Q3 2009

SOFTWARE INDUSTRY EQUITY REPORT

Software Equity GROUP, L.L.C.

INVESTMENT BANKING

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About Our Firm

Software Equity Group is an investment bank and M&A advisory serving the software and technology sectors. Founded in 1992, our firm has represented and guided private companies throughout the United States and Canada, as well as Europe, Asia Pacific, Africa and Israel. We have advised public companies listed on the NASDAQ, NYSE, American, Toronto, London and Euronext exchanges. Software Equity Group also represents several of the world's leading private equity firms. We are ranked among the top ten investment banks worldwide for application software mergers and acquisitions.

Our value proposition is unique and compelling. We are skilled and accomplished investment bankers with extraordinary software, internet and technology domain expertise. Our industry knowledge and experience span virtually every software product category, technology, market and delivery model, including Software-as-a-Service (SaaS), software on-demand and perpetual license. We have profound understanding of software company finances, operations and valuation. We monitor and analyze every publicly disclosed software M&A transaction, as well as the market, economy and technology trends that impact these deals. We're formidable negotiators and savvy dealmakers who facilitate strategic combinations that enhance shareholder value.

Perhaps most important are the relationships we've built, and the industry reputation we enjoy. Software Equity Group is known and respected by publicly traded and privately owned software and technology companies worldwide, and we speak with them often. Our Quarterly and Annual Software Industry Equity Reports are read and relied upon by more than fifteen thousand industry executives, entrepreneurs and equity investors in 61 countries, and we have been quoted widely in such leading publications as The Wall Street Journal, Barrons, Information Week, The Daily Deal, The Street.com, U.S. News & World Report, Reuters, Mergers & Acquisitions, USA Today, Arizona Republic, Detroit Free Press, Entrepreneur Magazine, Softletter, Software Success, Software CEO Online and Software Business Magazine. Software Equity Group’s senior bankers have keynoted and spoken at more than one hundred software industry conferences and seminars, including Software Business, SoftExpo, Culpepper, VAR Conference, ACETECH, and the Arizona, Colorado, Chicago, Southern California, Denver, San Diego, Washington State and Boulder Software Associations.

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Unmatched Expertise. Extraordinary Results.

RealPage has acquired A.L. Wizard ("The 'Wizdom' behind assisted living")	Ebix has acquired Acclamation Systems, Inc.	efi (print to win.) has acquired ePace Print Management System	Constellation Software Inc. has acquired System Innovators (Cashiering Solution Experts)	solarsoft has acquired VantagePoint (Software Solutions for Packaging)
Constellation Software Inc. has acquired Computrition (Hospitality Software Solutions)	Asure Software has acquired iemployee (On-Demand Workforce Management Solution)	sopheon has acquired alignent software	Deltek has acquired AIM (Applied Integration Management)	Micro Focus has acquired Acucorp (The new face of COBOL)

Software Equity Group is Ranked Among the Top Investment Banks Worldwide for Application Software Mergers & Acquisitions:

Source: The 451 Group

Top 10 investment bank for U.S. application software M&A in 2007 - 2008

#1 boutique investment bank for U.S. application software M&A in 2007 - 2008

#1 investment bank for Canadian acquirers of U.S. application software targets in 2008

#3 boutique investment bank for global application software targets in 2008

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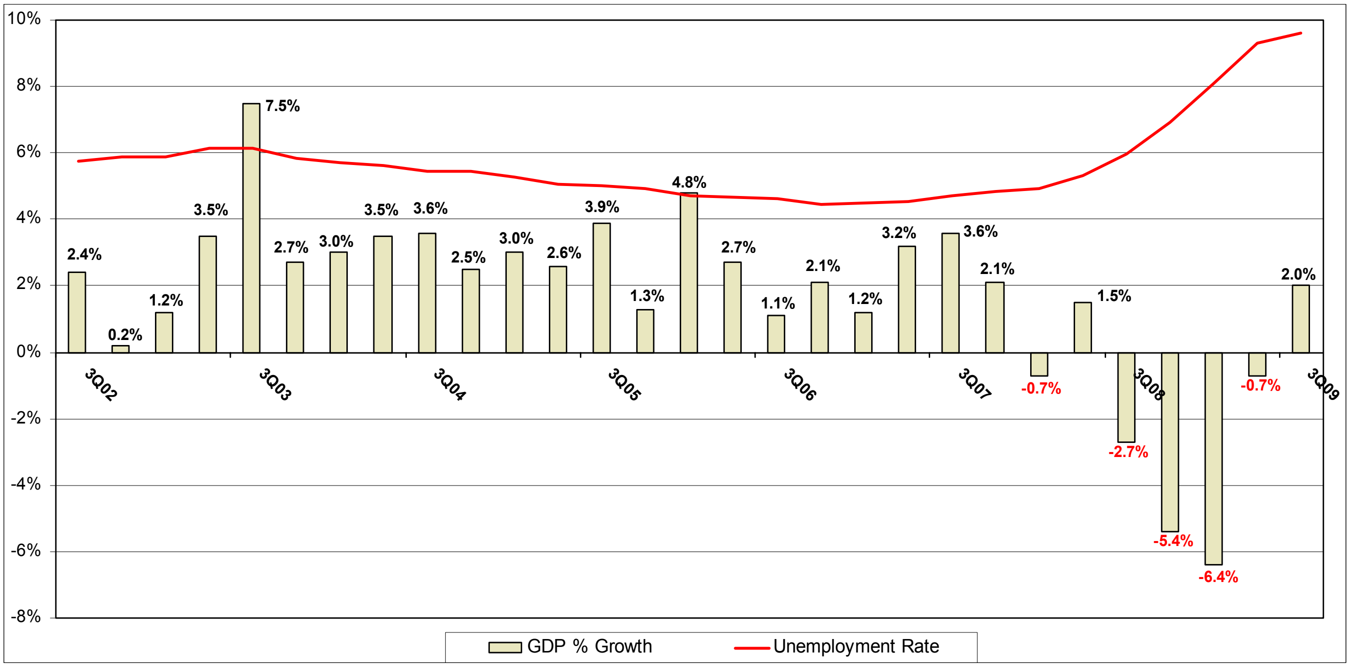
3Q 2009 Software Industry Equity Report Contents

Figure 1: U.S. Gross Domestic Product



U.S. Economy: Software Industry Macroeconomics

As we went to press, the Bureau of Economic Analysis (BEA) announced the GDP revised growth rate in 3Q09 was 2.0% (Figure 1). This is the first quarter of economic growth since 2Q08, and hopefully signals the beginning of a sustained turnaround. The BEA forecasts continued GDP growth in 4Q 2009. The U.S. Conference Board's Leading Economic Index (LEI) provided further reason for optimism, increasing 0.8% in June, 0.9% in July and 0.6%, in August.

As important, five of the ten indicators that make up The Conference Board LEI for the U.S. increased in August. The positive contributors - beginning with the largest positive contributor - were index of supplier deliveries (vendor performance), interest rate spread, stock prices, building permits, and the index of consumer expectations. The negative contributors - beginning with the largest negative contributor - were real money supply, average weekly initial claims for unemployment insurance (inverted), and manufacturers' new orders for non-defense capital goods. Average weekly manufacturing hours and manufacturers' new orders for consumer goods and materials held steady in August.

The U.S. Labor Department estimates the unemployment rate increased to 9.8% in 3Q09, a sobering jump from the 6.2% jobless rate a year ago (Figure 1). Nonfarm payroll employment declined by 768,000 jobs in 3Q09, with most job losses coming from the construction and manufacturing sectors. While no cause for celebration, Q3's job losses were a vast improvement over the first half of the year, when U.S. nonfarm employers shed a staggering 2,074,000 jobs in 1Q09 and 1,285,000 jobs in 2Q09. The healthcare and education sectors bucked the trend once again by adding jobs in the third quarter.

Software IT Spending Projections

CIO's slashed spending for software, hardware and IT services in the first three quarters of 2009. Most IT spending forecasts now project domestic IT capital spending will decline 8% in 2009, a marked contrast to the IT spending increases of 9% in 2007 and 6% in 2008.

After analyzing three recent IT spending surveys from separate analysts, we expect domestic corporate IT spending will improve slightly in 4Q09, resulting in a 6% annual decline, rather than the projected 8% decline. It's estimated that every percentage increase/decrease in IT spending equates to approximately $5 billion.

According to the current surveys, IT spending in the current economy remains squarely focused on technologies that reduce IT costs. Examples of top CTO spending priorities include server virtualization, desktop virtualization and server consolidation. Other high IT spending priorities include security software and applications that facilitate compliance with government regulations and accounting standards. Outsourcing, storage thin provisioning, and Microsoft Vista upgrades remain low spending priorities.

The spending surveys indicate CIO purse strings are likely to loosen a bit in 2010 if the economy doesn't backslide. In its September survey, Goldman Sachs revised its IT spending forecast to +2% in 2010, an encouraging improvement over its -1% projection in July.

SaaS applications continue to receive a mixed reception among CIO's of large enterprises. In 2010, we expect to see greater enterprise adoption of SaaS in the arenas it has proved most popular - CRM and workforce management. Assuming modest improvements in GDP and IT spending, we also anticipate increased enterprise adoption of discrete, functionally specific SaaS applications, such as expense management and supply chain/extranet collaboration. But the jury is still out as to whether large numbers of enterprises will entrust mission critical tasks to third party hosts. SaaS proponents predicted the recession would stimulate increased enterprise adoption of SaaS apps because of lower entry (subscription vs. perpetual license) costs, but it does not appear to be the case. CIO's are still quite leery about SaaS security and integration with on-premise applications remain serious obstacles to widespread enterprise adoption.

Public Software Company Stock Performance and Valuations

After racking up sizable losses in 1Q09, the public markets' second quarter recovery continued in Q3, with the Dow, S&P 500 and NASDAQ closing the quarter up 10.7%, 17.0% and 34.6%, respectively, from the first trading day of 2009 (Figure 2).

The SEG Software Index, our tracking survey of 181 publicly traded software companies, has consistently outperformed the major stock market indices in in the first three quarters of the year (Figure 2). At the close of Q3, the median stock price of the SEG Software Index reflected a 44.3% gain over the January 2 opening price. Investors, once again, took relative comfort in the software industry's unique ability to maintain healthy operating margins despite flat or declining revenue.

Indeed, 227 out of 257 (88.3%) of the public companies in our software, SaaS and Internet

Figure 2: Major Market Indices Compared to the SEG Software, Internet and SaaS Indices

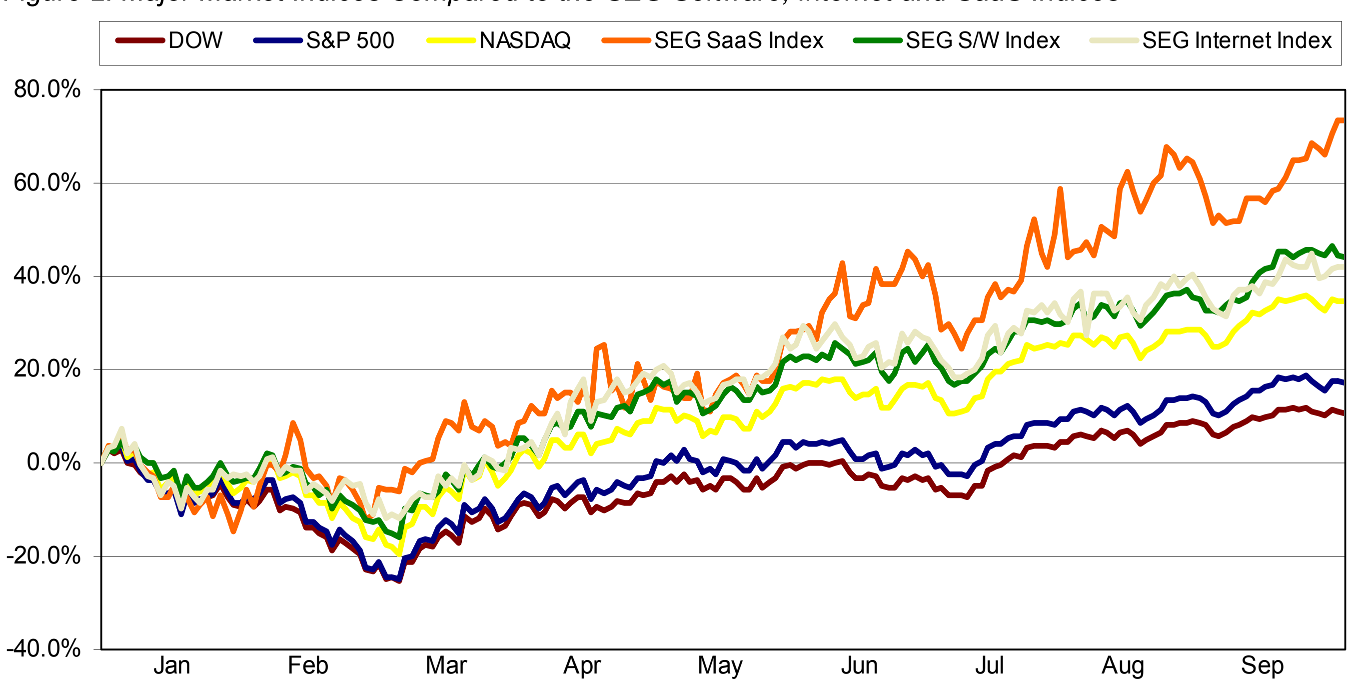


Figure 3: High Flyers – YTD Stock Market Return

2009 High Flyers - YTD Stock Market Return			
Company	**Ticker**	**Category**	**2009 Stock Return**
Evolving Systems, Inc.	EVOL	Messaging, Conferencing & Communications	326%
Sourcefire, Inc.	FIRE	Security	281%
Internet Gold Golden Lines Ltd.	IGLD	Internet - Communications	265%
PLATO Learning, Inc.	TUTR	Education & Computer Based Training	258%
ClickSoftware Technologies Ltd.	CKSW	HR & Workforce Management	232%
Merge Healthcare	MRGE	Healthcare	232%
Sonic Solutions	SNIC	Multimedia, Graphics, Digital Media	231%
ModusLink Global Solutions, Inc.	MLNK	Supply Chain Management & Logistics	205%
Baidu.com, Inc.	BIDU	Internet - Search Engine	202%
ArcSight, Inc.	ARST	Security	199%

indices reported higher year-to-date (YTD) stock prices at the close of 3Q09. Nine achieved YTD market returns greater than 200% (Figure 3). Comparatively, 171 of 262 (65.3%) public companies in our indices reported higher YTD stock prices by the close of 2Q09.

Public software company valuations also improved in the third quarter. The median enterprise value (EV) to revenue multiple of companies comprising the SEG Software Index increased to 1.7x in 3Q09 from 1.4x in Q2, but year-over-year was still below the 1.9x median valuation of 3Q08 (Figure 4).

Public software company enterprise valuations measured on as a multiple of EBITDA increased from 9.5x in 2Q09 to 11.1x in 3Q09, still markedly below 3Q08's median EBITDA multiple of 13.4x. The question now is whether public software companies, having already belt-tightened and "right-sized", will need to impose further spending

Figure 4: SEG Software Index Key Statistics

SEG - Software: Median Metrics					
Measure	**3Q08**	**4Q08**	**1Q09**	**2Q09**	**3Q09**
EV/Revenue	1.9x	1.2x	1.2x	1.4x	1.7x
EV/EBITDA	13.4x	8.4x	7.6x	9.5x	11.1x
EV/Earnings	20.8x	14.7x	16.4x	19.4x	24.9x
Current Ratio	1.8	1.9	1.8	1.9	1.9
Cash & Eq ($M)	$74.8	$79.6	$79.2	$78.9	$90.7
Gross Profit Margin	66.4%	67.6%	66.7%	66.9%	66.5%
EBITDA Margin	13.1%	13.2%	15.3%	14.9%	15.3%
Net Income Margin	7.1%	7.0%	4.5%	3.9%	4.5%
TTM Revenue Growth	14.9%	13.6%	6.6%	5.3%	1.8%
TTM Total Revenue ($M)	$192.9	$202.6	$225.5	$225.5	$231.2
TTM Total EBITDA ($M)	$24.2	$25.4	$27.0	$28.7	$30.0
Debt / Equity Ratio	26.6%	26.4%	23.9%	23.3%	26.8%

cuts to retain credible operating margins and market valuations should the recovery be as long and difficult as many economists are now forecasting. For some, there's little fat left on the bone. If that's true, many public software companies will have a tough choice: Cut further and imperil their recovery viability, or bear the wrath of disappointed investors after reporting reduced earnings in coming quarters.

While many listed software companies struggled to improve their valutations, ten public software, SaaS and Internet companies were able to maintain impressive EV/Revenue valuations in 3Q09 (Figure 5). Overall, these overachievers reported an exceptional median TTM revenue growth rate of 44.1% and an outstanding EBITDA margin of 40.7%.

Figure 5: High Flyers – Enterprise Value/Revenue

2009 High Flyers - Enterprise Value/Revenue			
Company	**Ticker**	**Category**	**EV/R**
Baidu.com, Inc.	BIDU	Internet - Search Engine	21.0x
SolarWinds, Inc.	SWI	Networking & Connectivity	11.5x
Longtop Financial Technologies	LFT	Financial Services Software	10.0x
NetEase.com, Inc.	NTES	Internet - eCommerce & Portals	9.7x
OpenTable	OPEN	Internet - eCommerce & Portals	9.7x
Mercadolibre, Inc.	MELI	Internet - eCommerce & Portals	9.2x
Athenahealth	ATHN	Health Care Management Software	7.2x
Rovi Corporation	ROVI	Content/Document Management	7.1x
Perfect World	PWRD	Entertainment	6.8x
MSCI	MXB	Financial Services Software	6.7x

The ultimate overachiever, it seems, is Baidu, often referred to as "China's Google", whose 3Q09 EV/Revenue grew 29.6% over the prior quarter. Baidu has made the top ten EV/Revenue list every quarter since 2Q07. In the past five years, Baidu's revenue skyrocketed from $17 million to $546 million, while its EBITDA margin swelled from 17.8% to 43.6% during the same period.

SolarWinds claimed the #2 spot behind Baidu for the second consecutive quarter. After its successful IPO in May 2009, SolarWinds' stock price has increased 64.5% from its first day of trading. The company boasts TTM revenue growth and EBITDA margin of 30.6% and 45.6%, respectively; not a bad combination in today's challenging economy.

PUBLIC SOFTWARE COMPANY FINANCIAL PERFORMANCE

Predictably, reduced IT spending by large enterprises demonstrably impacted the revenue growth of public (Figure 4) software companies. The median revenue growth rate of companies comprising the SEG Software Index plummeted to 1.8% in 3Q09 on a trailing-twelve-month (TTM) basis, compared to 5.3% in Q2 and a 14.9% TTM revenue growth rate in 3Q08 (Figure 4).[1] As we've noted in our reports over the years, a sharp decline in software company revenue growth invariably occurs six to nine months after a significant cutback in IT spending. The current spending cut/growth decline cycle proved true to form.

