

06/12/02

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Form 1120

U.S. Corporation Income Tax Return

OMB No. 1545-0123

Department of the Treasury Internal Revenue Service

For calendar year 2001 or tax year beginning ending Instructions are separate. See page 20 for Paperwork Reduction Act Notice.

2001

A Check if a:

- 1 Consolidated return (attach Form 951)
2 Personal holding co. (attach Sch. PH)
3 Personal service corp (as defined in Temporary Regs. sec. 1.441-4T see instructions)

INTERNET SOFTWARE CONSORTIUM
950 CHARTER ST
REDWOOD CITY, CA 94063-3110

B Employer identification number

94-3289000

C Date incorporated

11/01/97

D Total assets (see page 8 of instructions)

\$ 265,407

E Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change

Table with 11 columns: Line number, Description, Amount, and Sub-column. Includes lines 1a-36 for income, deductions, and tax payments.

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer

Date

Title

May the IRS discuss this return with the preparer shown below (see instructions)? [X] Yes [] No

Preparer's signature Use Only

Preparer's signature

ELIZABETH V. SWEETMAN, EA

Date

06/12/02

Check if self-employed [X]

Preparer's SSN or PTIN

565-84-6164

Firm's name (or yours if self-employed), address, and ZIP code

ELIZABETH V SWEETMAN, EA
950 CHARTER ST
REDWOOD CITY, CA

94063

EIN Phone no.

(650) 779-7005

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Schedule A Cost of Goods Sold (See page 14 of instructions.)

Form with lines 1-8 for Cost of Goods Sold and 9a-f for inventory valuation methods. Includes values like 324,990.

Schedule C Dividends and Special Deductions (See page 15 of instructions.)

Table with columns (a) Dividends received, (b) %, and (c) Special deductions (a) x (b). Rows 1-20 detailing various dividend types and their percentages.

Schedule E Compensation of Officers (See instructions for line 12, page 1.)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1, Form 1120) are \$500,000 or more.

Table with columns (a) Name of officer, (b) Social security number, (c) Percent of time devoted to business, (d) Common, (e) Preferred, and (f) Amount of compensation.

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Schedule J Tax Computation (See page 16 of instructions.)

1 Check if the corporation is a member of a controlled group... 2a If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets... 3 Income tax... 4 Alternative minimum tax... 5 Add lines 3 and 4... 6a Foreign tax credit... 6b Possessions tax credit... 6c Check: Nonconventional source fuel credit... 6d General business credit... 6e Credits for prior year minimum tax... 6f Qualified zone academy bond credit... 7 Total credits... 8 Subtract line 7 from line 5... 9 Personal holding company tax... 10 Recapture taxes... 11 Total tax.

Schedule K Other Information (See page 19 of instructions.)

1 Check method of accounting: a Cash b Accrual c Other... 2 See page 21 of the instructions and enter here: a Business activity code no. 541511 b Business activity COMPUTER SVCS c Product or service CONSULTING... 3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation?... 4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?... 5 At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock?... 6 During this tax year, did the corporation pay dividends... 7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of: (a) the total voting power of all classes of stock of the corporation entitled to vote, or (b) the total value of all classes of stock of the corporation?... 8 Check this box if the corporation issued publicly offered debt instruments with original issue discount... 9 Enter the amount of tax-exempt interest received or accrued during the tax year... 10 Enter the number of shareholders at the end of the tax year... 11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here... 12 Enter the available NOL carryover from prior tax years.

Note: If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

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Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash		176,477.		251,786.
2 a	Trade notes and accounts receivable	2,706.		13,621.	
b	Less allowance for bad debts	()	2,706.	()	13,621.
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments				
10 a	Buildings and other depreciable assets	19,901.		19,901.	
b	Less accumulated depreciation	(18,804.)	1,097.	(19,901.)	
11 a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13 a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets				
15	Total assets		180,280.		265,407.
Liabilities and Shareholders' Equity					
16	Accounts payable		730,003.		51,180.
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities SEE SCHEDULE 8		9,833.		2,658.
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities				
22	Capital stock: a Preferred stock				
	b Common stock				
23	Additional paid-in capital				
24	Retained earnings - Appropriated (attach schedule)				
25	Retained earnings - Unappropriated		<559,556.>		211,569.
26	Adjmts. to shareholders' equity				
27	Less cost of treasury stock		()		()
28	Total liabilities and shareholders' equity		180,280.		265,407.

