



Overture Advisors, LLC Technology M&A Update

Technology M&A Dealmaking – Back on the Right Track

Following increased M&A activity in the first quarter of 2010, the technology sector is expected to see significant deal growth throughout the remainder of the year. Deal volume is continuing to thrive despite a slight decline in the overall value of the market. Small strategic deals in pursuit of disruptive technology have been a feature of the market. A number of venture backed companies have been acquired by industry minors looking to diversify their portfolio and bring innovative products to a wider customer base. Deal flow should remain strong as macroeconomic conditions continue to improve. Provided companies can identify and acquire targets with solid underlying characteristics, 2010 should mark the recovery of deal growth in the technology sector.

Quarterly M&A Deal Analysis Q1 2009 - Q2 2010

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Number of Deals	164	184	363	347	315
<i>% change from prior quarter</i>	-----	12.2%	97.3%	-4.4%	-9.2%
Total Enterprise Value	\$6,8	\$23,3	\$24,6	\$21,1	\$12,8
<i>% change from prior quarter</i>	-----	244.2%	5.5%	-14.2%	-39.4%
Median Deal Size (in \$M)	\$39.6	\$40.2	\$20.0	\$25.5	\$30.0
<i>% change from prior quarter</i>	-----	1.6%	-50.2%	27.5%	17.6%
Median EV/TTM Revenue Multiple	0.7x	1.0x	1.1x	1.5x	2.0x
<i>% change from prior quarter</i>	-----	55.8%	5.4%	39.7%	26.6%

Source: Capital IQ, 451Group and other public sources

Although the number of deals has increased over Q1 2009 by 34%, the lack of larger deals has resulted in a decreased total Enterprise value. Increased deal volume contributed to the overall increase in Median deal size.

Middle market experienced the greatest uptick in market deal volume, with a nearly 25% increase over the prior year. M&A recovery has not been consistent across all industry sectors. Software was the underlying focus of tech M&A in Q1 2010. Application software, infrastructure software and SaaS were the industry's leaders, although as seen, deal flow was distributed across all primary technology industry sectors. The market is now dominated by focuses on cost controls and efficiency. Positioning, deal size, recurring revenues and track record will be key drivers moving forward.

Financial buyers have been slow to come back to the market, with private equity firms representing only 4% of the Q1 transactions. However, this activity is expected to rise as macroeconomic conditions continue to improve and corporate projects are becoming more reliable. A number of recent positive indicators have emerged throughout the latter half of 2009 and first quarter of 2010.

In the last quarter of 2009, 13 megadeals were announced at improved multiples of Total Enterprise Value/Revenues (TEV/Revenue). For instance, serial acquirer Cisco took over Tanberg in Norway (4.1X), followed by Starent Networks (8.7X) and Scansafe (6.1X) while HP acquired 3Com (2.1X). M&A activity also increased in mid-market deals as public markets valuation continued to improve followed by valuations. Compuware acquired Gomez (5.5X), while IBM took over Lombardi Software (5.7X) and Guardium (6.1X). Microsoft was also active with 2 acquisitions during the last quarter at TEV/Revenue multiples ranging from 4.5X to 6.0X.

While many of these transactions can be classified as defensive, as buyers were either seeking to consolidate market share or to add high margin revenues to alleviate their own business infrastructure costs, the beginning of 2010 has shown the return of strategic deals where buyers look to fill in missing components of their current product offerings or business models.

Can M&A activity be sustained throughout the remainder of the year and into 2011?

As we have experienced the beginnings of increased activity over the past quarter, we foresee a strong recovery across all technology M&A sectors. Acquisition candidates have likely weathered the extreme conditions of the past 18-24 months, and in general have stronger fundamentals.

The cost of capital has decreased, IPO activity has improved, many Venture Capital and Private Equity firms have come back to the table and large IT firms are currently holding large cash positions. The moves by all players will be emulated by smaller companies who see the value in growth via M&A, not just organically. Notwithstanding the economic news from Europe, and other corrective behavior on Wall Street, we believe the recovery is sustainable.