Nevertheless, the software industry is one of the only sectors of our economy reporting growth, rather than contraction. With the exception of the financial services sector, software revenue growth has outpaced all other industries year-to-date. More impressive is that most public software companies remained solidly profitable in Q3 despite declining revenue growth. The Median TTM EBITDA margin of SEG Software Index companies increased slightly to 15.3% in 3Q09 from 14.9% in Q2, as most public software companies continued to keep close watch over expenses.

It hasn't been easy, though. Despite conservative revenue and earnings forecasts, it appears many public software companies underestimated the severity of the recession's impact on both revenue and operating income, and especially related restructuring charges. According to our random sample of the Q3 earnings calls of 28 public software companies (Figure 6), only ten (36%) exceeded their most recent revenue projections, and only four (14%) exceeded their EPS estimates.

Nevertheless, public software company balance sheets remained healthy in 3Q09, thanks to significant recurring revenues and highly contractible costs. The median cash and cash equivalents of companies comprising the SEG Software Index grew 21.3% year-over-year

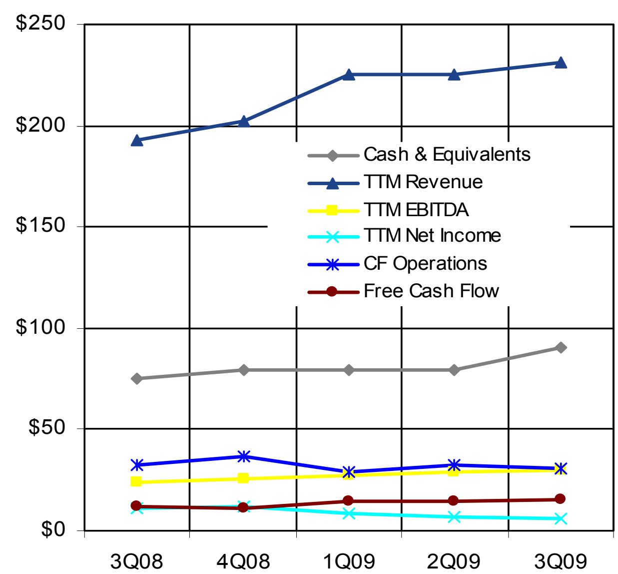
Figure 6: Expected vs. Delivered Revenue and EPS Results (as of September 30)

Company	Revenue	EPS	
Microsoft Corporation	▼	▼	Company Revenues: Greater than $1 billion
Cisco Systems, Inc.	▲	▼	
Oracle Corporation	▼	▼	
Google Inc.	▲	▼	
Adobe Systems Incorporated	▼	▼	
Electronic Arts Inc.	▼	▼	
BMC Software, Inc.	▲	▼	
Mentor Graphics Corporation	▲	▼	Company Revenues: $500 million to $1 billion
Lawson Software, Inc.	▲	▼	
Jack Henry & Associates, Inc.	▲	▲	
TIBCO Software Inc.	▼	▼	
Avid Technology Inc.	▼	▼	
Open Text Corporation	▼	▼	
NICE Systems Ltd.	▼	▼	
CSG Systems International, Inc.	▲	▲	Company Revenues: $100 - $500 million
QAD Inc.	▼	▼	
Websense, Inc.	▼	▼	
MicroStrategy Incorporated	▼	▲	
Allscripts Healthcare Solutions Inc.	▼	▼	
Blackboard Inc.	▲	▼	
Rovi Corporation	▲	▼	
American Software, Inc.	▼	▼	Company Revenues: Less than $100 million
Rainmaker Systems Inc.	▼	▼	
PDF Solutions, Inc.	▼	▼	
Goldleaf Financial Solutions, Inc.	▼	▼	
SourceForge, Inc.	▼	▼	
Pervasive Software Inc.	▼	▼	
NetSol Technologies Inc.	▲	▲	

▲ : Exceeded or Met Expectations
▼ : Did Not Meet Expectations

(Figure 7), no small feat in a major recession when many others are drawing down cash to subsidize operating losses. The median current ratio of the SEG Software Index was a relatively healthy 1.9, historically consistent with previous quarters (Figure 4).

Figure 7: SEG Software Index Financial Performance Metrics



[1] Note to our readers: The TTM revenue growth rate is the median of the reported TTM revenue growth rates of each software company in our Index. Therefore, the change in aggregate TTM revenue does not equal the TTM revenue growth rate.

Figure 8: SEG Software Valuation by Size of Buyer (TTM Revenue)

SEG Software Index Companies	EV/Revenue					EV/EBITDA					3Q09 TTM Rev Growth	3Q09 EBITDA Margin
	3Q08	4Q08	1Q09	2Q09	3Q09	3Q08	4Q08	1Q09	2Q09	3Q09		
Revenue Greater Than $1 billion	2.7x	1.8x	1.9x	2.2x	2.6x	11.1x	7.3x	7.4x	8.5x	11.0x	-0.5%	24.3%
Revenue Between $200 million and $1 billion	1.9x	1.5x	1.6x	1.7x	1.9x	14.7x	10.7x	10.1x	11.2x	11.4x	5.2%	17.6%
Revenue Between $100 million and $200 million	2.0x	1.2x	1.3x	1.5x	2.0x	18.8x	11.8x	9.8x	13.7x	14.1x	2.9%	13.1%
Revenue Less Than $100 million	1.6x	0.8x	0.6x	0.7x	0.8x	14.0x	6.3x	5.4x	6.4x	9.6x	-0.4%	4.0%

The significant cash reserves and strong balance sheets of the industry's larger software providers bode well for small and mid-cap software companies, especially those that offer buyers both strategic leverage and incremental revenue to boost their own stalled growth.

While private software companies will be the primary focus of these acquirers, undoubtedly smallers public software companies will also be targets, continuing a five year trend of software industry consolidation. In 3Q09, the acquisition of seven more public software companies in the SEG Software Index was completed or announced: Borland Software, SPSS, Omniture, MSC Software, Goldleaf Financial Solutions, Metavante and Entrust.

Investors, once again, favored the largest (annual revenue) public software companies in 3Q09, believing they are far better positioned to weather a long storm. SEG Software Index companies with revenues greater than $1 billion posted a median EV/Revenue ratio of 2.6x in 3Q09, compared to a median ratio of 0.8x for software companies with revenue less than $100 million (Figure 8).

But as in prior quarters, the same, did not hold true for large and small public software company EV/EBITDA ratios. On a TTM basis, companies with revenue greater than $1 billion posted an 11.0x EV/EBITDA multiple, while software companies with revenue between $100 million and $200 million were valued at 14.1x EV/EBITDA. The differential, as we've noted previously, is attributable to investor expectations that smaller companies will pump more money into R&D, sales and marketing and will grow revenue faster. That hasn't been the case over the past four quarters, and investors have responded accordingly. Sub-$100 million public software companies saw far slower revenue growth than all others except their >$1B counterparts, and their median EV/EBITDA valuation remained sub-par in 3Q09 at 9.6x, setting the stage for further industry consolidation in 4Q09.

As in prior quarters, size wasn't the only determinant of market valuation. Our analysis of all 181 companies in the SEG Software Index provided compelling evidence that EBITDA margins and revenue growth had an equal or greater impact on market valuation. The median EV/Revenue multiple of public software companies with TTM EBITDA margins greater than 40% was an astounding eight times greater than those with negative EBITDA margins (Figure 9). As for the valuation impact of TTM revenue growth, our analysis confirmed that in the current market environment, the higher a public software

Figure 9: Revenue Multiple vs. EBITDA Margin

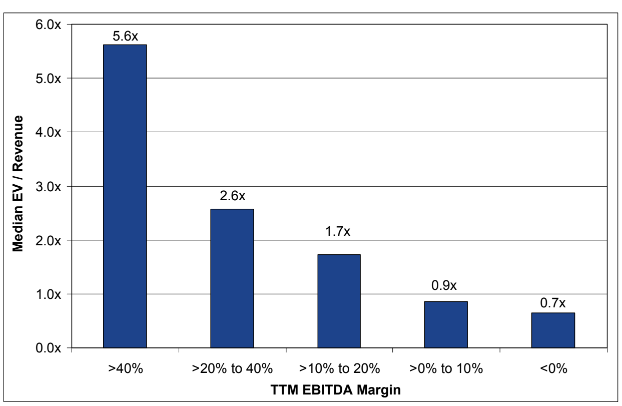
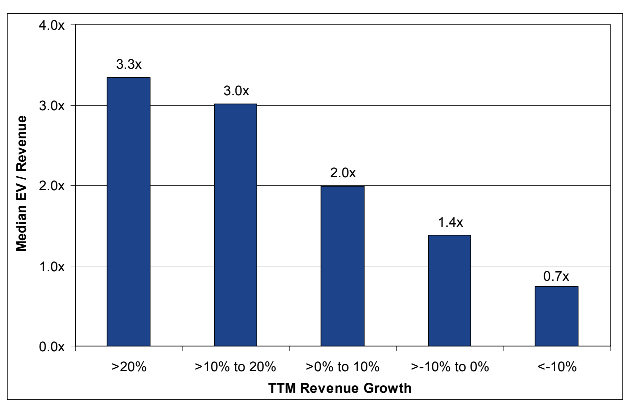


Figure 10: Revenue Multiple vs. Revenue Growth Rate



company's TTM revenue growth, the higher its trading multiple (Figure 10).

The impact of profitability and growth on public software valuations often affects how these larger players value acquisition targets, a reality that has profound exit implications for privately held software companies entertaining exit in the near or mid-term. As such, sellers need to make conscious choices about what equilibrium to maintain between profitability and growth. The short answer is it depends very much on the company, the market it serves and the product category it occupies.

Public Software Company Performance: By Category

While the software industry's median valuation multiples (EV/Revenue and EV/EBITDA) are interesting data points enabling ready comparison to other industries, the market valuations of public companies serving specific software product categories provide far greater insight and guidance about software industry market trends, changing IT spending priorities, and areas ripe for consolidation. In quarters past, median TTM revenue and earnings multiples varied widely by product category, and public market valuations for the same category often fluctuated widely from quarter to quarter. The third quarter of 2009 proved no exception (Figure 11).

Security software providers led all others in 3Q09, with a median EV/Revenue of 3.4x, buoyed by high multiples from Check Point Software (5.6x), Cogent (4.8x) and Sourcefire (4.6x). Traditional (i.e., perpetual license, non-SaaS) CRM and Education & eLearning companies suffered the lowest EV/Revenue multiple (0.8x) of any product category. The median valuations of these traditional CRM providers, as well as Education & eLearning software companies, have been well below the software industry median EV/Revenue for more than a year, signaling a distinct lack of investor enthusiasm for these categories. Still, the median EV/Revenue multiples for these and all other software product categories we track, except Wireless, have increased since 1Q09.

From an EBITDA standpoint, there seemed to be little correlation in 3Q09 between EBITDA growth and a product category's year-to-date stock return. Public eCommerce software companies

Figure 11: SEG Software Categories

SEG - Software Index														
Category	EV/Revenue					EV/EBITDA					Revenue Growth	EBITDA Growth	EBITDA Margin	YTD Stock Return
	3Q08	4Q08	1Q09	2Q09	3Q09	3Q08	4Q08	1Q09	2Q09	3Q09	3Q09 (TTM)	3Q09 (TTM)	3Q09 (TTM)	2009
Infrastructure Software														
Database & File Management	2.3x	1.4x	1.3x	1.4x	1.6x	10.3x	7.6x	7.2x	7.8x	7.7x	3.8%	18.4%	22.4%	19.5%
Development Tools, Operating Systems & Application Testing Software	2.7x	1.1x	0.8x	1.2x	1.4x	10.9x	6.3x	5.6x	8.3x	9.6x	1.6%	-13.0%	16.2%	32.8%
eCommerce Software	2.9x	2.3x	2.4x	3.0x	3.0x	46.9x	21.9x	16.5x	15.7x	19.4x	12.3%	80.9%	13.2%	39.0%
Enterprise Application Integration	2.1x	1.2x	1.1x	1.4x	2.1x	10.4x	6.3x	6.8x	7.7x	11.4x	-5.2%	10.3%	19.8%	66.4%
Messaging, Conferencing & Communications	1.1x	0.6x	0.6x	0.9x	1.4x	8.6x	6.3x	5.7x	8.2x	8.6x	1.2%	7.3%	11.0%	84.1%
Networking & Connectivity	2.1x	1.5x	1.9x	1.7x	2.0x	15.5x	12.4x	8.1x	8.0x	10.8x	3.8%	19.7%	19.8%	60.2%
Security	3.4x	2.3x	1.9x	2.4x	3.4x	20.2x	12.9x	11.6x	11.3x	12.0x	10.6%	52.1%	19.1%	52.0%
Storage & Systems Management Software	2.7x	1.4x	1.5x	1.6x	2.1x	11.7x	7.4x	8.7x	9.8x	11.0x	1.0%	0.3%	19.6%	47.1%
Wireless	1.7x	1.5x	1.4x	0.9x	1.0x	18.5x	11.1x	11.0x	11.7x	13.6x	-7.2%	16.1%	8.6%	49.0%
Application Software														
Billing & Service Provisioning	1.7x	1.2x	1.0x	1.1x	1.2x	7.6x	5.1x	4.6x	5.1x	5.7x	2.9%	1.3%	16.9%	57.8%
Business Intelligence	1.8x	1.1x	1.1x	1.5x	1.9x	12.0x	6.4x	7.1x	8.5x	10.6x	1.5%	9.5%	17.4%	93.8%
Content/Document Management	1.8x	1.4x	1.6x	1.6x	1.7x	6.9x	5.5x	5.2x	6.5x	6.6x	3.4%	4.7%	24.2%	55.2%
Customer Relationship Management, Marketing & Sales Software	0.8x	0.4x	0.3x	0.5x	0.8x	16.4x	17.2x	25.7x	51.0x	15.5x	-20.4%	-37.9%	0.8%	42.6%
Education & eLearning	2.3x	1.5x	1.2x	2.2x	1.9x	23.0x	12.0x	9.4x	13.5x	17.4x	3.3%	49.5%	9.2%	44.0%
Electronic Design Automation	1.5x	0.7x	0.8x	0.9x	1.1x	13.8x	7.3x	16.6x	9.1x	9.7x	-21.5%	-161.4%	-9.7%	100.5%
Engineering, PLM & CAD/CAM Software	1.8x	1.0x	0.9x	1.4x	1.4x	13.1x	7.6x	6.4x	7.6x	11.2x	-5.9%	-29.1%	13.6%	27.8%
Enterprise Resource Planning	1.6x	1.2x	1.0x	1.1x	1.4x	12.2x	8.6x	8.6x	9.0x	9.9x	-4.0%	10.3%	17.4%	32.7%
Entertainment	2.9x	1.3x	0.7x	1.0x	1.0x	13.0x	4.1x	4.4x	4.9x	8.1x	8.9%	17.2%	24.0%	83.8%
Financial Services Software	2.3x	1.9x	1.8x	2.1x	2.3x	13.8x	9.7x	8.2x	10.6x	11.3x	1.9%	13.8%	19.9%	30.0%
Healthcare	2.3x	1.8x	1.7x	2.4x	2.4x	13.7x	13.9x	10.4x	13.7x	15.2x	8.3%	18.7%	21.8%	54.5%
HR & Workforce Management	1.0x	1.4x	1.1x	1.7x	2.3x	-	-	-	-	-	15.0%	83.9%	3.4%	96.7%
Multimedia, Graphics, Digital Media	1.6x	1.0x	1.5x	1.8x	2.0x	19.5x	8.4x	7.0x	10.1x	13.1x	-12.1%	14.3%	14.9%	32.5%
Supply Chain Management & Logistics	1.5x	0.9x	0.9x	1.1x	1.3x	9.1x	5.5x	13.4x	9.7x	9.8x	-5.7%	22.5%	10.5%	56.8%

grew median TTM EBITDA aggressively (80.9%), from 3Q08, but reported a median 3Q09 stock gain of 39.0% over their January 2 opening prices. Conversely, public software companies comprising the Electronic Design Automation category saw median TTM EBITDA decline 161.4% in 3Q09 from 3Q08, yet saw their median 3Q09 stock return increase 100.5% from January 2.

We noted the inconsistencies among product categories as they relate to EBITDA growth and stock performance, and decided to analyze further. Public companies in the eCommerce category have traded at relatively healthy valuations over the past five quarters, with robust EBITDA growth apparently already having been factored in. In addition, the public companies comprising our eCommerce category are relatively small, with a median TTM revenue of $172 million. For many investors in the current economy, size trumps EBITDA growth (Figure 8). Conversely, the median TTM revenue of companies in the Electronic Design Automation category is $804 million, providing far more resiliency in tough times.

Investors also saw these EDA players as early beneficiaries of an economic recovery. Notwithstanding declines in operating income, the stock prices of many EDA companies soared by close of Q3 over their January 2 opening prices, including PDF Solutions (145.8%), Cadence Design Systems (103.3%) and Magma Design Automation (98.0%). Overall, EDA performed far better than any other software category in Q3, posting a median stock price increase of 100.5%.

Figure 12: SEG SaaS Index Key Statistics

SEG - SaaS: Median Metrics					
Measure	3Q08	4Q08	1Q09	2Q09	3Q09
EV/Revenue	6.0x	2.7x	2.1x	2.8x	2.7x
EV/EBITDA	49.3x	31.3x	21.3x	33.4x	31.6x
EV/Earnings	90.7x	42.7x	40.9x	37.7x	83.4x
Current Ratio	1.6	1.6	1.4	1.5	1.6
Cash & Eq ($M)	$76.3	$78.5	$85.8	$88.9	$93.8
Gross Profit Margin	67.8%	68.3%	68.1%	68.0%	67.4%
EBITDA Margin	3.8%	4.1%	5.0%	5.8%	7.9%
Net Income Margin	3.6%	-1.7%	-5.2%	-6.1%	-5.6%
TTM Revenue Growth	40.9%	35.9%	36.0%	33.2%	24.1%
TTM Total Revenue ($M)	$117.1	$126.3	$139.6	$143.6	$144.7
TTM Total EBITDA ($M)	$3.6	$3.7	$4.2	$4.6	$10.0
Debt / Equity Ratio	0.3%	0.5%	0.5%	0.5%	0.3%

Public Software as a Service Company Performance

Public SaaS providers reported a median TTM revenue growth rate of 24.1% for 3Q09, exponentially greater than the software industry's median revenue growth rate of 1.8%, but well short of the 40.9% SaaS company median TTM growth rate of one year ago (Figure 12). Although growth slowed, 12 of 17 SaaS providers reported positive growth of greater than 20% in Q3 on a TTM basis. A sustained median growth rate greater than 20% over the past four quarters is impressive in the face of a deep recession and sharp cuts in IT spending, suggesting a good number of SME prospects and some enterprise customers are resonating with the lower entry costs of SaaS subscription pricing.