Note: The corporation is not required to complete Schedules M-1 and M-2 if the total assets on line 15, column (d) of Schedule L are less than \$25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See page 20 of instructions.)	
1	Net income (loss) per books 771,125
2	Federal income tax
3	Excess of capital losses over capital gains
4	Income subject to tax not recorded on books (itemize):
5	Expenses recorded on books this year not deducted on this return (itemize):
a	Depreciation \$
b	Contributions carryover \$
c	Travel and entertainment \$
6	Add lines 1 through 5 771,125
7	Income recorded on books this year not included on this return (itemize):
	Tax-exempt interest \$
8	Deductions on this return not charged against book income this year (itemize):
a	Depreciation \$
b	Contributions carryover \$
9	Add lines 7 and 8
10	Income (line 28, page 1) - line 6 less line 9 771,125

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)	
1	Balance at beginning of year <559,556>
2	Net income (loss) per books 771,125
3	Other increases (itemize):
4	Add lines 1, 2, and 3 211,569
5	Distributions: a Cash
	b Stock
	c Property
6	Other decreases (itemize):
7	Add lines 5 and 6
8	Balance at end of year (line 4 less line 7) 211,569

Form **2220** **Underpayment of Estimated Tax by Corporations** OMB No. 1545-0142
 Department of the Treasury Internal Revenue Service **2001**
 ▶ See separate instructions
 ▶ Attach to the corporation's tax return.

Name: **INTERNET SOFTWARE CONSORTIUM** Employer identification number: **94-3289000**

Note: In most cases, the corporation does not need to file Form 2220. (See Part I below for exceptions.) The IRS will figure any penalty owed and bill the corporation. If the corporation does not need to file Form 2220, it may still use it to figure the penalty. Enter the amount from line 36 on the estimated tax penalty line of the corporation's income tax return, but **do not attach** Form 2220.

PART I Reasons For Filing- Check the boxes below that apply to the corporation. If any boxes are checked, the corporation must file Form 2220, even if it does not owe the penalty. If the box on line 1 or line 2 applies, the corporation may be able to lower or eliminate the penalty. See page 1 of the instructions.

- 1 The corporation is using the annualized income installment method.
 - 2 The corporation is using the adjusted seasonal installment method.
 - 3 The corporation is a "large corporation" figuring its first required installment based on the prior year's tax.
- Note:** The corporation must also file Form 2220 if it has a suspended research credit allowed for the current year (see the instructions for line 4) or it is an indirectly affected taxpayer (see instructions).

PART II Figuring the Underpayment

4	Total tax (see instructions)		4	38,310.		
5 a	Personal holding company tax (Schedule PH (Form 1120), line 26) included on line 4.	5a				
b	Look-back interest included on line 4 under section 460(b)(2) for completed long-term contracts or section 167(g) for depreciation under the income forecast method	5b				
c	Credit for Federal tax paid on fuels (see instructions)	5c				
d	Total. Add lines 5a through 5c	5d				
6	Subtract line 5d from line 4. If the result is less than \$500, do not complete or file this form. The corporation does not owe the penalty	6		38,310.		
7	Enter the tax shown on the corporation's 2000 income tax return. (CAUTION: See instructions before completing this line.)	7				
8	Enter the smaller of line 6 or line 7. If the corporation must skip line 7, enter the amount from line 6	8		38,310.		
9	Installment due dates. Enter in columns (a) through (d) the 15th day of the 4th (Form 990-PF filers: Use 5th month), 6th, 9th, and 12th months of the corporation's tax year. Exception: Enter Oct. 1, 2001, instead of Sept. 15, 2001 ▶	(a)	(b)	(c)	(d)	
9		04/16/01	06/15/01	09/17/01	12/17/01	
10	Required installments. If the box on line 1 and/or line 2 above is checked, enter the amounts from Schedule A, line 40. If the box on line 3 (but not 1 or 2) is checked, see instructions for the amounts to enter. If none of these boxes are checked, enter 25% of line 8 above in each column	10	9,578	9,577	9,578	9,577
11	Estimated tax paid or credited for each period (see instructions). For column (a) only, enter the amount from line 11 on line 15	11				
Complete lines 12 through 18 of one column before going to the next column.						
12	Enter amount, if any, from line 18 of the preceding column	12				
13	Add lines 11 and 12	13				
14	Add amounts on lines 16 and 17 of the preceding col.	14		9,578	19,155	28,733
15	Subtract line 14 from line 13. If zero or less, enter -0-	15	0	0	0	0
16	If the amount on line 15 is zero, subtract line 13 from line 14. Otherwise, enter -0-	16		9,578	19,155	
17	Underpayment If line 15 is less than or equal to line 10, subtract line 15 from line 10. Then go to line 12 of the next column. Otherwise, go to line 18	17	9,578	9,577	9,578	9,577
18	Overpayment. If line 10 is less than line 15, subtract line 10 from line 15. Then go to line 12 of the next col.	18				

Complete Part III on page 2 to figure the penalty. If there are no entries on line 17, no penalty is owed.