Technology Public Valuation

	Median EV/Revenue	Median EV/EBITDA	Median EV/EBIT
Application Software	2.0X	11.9X	17.8X
Infrastructure Software	2.6	12.2	16.2
Internet	1.1	10.6	12.9
Security Software	2.5	13.0	16.6
Info Management Software	2.6	12.2	15.9
SaaS	3.5	27.0	46.8
IT Services- Large Caps	1.2	6.6	7.9
IT Services- Mid Caps	0.9	15.8	14.1
IT Services – Outsourcing	1.2	6.6	7.9
IT Services – Staffing	0.3	8.8	15.6
IT Services- Offshore	3.2	14.0	16.7

Underlying Deal Drivers

Largely driven by consolidation forces, the technology M&A sector is expected to strengthen in 2010. The primary deal drivers of deal flow remain relatively consistent- a need for incremental revenue and expanded reach in maturing technology segments.

Current deal flow has seen heavier weightings on fundamentals than in the past, with a higher comparative weighting on profitability versus growth revenues. Since the market leaders are using M&A as a key growth tool, companies of all sizes are compelled to consider it as well. Smart companies are staying true to their core competencies and assessing whether to buy or build products to fuel growth.

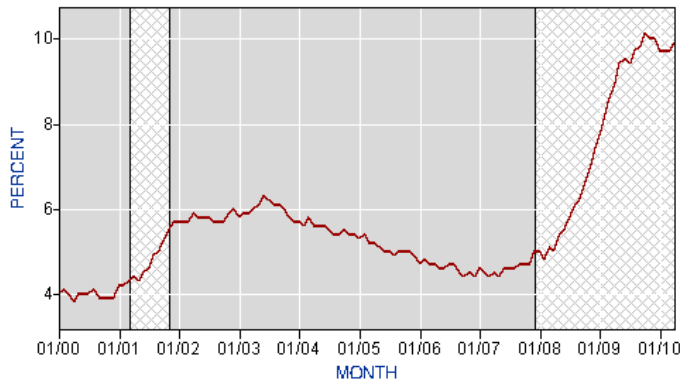
1. Synergistic Partnerships

Many organizations know that they cannot achieve their business goals alone. We have seen an increased interest in the combination or partnering of companies in order to accelerate the overall growth of their businesses. Board of Directors want results. As such, management is more accountable than ever to report improved results, or reorganize/recombine their company to provide sufficient return to investors. While partnership programs have become the norm across the industry, only an acquisition can secure the Intellectual Property, distribution channels, market presence, access to capital and increased revenue base that are required to compete. Underlying macroeconomic factors, current corporate market conditions and available financing are also each positively driving technology M&A deal volume.

2. Macroeconomic Factors

We are currently in the first year of a new growth cycle in the economy which makes now the time to strategically position yourself for the next 4+ years to stay with or ahead of the competition.

Unemployment rate (seasonally adjusted)



Note: Cross-hatched areas represents recessions.

After experiencing a sharp climb in unemployment rates, the national rate has begun to decline. According to the Bureau of Labor Statistics, unemployment fell to 9.7% in Q1 2010. New jobs have been driven primarily by available temporary work, the healthcare sector, the federal government and a slight increase has been experienced within the manufacturing sector.

Source: Bureau of Labor Statistics

After the Real GDP experienced declines for four consecutive quarters beginning in Q3 2008, data from the Bureau of Economic Analysis shows a rebound in both Q3 and Q4 2009. Recovery can be partially attributed to increased private investment and increased exports. Experts expect this trend to continue as money supply is at historic highs.

National GDP growth has been in part driven by corporate profit increases. According to the Bureau of Economic Analysis, corporate profits increased by \$108.7 billion to \$1.5 trillion in Q4 2009 when compared to the prior year's period. As capital is becoming more available, businesses have turned once again to expansion.