Only two of seventeen SaaS companies, Athenahealth and Taleo, reported higher TTM revenue growth rates year-over-year (Figure 13). In contrast, the growth rates of three SaaS companies, DealerTrack, Kenexa, and SoundBite

Figure 13: Pure Play SaaS Public Companies

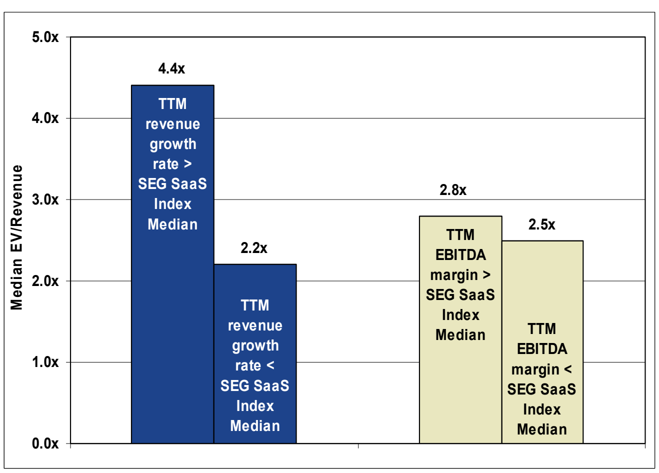
SEG SaaS Index																					
Company	Category	EV/Revenue					EV/EBITDA					TTM Revenue Growth					EBITDA Margin				
		3Q08	4Q08	1Q09	2Q09	3Q09	3Q08	4Q08	1Q09	2Q09	3Q09	3Q08	4Q08	1Q09	2Q09	3Q09	3Q08	4Q08	1Q09	2Q09	3Q09
Athenahealth (ATHN)	Health Care Mgmt	8.4x	6.6x	7.5x	6.5x	7.2x	76.8x	57.7x	63.0x	50.6x	54.2x	34.7%	35.2%	38.5%	39.9%	41.5%	10.9%	11.5%	11.9%	12.8%	13.2%
Concur (CNQR)	Accounting & Finance	10.9x	5.5x	4.0x	5.0x	6.2x	49.3x	24.8x	17.6x	20.9x	25.0x	60.3%	66.9%	50.6%	35.5%	24.1%	22.1%	22.2%	22.5%	23.8%	24.7%
Constant Contact (CTCT)	CRM	6.0x	3.4x	3.4x	3.9x	4.6x	412.8x	159.4x	397.4x	335.4x	177.8x	85.5%	80.1%	72.8%	64.9%	57.2%	1.5%	2.2%	0.9%	1.2%	2.6%
DealerTrack (TRAK)	Vertical - Automotive	2.0x	1.0x	1.1x	1.7x	2.6x	8.9x	4.6x	6.7x	11.9x	23.1x	24.2%	13.7%	3.8%	-5.0%	-8.9%	22.0%	21.4%	16.4%	14.6%	11.0%
DemandTec (DMAN)	SCM	2.8x	1.8x	2.0x	2.0x	2.4x	-	-	-	-	-	37.6%	30.1%	22.4%	15.8%	15.8%	-5.1%	-3.4%	-2.4%	-4.0%	-4.0%
Kenexa (KNXA)	Workforce Mgmt	1.9x	0.6x	0.5x	0.9x	1.4x	9.8x	3.2x	2.9x	5.9x	10.7x	31.3%	21.0%	12.0%	3.4%	-11.0%	19.5%	19.5%	17.3%	15.1%	12.6%
LivePerson (LPSN)	CRM	1.8x	0.8x	0.9x	1.5x	2.2x	23.8x	12.7x	11.7x	13.1x	15.3x	55.9%	56.8%	42.9%	32.8%	21.7%	7.4%	6.6%	7.5%	11.4%	14.3%
Medidata Solutions (MDSO)	Clinical Mgmt	-	-	-	3.3x	2.5x	-	-	-	102.4x	32.1x	-	-	-	-	67.9%	-	-	-	3.3%	7.9%
Netsuite (N)	ERP	6.9x	2.7x	2.6x	3.8x	4.4x	-	-	-	-	-	50.2%	47.2%	40.5%	33.9%	25.5%	-6.3%	-7.9%	-7.7%	-7.0%	-6.9%
Omniture (OMTR)	Web Analytics	6.1x	2.8x	2.4x	2.6x	3.0x	362.3x	88.8x	53.5x	33.4x	29.0x	101.0%	107.1%	106.5%	80.4%	55.8%	1.7%	3.1%	4.5%	7.9%	10.2%
RightNow (RNOW)	CRM	3.0x	1.1x	1.1x	1.3x	2.1x	-	-	-	63.4x	49.7x	15.3%	22.6%	25.3%	20.4%	13.0%	-7.2%	-4.8%	-1.5%	2.1%	4.3%
Salary.com (SLRY)	Workforce Mgmt	1.0x	0.3x	0.3x	0.5x	0.8x	-	-	-	-	-	43.9%	35.9%	28.1%	23.0%	20.8%	-36.6%	-42.0%	-43.3%	-43.9%	-37.9%
Salesforce.com (CRM)	CRM	7.8x	3.2x	2.8x	3.8x	4.5x	96.4x	37.8x	32.0x	38.8x	41.7x	50.1%	48.5%	43.8%	36.0%	29.0%	8.0%	8.4%	8.6%	9.8%	10.7%
SoundBite Communications (SDBT)	CRM	-	-	-	-	0.3x	4.1x	-	10.8x	13.7x	-	23.8%	17.7%	9.4%	1.6%	-6.8%	1.1%	-3.0%	-2.7%	-1.2%	-1.0%
SuccessFactors (SFSF)	Workforce Mgmt	6.2x	2.9x	2.1x	2.9x	3.9x	-	-	-	-	-	80.9%	76.9%	76.7%	66.2%	58.5%	-92.3%	-80.0%	-56.3%	-39.3%	-23.6%
Taleo (TLEO)	Workforce Mgmt	3.5x	1.3x	1.3x	2.2x	2.7x	45.3x	21.7x	21.3x	31.6x	31.2x	28.0%	32.4%	31.5%	33.7%	35.0%	7.7%	5.8%	5.9%	7.0%	8.5%
Vocus (VOCS)	CRM	8.3x	3.5x	2.7x	3.2x	2.9x	138.1x	69.1x	49.3x	56.0x	48.2x	37.9%	35.9%	33.5%	26.4%	20.1%	6.0%	5.1%	5.5%	5.8%	6.1%
	Median:	6.0x	2.7x	2.1x	2.8x	2.7x	49.3x	31.3x	21.3x	33.4x	31.6x	40.9%	35.9%	36.0%	33.2%	24.1%	3.8%	4.1%	5.0%	5.8%	7.9%

Communications, went negative in 3Q09.
While we've repeatedly observed that profitability remains elusive for many public SaaS providers, the tide appears to be turning for some SaaS providers who are beginning to reap the benefits of subscription renewals, operational improvements and reduced spending. The median TTM EBITDA margin for the SEG SaaS Index was 7.9% in 3Q09, more than twice that of a year ago. Only two profitable SaaS companies, DealerTrack and Kenexa, saw their TTM EBITDA margins decrease from 3Q08 (Figure 13). Still, the median SaaS TTM EBITDA margin as of the close of Q3 is half the median TTM EBITDA margin of the SEG Software Index.

SaaS providers, which in 2007 and 1H08 were favored with markedly higher EV/Revenue and EV/EBITDA valuations than traditional software companies, (Figure 4), have not fared well with investors in the downturn. One year ago, SaaS companies commanded a median EV/Revenue of 6.0x vs. 1.9x for their on-premise counterparts, a 216% premium. In 3Q09, the median SaaS EV/Revenue was 2.7x vs. 1.7x for traditional software companies, shrinking the EV/Revenue valuation differential to just 59%.

Similar to their traditional software industry counterparts, SaaS providers need to make conscious choices about whether to drive their companies for profitability or growth. SaaS companies with TTM revenue growth rates higher than the group median command a median 4.4x EV/Revenue multiple, compared to a median 2.2x EV/Revenue multiple for SaaS companies with TTM revenue growth rates lower than the group median (Figure 14). SaaS companies with EBITDA margins higher than the group median trade at a median 2.8x EV/Revenue multiple vs. a median 2.5x EV/Revenue multiple for SaaS companies with EBITDA margins lower than the group median. It would seem revenue growth trumps EBITDA from a valuation standpoint in today's SaaS world. And for good reason.

Figure 14: 3Q09 Public SaaS Company Revenue Growth Rate and EBITDA Margin vs. Revenue Multiple



In our view, stratospheric, pre-recession SaaS valuations reflected investor and analyst perceptions about the extraordinary upside of the immense and highly elusive small-medium business ("SMB") market far more than they reflected the potential for greater recurring revenue and predictability. While we do not believe SMB's will prove to be the Holy Grail for most SaaS providers, there's still a good deal of low hanging fruit ripe for the picking when the economy recovers, and SaaS companies will be rewarded with markedly higher valuations as SME adoption ramps and revenue growth rates accelerate.

Public Internet Company Performance

Though the software and Internet / eCommerce / Web 2.0 sectors are rapidly converging, clear distinctions remain between the two in terms of business model, revenue model, solution deployment and end user requirements. We've opted to track these major categories separately to enable a more granular analysis of each. Broadly defined, Internet companies are primarily internet based and their solutions are primarily – often exclusively – web deployed. Our Internet Index is comprised of companies whose principal business models fall within one or more of the following categories:

- Advertisers – Companies that provide key elements in the Internet advertising arena such as search marketing services, software to host and manage ads and a network of websites that run ads. Representative companies include InfoSpace, SINA, and ValueClick.
- Communications – Companies that provide web-based communications, products, and services. Representative companies include Delta Three, j2 Global Communications, and EarthLink.

- eCommerce & portals – Companies whose main line of business is conducted over the web. Representative companies include 1-800 FLOWERS.COM, Amazon.com, Bluefly, eBay and Expedia.
- Financial – Companies that provide online financial services, content, and financial information resources. Representative companies include Banks.com, Track Data, and Online Resources.
- Networking & connectivity – Companies which provide content sharing, testing, measurement, and other related services via the Internet. Representative companies include Internap Network Services, iPass, Keynote Systems, and Sify Technologies.
- New media – Companies that provide online information and content. Representative companies include TheStreet.com, WebMD and TechTarget.
- Search engines – Companies include Baidu.com, LookSmart, Sohu.com and Yahoo!

Figure 15: SEG Internet Index Key Statistics

SEG - Internet: Median Metrics					
Measure	3Q08	4Q08	1Q09	2Q09	3Q09
EV/Revenue	1.6x	0.9x	0.8x	1.2x	1.3x
EV/EBITDA	11.8x	7.4x	6.7x	9.3x	12.4x
EV/Earnings	21.1x	12.7x	13.5x	17.2x	18.3x
Current Ratio	2.3	2.1	1.9	2.1	2.4
Cash & Eq ($M)	$62.4	$64.4	$67.0	$64.1	$67.0
Gross Profit Margin	60.5%	59.7%	58.1%	58.8%	59.7%
EBITDA Margin	14.4%	13.0%	11.3%	9.3%	11.5%
Net Income Margin	5.0%	7.4%	0.6%	0.6%	2.6%
TTM Revenue Growth	16.6%	17.4%	11.3%	5.0%	1.7%
TTM Total Revenue ($M)	$126.4	$130.5	$137.0	$135.9	$134.5
TTM Total EBITDA ($M)	$15.7	$17.1	$14.9	$13.4	$13.2
Debt / Equity Ratio	15.5%	15.3%	19.1%	18.1%	14.4%

The SEG Internet Index fared similarly to the SEG Software and SEG SaaS Indices in 3Q09 (Figure 2). The median 3Q09 EV/TTM revenue multiple of the 59 companies public Internet companies comprising our Internet Index was 1.3x; the median EV/TTM EBITDA multiple was 12.4x (Figure 15).

Median TTM revenue growth of the companies comprising the SEG Internet Index declined to 1.7% in 3Q09 from 5.0% in 2Q09, reflecting substantially reduced Web spending by consumers. Note the lower public Internet company growth rate was virtually the same as the lower revenue growth rate of the SEG Software Index.

Enterprise valuations of companies comprising the SEG Internet Index varied widely by Internet category in 3Q09 (Figure 16). Internet Search Engine companies led all other categories in 3Q09, and posted an impressive 3.3x EV/Revenue median valuation and year-over-year revenue growth of 14.9%. Far less impressive were Internet Networking & Connectivity and Communications companies, which posted Q3 median TTM revenue multiples of 0.8x and 0.9x, respectively, and median revenue growth rates of 2.2% and -18.1%, respectively.

INITIAL PUBLIC OFFERINGS

The software IPO market showed clear signs of life in 1H09 after a near-death experience in 2008 (Figure 17), and a slow, but promising, 3Q09. The third quarter saw CDC Software Corporation (NASDAQ: CDCS) join the ranks of 2009's four prior software company IPOs. Together, these five new public software companies have a median TTM revenue growth rate of 30.6% and a median TTM EBITDA margin of 17.4%. The five software companies raised $788 million, collectively, an impressive showing.

Despite the success of these five IPOs, the U.S. software IPO pipeline narrowed further in Q3, with

Figure 16: SEG Internet Categories

SEG - Internet Index													
Category	EV/Revenue					EV/EBITDA					Revenue Growth (TTM)	EBTIDA Growth (TTM)	YTD Stock Return
	3Q08	4Q08	1Q09	2Q09	3Q09	3Q08	4Q08	1Q09	2Q09	3Q09	3Q09	3Q09	2009
Advertising	1.4x	0.7x	0.7x	0.8x	1.1x	15.8x	6.9x	7.6x	6.9x	11.3x	-2.1%	-5.3%	59.8%
Communications	1.0x	0.9x	0.8x	0.9x	0.9x	6.1x	4.2x	4.1x	4.0x	4.8x	-18.1%	0.1%	24.4%
eCommerce & Portals	1.7x	0.9x	1.1x	1.6x	2.2x	11.0x	7.1x	7.1x	11.9x	15.3x	-0.6%	0.6%	62.6%
Financial	2.7x	1.7x	1.6x	1.8x	1.5x	21.1x	9.0x	8.8x	12.1x	12.4x	-4.0%	23.1%	29.4%
Networking & Connectivity	0.8x	0.4x	0.4x	0.5x	0.8x	30.1x	8.8x	3.4x	6.4x	6.6x	2.2%	113.4%	25.4%
New Media	2.3x	1.3x	0.8x	1.5x	1.4x	14.3x	9.0x	7.2x	12.1x	17.4x	14.0%	11.5%	53.1%
Search Engine	3.4x	4.0x	3.2x	3.2x	3.3x	24.1x	10.9x	10.9x	13.7x	13.2x	14.9%	3.3%	46.0%

Figure 17: 2009 U.S. Software IPOs

Company	Category	Date Went Public	Offering Amount	Enterprise Value	EV / Rev	EV / EBITDA	First Day Return	YTD Return
Rosetta Stone, Inc. (NYSE: RST)	Education Software	4/16/09	$115,000,000	$580,600,000	2.6x	14.1x	39.6%	-7.5%
DigitalGlobe (NYSE:DGI)	Geospatial Information Software	5/14/09	$279,300,000	$1,048,200,000	3.8x	6.5x	13.2%	-1.1%
SolarWinds, Inc. (NYSE: SWI)	Network Software	5/20/09	$250,000,000	$1,123,200,000	11.6x	25.2x	10.0%	64.5%
Medidata Solutions, Inc. (NASDAQ: MDSO)	Clinical Development Software	6/25/09	$86,250,000	$405,700,000	3.4x	105.3x	21.4%	-10.5%
CDC Software Corporation (NASDAQ:CDCS)	ERP/SCM/CRM	8/6/09	$57,600,000	$312,467,000	1.5x	8.3x	-16.8%	-9.2%
		Median:	**$115,000,000**	**$580,600,000**	**3.4x**	**14.1x**	**13.2%**	**-7.5%**

*Enterprise Value and associated multiples as of offering date.
*First day return compares listed offering price to first day close.
*Bold denotes pure play SaaS companies.

only one S-1 filing (Figure 18). SaaS provider Archipelago Learning joined the IPO waiting list touting 75.7% revenue growth and a 24.8% EBITDA margin.

Of the remaining companies in the pipeline, we believe SaaS providers Archipelago Learning and ExactTarget will be well received, given their impressive revenue growth, high percentage of recurring revenue and positive operating income. That appears to be the magic combination for a successful IPO in the current economy. OpenLink Financial appears to be a particularly opportune public offering candidate, provided it can sustain its growth and investors are willing to bet on the financial sector - which we believe they will. Conversely, IPO aspirants such as Digital Domain and Syngence will most likely have to shore up their financial performance or let their filings lapse.