Part III Figuring the Penalty

	(a)	(b)	(c)	(d)
19 Enter the date of payment or the 15th day of the 3rd month after the close of the tax year, whichever is earlier (see instructions). (Form 990-PF and Form 990-T filers; Use 5th month instead of 3rd month)	19			
20 Number of days from due date of installment on line 9 to the date shown on line 19	20			
21 Number of days on line 20 after 4/15/2001 and before 7/1/2001	21			
22 Underpayment on line 17 x $\frac{\text{Number of days on line 21}}{365}$ x 8%	22	\$	\$	\$
23 Number of days on line 20 after 6/30/2001 and before 1/1/2002	23			
24 Underpayment on line 17 x $\frac{\text{Number of days on line 23}}{365}$ x 7%	24	\$	\$	\$
25 Number of days on line 20 after 12/31/2001 and before 4/1/2002	25			
26 Underpayment on line 17 x $\frac{\text{Number of days on line 25}}{365}$ x 6%	26	\$	\$	\$
27 Number of days on line 20 after 3/31/2002 and before 7/1/2002	27			
28 Underpayment on line 17 x $\frac{\text{Number of days on line 27}}{365}$ x *%	28	\$	\$	\$
29 Number of days on line 20 after 6/30/2002 and before 10/1/2002	29			
30 Underpayment on line 17 x $\frac{\text{Number of days on line 29}}{365}$ x *%	30	\$	\$	\$
31 Number of days on line 20 after 9/30/2002 and before 1/1/2003	31			
32 Underpayment on line 17 x $\frac{\text{Number of days on line 31}}{365}$ x *%	32	\$	\$	\$
33 Number of days on line 20 after 12/31/2002 and before 2/16/2003	33	\$	\$	\$
34 Underpayment on line 17 x $\frac{\text{Number of days on line 33}}{365}$ x *%	34			
35 Add lines 22, 24, 26, 28, 30, 32, and 34	35	\$	\$	\$
36 Penalty. Add columns (a) through (d), of line 35. Enter the total here and on Form 1120, line 33; Form 1120-A, line 29; or the comparable line for other income tax returns	36			\$ 1,555.

* For underpayments paid after March 31, 2002: For lines 28, 30, 32, and 34, use the penalty interest rate for each calendar quarter, which the IRS will determine during the first month in the preceding quarter. These rates are published quarterly in an IRS News Release and in a revenue ruling in the Internal Revenue Bulletin. To obtain this information on the Internet, access the IRS's Web Site at www.irs.gov. You can also call 1-800-829-1040 to get interest rate information.

DATE	DUE	PAYMENT	BALANCE	DAYS	RATE	PENALTY	Form 2220 (2001)
4/16/01	9578	0	9578	60	8	126	
6/15/01	9577	0	19155	15	8	63	
6/30/01	0	0	19155	79	7	290	
9/17/01	9578	0	28733	91	7	501	
12/17/01	9577	0	38310	14	7	103	
12/31/01	0	0	38310	75	6	472	
3/16/02	0	0	0	0	0	0	
TOTAL						1555	

Form **4626**

Alternative Minimum Tax -- Corporations

OMB No. 1545-0175

2001

Department of the Treasury
Internal Revenue Service

▶ See separate instructions.
▶ Attach to the corporation's tax return.