3. Underlying Industry Contributing Factors

While macroeconomic indicators point to a new growth cycle, other factors have contributed to the positive trend experienced within the tech M&A market.

Relative to other industries, the technology sector experienced fewer market declines, as it is less affected by the debt markets. On average, technology companies tend to exhibit stronger balance sheets, as they often operate on higher gross margins and less debt.

A benefit experienced by the tech sector is that technology is frequently viewed as an operating expense, not a capital expenditure. Companies are seeking product and solution additions for their current organizational structure that can streamline productivity and reduce cost inefficiencies in a 'cost conscious' manner. Technology solutions prove essential for these organizations to realize cost saving strategies. As a result, smaller price point purchases within the tech sector have occurred.

4. Access to financing also drives M&A activity

Let's consider some possible parallels between previous credit crises and the crisis of today. In the late 1990s and early 2000s, the M&A cycle was largely driven by the TMT boom. Large Telecom, Media and Tech (TMT) companies had access to cheap equity financing which they

used to buy one another. The largest deals during this period included Vodafone purchasing Mannesmann (\$172bn) and AOL purchasing Time Warner (\$112bn).

By contrast, the most recent M&A cycle was driven by the availability of cheap debt which was used by large companies and private equity firms to purchase smaller companies. This had the effect of de-equitizing the global equity market. Cheap debt was used to retire expensive equity and listed stock markets began to shrink.

The aforementioned trends are expected to continue as companies continue to remain focused on efficiency and cost structure.

Technology M&A Risks to Buyers and Sellers

Financial risks exist for both buyers and sellers. The major risk in any transaction often occurs post transaction, when the lack of thorough upfront research and due diligence fails to reveal flaws at the strategy, technical, human and financial levels.

Further, the lack of a post acquisition integration program too often leaves acquired companies and their management without a clear mandate or career path. This is especially true when a smaller, more entrepreneurial company is acquired by a more established company.

Mitigation often takes the form of mutual accountability, typically as an earnout for the acquired company. Acquirers are mitigating technology risks by only buying more mature businesses with proven technologies and intellectual property, properly protected with patents and trademarks.

It is absolutely essential that any potential deal begins with a thorough understanding of the possible risks and that both buyer and seller teams neutralize their emotions to instead concentrate on levels of human and technical fit, return on investment and the end game, which is the creation of an entity that is enhanced and more competitive in the marketplace.

The time and resources required to put a deal together is much higher than in the past. The net must be cast much wider for buyers and sellers, and the traps are more prevalent.

As we are 14 months into a recovery, a growing risk in the M&A sector is inaction; missing windows of opportunity as valuations slowly rise along with price, or when a competitor acquires the firm you targeted. As the competition makes strategic moves, it becomes more imperative for others to make countermoves. Despite risks associated with M&A activity to both buyers and sellers, opportunities exist to capitalize within the technology sector.

Opportunities for Conducting M&A in the Technology Sector

The M&A market experienced significant declines as the economy was hit hard over the past 2 years. As typical M&A cycles trend for 5-6 years, and considering we are already 14 months into the recovery, strong opportunities exist within the marketplace for investors. Technology is often the first thing placed on hold at the beginning of a recession, and the first thing to improve as the economy begins to improve.

Opportunities to experience increases in valuations and to reap the rewards of strategic plays exist. Possible M&A candidates should include organizations that exhibit strong balance sheets, positive earnings momentum and some current M&A risk.

The likely acquirers will be organizations that hoarded cash in 2009 that have been mandated to put funds to better use. For companies looking to make smaller company acquisitions, cheap debt is currently viewed as the most viable financing option for technology M&A deals.

As we look to the future activity of tech M&A, factors such as economic stability, the availability of debt, the volume of buyers and sellers and price will determine deal volume. Now more than ever, companies looking to secure the right opportunities need to hire intermediaries to bring buyers and sellers together successfully.