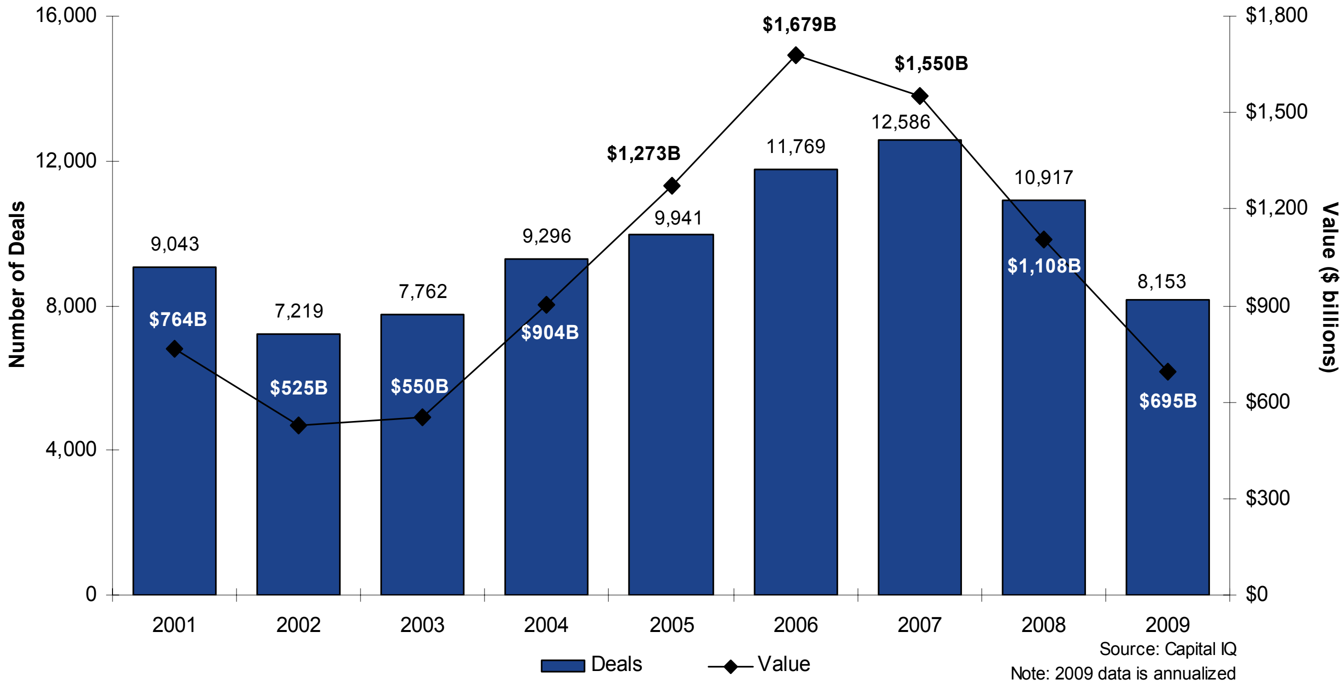
How will the software IPO market fare in 4Q09 and 2010? Given the current economic climate, it's impossible to conjecture. Still, a case can be made that should the economy continue to show signs of recovery, pent-up investor demand could create a much improved environment for software IPOs - especially for those on the waiting list with demonstrated market appeal and profitability. In such case, look for two to three additional IPOs in 4Q09 and a host of new filings in 2010.

Figure 18: U.S. Software IPO Pipeline

Company	Category	Filing Date	Offering Amount	Annual Revenue	Net Income	TTM Revenue Growth
Syngence Corporation (TBD)	Content/Document Management	11/15/07	$12,000,000	$2,703,000	-$2,253,000	-26.6%
Digital Domain (NASDAQ: DTWO)	Multimedia, Graphics, Digital Media	12/11/07	$78,000,000	$77,800,000	-$19,910,000	16.1%
ExactTarget (NASDAQ: EXTG)	CRM, Marketing & Sales Software	12/14/07	$86,250,000	$58,700,000	$2,170,000	54.0%
Gomez, Inc. (NASDAQ: GOMZ)	Website Performance	5/7/08	$80,500,000	$52,400,000	$2,300,000	35.8%
OpenLink Financial, Inc. (TBD)	Financial Services	5/12/08	$200,000,000	$159,600,000	$8,200,000	46.4%
Archipelago Learning, Inc. (NYSE: ARCL)	eLearning Software	9/3/09	$75,000,000	$32,068,000	$1,022,000	75.7%
		Median:	**$79,250,000**	**$55,550,000**	**$1,596,000**	**41.1%**

*Bold denotes pure play SaaS companies.

Figure 19: U.S. Merger & Acquisition Activity



MERGERS AND ACQUISITIONS: THE NUMBERS

M&A Deal Volume and Spending: All Industry Sectors

Domestic M&A deal activity and spending both improved in the third quarter. 3Q09 M&A transaction volume across all U.S. industry sectors aggregated 2,141 deals, a 6% increase over 2Q09's 2,012 transactions, but still 27% lower than the same quarter last year. M&A spending in 3Q09 increased from the prior quarter, but was down year-over-year. The total price tag of $144 billion in 3Q09 marks a 38% increase from 2Q09's $104 billion, and a 55% decline from 3Q08's $317 billion dollar M&A spend (Figure 19).

The increase in 3Q09's M&A spending was largely attributable to a greater number of mega-deals. There were 31 transactions with price tags greater than $1 billion, compared to only 21 such big deals in 2Q09. A year ago in 3Q08, total domestic M&A spending was buoyed by 41 transactions greater than $1 billion.

We believe Q4 will show continued improvement in overall M&A deal volume and spending. Many buyers will find mega-deals irresistible, given the compelling combination of a recovering economy, healthy balance sheets and reasonable target valuations.

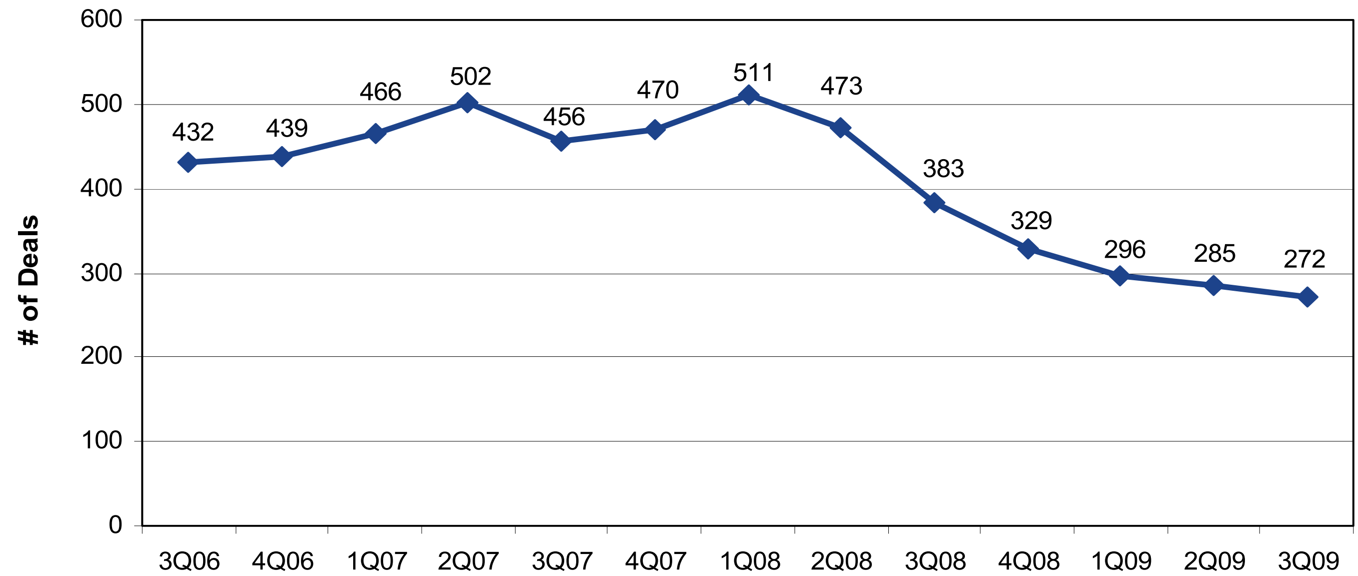
There were a fewer number of U.S. leveraged buy-outs and private equity backed transactions in Q3, but total valuations increased and LBO spending across all industry sectors improved. According to Capital IQ, there were 172 leveraged buy-outs in 3Q09, down from 187 in 2Q09, and well below 3Q08's 245 deals. However, $3.6 billion was spent on LBOs in 3Q09, more than double 2Q09's $1.7 billion, yet far less than the $5.1 billion spent in 3Q08.

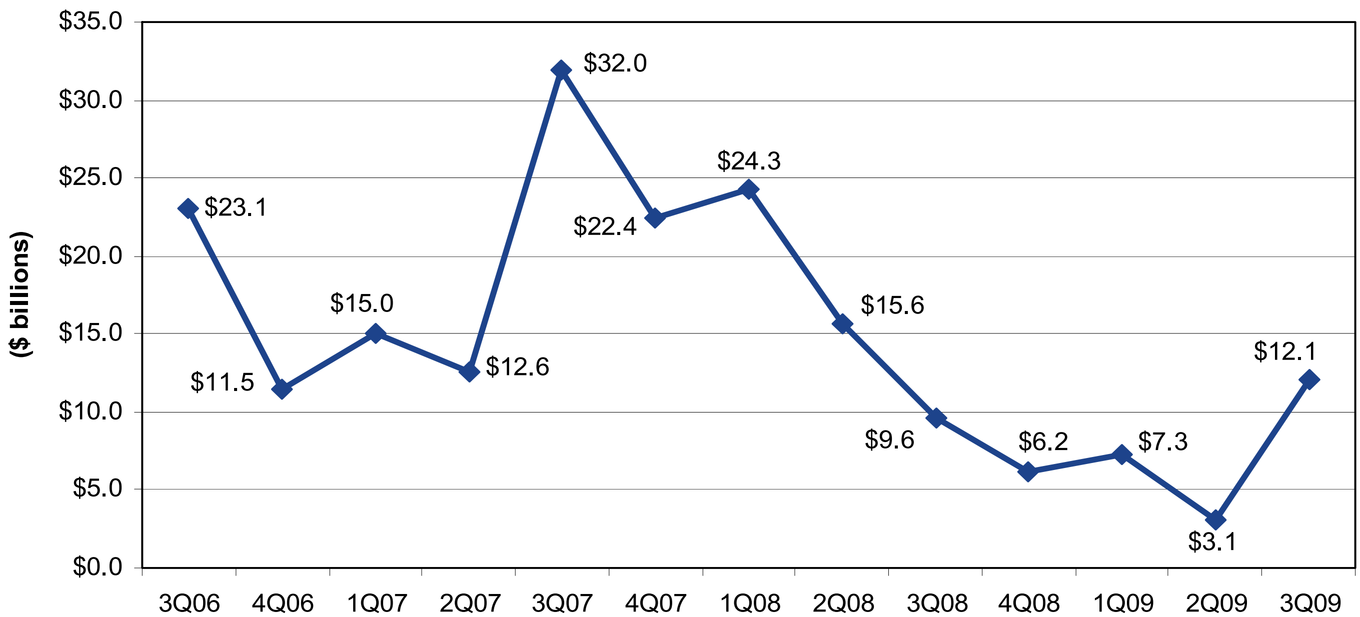
Globally, it was very much the same. There were 482 LBOs and private equity transactions worth $9.1 billion worldwide in 3Q09, compared to 544 deals worth $8.4 billion in 2Q09 and 678 transactions aggregating $25.7 billion year-over-year. In an effort to shore up confidence among their limited partners whose appetites for risk have changed since the downturn, PE firms appear to be taking pains to pursue opportunities that feature defensible valuations, minimal risk and reasonable returns.

Software M&A Deal Volume and Spending

Software M&A transactions accounted for 12.7% of all U.S. M&A activity in 3Q09, down slightly

Figures 20 & 21: U.S. Software Sector M&A Activity and Dollars Spent





from 14.2% in 2Q09. The third quarter's 272 software mergers and acquisitions had an aggregate purchase price of $12.1 billion, compared to 285 transactions aggregating a paltry $3.1 billion in 2Q09 (Figures 20 and 21). Unlike prior quarters, when a few mega-deals accounted for a disproportionate share of M&A dollars spent, Q3 showed a marked increased in the exit valuations of small and mid-cap software companies. The $9.7 billion spent on sub-$500 million software deals represented 80% of total software M&A spending in 3Q09, compared to $2.3 billion spent on such smaller deals in 2Q09 comprising 74% of total software M&A spending.

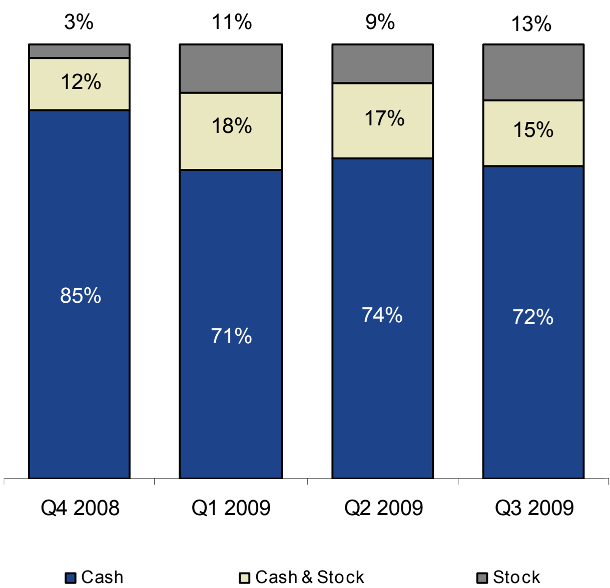
Only two mega-deals were recorded in 3Q09: Adobe's acquisition of Omniture ($1.6 billion, 4.7x TTM revenue) and IBM's acquisition of SPSS ($784 million, 2.7x TTM revenue).

Deal Currency

The percentage of all stock software M&A transactions declined steadily in 2H08 as the markets tanked, falling to 3% in 4Q08. As the markets began to recover in 2009, stock predictably became more palatable as partial deal currency. The stock market's continued recovery spurred a comeback in all stock deals in Q3, accounting for 13% of transactions in 3Q09, compared to 9% of all deals in 2Q09 (Figure 22).

All cash deals, which have comprised a median 73% of all acquisitions since 1Q07, accounted for 72% of transactions in 3Q09, down slightly from 74% in 2Q09. A year ago in 4Q08, when stock prices were in virtual free fall, exiting founders and scared seller shareholders pushed the percentage of cash deals to 85% of all software M&A transactions.

Figure 22: Software M&A Form of Payment

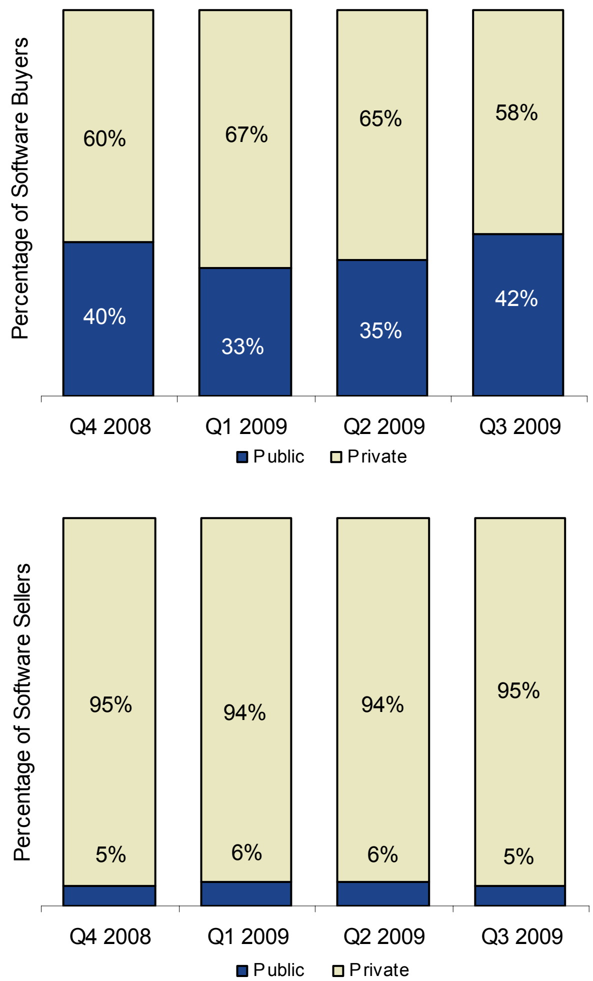


Transactions featuring a combination of cash and stock decreased slightly to 15% of Q3's software M&A total, compared to 17% in 2Q09 (Figure 22). As M&A deal activity ramps, and buyers venture further afield when making strategic acquisitions, look for the percentage of deals with stock as currency to grow, particularly when the acquirer considers the continued interest of a visionary founder/principal to enhance the prospects of a successful outcome.

Private vs. Public Buyers

Public buyers stepped up their acquisition activity in Q3, encouraged by forecasts of increased enterprise IT spending, and by target valuations they perceived as still reasonable. Public companies accounted for approximately 42% of all software M&A buyers in 3Q09, up from 33% in 1Q09 and 35% in the second quarter (Figure 23).

Figure 23: Public vs. Private Software M&A Buyers and Sellers



As the economy continues its recovery and IT spending improves, look for public companies to drive 45% or more of software M&A, at least until target prices inflate and private equity acquirers reengage.

M&A Valuations

The software industry's benchmark exit metric rose sharply in 3Q09 to a median 2.0x TTM revenue, a noteworthy improvement over Q2's median 1.6x TTM revenue multiple (Figure 24). This rising trend in median valuation indicates bargain-hunting is waning, buyers are placing more strategic bets, and sellers are asking - and getting - more. Q3 marks the second consecutive quarter-over-quarter increase in median exit valuation, which is something we haven't seen since Q2 - Q4 of 2005.

Figure 24: Software M&A Valuation as a multiple of revenue (Quarterly)

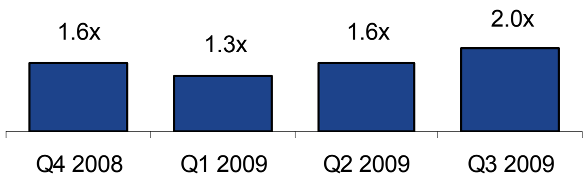
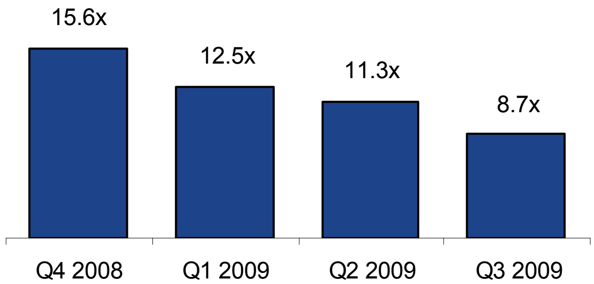


Figure 25: Public Software Company Seller Valuation as a Multiple of EBITDA

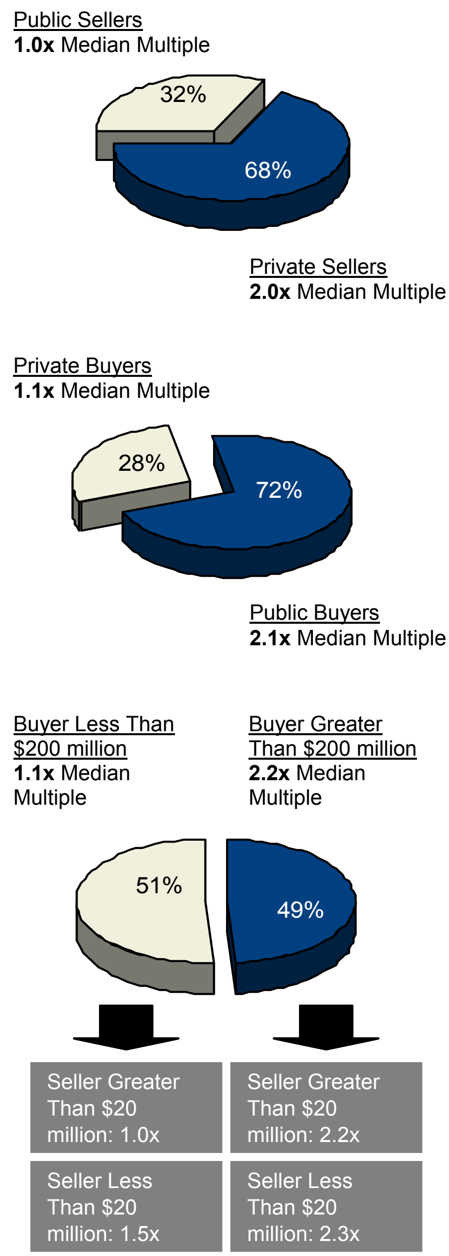


On a multiple of EBITDA basis, there was insufficient data from private seller software M&A transactions to ascertain the median EBITDA exit multiple in 3Q09. Instead, we analyzed the EBITDA exit multiples only for those transactions featuring public sellers. Public software company sellers commanded a modest 8.7x TTM EBITDA exit multiple in 3Q09, down from 2Q09's 11.3x (Figure 25).

