

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant ☒ [x]
Filed by a Party other than the Registrant ☐ []

Check the appropriate box:

- ☐ [] Preliminary Proxy Statement ☐ [] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- ☐ [] Definitive Proxy Statement
- ☐ [] Definitive Additional Materials
- ☒ [x] Soliciting Material Pursuant to Rule 14a-12

Timberline Software Corporation
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☒ [x] No fee required.
- ☐ [] \$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), 14a-6(i)(2) or Item 22(a)(2) of Schedule 14A.
- ☐ [] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

- ☐ [] Fee paid previously with preliminary materials

- ☐ [] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid: _____

2) Form, Schedule or Registration No.: _____

3) Filing Party: _____

4) Date Filed: _____

Subject Company: Timberline Software Corporation
Commission File No. 0-16376

On July 23, 2003, Timberline Software Corporation issued the following press release:

For Immediate Release

Contact: Carl Asai, SVP & CFO
Timberline Software
503/439-5208
carl.asai@timberline.com

TIMBERLINE REPORTS SECOND QUARTER RESULTS

Beaverton, Oregon - July 23, 2003 - Timberline Software Corporation (NASDAQ: TMBS), a leading supplier of integrated financial and operations software and services for the construction and real estate industries, today reported a return to profitability for the year on a 17% increase in revenue for the three months ended June 30, 2003 compared to the same period a year ago. The increase in revenue was primarily the result of a 38% increase in software license revenue and a continuing increase in service revenue.

Net income for the quarter was \$626,000, or \$0.05 per diluted share, on revenue of \$16.5 million compared to a net loss of \$317,000, or \$(0.03) per diluted share, on revenue of \$14.1 million for the second quarter of 2002.

For the six months ended June 30, 2003, Timberline ("the Company") had net income of \$499,000, or \$0.04 per diluted share, on revenue of \$32.0 million compared to a net loss of \$95,000, or \$(0.01) per diluted share, on revenue of \$28.5 million for the six months ended June 30, 2002.

"We had a significant increase in quarterly software license revenue, both on a year-over-year and sequential quarterly basis," said Curtis Peltz, Timberline's president and chief executive officer. "While it continues to be a challenging environment in which to sell software, we believe our strategy of offering Timberline Office, an integrated suite of accounting, estimating, project management and other operational software applications, is gaining traction in the marketplace, both from new prospects and our existing customers."

Software license revenue increased 38% to \$5,898,000 in the second quarter of 2003 from \$4,271,000 for the comparable quarter in 2002. This also represented a 24% increase in software license revenue over the first quarter of this year. Service fee revenue increased 8% to a record \$10,434,000 in the second quarter of 2003 from \$9,642,000 for the same quarter a year ago.

Operating expenses for the quarter increased \$779,000, or 6%, to \$13,409,000 in 2003 from \$12,630,000 in 2002. Capitalized software development costs, which reduce operating expenses, decreased \$741,000 in 2003 compared to the second quarter of 2002. Excluding these costs, operating expenses for the quarter were essentially flat compared to the second quarter of 2002.

The Company's financial position remained strong during the second quarter. Total assets as of June 30, 2003, amounted to \$53.8 million, and cash and temporary investments increased to \$12.9 million as of June 30, 2003, compared to \$10.3 million as of December 31, 2002. Cash generated from operations for the first half of the year amounted to \$4.4 million. Primary uses of cash during the first half of the year were cash dividends, amounting to \$944,000, and capital expenditures of \$913,000.

CASH DIVIDEND DECLARED

As previously announced, the Company's Board of Directors declared the regular quarterly cash dividend of \$0.04 per share payable August 15, 2003, to shareholders of record on August 1, 2003.

PREVIOUSLY ANNOUNCED MERGER AGREEMENT

On July 16, 2003, the Company announced a definitive merger agreement between the Company, The Sage Group plc and a wholly-owned subsidiary of Best Software, under which Best Software would acquire the Company. Under the terms of the agreement, which was unanimously approved by the Company's Board of Directors, the Company's shareholders would receive \$8.25 per share in cash for their common shares. The merger is subject to approval by the Company's shareholders as well as customary approvals under antitrust laws and other customary closing conditions, and is expected to be completed by the end of the third quarter or early fourth quarter of this year. A definitive proxy statement and announcement of the date of the special shareholder meeting to vote on this merger is expected to be sent to shareholders in August.

CONFERENCE CALL

As previously announced, the Company will not host a conference call to discuss its financial results for the quarter.