Recent M&A News and Announcements

Q2 2010

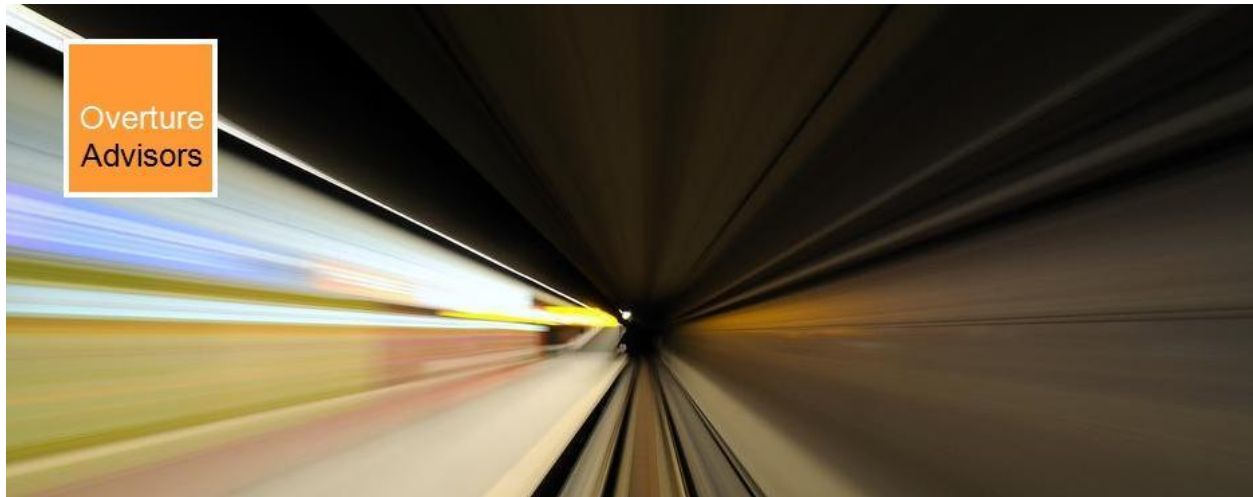
- Consona Acquires Compiere for Undisclosed Sum. Compiere, Inc. brings open source enterprise resource planning and customer relationship management solutions to small and medium-sized businesses worldwide.
- Benefitfocus Acquires BeliefNetworks for Undisclosed Sum. Our goal is to close the gap between current perception and the unforeseen by transforming real time, unstructured data into actionable knowledge. BeliefNetworks™ accomplishes this by applying powerful, adaptive learning techniques and statistical analysis models across real time data streams to assist people and organizations in identifying and assessing opportunity and risk in the moment and for the future.
- IBM Acquires Coremetrics for Undisclosed Sum. Coremetrics is the leading provider of on-demand web analytics and precision marketing solutions, offering the industry's only web analytics platform that captures and stores all customer and visitor clickstream activity to build LIVE (Lifetime Individual Visitor Experience) Profiles.
- Sonicbids Acquires ArtistData for Undisclosed Sum. Using our free account, our artists have made 3,773,086 show, news, or blog updates across MySpace, Facebook, Twitter, and many more! That's given them more time to write music, meet fans, and be creative.
- Akamai Acquires Velocitude for Undisclosed Sum. Velocitude is a Fort Lauderdale based technology company that helps businesses connect with other businesses and consumers anytime, anywhere. We help our clients leverage the power of the Mobile Internet to drive revenue, increase market share, and emerge from their competition. CrimeReports acquires TipSoft for an undisclosed consideration. Home of industry leading, unique software and secure web applications developed specifically for the Law Enforcement, Homeland Security and Emergency Management sectors.
- Check Point Software Technologies Ltd. acquires Liquid Machines for an undisclosed consideration. Liquid Machines is the leading provider of Enterprise Rights Management (ERM) solutions that persistently protect critical business content and audit usage while enabling collaboration.