The decline in median TTM EBITDA exit multiple from 2Q09 is primarily attributable to several 3Q08 transactions with highly inflated EBITDA multiples dropping out of the 3Q09 calculation. In most cases, the sellers were top line, rather than bottom line, focused and either breakeven or marginally profitable. Examples of such 3Q08 transactions with highly inflated EBITDA multiples include: McAfee's acquisition of Secure Computing (1.9x TTM revenue, 137.9x TTM EBITDA), IBM's acquisition of ILOG SA (1.1x TTM revenue, 40.2x TTM EBITDA), and Tripos' acquisition of Pharsight (1.4x TTM revenue, 17.8x TTM EBITDA). As these earlier high multiple of EBITDA deals fell out of Q3's TTM calculation, the 3Q09 EBITDA multiple consequently declined.

We've repeatedly demonstrated in prior SEG Quarterly Reports that three of the most important determinants of exit valuation are the seller's equity structure, financial performance and product category (Figure 26). To determine if the same held true, once again, in 3Q09, we analyzed all 2009 YTD M&A transactions with ascertainable

Figure 26: 2009 YTD Median Multiples - Segmentation (Enterprise Value/Revenue)



revenue multiples to determine how exit valuation was affected by ownership status (private vs. public company), size (revenue) of buyer and seller, and the seller's software product category.

As a first step, we sorted 2009's YTD transactions by ownership type, separating public from private software company sellers to ascertain any difference in median TTM exit multiple. Public company sellers received a median 1.0x TTM revenue exit valuation, while privately held software companies commanded a median 2.0x TTM revenue multiple.

The wide variance between public and private seller exit multiples in 2009 reverses a well-established trend. Over the past few years, we've noted a shrinking variance between public and private seller exit valuations, with traditionally higher public company exit premiums declining over time as public stock market valuations dropped and many of the best performing and most valuable public companies were acquired.

In 2009 YTD, the public software company exit premium was driven down further, as several struggling public software companies were essentially forced to sell at distressed valuations: Micro Focus acquired Borland Software ($78 million, 0.5x TTM revenue); Unify acquired AXS-One ($9 million, 0.7x TTM revenue); Infor acquired SoftBrands ($81 million, 0.8x TTM revenue); and Vista Equity Partners acquired SumTotal Systems ($107 million, 0.9x TTM revenue). Please see Appendix B (page 22) for additional public seller exit valuations in 3Q09.

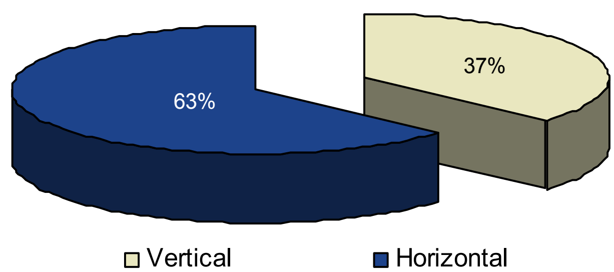
Conversely, many of the highest multiple transactions were private software companies deemed by their large public suitors to be highly strategic and worthy of an acquisition premium. Many of these private targets were venture-backed entities that were well-funded, growing and, consequently, expensive. Noteworthy examples include VMWare's acquisition of SpringSource ($446 million, 14.8x TTM revenue estimate); BlackBoard's acquisition of Angel Learning ($100 million, 4.0x TTM revenue estimate); Cisco's acquisition of Tidal Software ($105 million, 4.0x TTM revenue estimate); and Phase Forward's acquisition of Waban Software ($14 million, 3.5x TTM revenue).

As a next step, we separated public and private software company *buyers* to ascertain any difference in median purchase price paid in 2009. For historical context, in 2006 and 2007 public buyers shelled out a median of 2.7x and 2.5x TTM revenue, respectively, while private buyers paid 1.9x and 2.0x TTM revenue, respectively. In 2008, we saw the historical variance narrow to a near all time low, with private buyers (both strategic and private equity) paying a median M&A purchase price of 1.7x TTM revenue, compared to public software companies paying a median purchase price of 2.0x TTM revenue.

During the first three quarters of 2009, the public-private buyer differential increased drastically. Public buyers paid a median 2.1x TTM revenue, well within historic norms. Private buyers, however, paid a miserly 1.1x TTM revenue exit multiple, in many cases acquiring competitors that were struggling to survive the downturn.

We slice and dice software M&A transactions this way in part to remind our readers that the median software industry TTM revenue and EBITDA exit multiples we report each quarter have little bearing on the prospective exit valuation of a particular software company. Examples abound of companies selling for modest multiples in strong economies and eyebrow-raising multiples in tough economic times. In every economy, the software company valuation range is wide and the valuation drivers are many and varied. Wonder what your $10M+ revenue software company is likely worth in the current market? [Ask us.]

Figure 27: 2Q09 Horizontal vs. Vertical Sellers



We also analyzed 3Q09's median software M&A multiple horizontally and vertically, segregating vertical market software company sellers (e.g. retail, financial services, telecom, manufacturing, etc.) from sellers with horizontal software solutions (infrastructure, enterprise applications, etc.). In 3Q09, providers of vertical software accounted for 37% of all software M&A, confirming vertical providers remain, for the time being, attractive acquisition targets, primarily because of their predictable and substantial recurring revenue, domain expertise and highly defensible market positions (Figure 27). Horizontal solution providers comprised 63% of sellers.

While vertical market software providers are still in demand, they're not fetching the same premiums of a year ago. Through the first three quarters of 2009, the median revenue multiple for horizontal companies has outpaced that of verticals, which is entirely consistent with the valuation differential that prevailed for ten years - until the last three quarters of 2008. In Q2 - Q4 of 2008, vertical M&A multiples, buoyed by a record number of VC backed private company exits and private equity buy-outs, equaled and at times doubled the median horizontal M&A exit valuation, topping out at 2.7x TTM revenue in 3Q08 compared with 1.3x TTM revenue for horizontal providers the same quarter.

That's not been the case in 2009. Vertical M&A transactions in Q3 had a median multiple of 1.5x TTM revenue, down slightly from 1.6x in 2Q09. Horizontal M&A transactions, however, garnered an impressive median 2.3x TTM revenue multiple in the third quarter, up from the prior quarter's 1.7x TTM revenue exit multiple (Figure 28).

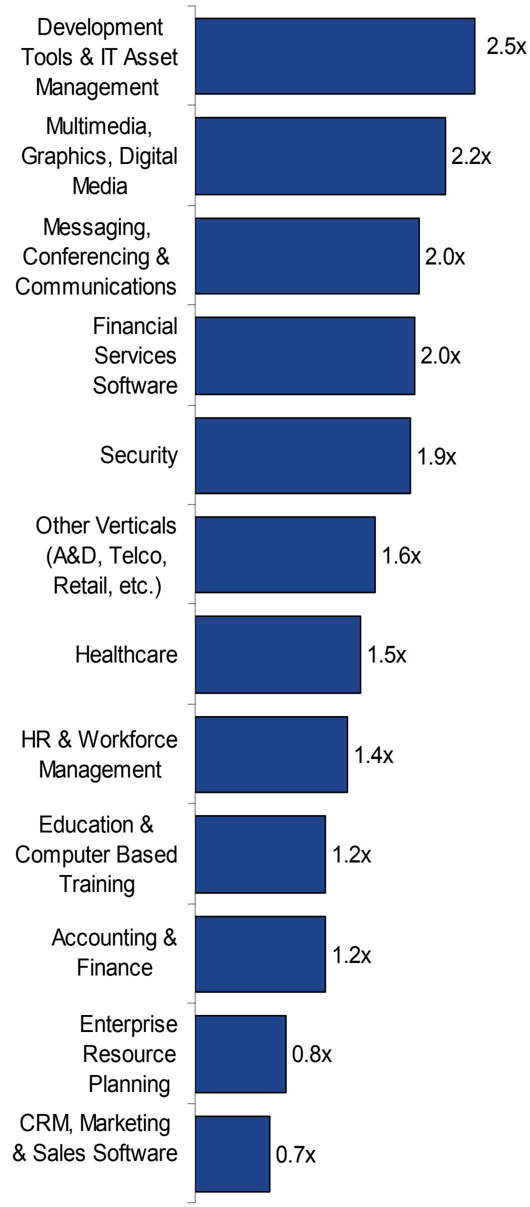
Figure 28: Horizontal vs. Vertical Software M&A Multiples

	Horizontal	Vertical
3Q09	2.3x	1.5x
2Q09	1.7x	1.6x
1Q09	1.3x	1.1x
4Q08	1.2x	1.8x
3Q08	1.3x	2.7x

It's clear that, overall, software M&A valuations are rebounding. The low M&A volumes and higher exit valuations, however, make clear the current market remains highly selective and favors the hail and hearty - software companies offering best-of-breed solutions in hot product categories that are growing faster than the market norm. But what about the others? What are the exit prospects of the vast majority of public and private software companies?

For many of these more typical software providers, exit valuations have improved, albeit modestly. Will the trend continue? If you're looking for signs of software M&A springtime, look for increased deal volume (>300 North American software transactions per quarter) while maintaining a ~2.0x TTM revenue median exit valuation. That's likely to happen when GDP improves and buyer optimism is restored. Look for sustained increases in IT spending, particularly in discretionary IT spending for non-essential or non-cost justifiable items. Look for an increase in public software company new license revenue growth. Look for heated up competition among the biggest rivals as they foray into each others' strongholds (Google's OS plans, Oracle's Sun acquisition, and Microsoft's search engine deal with Yahoo!). Look for increased activity (actual, rather than espoused) of mid-cap software companies in pursuing strategic acquisitions. And finally, look for private equity investors to adjust their investment criteria to reflect a bit less financial security and a bit more risk.

Figure 29: Software M&A by Product Category



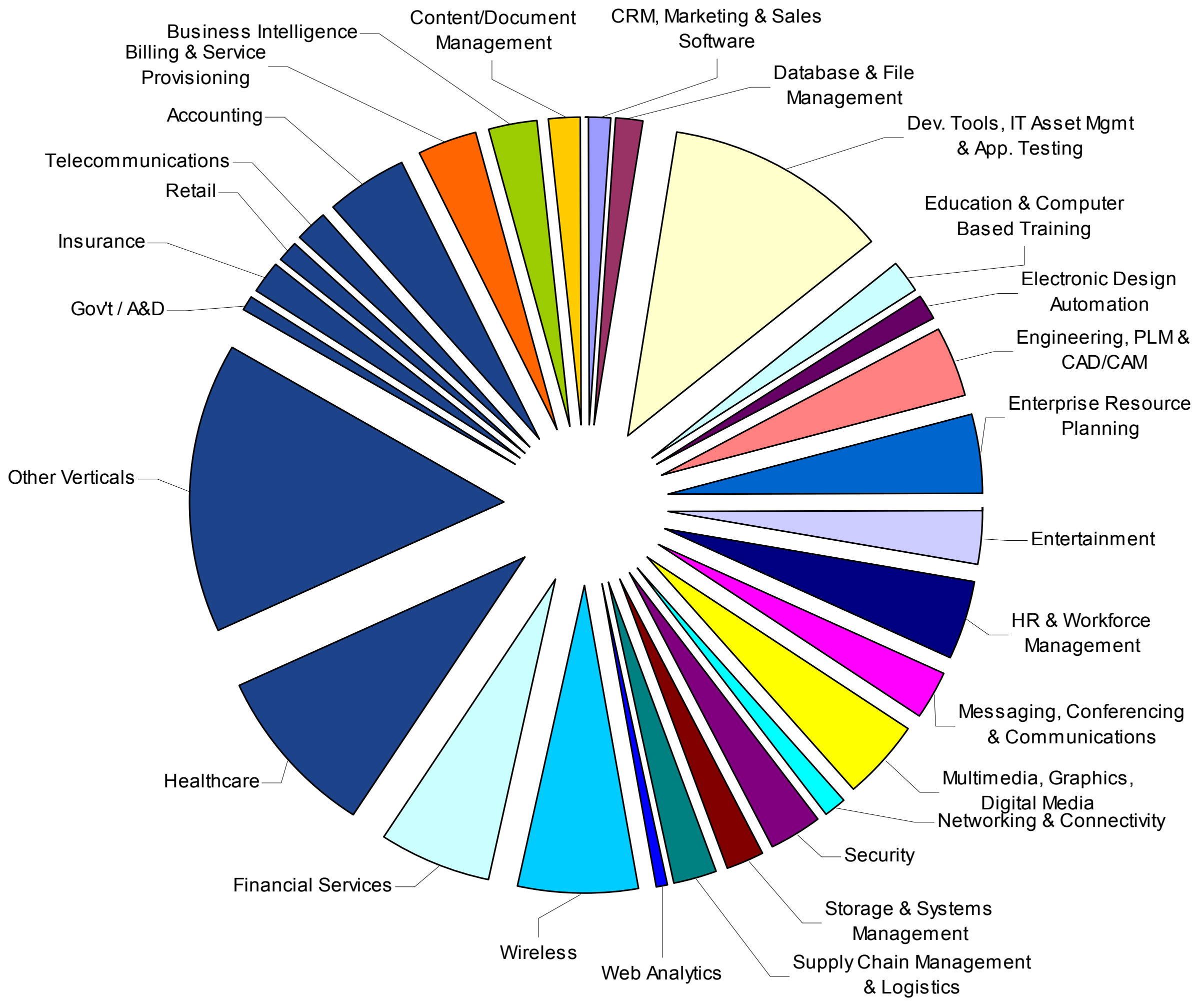
M&A Exit Valuations by Software Category

While company size and software delivery model demonstrably impact valuation, software product category continued to be the single most important M&A valuation driver in 3Q09. For most software product categories, there is often an insufficient number of transactions that publicly report both seller TTM revenue and buyer purchase price, essential data in ascertaining the applicable median exit value for the product category. Consequently, we aggregate the data each quarter on a TTM basis. As a result, it may take several quarters to detect changing product category valuation trends, and certain outlier transactions consummated nine or twelve months ago may have a residual impact on their product category multiples.

Among the 12 product categories we tracked in 3Q09 (Figure 29), Development Tools/IT Asset Management software providers led the pack. Transactions in this category, which garnered a 2.5x TTM revenue median exit valuation, included Telephonetics' acquisition of Eden Origin ($5.6 million, 7.2x TTM revenue) in 1Q09; Cisco's acquisition of Tidal Software ($105 million, 4.0x TTM revenue estimate) in 2Q09; EMC's acquisition of Configuresoft ($87 million, 3.0x TTM revenue estimate) in 2Q09; and VMWare's acquisition of SpringSource ($446 million, 14.8x TTM revenue estimate) in 3Q09.

Exit valuations for other software product categories ranged from 2.2x TTM revenue for providers of Multimedia, Graphics, and Digital Media software, to 0.7x TTM revenue for traditional (on-premise) Customer Relationship Management software. Exit valuations in the Multimedia, Graphics, and Digital Media category fluctuated most widely over the past two quarters, increasing from 1.1x TTM revenue in 2Q09 to 2.2x in 3Q09.

Figure 30: Software M&A by Product Category



From a deal activity standpoint, Development Tools/IT Asset Management and Healthcare led all other product categories in 2Q09 (Figure 30).

M&A Exit Valuations for SaaS Companies

There's nothing like a major recession to take the wind out of the sails of a high-flying technology trend. Until 3Q08, the stellar revenue growth of SaaS providers, their promise of a more predictable and profitable revenue model, and unprecedented hype by many industry pundits who regarded SaaS as the second coming, helped drive SaaS exit multiples through the roof (e.g., median 5.5x TTM revenue in 1Q07; 4.8x in 1Q08).

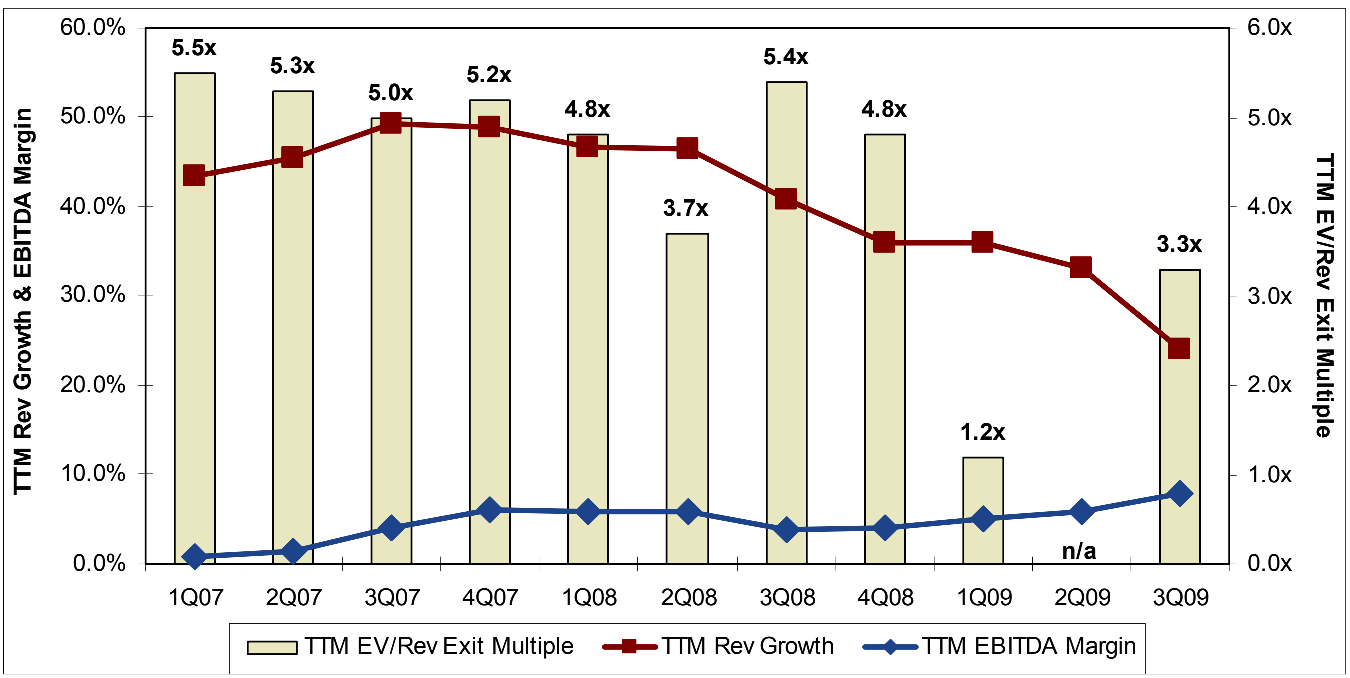
Then came Lehman Brothers, sub-prime mortgage defaults, AIG, etc. The recession took its toll on both enterprises and small/medium businesses (SMBs) alike, IT spending plummeted, and the median TTM revenue growth rate of the public companies comprising our SEG SaaS dropped steadily, from 46.5% in 2Q08 to 40.9% in 3Q08 to 35.9% in the final quarter (Figure 31).

