFonts.com, include individual font foundry websites and other font-related websites that offer a variety of fonts for sale online, such as the one offered by Monotype Imaging.

Our ThunderHawk browsing technology competes with the browsing solutions offered by a wide variety of companies, including large software companies and small companies focused solely on the mobile browsing market. Our mobile browser competitors include Opera Software ASA, Access Co., Ltd., SkyFire Labs, Inc. and Novarra Inc. ThunderHawk compares favorably against these competitors primarily because of its ease-of-use, ability to access a wide variety of websites and the browser s client/server technology, which provides many advantages, the most important being user experience, speed and security. The client/server architecture also gives ThunderHawk a high degree of compliance with open HTML standards, making fast and full-featured mobile web browsing possible

Our publishing software competes with offerings of end-to-end solutions and integration services that include on-demand publishing tools. These solutions in turn compete with solutions created by our customers. Pageflex Server and Pageflex Storefront are server-based enterprise applications targeted at the customized print or web-to-print segment of the on-demand publishing market, while Persona Cross Media Suite is a desktop product for database-driven print and HTML email production. Rapid technological developments and frequent product introductions characterize this market. Competitive solutions also include VDP and Web-to-print products bundled with digital presses, or integrated with print-shop management systems in the print provider market. In the corporate market, competitive solutions include those integrated with marketing campaign management, email marketing, and CRM strategies. Participants in this market compete based on functionality, price, service, customizability, and interoperability with other e-publishing solutions and components. These competitors include MindFire, Objectif Lune, PressSense, Printable, and XMPie (a business-unit of Xerox Corporation). Recently this market has seen some consolidation with major digital press vendors adding software solutions to their product portfolios. This is a trend that may continue and change our competitive landscape. In addition, we may face new competition from emerging products and technologies. We believe our publishing products compete favorably based on rich feature sets, ease of use, long-term cost of ownership, stability, scalability, and customer satisfaction.

We believe that the principal competitive factors affecting all of our products include product features and functionalities such as scalability, ease of integration, ease of implementation, ease of use, quality, performance, price, customer service and support and effectiveness of sales and marketing efforts. Although we believe that we currently compete effectively with respect to such factors, there can be no assurance that we will be able to maintain our competitive position against current and potential competitors**.** See Risk Factors-If we are unable to successfully compete in our markets, our financial results will be negatively affected .

Table of Contents

INTELLECTUAL PROPERTY

We rely on a combination of trade secret, copyright, patent, and trademark laws and contractual restrictions to establish and protect proprietary rights in our technology. We are party to confidentiality and invention assignment agreements with our employees, and, when obtainable, enter into non-disclosure agreements with our suppliers, distributors and others so as to limit access to, and disclosure of, our proprietary information. There can be no assurance that these statutory and contractual arrangements will prove sufficient to deter misappropriation of our technologies or that our competitors will not independently develop non-infringing technologies that are substantially similar to or superior to our technology. The laws of certain foreign countries in which our products are or may be developed, manufactured or licensed may not protect our products or intellectual property rights to the same extent as do the laws of the United States and make the possibility of piracy of our technology and products more likely. We believe that, because of the rapid pace of technological change in the software and electronic commerce markets, legal protection for our products will be a less significant factor in our future success than the knowledge, ability and experience of our employees, the frequency of product enhancements and our ability to satisfy our customers. See Risk Factors-We may not be able to protect our intellectual property rights against piracy, infringement of our patents, or declining legal protection .

Our policy is to apply for U.S. patents and seek copyright registration for our technology and seek trademark registration of our marks from time to time when management determines that it is competitively advantageous and cost effective to do so. We have been granted ten patents by the United States Patent and Trademark Office, three for certain aspects or applications of the Company s TrueDoc technology, one for our DocLock technology, one for our Font Fusion technology, one for our Pageflex technology, three for our ThunderHawk technology and one for our technology behind our MyFonts.com website. Furthermore, multiple U.S., PCT, EPO, and Japanese applications are in process for some of the Company s newer technologies. Bitstream®, Font Fusion®, TrueDoc®, T2K®, MyFonts®, Pageflex®, and Cyberbit® are federally registered trademarks of the Company. All other trademarks, service marks or trade names referred to in this Annual Report on Form 10-K are the property of their respective owners.

EMPLOYEES

As of March 17, 2009, the Company employed 96 people, including 22 in sales and marketing, 21 in customer support and consulting, 40 in research and development, and 13 in general and administrative functions. Of our 96 employees, 93 are full-time and 3 are part-time, and 21 of the full time employees are based in our office in India. We also retain consultants from time to time to assist us with particular projects. We believe that our future success will depend in part on our ability to attract, motivate and retain highly qualified personnel. None of our employees is represented by a labor union and we have not experienced any work stoppages. We consider our employee relations to be good.