Name INTERNET SOFTWARE CONSORTIUM	Employer identification number 94-3289000
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1 Taxable income or (loss) before net operating loss deduction	1	771,125.
2 Adjustments and preferences:		
a Depreciation of post-1986 property	2a	<1,708.>
b Amortization of certified pollution control facilities	2b	
c Amortization of mining exploration and development costs	2c	
d Amortization of circulation expenditures (personal holding companies only)	2d	
e Adjusted gain or loss	2e	
f Long-term contracts	2f	
g Installment sales	2g	
h Merchant marine capital construction funds	2h	
i Section 833(b) deduction (Blue Cross, Blue Shield, and similar type organizations only)	2i	
j Tax shelter farm activities (personal service corporations only)	2j	
k Passive activities (closely held corporations and personal service corporations only)	2k	
l Loss limitations	2l	
m Depletion	2m	
n Tax-exempt interest from specified private activity bonds	2n	
o Intangible drilling costs	2o	
p Accelerated depreciation of real property (pre-1987)	2p	
q Accelerated depreciation of leased personal property (pre-1987) (personal holding companies only)	2q	
r Other adjustments	2r	
s Combine lines 2a through 2r	2s	<1,708.>
3 Preadjustment alternative minimum taxable income (AMTI). Combine lines 1 and 2s	3	769,417.
4 Adjusted current earnings (ACE) adjustment:		
a Enter the corporation's ACE from line 10 of the worksheet on page 11 of the instructions	4a	769,417.
b Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount. See examples on page 6 of the instructions	4b	
c Multiply line 4b by 75% (.75). Enter the result as a positive amount	4c	
d Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments (see page 6 of the instructions). Note: You must enter an amount on line 4d (even if line 4b is positive)	4d	
e ACE adjustment: <ul style="list-style-type: none"> • If you entered a positive number or zero on line 4b, enter the amount from line 4c here as a positive amount. • If you entered a negative number on line 4b, enter the smaller of line 4c or line 4d here as a negative amount 	4e	
5 Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe alternative minimum tax	5	769,417.
6 Alternative tax net operating loss deduction (see page 7 of the instructions)	6	629,323.
7 Alternative minimum taxable income. Subtract line 6 from line 5. If the corporation held a residual interest in a REMIC, see page 7 of the instructions	7	140,094.

For Paperwork Reduction Act Notice, see page 10 of separate instructions.

Form **4626** (2001)

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Form 4626 (2001)

INTERNET SOFTWARE CONSORTIUM

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8	Enter the amount from line 7 (alternative minimum taxable income)	8	140,094.
9	Exemption phase-out computation (if line 8 is \$310,000 or more, skip lines 9a and 9b and enter -0- on line 9c):		
a	Subtract \$150,000 from line 8 (if you are completing this line for a member of a controlled group, see page 7 of the instructions). If zero or less, enter -0-	9a	0.
b	Multiply line 9a by 25% (.25)	9b	
c	Exemption. Subtract line 9b from \$40,000 (if you are completing this line for a member of a controlled group, see page 7 of the instructions). If zero or less, enter -0-	9c	40,000.
10	Subtract line 9c from line 8. If zero or less, enter -0-	10	100,094.
11	Multiply line 10 by 20% (.20)	11	20,019.
12	Alternative minimum tax foreign tax credit. (see page 7 of the instructions)	12	
13	Tentative minimum tax. Subtract line 12 from line 11	13	20,019.
14	Regular tax liability before all credits except the foreign tax credit and possessions tax credit	14	38,310.
15	Alternative minimum tax. Subtract line 14 from line 13. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 4, or the appropriate line of the corporation's income tax return	15	0.

Form 4626 (2001)

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Adjusted Current Earnings Adjustment Worksheet

▶ See ACE Worksheet Instructions (which begin on page 8).

1	Pre-adjustment AMTI. Enter the amount from line 3 of Form 4626		1	769,417.
2	ACE depreciation adjustment:			
	a AMT depreciation	2a		1,708.
	b ACE depreciation:			
	(1) Post-1993 property	2b(1)		1,708.
	(2) Post-1989, pre-1994 property	2b(2)		
	(3) Pre-1990 MACRS property	2b(3)		
	(4) Pre-1990 original ACRS property	2b(4)		
	(5) Property described in sections 168(f)(1) through (4)	2b(5)		
	(6) Other property	2b(6)		
	(7) Total ACE depreciation. Add lines 2b(1) through 2b(6)	2b(7)		1,708.
	c ACE depreciation adjustment. Subtract line 2b(7) from line 2a.		2c	
3	Inclusion in ACE of items included in earnings and profits (E&P):			
	a Tax-exempt interest income	3a		
	b Death benefits from life insurance contracts	3b		
	c All other distributions from life insurance contracts (including surrenders)	3c		
	d Inside buildup of undistributed income in life insurance contracts	3d		
	e Other items (see Regulations sections 1.56(g)-1(c)(6)(iii) through (ix) for a partial list)	3e		
	f Total increase to ACE from inclusion in ACE of items included in E&P. Add lines 3a through 3e		3f	
4	Disallowance of items not deductible from E&P:			
	a Certain dividends received	4a		
	b Dividends paid on certain preferred stock of public utilities that are deductible under section 247	4b		
	c Dividends paid to an ESOP that are deductible under section 404(k)	4c		
	d Nonpatronage dividends that are paid and deductible under section 1382(c)	4d		
	e Other items (see Regulations section 1.56(g)-1(d)(3)(i) and (ii) for a partial list)	4e		
	f Total increase to ACE because of disallowance of items not deductible from E&P. Add lines 4a through 4e		4f	
5	Other adjustments based on rules for figuring E&P:			
	a Intangible drilling costs	5a		
	b Circulation expenditures	5b		
	c Organizational expenditures	5c		
	d LIFO inventory adjustments	5d		
	e Installment sales	5e		
	f Total other E&P adjustments. Combine lines 5a through 5e		5f	
6	Disallowance of loss on exchange of debt pools		6	
7	Acquisition expenses of life insurance companies for qualified foreign contracts		7	
8	Depletion		8	
9	Basis adjustments in determining gain or loss from sale or exchange of pre-1994 property		9	
10	Adjusted current earnings. Combine lines 1, 2c, 3f, 4f, and 5f through 9. Enter the result here and on line 4a of Form 4626		10	769,417.