It took some time for the rapidly declining SaaS growth rates to sink in. SaaS exit valuations remained high in 3Q08 (5.4x TTM revenue) and 4Q08 (4.8x TTM revenue). However, far fewer buyers showed an appetite for such lofty multiples. The number of SaaS M&A transactions declined quickly and sharply - from 36 deals in 1H08 to 25 SaaS exits in 2H08, a 31% drop. In 1H09, as the median TTM growth rate of public SaaS companies continued to fall, M&A activity and exit valuations slipped further, as well. There were only nine SaaS deals reported in 1Q09 with a median exit valuation of 1.2x TTM revenue, and eight SaaS transactions in 2Q09 (insufficient data to calculate a reliable median exit multiple).

In 3Q09, however, after four consecutive quarters of decline, SaaS M&A activity and exit valuations both improved. Q3 saw thirteen SaaS companies exit for a median valuation of 3.3x TTM revenue. Notable SaaS deals in 3Q09 include Omniture's announced sale to Adobe ($1.6 billion, 4.7x TTM revenue), Etap-On-Line's acquisition by Concur ($40 million, 3.3x TTM revenue), and The Fuel Team's sale to United Business Media ($7 million, 2.0x TTM revenue).

Perhaps even better times lie just ahead. As we went to press, Compuware snatched SaaS provider Gomez from the IPO pipeline by agreeing to pay $319 million (6.1x TTM revenue). Considering Gomez' TTM revenue growth rate of 35.8% and 11% EBITDA margin, it remains to be seen whether the exit valuation is an anecdote or a trend.

Figure 31: Historical Public SaaS Company Financial Performance vs. Median SaaS Exit Multiples (EV/TTM Revenue)



APPENDIX A: 3Q09 PUBLIC MARKET VALUATIONS AND STATISTICS BY PRODUCT CATEGORY

Billing & Service Provisioning	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	2.9	3.0	2.7	2.8	2.9
EBITDA Margin	15.3%	15.7%	16.6%	17.3%	16.9%
Gross Profit Margin	48.0%	48.2%	49.3%	49.5%	49.8%
Net Income Margin	12.4%	11.7%	11.0%	10.5%	10.5%
TTM Earnings Growth (YoY)	29.4%	2.7%	1.4%	-0.1%	-2.4%
TTM Revenue Growth (YoY)	14.2%	12.0%	10.5%	8.5%	2.9%
TTM EBITDA Growth (YoY)	9.4%	18.1%	37.6%	4.7%	1.3%
Cash as Percent of Market Cap	31.5%	35.3%	36.5%	29.3%	25.9%
Enterprise Value Growth (YoY)	-23.6%	-29.6%	-19.8%	-17.7%	-23.6%
EV/Revenue	1.7x	1.2x	1.0x	1.1x	1.2x
EV/EBITDA	7.6x	5.1x	4.6x	5.1x	5.7x
EV/Earnings	13.5x	9.9x	9.2x	9.9x	12.3x

Dev. Tools, Op Systems & App Testing	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	2.3	2.0	2.1	2.1	2.1
EBITDA Margin	14.0%	14.3%	15.8%	16.3%	16.2%
Gross Profit Margin	70.3%	70.4%	70.4%	70.4%	70.4%
Net Income Margin	11.8%	11.2%	7.2%	7.2%	6.2%
TTM Earnings Growth (YoY)	32.5%	17.6%	-11.8%	-24.4%	-56.3%
TTM Revenue Growth (YoY)	20.8%	16.9%	14.1%	7.2%	1.6%
TTM EBITDA Growth (YoY)	22.6%	31.0%	33.3%	24.9%	-13.0%
Cash as Percent of Market Cap	22.8%	29.6%	35.0%	28.2%	18.8%
Enterprise Value Growth (YoY)	-11.2%	-60.5%	-57.5%	-45.0%	-19.5%
EV/Revenue	2.7x	1.1x	0.8x	1.2x	1.4x
EV/EBITDA	10.9x	6.3x	5.6x	8.3x	9.6x
EV/Earnings	17.3x	11.5x	12.7x	17.7x	22.2x

Business Intelligence	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	2.0	2.0	2.0	2.2	2.2
EBITDA Margin	15.5%	15.7%	16.4%	17.6%	17.4%
Gross Profit Margin	77.1%	77.7%	77.8%	78.2%	77.8%
Net Income Margin	14.2%	12.6%	11.0%	11.2%	11.4%
TTM Earnings Growth (YoY)	12.1%	-13.1%	-3.7%	3.3%	-11.1%
TTM Revenue Growth (YoY)	14.5%	12.0%	6.9%	1.5%	1.5%
TTM EBITDA Growth (YoY)	34.3%	2.8%	8.2%	2.7%	9.5%
Cash as Percent of Market Cap	29.3%	37.2%	36.7%	32.5%	25.8%
Enterprise Value Growth (YoY)	-33.9%	-70.4%	-46.3%	-32.3%	-1.3%
EV/Revenue	1.8x	1.1x	1.1x	1.5x	1.9x
EV/EBITDA	12.0x	6.4x	7.1x	8.5x	10.6x
EV/Earnings	16.8x	8.8x	10.2x	13.6x	16.1x

eCommerce Software	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	1.5	1.5	1.7	1.8	1.8
EBITDA Margin	4.2%	5.3%	8.1%	10.5%	13.2%
Gross Profit Margin	59.4%	59.9%	62.4%	63.8%	65.2%
Net Income Margin	-0.3%	-2.9%	-13.8%	-14.9%	-8.0%
TTM Earnings Growth (YoY)	-62.3%	-150.9%	-37.6%	30.3%	30.3%
TTM Revenue Growth (YoY)	5.7%	20.1%	30.1%	12.3%	12.3%
TTM EBITDA Growth (YoY)	124.3%	393.2%	154.1%	86.0%	80.9%
Cash as Percent of Market Cap	11.7%	22.2%	25.1%	27.9%	24.9%
Enterprise Value Growth (YoY)	-4.3%	-41.9%	-43.4%	-47.9%	-39.7%
EV/Revenue	2.9x	2.3x	2.4x	3.0x	3.0x
EV/EBITDA	46.9x	21.9x	16.5x	15.7x	19.4x
EV/Earnings	-	35.8x	27.9x	29.8x	29.8x

Content & Document Management	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	2.3	1.6	1.2	1.2	1.4
EBITDA Margin	25.5%	23.7%	25.0%	24.2%	24.2%
Gross Profit Margin	72.8%	71.8%	72.0%	72.7%	72.5%
Net Income Margin	7.3%	8.0%	6.4%	0.2%	0.2%
TTM Earnings Growth (YoY)	60.0%	26.4%	85.7%	89.7%	-21.7%
TTM Revenue Growth (YoY)	22.1%	13.4%	7.6%	3.3%	3.4%
TTM EBITDA Growth (YoY)	31.3%	33.4%	7.8%	-0.2%	4.7%
Cash as Percent of Market Cap	32.4%	66.7%	31.3%	22.1%	22.2%
Enterprise Value Growth (YoY)	-7.8%	-51.0%	-24.7%	-28.8%	-17.5%
EV/Revenue	1.8x	1.4x	1.6x	1.6x	1.7x
EV/EBITDA	6.9x	5.5x	5.2x	6.5x	6.6x
EV/Earnings	12.1x	4.4x	8.3x	16.5x	35.9x

Education & eLearning	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	1.0	1.0	1.0	1.1	0.9
EBITDA Margin	6.0%	7.8%	8.8%	10.9%	9.2%
Gross Profit Margin	71.4%	70.7%	69.6%	69.7%	70.2%
Net Income Margin	0.8%	-0.5%	-2.4%	-2.3%	0.9%
TTM Earnings Growth (YoY)	48.2%	159.0%	56.1%	65.0%	34.4%
TTM Revenue Growth (YoY)	5.6%	6.8%	3.7%	3.9%	3.3%
TTM EBITDA Growth (YoY)	-34.2%	-0.6%	26.3%	49.5%	49.5%
Cash as Percent of Market Cap	9.7%	17.5%	16.9%	12.6%	10.1%
Enterprise Value Growth (YoY)	-14.1%	-47.8%	-49.5%	-31.5%	-10.1%
EV/Revenue	2.3x	1.5x	1.2x	2.2x	1.9x
EV/EBITDA	23.0x	12.0x	9.4x	13.5x	17.4x
EV/Earnings	403.9x	327.3x	124.5x	104.3x	119.4x

Customer Relationship Management	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	1.1	1.2	1.3	1.3	1.3
EBITDA Margin	3.8%	1.3%	1.3%	0.6%	0.8%
Gross Profit Margin	60.4%	59.9%	57.7%	57.4%	56.5%
Net Income Margin	1.1%	-3.5%	-6.5%	-10.0%	-6.4%
TTM Earnings Growth (YoY)	3.3%	165.7%	110.7%	-27.5%	-111.9%
TTM Revenue Growth (YoY)	7.8%	-4.3%	-18.0%	-18.1%	-20.4%
TTM EBITDA Growth (YoY)	149.7%	0.8%	302.2%	-14.5%	-37.9%
Cash as Percent of Market Cap	29.6%	44.7%	45.6%	47.8%	37.1%
Enterprise Value Growth (YoY)	-27.3%	-61.0%	-70.5%	-54.0%	-37.3%
EV/Revenue	0.8x	0.4x	0.3x	0.5x	0.8x
EV/EBITDA	16.4x	17.2x	25.7x	51.0x	15.5x
EV/Earnings	28.1x	23.7x	-	27.7x	33.0x

Electronic Design Automation	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	1.7	1.7	1.7	1.8	1.8
EBITDA Margin	10.6%	9.9%	2.2%	-4.4%	-9.7%
Gross Profit Margin	82.2%	82.4%	79.8%	79.3%	78.2%
Net Income Margin	-4.8%	-10.4%	-22.2%	-86.9%	-89.8%
TTM Earnings Growth (YoY)	36.6%	45.6%	27.6%	35.0%	-363.7%
TTM Revenue Growth (YoY)	2.7%	10.3%	-31.1%	-39.1%	-21.5%
TTM EBITDA Growth (YoY)	123.3%	59.1%	112.2%	26.1%	-161.4%
Cash as Percent of Market Cap	27.2%	50.1%	43.3%	34.6%	36.0%
Enterprise Value Growth (YoY)	-54.5%	-78.1%	-67.8%	-51.5%	-32.9%
EV/Revenue	1.5x	0.7x	0.8x	0.9x	1.1x
EV/EBITDA	13.8x	7.3x	16.6x	9.1x	9.7x
EV/Earnings	13.0x	17.0x	-	10.1x	10.2x

Database & File Management	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	2.0	2.1	2.1	2.0	2.4
EBITDA Margin	22.7%	22.2%	22.0%	20.9%	22.4%
Gross Profit Margin	81.1%	81.2%	81.7%	82.1%	83.0%
Net Income Margin	14.6%	13.8%	12.3%	12.7%	13.5%
TTM Earnings Growth (YoY)	18.4%	2.5%	-1.6%	-2.6%	-2.1%
TTM Revenue Growth (YoY)	20.6%	16.4%	10.5%	5.0%	3.8%
TTM EBITDA Growth (YoY)	28.2%	30.7%	18.8%	25.4%	18.4%
Cash as Percent of Market Cap	21.5%	40.1%	36.8%	30.8%	27.9%
Enterprise Value Growth (YoY)	4.8%	-31.6%	-23.7%	-9.8%	-2.5%
EV/Revenue	2.3x	1.4x	1.3x	1.4x	1.6x
EV/EBITDA	10.3x	7.6x	7.2x	7.8x	7.7x
EV/Earnings	17.1x	13.5x	14.4x	14.8x	15.7x

Engineering, PLM & CAD/CAM Software	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	1.6	1.9	1.7	1.9	1.9
EBITDA Margin	18.8%	19.4%	17.5%	17.4%	13.6%
Gross Profit Margin	82.2%	82.4%	81.1%	81.2%	81.0%
Net Income Margin	7.1%	7.4%	7.0%	2.7%	0.5%
TTM Earnings Growth (YoY)	14.5%	-4.9%	-7.5%	-9.9%	-87.4%
TTM Revenue Growth (YoY)	9.9%	13.3%	10.9%	-1.9%	-5.9%
TTM EBITDA Growth (YoY)	42.4%	32.8%	26.3%	4.2%	-29.1%
Cash as Percent of Market Cap	26.6%	31.8%	31.0%	24.2%	23.2%
Enterprise Value Growth (YoY)	-15.7%	-55.6%	-61.0%	-51.9%	-33.8%
EV/Revenue	1.8x	1.0x	0.9x	1.4x	1.4x
EV/EBITDA	13.1x	7.6x	6.4x	7.6x	11.2x
EV/Earnings	21.6x	15.0x	12.5x	17.9x	22.6x

APPENDIX A: 3Q09 PUBLIC MARKET VALUATIONS AND STATISTICS BY PRODUCT CATEGORY (CONTINUED)

Enterprise Application Integration	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	2.0	2.1	2.1	1.9	1.8
EBITDA Margin	17.2%	17.7%	18.5%	18.8%	19.8%
Gross Profit Margin	71.1%	70.8%	70.7%	71.3%	71.5%
Net Income Margin	12.7%	11.5%	11.3%	9.5%	10.1%
TTM Earnings Growth (YoY)	-11.6%	-6.9%	-6.7%	-4.0%	-17.6%
TTM Revenue Growth (YoY)	16.8%	13.0%	7.8%	0.9%	-5.2%
TTM EBITDA Growth (YoY)	-3.3%	10.4%	15.0%	10.3%	10.3%
Cash as Percent of Market Cap	21.5%	30.7%	31.7%	29.3%	27.9%
Enterprise Value Growth (YoY)	-19.4%	-50.0%	-40.3%	-24.1%	0.5%
EV/Revenue	2.1x	1.2x	1.1x	1.4x	2.1x
EV/EBITDA	10.4x	6.3x	6.8x	7.7x	11.4x
EV/Earnings	20.3x	13.2x	14.4x	16.1x	20.4x

HR & Workforce Management	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	1.1	1.1	1.0	1.1	1.2
EBITDA Margin	3.6%	3.7%	2.6%	2.6%	3.4%
Gross Profit Margin	61.2%	63.6%	65.4%	66.9%	68.1%
Net Income Margin	-13.9%	-11.6%	-10.1%	-9.0%	-5.3%
TTM Earnings Growth (YoY)	11.9%	-5.2%	-13.0%	52.5%	52.5%
TTM Revenue Growth (YoY)	20.1%	17.9%	16.1%	15.0%	15.0%
TTM EBITDA Growth (YoY)	-45.1%	40.8%	26.3%	53.9%	83.9%
Cash as Percent of Market Cap	28.6%	42.0%	17.6%	10.0%	12.3%
Enterprise Value Growth (YoY)	-49.0%	-66.1%	-32.4%	-15.0%	-11.1%
EV/Revenue	1.0x	1.4x	1.1x	1.7x	2.3x
EV/EBITDA	-	-	-	-	-
EV/Earnings	-	-	-	-	-

Enterprise Resource Planning	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	1.4	1.3	1.2	1.2	1.4
EBITDA Margin	13.1%	13.0%	14.1%	15.3%	16.6%
Gross Profit Margin	56.3%	55.3%	54.0%	53.9%	55.7%
Net Income Margin	6.0%	3.8%	3.4%	3.9%	4.5%
TTM Earnings Growth (YoY)	-3.2%	-8.7%	1.1%	-0.8%	-2.7%
TTM Revenue Growth (YoY)	15.5%	12.9%	11.3%	3.2%	-6.8%
TTM EBITDA Growth (YoY)	11.9%	2.1%	19.0%	15.6%	10.2%
Cash as Percent of Market Cap	15.3%	22.9%	32.4%	31.4%	25.2%
Enterprise Value Growth (YoY)	-12.4%	-44.2%	-46.5%	-25.3%	-9.8%
EV/Revenue	1.6x	1.2x	1.0x	1.1x	1.4x
EV/EBITDA	12.2x	8.6x	8.6x	9.0x	9.9x
EV/Earnings	24.2x	16.8x	14.9x	20.4x	25.3x

Messaging, Conferencing & Comm.	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	1.9	1.8	1.7	1.8	2.3
EBITDA Margin	8.6%	10.9%	10.0%	10.4%	11.6%
Gross Profit Margin	61.1%	61.4%	63.2%	64.5%	62.7%
Net Income Margin	7.5%	8.8%	4.9%	4.0%	5.0%
TTM Earnings Growth (YoY)	6.2%	-75.1%	-60.3%	-54.9%	-51.9%
TTM Revenue Growth (YoY)	14.3%	10.5%	5.5%	4.3%	1.1%
TTM EBITDA Growth (YoY)	-5.8%	44.1%	32.5%	-16.7%	8.5%
Cash as Percent of Market Cap	22.2%	35.8%	39.5%	27.0%	25.8%
Enterprise Value Growth (YoY)	-14.8%	-61.6%	-59.2%	-21.8%	8.7%
EV/Revenue	1.1x	0.6x	0.6x	0.9x	1.4x
EV/EBITDA	8.6x	6.3x	5.7x	8.2x	8.6x
EV/Earnings	13.2x	16.1x	17.7x	11.9x	20.6x