EXECUTIVE OFFICERS OF THE REGISTRANT

The Company s executive officers and their ages as of March 17, 2009 are as follows:

Name	Age	Position
Anna M. Chagnon	42	President and Chief Executive Officer
John S. Collins	69	Vice President and Chief Technology Officer
James P. Dore	50	Vice President and Chief Financial Officer
Sampo Kaasila	48	Vice President, Research and Development
Costas Kitsos	48	Vice President of Engineering

Anna M. Chagnon has served as Chief Executive Officer of the Company since October 2003. She has also served as President of the Company since June 2000 and as General Counsel since July 1997. She previously

Table of Contents

served as Chief Operating Officer from August 1998 to October 2003, and Chief Financial Officer from August 1998 to March 2003. From July 1997 to August 1998, she served in various positions at the Company including Vice President, Finance and Administration, Chief Financial Officer and General Counsel, and Vice President and General Counsel. From November of 1996 to July 1997, Ms. Chagnon was Counsel to Progress Software Corporation, a developer and worldwide supplier of solutions to build, deploy and manage applications across Internet, client/server and host/terminal computing environments. From August 1994 to November 1996, she was an attorney for the Boston law firm of Peabody & Arnold LLP where she specialized in corporate, securities, finance and intellectual property law. She holds a Bachelor of Science degree, summa cum laude, from Northeastern University, a Juris Doctor degree from Boalt Hall School of Law of the University of California at Berkeley, and a Master of Business Administration, summa cum laude, from Babson College.

John S. Collins has been Vice President and Chief Technology Officer of the Company since August 1998. From 1988 to August 1998, he served as Vice President of Engineering. Mr. Collins invented or co-invented a number of the products/technologies relating to font imaging technology for which the Company holds patents. He is the principal inventor of the Company s TrueDoc technology. Mr. Collins holds a B.Sc. and a Ph.D. in Electrical Engineering from the University of London.

James P. Dore was named a Vice President and the Company s Chief Financial Officer in March 2003. From June 1999 to March 2003, he served as the Company s Corporate Controller. From January 1997 to June 1999, Mr. Dore served as Corporate Controller at Celerity Solutions Inc. a developer and marketer of supply chain and warehouse management business software. He also served as Celerity s Chief Financial Officer and Treasurer from April 1999 to June 1999. Mr. Dore has over 20 years of service in various senior financial positions, is a C.P.A. and holds a B.S. degree, with distinction, from Clarkson University.

Sampo Kaasila has served as Vice President, Research and Development, of the Company since November 2001. Mr. Kaasila serves as the principal architect of the Company s font technology and mobile browsing products. From November 1998, when Mr. Kaasila joined Bitstream upon the acquisition of Type Solutions, Inc., to November 2001, he served as Director of Research and Development, Type Solutions. From August 1989 to November 1998, he was a founder and President of Type Solutions, Inc., a leading developer of font technologies including T2K , a font renderer which provides an object oriented design, advanced architecture and algorithms, and a clean API resulting in maximum reliability, performance, and easy integration. From August 1987 to August 1989, Mr. Kaasila worked at Apple Computer Inc. where he was the lead engineer and inventor of the True Type technology now part of every MacIntosh and Windows PC. Mr. Kaasila holds a Masters degree in Electrical Engineering from the Royal Institute of Technology in Stockholm, Sweden where he graduated first in his class in January 1983.

Costas Kitsos has been Vice President of Engineering at the Company since November 1999. Mr. Kitsos heads engineering for the Company s publishing software products and also serves as the principal architect. From October 1998 to November 1999, he served as Director of Research and Development of the Company. From November 1996 to October 1998, he was a Senior Software Engineer at the Company. Mr. Kitsos is a veteran software developer with over 15 years experience in type and publishing application development. From May 1987 to November 1996, Mr. Kitsos headed IconWorks, which developed award winning type applications and offered consulting services on end user programs and graphical user interfaces. He holds a Masters degree from the University of California, Los Angeles.

Table of Contents

ITEM 1A. RISK FACTORS

Set forth below are the risks that we believe are material to our investors. This section contains forward-looking statements. You should refer to the explanation of the qualifications and limitations on forward-looking statements in the section above entitled Special Note about Forward-Looking Statements .

We are subject to risks common to technology-based companies, including dependence on key personnel, rapid technological change, competition from alternative product offerings and larger companies, and challenges to the development and marketing of commercial products and services. We believe that our future results of operations could be affected by various factors including, but not limited to, the following:

- delays in the development or shipment of our new products or new versions of our existing products;
- the introduction of competitive products by others;
- general worldwide economic conditions and disruptions in the financial markets;
- inability to secure capital on favorable terms, or at all, if we need additional capital in the future;
- inability to attract and retain key personnel;
- disruption to our business in the event we engage in future acquisitions;
- intellectual property disputes;
- fluctuations in quarterly operating results;
- unanticipated changes in accounting rules; and
- unanticipated changes in tax rates and regulations.