Federal Attachments

06/12/02¹⁰
2001

Name(s) as shown on return INTERNET SOFTWARE CONSORTIUM	Identification Number 94-3289000
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FORM 4562 - DEPRECIATION ATTACHMENT

SCHEDULE 1

DESCRIPTION	DATE	COST	ADJUST.	METH	LIFE	PRIOR	DEDUCTION
COMPUTER EQUIPMENT	08/10/99	9570	0	200DB	5.0	4498	0
TOTAL TO FORM 1120		9570	0			4498	0

PREFERENCE DEPRECIATION WORKSHEET

SCHEDULE 2

DESCRIPTION	DATE	COST	LIFE	PREF. DEPR	REG. DEPR	ADJUSTMENT
COMPUTER EQUIPMENT	08/10/99	9570	5.0	1708	0	1708-
TOTAL		9570		1708	0	1708-

ACE DEPRECIATION FOR ASSETS IN SERVICE AFTER 1993

SCHEDULE 3

DESCRIPTION	DATE	COST	ADJUST.	LIFE	PRIOR	CURRENT
COMPUTER EQUIPMENT	08/10/99	9570	0	3.00	2991	1708
TOTAL		9570	0		2991	1708

FORM 1120 - TAXES

SCHEDULE 4

DESCRIPTION	AMOUNT
UNSECURED PROPERTY TAX	214.
CALIFORNIA CORPORATION TAX	855.
TOTAL TO FORM 1120 LINE 17	1069.

Federal Attachments

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Name(s) as shown on return INTERNET SOFTWARE CONSORTIUM	Identification Number 94-3289000
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FORM 1120 - OTHER DEDUCTIONS

SCHEDULE 5

DESCRIPTION	AMOUNT
BANK CHARGES	304.
BIND V9 DOCUMENTATION	6120.
COMPUTER EXPENSES	2151.
DUES AND SUBSCRIPTIONS	240.
OUTSIDE SERVICE	30582.
POSTAGE	119.
PROFESSIONAL FEES	76514.
SUPPLIES	561.
TELEPHONE	119.
TRAVEL	2457.
UTILITIES	162.
TOTAL TO FORM 1120 LINE 26	119329.

ALTERNATIVE TAX NET OPERATING LOSS CARRYOVER

SCHEDULE 6

YEAR	ORIGINAL	USED IN PRIOR YRS	AMOUNT THIS YEAR	REMAINING CARRYOVER
1999	326746.	0.	326746.	0.
2000	302577.	0.	302577.	0.
AMT NOL REMAINING				0.

NET OPERATING LOSS CARRYOVER

SCHEDULE 7

YEAR	ORIGINAL	USED IN PRIOR YRS	USED THIS YEAR	REMAINING CARRYOVER
1999	326746	0	326746	0
2000	303199	0	303199	0
TOTAL PRIOR YEAR REMAINING CARRYOVER(S)				0

SCHEDULE L - OTHER CURRENT LIABILITIES

SCHEDULE 8

DESCRIPTION	BEGINNING	ENDING
BANK LINE OF CREDIT	8000.	0.
DEFERRED INCOME	1833.	0.
PAYROLL TAXES PAYABLE	0.	2658.
TOTAL TO SCHEDULE L LINE 18	9833.	2658.