FORWARD-LOOKING STATEMENTS

This news release contains a forward-looking statement within the meaning of the "Safe-Harbor" provisions of the Private Securities Litigation Reform Act of 1995. The expected closing date of the merger agreement in the news release is a forward-looking statement. This statement is necessarily subject to risk and uncertainty, including the possibility that the transaction will not close or that the actual closing date could differ materially due to certain risk factors, including without limitation, failure to receive shareholder approval, delays in obtaining shareholder approval of the transaction, and other delays related to regulatory approvals.

PROXY

Timberline will file a proxy statement and other documents regarding the proposed merger described in this press release with the Securities and Exchange Commission (SEC). Timberline shareholders are urged to read the proxy statement when it becomes available, because it will contain important information. A definitive proxy statement will be sent to shareholders of Timberline seeking their approval of the transaction.

Investors and security holders may obtain a copy of the proxy statement (when it is available) and any other relevant documents filed by Timberline with the SEC at no expense at www.sec.gov. Copies of the proxy statement and other documents filed by Timberline with the SEC may also be obtained free of cost by directing a request to Timberline SVP & CFO Carl Asai.

Information about the directors and officers of Timberline is included in Timberline's proxy statement for its 2003 annual meeting of shareholders filed with the SEC on March 21, 2003. This document is available free of charge at www.sec.gov and directly from Timberline.

Note: Transmitted on PR Newswire @ 1:05 PM PDT, July 23, 2003

TIMBERLINE SOFTWARE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited - Amounts in thousands, except per share data)

| | Six Months Ended June 30, | | Quarter Ended June 30, | |
|--|---------------------------|-----------|------------------------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| Net revenue: | | | | |
| Computer software | \$ 10,657 | \$ 9,099 | \$ 5,898 | \$ 4,271 |
| Service fees | 20,726 | 18,609 | 10,434 | 9,642 |
| Other | 657 | 744 | 159 | 196 |
| Net revenue | 32,040 | 28,452 | 16,491 | 14,109 |
| Cost and expenses: | | | | |
| Cost of revenue | 4,654 | 3,787 | 2,185 | 2,042 |
| Client services | 7,249 | 6,655 | 3,699 | 3,365 |
| Product development | 8,090 | 7,478 | 3,996 | 3,853 |
| Sales and marketing | 7,282 | 7,085 | 3,602 | 3,509 |
| General and administrative | 4,107 | 3,768 | 2,112 | 1,903 |
| Total cost and expenses | 31,382 | 28,773 | 15,594 | 14,672 |
| Operating income (loss) | 658 | (321) | 897 | (563) |
| Other income | 100 | 181 | 50 | 91 |
| Income (Loss) before income taxes | 758 | (140) | 947 | (472) |
| Income tax provision (benefit) | 259 | (45) | 321 | (155) |
| Net income (loss) | \$ 499 | \$ (95) | \$ 626 | \$ (317) |
| Earnings (Loss) per share: | | | | |
| Basic | \$ 0.04 | \$ (0.01) | \$ 0.05 | \$ (0.03) |
| Diluted | 0.04 | (0.01) | 0.05 | (0.03) |
| Weighted-average common shares outstanding, used in computing earnings per share: | | | | |
| Basic | 11,803 | 11,709 | 11,816 | 11,731 |
| Diluted | 12,026 | 11,709 | 12,031 | 11,731 |

TIMBERLINE SOFTWARE CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited - Amounts in thousands)

| | <u>Jun 30, 2003</u> | <u>Dec 31, 2002</u> |
|--|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and temporary investments | \$ 12,914 | \$ 10,339 |
| Accounts receivable | 6,389 | 6,336 |
| Other current assets | <u>1,987</u> | <u>2,198</u> |
| Total current assets | 21,290 | 18,873 |
| Property and equipment | 20,585 | 21,202 |
| Purchased software | 1,510 | 1,784 |
| Capitalized software costs | 9,785 | 10,759 |
| Other assets | <u>634</u> | <u>685</u> |
| Total assets | <u>\$ 53,804</u> | <u>\$ 53,303</u> |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,347 | \$ 1,169 |
| Deferred revenues | 19,164 | 18,388 |
| Other current liabilities | 3,796 | 3,623 |
| Current portion of long-term debt | <u>375</u> | <u>375</u> |
| Total current liabilities | 24,682 | 23,555 |
| Deferred credits | 3,746 | 4,129 |
| Long-term debt | 375 | 375 |
| Shareholders' equity: | | |
| Common stock | 355 | 353 |
| Additional paid in capital | 5,972 | 5,786 |
| Accumulated other comprehensive income | 41 | 27 |
| Retained earnings | <u>18,633</u> | <u>19,078</u> |
| Total shareholders' equity | 25,001 | 25,244 |
| Total liabilities and shareholders' equity | <u>\$ 53,804</u> | <u>\$ 53,303</u> |