If we are unable to successfully compete in our markets, our financial results will be negatively affected. The computer software market is highly competitive and is characterized by rapid technological change and adoption of new industry standards. As the markets in which our products are sold continue to develop and as we enter new markets, we expect to continue to face substantial competition from other software developers and anticipate that additional competitors will enter those markets. Many of our competitors or potential competitors have significantly greater financial, marketing and technical resources than we have. These competitors may be able to adapt more quickly to new or emerging technologies and standards or changes in customer requirements and may be able to devote greater resources to the promotion and sale of their products than we are able. Many of our competitors currently market, or have the potential to market, their products directly to the ultimate consumers of such products as part of a broader product offering. There can be no assurance that we will be able to compete successfully against these entities. To compete successfully, we must continue our investment in research and product development and we must devote substantial resources to our marketing and sales functions. There can be no assurance that we will have the necessary capital resources to fund such investment.

If we are unable to meet our customers demands for cutting-edge products and services, our revenue and operating results may be adversely affected. If we are unable to consistently introduce new products, services, and enhancements, our revenue and operating results are likely to be adversely affected. Any failure by us to anticipate or respond to new technological developments and customer requirements, or any significant delays in product development or introduction, could have a material adverse effect on our business, financial condition and results of operations. New products, when first released by us, may contain undetected errors that, despite quality control measures employed by us, are discovered only after a product has been integrated into our customers products and utilized by end users. Such errors may cause delays in product acceptance and may require design modifications which could have a material adverse effect on our business, financial condition and results of operations.

Table of Contents

General economic risks and disruptions in the financial markets may adversely affect our revenue and profitability. Our business may be negatively affected by general worldwide economic conditions and related uncertainties affecting the markets in which we operate. Adverse economic conditions could adversely impact our business in future periods, resulting in: reduced demand for our products; increased pressure on the prices for our products and services; and greater difficulty in collecting accounts receivable. Disruptions in the financial markets have had and may continue to have an adverse effect on the U.S. and world economy, and may continue to negatively impact business and consumer spending patterns. Current tightening of credit in financial markets also adversely affects the ability of our customers to obtain financing for significant purchases and operations and could result in a decrease in new licenses of our products. Additionally, the lack of available financing may limit or delay the growth of our OEM and ISV customers. Changes in employment and consumer spending patterns may also slow the adoption of new technologies and reduce the demand for new licenses for our products, and may result in fewer license renewals and less royalty income. There is no assurance that government responses to the disruptions in the financial markets will restore business and consumer confidence, stabilize the markets or increase liquidity and the availability of credit. We are pursuing a number of strategies to generate revenue growth, including: identifying new markets for our products; developing new applications for our technologies; allocating research and development funding to products with high revenue potential; and strengthening our presence in selected geographic markets. Due to limited resources, we may not be able to continue to successfully implement these strategies, which could have a material adverse effect on our business, results of operations and financial condition.

Risks related to our international sales. Sales to customers outside the United States represented 17.0% of our revenue for the twelve months ended December 31, 2008. This revenue does not include revenue derived from products sold into the international market by our domestic OEM and ISV customers or foreign purchases downloaded from MyFonts.com. We expect that our international business will continue to account for a significant portion of our future revenue. An increase in the value of the U.S. dollar relative to foreign currencies could make our products more expensive and therefore less competitive in foreign markets. Additional risks inherent in our international business activities generally include unexpected changes in regulatory requirements, tariffs and other trade barriers, longer accounts receivable payment cycles, potentially adverse tax consequences, and the burdens of complying with a wide variety of foreign laws. There can be no assurance that such factors will not have an adverse effect on our future revenue and our results of operations. In addition, our European business is significant and has historically been negatively affected during our fiscal quarter ending September 30 due to the summer closing or slowdown of several European customers.

We may need additional capital in the future, which may not be available to us on favorable terms, or at all, and may dilute your ownership of our common stock. For the past several years, we have relied on cash flows from operations, cash received from the sale of our MediaBank and InterSep OPI product lines to Inso Providence Corporation in August of 1998, and cash received from the sale of our investment in DiamondSoft to Extensis in July of 2003 to fund our operations, capital expenditures and expansion. However, we may require additional capital from equity or debt financing in the future to take advantage of strategic opportunities including more rapid expansion of our business or the acquisition of complementary products, technologies or businesses; and to develop new products or enhancements to existing prod