Entertainment	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	2.2	2.0	1.7	1.8	1.9
EBITDA Margin	20.1%	20.1%	20.0%	17.4%	24.0%
Gross Profit Margin	59.0%	57.6%	55.5%	56.1%	59.0%
Net Income Margin	3.5%	5.2%	6.2%	3.9%	-2.7%
TTM Earnings Growth (YoY)	-89.2%	78.6%	46.5%	-32.4%	-194.2%
TTM Revenue Growth (YoY)	1.3%	25.4%	32.6%	47.7%	8.9%
TTM EBITDA Growth (YoY)	-18.5%	117.6%	37.4%	63.0%	17.2%
Cash as Percent of Market Cap	23.7%	42.2%	48.5%	36.9%	34.0%
Enterprise Value Growth (YoY)	-30.9%	-70.6%	-67.6%	-63.0%	-49.0%
EV/Revenue	2.9x	1.3x	0.7x	1.0x	1.0x
EV/EBITDA	13.0x	4.1x	4.4x	4.9x	8.1x
EV/Earnings	12.5x	4.1x	5.1x	9.3x	11.2x

Multimedia, Graphics, Digital Media	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	2.1	2.2	2.1	2.1	2.2
EBITDA Margin	12.8%	13.3%	15.0%	17.1%	14.9%
Gross Profit Margin	70.6%	70.5%	69.7%	69.7%	68.9%
Net Income Margin	7.0%	8.1%	8.1%	6.8%	3.7%
TTM Earnings Growth (YoY)	-13.3%	6.7%	-31.5%	-16.4%	-62.7%
TTM Revenue Growth (YoY)	13.6%	8.6%	1.2%	-7.0%	-12.1%
TTM EBITDA Growth (YoY)	16.8%	46.9%	43.5%	34.0%	14.3%
Cash as Percent of Market Cap	14.8%	27.8%	34.4%	25.5%	21.6%
Enterprise Value Growth (YoY)	-24.3%	-56.7%	-61.0%	-48.5%	-27.7%
EV/Revenue	1.6x	1.0x	1.5x	1.8x	2.0x
EV/EBITDA	19.5x	8.4x	7.0x	10.1x	13.1x
EV/Earnings	24.1x	13.2x	13.4x	21.0x	22.6x

Financial Services Software	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	1.2	1.3	1.4	1.4	1.3
EBITDA Margin	21.1%	20.6%	20.2%	20.3%	19.9%
Gross Profit Margin	60.8%	58.4%	57.7%	57.1%	57.1%
Net Income Margin	10.8%	10.3%	9.7%	8.4%	8.7%
TTM Earnings Growth (YoY)	3.3%	-2.6%	-18.7%	-7.5%	-11.8%
TTM Revenue Growth (YoY)	21.4%	16.1%	10.1%	5.6%	1.9%
TTM EBITDA Growth (YoY)	33.6%	18.1%	22.7%	13.8%	13.8%
Cash as Percent of Market Cap	11.7%	19.1%	19.8%	16.7%	14.9%
Enterprise Value Growth (YoY)	-13.5%	-45.3%	-36.6%	-23.6%	-11.9%
EV/Revenue	2.3x	1.9x	1.8x	2.1x	2.3x
EV/EBITDA	13.8x	9.7x	8.2x	10.6x	11.3x
EV/Earnings	20.7x	18.9x	19.8x	25.1x	25.3x

Networking & Connectivity	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	2.4	1.7	2.0	2.0	2.1
EBITDA Margin	8.0%	11.4%	16.9%	18.8%	20.3%
Gross Profit Margin	75.7%	76.0%	76.2%	77.0%	77.7%
Net Income Margin	6.4%	2.2%	3.9%	7.5%	9.5%
TTM Earnings Growth (YoY)	-45.5%	9.8%	1.5%	32.4%	27.6%
TTM Revenue Growth (YoY)	12.8%	13.8%	11.1%	6.8%	3.9%
TTM EBITDA Growth (YoY)	2.4%	-0.9%	4.9%	19.7%	22.6%
Cash as Percent of Market Cap	26.4%	34.0%	36.4%	27.3%	27.6%
Enterprise Value Growth (YoY)	-21.3%	-47.1%	-42.1%	-27.3%	-9.9%
EV/Revenue	2.1x	1.5x	1.9x	1.7x	2.0x
EV/EBITDA	15.5x	12.4x	8.1x	8.0x	10.8x
EV/Earnings	28.3x	19.1x	15.6x	25.9x	27.8x

Healthcare	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	2.8	2.8	2.5	2.7	2.3
EBITDA Margin	16.3%	15.9%	19.6%	21.8%	21.8%
Gross Profit Margin	57.5%	56.9%	57.1%	57.3%	57.7%
Net Income Margin	10.7%	9.9%	8.1%	7.7%	9.3%
TTM Earnings Growth (YoY)	21.1%	48.4%	14.4%	-7.4%	4.9%
TTM Revenue Growth (YoY)	10.6%	8.8%	6.6%	7.4%	8.3%
TTM EBITDA Growth (YoY)	26.1%	17.4%	21.4%	-3.8%	18.7%
Cash as Percent of Market Cap	18.7%	19.2%	23.2%	19.1%	17.5%
Enterprise Value Growth (YoY)	-18.9%	-37.8%	-38.8%	-7.7%	8.7%
EV/Revenue	2.3x	1.8x	1.7x	2.4x	2.4x
EV/EBITDA	13.7x	13.9x	10.4x	13.7x	15.2x
EV/Earnings	22.9x	17.0x	18.9x	24.4x	32.6x

Security	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	1.7	1.8	1.9	2.1	2.2
EBITDA Margin	14.0%	13.5%	15.2%	18.3%	19.1%
Gross Profit Margin	75.5%	76.0%	76.7%	76.9%	77.0%
Net Income Margin	7.9%	6.7%	2.0%	0.6%	2.4%
TTM Earnings Growth (YoY)	19.3%	-2.4%	6.2%	11.5%	11.5%
TTM Revenue Growth (YoY)	18.6%	17.5%	19.7%	11.7%	10.6%
TTM EBITDA Growth (YoY)	-7.6%	18.0%	32.4%	44.9%	52.1%
Cash as Percent of Market Cap	14.9%	26.9%	24.2%	22.3%	18.2%
Enterprise Value Growth (YoY)	-28.7%	-57.0%	-32.3%	-12.0%	5.3%
EV/Revenue	3.4x	2.3x	1.9x	2.4x	3.4x
EV/EBITDA	20.2x	12.9x	11.6x	11.3x	12.0x
EV/Earnings	25.0x	13.7x	16.2x	20.3x	25.1x

APPENDIX A: 3Q09 PUBLIC MARKET VALUATIONS AND STATISTICS BY PRODUCT CATEGORY (CONTINUED)

Storage & Systems Management	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	2.0	2.1	2.0	2.0	2.1
EBITDA Margin	19.6%	20.0%	20.2%	20.3%	19.6%
Gross Profit Margin	80.1%	80.0%	80.5%	80.4%	80.7%
Net Income Margin	12.2%	10.3%	8.4%	7.1%	6.4%
TTM Earnings Growth (YoY)	8.6%	7.3%	21.4%	10.8%	-19.1%
TTM Revenue Growth (YoY)	14.2%	12.4%	9.6%	12.5%	1.0%
TTM EBITDA Growth (YoY)	12.4%	25.4%	26.6%	29.1%	0.3%
Cash as Percent of Market Cap	14.6%	27.7%	24.6%	21.3%	20.7%
Enterprise Value Growth (YoY)	-21.8%	-55.9%	-35.9%	-30.9%	-12.2%
EV/Revenue	2.7x	1.4x	1.5x	1.6x	2.1x
EV/EBITDA	11.7x	7.4x	8.7x	9.8x	11.0x
EV/Earnings	22.1x	16.1x	16.8x	19.4x	23.8x

Supply Chain Management & Logistics	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	2.0	1.5	1.5	2.2	2.2
EBITDA Margin	10.6%	10.4%	10.1%	10.7%	10.8%
Gross Profit Margin	55.8%	55.8%	54.9%	55.0%	59.0%
Net Income Margin	4.0%	2.9%	0.2%	1.7%	1.9%
TTM Earnings Growth (YoY)	-4.7%	-25.9%	33.9%	68.1%	-66.7%
TTM Revenue Growth (YoY)	5.4%	0.8%	0.7%	-1.8%	-5.9%
TTM EBITDA Growth (YoY)	3.6%	-0.9%	-25.1%	-34.7%	13.0%
Cash as Percent of Market Cap	24.4%	33.9%	42.1%	22.4%	23.7%
Enterprise Value Growth (YoY)	-21.0%	-49.6%	-49.6%	-35.9%	-27.2%
EV/Revenue	1.5x	0.9x	0.9x	1.1x	1.3x
EV/EBITDA	9.1x	5.5x	13.4x	9.7x	9.8x
EV/Earnings	17.7x	10.0x	14.3x	39.5x	33.7x

Wireless	3Q08	4Q08	1Q09	2Q09	3Q09
Current Ratio	3.7	3.7	3.8	4.2	4.0
EBITDA Margin	6.6%	9.4%	10.0%	10.2%	8.6%
Gross Profit Margin	45.1%	44.1%	42.2%	41.0%	41.3%
Net Income Margin	0.7%	-0.2%	0.4%	-0.3%	-1.7%
TTM Earnings Growth (YoY)	-187.0%	80.2%	95.5%	73.5%	3.1%
TTM Revenue Growth (YoY)	27.8%	20.3%	1.5%	-0.6%	-7.2%
TTM EBITDA Growth (YoY)	4.2%	94.9%	76.8%	72.9%	16.1%
Cash as Percent of Market Cap	23.9%	37.6%	44.9%	39.4%	32.3%
Enterprise Value Growth (YoY)	-18.5%	-48.4%	-43.5%	-3.9%	-7.2%
EV/Revenue	1.7x	1.5x	1.4x	0.9x	1.0x
EV/EBITDA	18.5x	11.1x	11.0x	11.7x	13.6x
EV/Earnings	-	-	-	-	-

APPENDIX B: 3Q09 MERGERS AND ACQUISITIONS, SELECT PUBLIC SELLER VALUATIONS

Buyer	Seller	Purchase Price	Enterprise Value	EV/Rev	EV/EBITDA	Seller TTM Revenue Growth
Adobe Systems Inc. (NASDAQ: ADBE)	Omniture Inc. (NASDAQ: OMTR)	$1,675,720,000	$1,558,840,000	4.7x	45.4x	55.8%
International Business Machines Corp. (NYSE: IBM)	SPSS Inc. (NASDAQ: SPSS)	$1,121,610,000	$783,730,000	2.7x	10.0x	-4.9%
Elliott Capital Advisors	MSC Software Corp. (NASDAQ: MSCS)	$386,680,000	$238,440,000	1.0x	12.0x	-7.8%
NYSE Technologies Limited	NYFIX Inc. (NASDAQ: NYFX)	$215,720,000	$164,070,000	1.5x	80.9x	-10.8%
SAP AG (DB: SAP)	SAF AG (XTRA: S4X)	$90,570,000	$51,740,000	2.2x	7.5x	33.3%
			Median:	**2.2x**	**12.0x**	**-4.9%**

APPENDIX C: 3Q09 MERGERS AND ACQUISITIONS, MOST ACTIVE BUYERS

Buyer	Seller	Purchase Price	Enterprise Value	TTM Revenue	EV/Rev
Cybernet Systems	Maplesoft	-	-	-	-
	Sigmetrix	-	-	-	-
Constellation Softw are	Compusource	-	-	-	-
	MediSolution Ltd., Resource Management Business	$27,120,000	$27,120,000	-	-
IHS Inc.	Environmental Support Solutions	$59,000,000	$59,000,000	$20,000,000	3.0x
	LogTech Canada	$2,990,000	$2,990,000		
IBM	Ounce Labs	-	-	-	-
	SPSS	$1,121,610,000	$783,730,000	$290,800,000	2.7x
Neusoft Europe	Almitas Oy	$6,110,000	$6,110,000	-	-
	Sesca Mobile Softw are Oy	$4,980,000	$4,980,000	-	-
	Sesca Technologies SRL	$1,710,000	$1,710,000	-	-
Oracle Corp.	GoldenGate Softw are	-	-	-	-
	HyperRoll	-	-	-	-
Phase Forw ard	Covance Interactive Voice and Web Response Services	$10,000,000	$10,000,000	-	-
	Maaguzi	$11,000,000	$11,000,000	-	-
TAKE Supply Chain	EntComm	-	-	-	-
	PSI Softw are	-	-	-	-
Thomson Reuters Corporation	Abacus Enterprise	-	-	-	-
	Vhayu Technologies	-	-	-	-
Wolters Kluw er	Axentis	-	-	-	-
	S.B.G. Softw are Engineering	-	-	-	-

APPENDIX D: 3Q09 MERGERS AND ACQUISITIONS, SOFTWARE INDUSTRY MEGA-DEALS

Buyer	Seller	Purchase Price	Enterprise Value	EV/Rev	EV/EBITDA	Seller TTM Revenue Growth
Adobe Systems Inc. (NASDAQ: ADBE)	Omniture Inc. (NASDAQ: OMTR)	$1,675,720,000	$1,558,840,000	4.7x	45.4x	55.8%
International Business Machines Corp. (NYSE: IBM)	SPSS Inc. (NASDAQ: SPSS)	$1,121,610,000	$783,730,000	2.7x	10.0x	-4.9%

APPENDIX E: 2009 MERGERS AND ACQUISITIONS, SELECT SOFTWARE-AS-A-SERVICE SELLERS

Buyer	Seller	Date	Enterprise Value	Seller Revenue	EV/Rev
Salary.com	Makana Solutions	9/29/2009	-	-	-
Adobe Systems	Omniture	9/15/2009	$1,558,840,000	$335,500,000	4.7x
Taleo	Worldwide Compensation	9/14/2009	$20,460,000	-	-
Rightnow Technologies	HiveLive	9/8/2009	$5,600,000	-	-
Channel Intelligence	Vcommerce Corporation	9/1/2009	-	-	-
Concur Technologies	Etap-On-Line*	8/1/2009	$39,870,000	$12,000,000	3.3x
United Business Media	The Fuel Team	7/31/2009	$7,000,000	$3,500,000	2.0x
OpenAir	QuickArrow	7/22/2009	$19,400,000	-	-
CCH	Axentis	7/17/2009	-	-	-
Teranet	Atsource Solutions	7/17/2009	-	-	-
Glodyne Technoserve Ltd	Broadllyne Technologies	7/16/2009	-	-	-
Alterian	Techrigy SM2	7/15/2009	$5,070,000	-	-
Jaguar Capital Partners	UniRisX Ltd	7/10/2009	-	-	-
InnovationsKapital	Projectplace International AB	6/26/2009	-	$16,590,000	-
Integrated Medical Software	IMS Maxims plc	5/20/2009	$16,940,000	-	-
SinnerSchrader AG	newtention technologies GmbH	5/19/2009	-	-	-
Merkle	CognitiveDATA	5/18/2009	-	$19,000,000	-
Emptoris	Click Commerce	5/15/2009	-	-	-
SAP AG	Clear Standards	5/11/2009	-	-	-
Railcar Management	10East Corp	4/14/2009	-	-	-
Edustructures	National Transcript Center	4/9/2009	-	-	-
Teachscape	Edgenuity	3/9/2009	-	-	-
SAP AG	Coghead	2/18/2009	-	-	-
CSG Openline	BLUEROADS	2/18/2009	-	-	-
BasWare A/S	Itella Information Logistics AS, Invoice Automation Business	1/26/2009	$2,110,000	$1,773,109	1.2x
Xactly	Centive	1/22/2009	-	-	-
LMI Aerospace	Powerway	1/16/2009	-	-	-
IBM	Outblaze Ltd	1/15/2009	-	-	-
Joyent	Reasonably Smart	1/14/2009	-	-	-
Meez	Pulse Entertainment	1/14/2009	-	-	-

*revenue estimate

APPENDIX F: 3Q09 MERGERS AND ACQUISITIONS – DEAL INSIGHT

Adobe Systems (NASDAQ: ADBE) acquires Omniture (NASDAQ: OMTR)
Category: Web Analytics
Purchase Price: $1,558,840,000^{EV}
Seller Revenue (TTM): $335,510,000
Seller EBITDA (TTM): $34,350,000
Revenue Multiple (TTM): 4.6x^{EV}
EBITDA Multiple (TTM): 45.4x^{EV}
Payment Terms: Cash

SEG's Perspective:
Digital content publishing giant, Adobe Systems, acquires Omniture, the leading provider of SaaS web analytics. Through the acquisition, Adobe aims to close the loop between its web flash content applications and Omniture's web analytics capabilities – allowing Adobe customers to transparently monetize flash content advertising and marketing initiatives. Omniture also provides Adobe a competitive advantage over Microsoft Silverlight, which competes against Adobe Flash but does not offer native analytic capabilities, and brings with it a strong recurring revenue stream through its SaaS business model. Adobe's $21.50 per share tender offer represents a 45% premium over Omniture's pre-announcement average 30 days closing stock price. Prior to acquisition, Omniture trailed Salesforce.com as the second largest public pure-play SaaS company.

CA (NASDAQ: CA) acquires NetQos
Category: Network Performance Management
Purchase Price: $200,000,000
Seller Revenue (Estimate): $60,000,000
Revenue Multiple (Estimate): 3.3x
Payment Terms: Cash

SEG's Perspective:
IT infrastructure vendor, CA, acquires NetQos, a provider of network traffic analysis solutions. The acquisition plugs a hole in CA's network management portfolio, which is strong in network fault management and network performance reporting, but has lacked the ability to analyze network traffic at a granular level – NetQos fills that gap. The acquisition builds on CA's initial foray into network management through its 2005 acquisition of Concord Communications ($331.8^{EV} million, 3.0x^{EV} TTM revenue) and puts CA in better position to compete against network management vendors HP, IBM and EMC. IT performance management has been a key area of interest for infrastructure software buyers in 2009, including purchases by Cisco, EMC, VMWare, Riverbed, Oracle and BMC.

APPENDIX F: 3Q09 MERGERS AND ACQUISITIONS – DEAL INSIGHT (CONTINUED)

IHS (NYSE: IHS) acquires Environmental Support Solutions (ESS)
Category: Environmental, Health and Safety Solutions
Purchase Price: $59,000,000^{EV}
Seller Revenue (TTM): $20,000,000
Revenue Multiple (TTM): 3.0x^{EV}
Payment Terms: Cash

SEG's Perspective:
Information management software and solutions provider, IHS, acquires ESS, a provider of environmental, health and safety sustainability solutions for corporate governance, risk and compliance. The acquisition further leverages IHS' position within the EH&S space and brings with it a substantial amount of recurring revenue and customers leveraging ESS' SaaS architecture. IHS has steadily built its position within the EH&S arena through acquisition – acquiring Environmax, Dolphin Software and Environmental Software Providers in 2007 and 2008. IT, financial and environmental GRC software companies have been high priorities for industry buyers this year, including acquisitions by SAP, Oracle, Thomson Reuters, Wolters Kluwer, NICE systems and IBM.

IBM (NYSE: IBM) acquires SPSS (NASDAQ: SPSS)
Category: Predictive Analytics
Purchase Price: $783,730,000^{EV}
Seller Revenue (TTM): $290,800,000
Seller EBITDA (TTM): $78,670,000
Revenue Multiple (TTM): 2.7x^{EV}
EBITDA Multiple (TTM): 10.0x^{EV}
Payment Terms: Cash

SEG's Perspective:
Infrastructure technology behemoth, IBM, acquires SPSS, a leading provider of predictive analytics software. With the addition of SPSS, IBM will now offer a suite of solutions to monitor and analyze current and historical data (picked-up through its acquisition of Cognos) and more accurately forecast and predict future performance (SPSS). IBM's purchase of SPSS highlights the Company's continuing information and data management initiatives, and is yet another software acquisition aimed to leverage the value corporations place on information. In March, IBM and SPSS announced a strategic partnership to integrate and resell SPSS' predictive analytics technologies through the IBM Cognos BI channel. In the ensuing months, SPSS is rumored to have been courted by several other acquirers, likely prompting IBM to acquire the business. In 2007, IBM, Oracle and SAP purchased the largest providers of BI solutions. IBM's acquisition of SPSS may spark similar consolidation in the predictive analytics space – including SPSS' competitor, SAS Institute. IBM's $50 per share tender offer represents a 51% premium over SPSS' pre-announcement average 30 days closing stock price.

APPENDIX F: 3Q09 MERGERS AND ACQUISITIONS – DEAL INSIGHT (CONTINUED)

VMWare (NYSE: VMW) acquires SpringSource
Category: Infrastructure Software
Purchase Price: $446,000,000
Seller Revenue (Estimate): $30,000,000
Revenue Multiple (Estimate): 14.8x
Payment Terms: Cash

SEG's Perspective:
Virtualization specialist, VMWare, acquires SpringSource, a developer of open-source Java application development and management tools. SpringSource extends VMWare outside of its core competency - storage virtualization, and into the broader infrastructure application development and monitoring arenas - helping to tie together knowledge of the infrastructure and application layers. In addition, the combination will allow VMWare to build PaaS technologies that customers can host, build upon, and manage in VMWare's cloud based operating system, VShpere. The acquisition also places VMWare in direct competition with infrastructure players BMC, CA, HP and IBM. According to Gartner, roughly 3 million Java developers currently leverage the SpringSource framework.

Appendix G: Select 3Q09 Software Industry Mergers and Acquisitions

Date	Buyer	Seller
09/29/2009	Oracle Corp. (NASDAQ:ORCL)	HyperRoll, Inc.
09/29/2009	Salary.com, Inc. (NASDAQ:SLRY)	Makana Solutions, Inc.
09/28/2009	Forte Design Systems, Inc.	Arithmatica Inc.
09/25/2009	CHR Solutions, Inc.	Martin Group, Inc.
09/24/2009	ReadSoft AB (OM:RSOF B)	Spear Solutions AB and Spear Imaging Inc.
09/24/2009	Premier Farnell plc (LSE:PFL)	CadSoft Computer GmbH
09/22/2009	Microsoft Corporation (NASDAQ:MSFT)	Interactive Supercomputing, Inc.
09/22/2009	United BioSource Corporation	Gigamoto Technology Partners, Inc.
09/22/2009	TeleTracking Technologies, Inc.	RadarFind Corporation
09/21/2009	RealPage, Inc.	A.L.Wizard, Inc.
09/21/2009	Webwag S.A.	Mobile Scope AG
09/21/2009	Options Technology Ltd.	BNP Paribas, Hosted Colocation Business
09/21/2009	Arkoon Network Security (ENXTPA:ALARK)	SkyRecon Systems SA
09/21/2009	ITS Group (ENXTPA:ITS)	Prisme
09/18/2009	Varsity Media Group Inc.	Wireless Grids Corporation
09/17/2009	IHS Inc. (NYSE:IHS)	Environmental Support Solutions, Inc.
09/16/2009	Orsyp S.A	Sysload Software SA
09/16/2009	Grapecity Inc.	FarPoint Technologies Inc.
09/16/2009	Calypso Technology, Inc.	Green River Computing Services, Inc.
09/16/2009	London Stock Exchange Group plc (LSE:LSE)	Millennium Information Technologies Ltd.
09/15/2009	Myriad Group AG (SWX:MYRN)	Xumii, Inc.
09/15/2009	Adobe Systems Inc. (NASDAQ:ADBE)	Omniture Inc. (NASDAQ:OMTR)
09/14/2009	Thomson Reuters Corporation (TSX:TRI)	Abacus Enterprise Limited
09/14/2009	Connectwise, Inc.	CoreConnex, Inc., ConnexIT
09/14/2009	NAVTEQ Corporation	Acuity Mobile, Inc.
09/14/2009	CA, Inc. (NASDAQ:CA)	NetQoS, Inc.
09/14/2009	Taleo Corp. (NASDAQ:TLEO)	Worldwide Compensation, Inc.
09/14/2009	Asseco Poland SA (WSE:ACP)	Terminal Systems S.A.
09/14/2009	OpenTable, Inc. (NASDAQ:OPEN)	GuestBridge, Inc.
09/14/2009	Banexi Ventures Partners	FittingBox
09/10/2009	TrustWave Holdings, Inc.	Vericept Corporation
09/10/2009	NGP Software, Inc.	Patton Technologies, LLC
09/09/2009	Roamware, Inc.	Macalla Software Ltd.
09/09/2009	Smilebox, Inc.	Preclick Corporation
09/09/2009	Petro-Chem Development Co., Inc.	PFR Energy Systems, Inc.
09/09/2009	Smith Micro Software Inc. (NASDAQ:SMSI)	Core Mobility, Inc.
09/08/2009	Disney Interactive Studios, Inc.	Wideload Games Inc.
09/08/2009	Noble Systems Corporation	Touchstar Software Corporation
09/08/2009	Rightnow Technologies Inc. (NASDAQ:RNOW)	HiveLive Inc.
09/07/2009	Kofax plc . (LSE:KFX)	170 Systems, Inc.
09/07/2009	Mercury Mobility Limited (ASX:MMY)	m.Net Corporation Ltd.
09/04/2009	Augeo Incent, LLC	IncentOne, Inc.
09/04/2009	SmartSalary Pty Ltd.	SeQoya Pty Ltd.
09/03/2009	Fugro Subsea Services Support B.V.	Fugro General Robotics Limited
09/03/2009	Harris Computer Systems, Inc.	MediSolution Ltd., Resource Management Business
09/02/2009	Informatica Corp. (NASDAQ:INFA)	Agent Logic, Inc.
09/02/2009	Red Gate Software Ltd.	Cachupa
09/02/2009	Election Systems & Software, Inc.	Diebold Inc., Election Systems Business
09/02/2009	IHS Inc. (NYSE:IHS)	LogTech Canada Ltd.
09/01/2009	Channel Intelligence, Inc.	Vcommerce Corporation
09/01/2009	Presagis USA, Inc.	Seaweed Systems Inc.
09/01/2009	SeaChange B.V.	eventIS Group B.V.
08/31/2009	EMC Corporation (NYSE:EMC)	FastScale Technology, Inc.
08/31/2009	IAGreen	CVGV Inc.
08/31/2009	Actimize, Inc.	Fortent, Inc.
08/31/2009	NICE Systems Ltd. (TASE:NICE)	Hexagon System Engineering Ltd.
08/31/2009	Intelli-Check-Mobilisa, Inc. (AMEX:IDN)	Positive Access Corporation
08/31/2009	UFIDA Software Co. Ltd. (SHSE:600588)	Taizhou Hanyi Software Co., Ltd.
08/28/2009	Steinhilberschwehr AG	Ifax GmbH
08/27/2009	Cray Inc. (NASDAQ:CRAY)	PathScale, LLC
08/27/2009	Minati Capital Corp. (TSXV:MNN.P)	First Global Data Corporation
08/27/2009	Green Bridge Industries, Inc. (OTC:GRBG)	TrakIT, Inc.
08/26/2009	Autodesk, Inc. (NASDAQ:ADSK)	BOSS International, Inc.
08/26/2009	Instinet Group Incorporated	TORC Financial, LLC
08/26/2009	PSI AG (XTRA:PSA2)	AIS Advanced Information Systems Gmbh & Co.
08/26/2009	NYSE Technologies Limited	NYFIX Inc. (NASDAQ:NYFX)
08/26/2009	Neusoft Europe AG	Almitas Oy
08/26/2009	Neusoft Europe AG	Sesca Mobile Software Oy

APPENDIX G: SELECT 3Q09 SOFTWARE INDUSTRY MERGERS AND ACQUISITIONS (CONTINUED)

Date	Buyer	Seller
08/26/2009	Neusoft Europe AG	Sesca Technologies SRL
08/26/2009	IJJ Corp. (OTC:IJJP)	V-Clouds, Inc.
08/25/2009	RWE Energy AG	PSI AG (XTRA:PSA2)
08/24/2009	Platform Computing Inc.	Hewlett-Packard Company, HP-MPI
08/24/2009	Live Gamer, Inc.	TwoFish, Inc.
08/24/2009	Research In Motion Ltd. (TSX:RIM)	Torch Mobile, Inc.
08/24/2009	TIE Technologies, Inc. (OTC:TTCS)	Mobile Apps, Inc.
08/21/2009	Reval.com, Inc.	FXpress Corporation
08/21/2009	Tibco Software Inc. (NASDAQ:TIBX)	Datasynapse, Inc.
08/20/2009	Yovia, LLC	SourceFuse LLC
08/20/2009	School Specialty Inc. (NASDAQ:SCHS)	AutoSkill International Inc.
08/19/2009	Intel Corporation (NASDAQ:INTC)	RapidMind, Inc.
08/19/2009	BeyondTrust Software, Inc.	Beyondtrust Corporation
08/19/2009	NuGrowth Solutions LLC	Strategic Insurance Software Inc.
08/19/2009	SmartPay Ltd. (NZSE:SPY)	ProvencoCadmus Limited
08/17/2009	Healthland	American HealthNet, Inc.
08/14/2009	Blytheco, LLC	Synergistic Software Solutions LLC
08/14/2009	NNIT A/S	NNIT Philippines Inc.
08/14/2009	IRIS Group Limited	Formation Software Limited
08/14/2009	Alibaba.com Limited (SEHK:1688)	Alisoft Holding Limited
08/14/2009	Han Logistics, Inc. (OTC:HANO)	OnSite Media LLC
08/13/2009	IFS AB (OM:IFS B)	Multiplus Solutions AS
08/13/2009	Fluke Networks, Inc.	AirMagnet, Inc.
08/13/2009	Wallingford Software Limited	MWH Soft, Inc.
08/12/2009	TAKE Supply Chain	PSI Software, Inc.
08/12/2009	Xora, Inc.	Gearworks, Inc.
08/11/2009	Epicor Software (Aust) Pty. Ltd.	Spectrax Pty. Ltd.
08/11/2009	Ando Media, LLC	Spacial Audio Solutions, LLC
08/10/2009	Extreme Networks Inc. (NASDAQ:EXTR)	Soapstone Networks Inc., Software Assets
08/10/2009	BMC Software Inc. (NYSE:BMC)	MQSoftware, Inc.
08/10/2009	TAKE Supply Chain	EntComm, Inc.
08/07/2009	Versata Inc.	Everest Software, Inc.
08/07/2009	Gary Jonas Computing Ltd.	Compusource Corporation
08/07/2009	VMware, Inc. (NYSE:VMW)	SpringSource, Inc.
08/06/2009	Becton, Dickinson and Company (NYSE:BDX)	ICPA, Inc.
08/05/2009	Apache Design Solutions, Inc.	Sequence Design, Inc.
08/05/2009	MB Trading Holdings, LLC	The Wizetrade Group, LLP
08/05/2009	TraceLink, Inc.	SupplyScape Corporation
08/05/2009	GolfNet Inc.	ISaAC Scoring Systems LLC
08/04/2009	Qtech Systems, Inc.	delSECUR Corp. (OTC:DLSC)
08/04/2009	RedZone Robotics, Inc.	ICOMMM, Inc
08/03/2009	Thomson Reuters PLC	Vhayu Technologies Corp.
08/03/2009	Rudolph Technologies Inc. (NASDAQ:RTEC)	Rudolph Technologies Process Control Group
08/03/2009	OmniComm Ltd.	Logos Technologies Ltd.
08/01/2009	Concur Technologies, Inc. (NASDAQ:CNQR)	Etap-On-Line
07/31/2009	Health Systems International, LLC	@Global, Inc.
07/31/2009	Charles River Laboratories International Inc. (NYSE:CRL)	Systems Pathology Company, LLC
07/31/2009	Civica UK Limited	IBS OPENSystems Ltd.
07/31/2009	United Business Media plc (LSE:UBM)	The Fuel Team, LLC
07/30/2009	Mentor Graphics Corp. (NASDAQ:MENT)	Embedded Alley Solutions, Inc.
07/30/2009	Cybernet Systems Co. Ltd. (TSE:4312)	Maplesoft
07/30/2009	VSA ApothekenSysteme GmbH	PRO MEDISOFT Software Systeme
07/29/2009	Wolters Kluwer Italia Srl	S.B.G. Software Engineering s.r.l.
07/29/2009	The Peer Group, Inc.	Asyst Technologies, Inc.
07/28/2009	International Business Machines Corp. (NYSE:IBM)	Ounce Labs, Inc.
07/28/2009	GFI Software Ltd.	HoundDog Technology Limited
07/28/2009	Verisk Health, Inc.	TIERMED SYSTEMS, LLC
07/28/2009	Evolution Benefits, Inc.	BEMAS Software, Inc.
07/28/2009	DIVIDO-HANDSTEP ApS	Handstep A/S
07/28/2009	Metaskil Plc	Open Square Limited
07/27/2009	International Business Machines Corp. (NYSE:IBM)	SPSS Inc. (NASDAQ:SPSS)
07/27/2009	Vista Equity Partners	MicroEdge, Inc.
07/27/2009	Phase Forward Inc. (NASDAQ:PFWD)	Maaguzi LLC
07/27/2009	Entertainment Arts Research Inc. (OTC:EARI)	Strait Gate Games, Inc.
07/24/2009	Nokia Corp. (HLSE:NOK1V)	cellity AG
07/24/2009	PeriGen (Canada) Ltd	LMS Medical Systems (Canada) Ltd.
07/23/2009	Oracle Corp. (NASDAQ:ORCL)	GoldenGate Software, Inc.
07/22/2009	Metrofile Holdings Limited (JSE:MFL)	Innovative Document Management (Pty) Ltd.

APPENDIX G: SELECT 3Q09 SOFTWARE INDUSTRY MERGERS AND ACQUISITIONS (CONTINUED)

Date	Buyer	Seller
07/22/2009	V + Beteiligungs 2 GmbH	ProximusDA GmbH
07/22/2009	LSI Corporation (NYSE:LSI)	ONStor, Inc.
07/22/2009	OpenAir, Inc.	QuickArrow, Inc.
07/21/2009	Ebsolut Oy	Rihotec Oy
07/21/2009	UC4 Software GmbH	UC4 Senactive Software GmbH
07/21/2009	Medfusion, Inc.	Medem, Inc.
07/21/2009	Options Media Group Holdings, Inc. (OTC:OPMG)	Bullroarer Corporation Pty Ltd.
07/20/2009	Initiative & Finance Investissement (ENXTPA:INIT)	Sogelink SAS
07/20/2009	SAP AG (DB:SAP)	SAF AG (XTRA:S4X)
07/17/2009	CCH, Inc.	Axentis, Inc.
07/17/2009	Hewlett-Packard Company (NYSE:HPQ)	IBRIX, Inc.
07/17/2009	Teranet Inc.	Atsource Solutions Inc.
07/17/2009	Trimble Navigation Ltd. (NASDAQ:TRMB)	CTN Data LLC
07/17/2009	Advanced Technologies Group, Ltd. (OTC:AVGG)	Dan Khasis LLC, MoveIdiot.com
07/16/2009	WideOrbit, Inc.	Google Inc., Radio Automation Business
07/16/2009	Glodyne Technoserve Ltd (BSE:532672)	Broadllyne Technologies Ltd.
07/16/2009	Reddwerks Corporation	SeayCo Integrators, Inc.
07/16/2009	System C Healthcare plc (AIM:SYS)	Liquidlogic Limited
07/16/2009	Tyler Technologies, Inc. (NYSE:TYL)	Parker-lowe & Associates of North Carolina, Inc.
07/16/2009	Resource Systems Pty Ltd	Resource Systems & Services Pty Ltd.
07/15/2009	Netsmart Technologies, Inc.	Crown Software, Inc.
07/15/2009	Phase Forward Inc. (NASDAQ:PFWD)	Covance Inc.
07/15/2009	Alterian plc (LSE:ALN)	Techrigy SM2
07/15/2009	Advanced Computer Software plc (AIM:ASW)	StaffPlan Ltd.
07/14/2009	Allegiance, Inc.	Inquisite Inc.
07/14/2009	Blackboard Inc. (NASDAQ:BBBB)	Terriblyclever Design, LLC
07/13/2009	Numara Software, Inc.	Criston SA
07/13/2009	Seshachal Technologies Ltd (BSE:531794)	Enigma Digital Concepts Pvt. Ltd.
07/10/2009	Geoservices S.A.	Petrospec Technologies, Inc.
07/09/2009	Motionsoft, Inc.	Belmont Associates, Inc.
07/08/2009	JDS Uniphase Corp. (NASDAQ:JDSU)	Virtual Instruments Corporation
07/07/2009	Marlin Equity Partners, LLC	Servigistics, Inc.
07/07/2009	Milestone Group plc (AIM:MSG)	JumpStart Wireless Corporation
07/07/2009	AETIA Informatique	Cornouaille Informatique Sarl
07/07/2009	Kapsch TIS d.o.o.	Ring datacom d.o.o.
07/07/2009	Elliott Capital Advisors	MSC Software Corp. (NASDAQ:MSCS)
07/06/2009	Aepona Ltd.	Valista, Ltd.
07/03/2009	VanceInfo Technologies Inc. (NYSE:VIT)	TP Corporation Limited
07/02/2009	i2 Limited	Knowledge Computing Corporation
07/01/2009	ITI TranscenData	Proficiency, Inc.
07/01/2009	Cybernet Systems Co. Ltd. (TSE:4312)	Sigmetrix, LLC
07/01/2009	Cegedim SA (ENXTPA:CGM)	Nomi Sweden AB
07/01/2009	Hyland Software, Inc.	Valco Data Systems
07/01/2009	Access Intelligence plc (AIM:ACC)	Ether-Ray Ltd.
07/01/2009	BasWare Oyj (HLSE:BAS1V)	TAG Services Pty Ltd.

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