- CrowdGather acquires Adisn for \$5.5m. Adisn is a next generation Ad Network that uses relationship data from the social web to enhance targeting. Adisn has proven that the aggregate of web conversations, web profiles, online blogs, and behavior create millions of relationships between seemingly unrelated topics. Our technology mines through those relationships and applies the strongest ones to enhance online targeting to the benefit of publishers and advertisers across the web.
- Tippr acquires FanForce for an undisclosed consideration. FanForce enables businesses to increase revenue and grow their customer base through referrals and by targeting the right audiences. Our platform makes it easy for you to attract new customers, create compelling offers, expand awareness about your business, and harness the viral/social benefits of the internet.
- Hearst Corporation acquires iCrossing for \$325,000,000. iCrossing is a strategic business unit of iCrossing, Inc., the digital marketing network driving the future of advertising. Our nationwide team delivers digital marketing solutions with quantifiable results by connecting businesses with customers worldwide through search, mobile and emerging applications.
- GSI Commerce acquires FetchBack for an undisclosed consideration. The company has developed a website retargeting technology that helps site owners increase conversion rates.
- Facebook acquires ShareGrove for an undisclosed consideration. Sharegrove makes it easy to engage online friends in private conversations through the web. Sharegrove conversations are rich and expressive-with seamless, inline sharing of web pages, pictures and media, including audio and video.
- Teradata acquires xkoto for an undisclosed consideration. Drawing on emerging ideas from utility, grid, and commodity computing, xkoto's concept of database load balancing arose out of efforts to help customers manage their web infrastructure.
- The Rubicon Project acquires SiteScout for an undisclosed consideration. SiteScout provides the industry's leading solution for Web publishers to prevent malicious ads and other dangerous Web content from reaching customers.
- Google acquires Ruba for an undisclosed consideration. The company operates an user-generated online travel guide.
- Constant Contact acquires NutshellMail for an undisclosed consideration. NutshellMail takes copies of all your latest updates in your social networking and email accounts and places them in a snapshot email.
- Lexmark International acquires Perceptive Software for \$280,000,000. Perceptive Software creates innovative document imaging, document management and workflow software solutions for organizations in a broad range of industries worldwide.
- IBM acquires Sterling Commerce for \$1,400,000,000. Sterling Multi-Enterprise Collaboration solutions can help you adapt quickly and cost-effectively. All of our solutions are based on our development and integration platform, the Multi-Enterprise Services Architecture.
- Cubic Corporation acquires Impeva Labs for an undisclosed consideration. Impeva Labs is the leading supplier of global asset management optimization (tracking, monitoring and security) solutions that enable the most efficient transportation of goods by providing a Continuous Chain of Custody (C-3) Shipping System

- Google acquires Simplify Media for an undisclosed consideration. The company offers software that lets users share iTunes music across platforms.
- Yahoo! acquires Associated Content for an undisclosed consideration. Associated Content is a leader and innovator in the user-driven content space. They have built a massive library of content that is extraordinarily valuable when combined with the unique revenue management system that they have developed.
- CDC Software acquires TradeBeam Holdings for an undisclosed consideration. TradeBeam is a Global Trade Management software and services company providing solutions that streamline global trading processes for enterprises and their partners.
- Bitstream acquires Press-sense Ltd. for \$6,500,000. Press-sense products and solutions provide commercial printing and digital service providers with an elegant, yet comprehensive approach to creating internet-based revenue streams, automated production workflows, and business management tools that maximize production efficiency, monitor and reduce costs, and increase profit ratios.
- Harris Corp. acquires SignaCert for an undisclosed consideration. SignaCert is a Delaware C-Corporation doing business in Portland, Oregon. The company focus is the development and delivery of software and services to provide enhanced trust management and enforcement of Information Technology (IT) systems used in commercial and government enterprises.
- RedPrairie Holding acquires SmartTurn for an undisclosed consideration. SmartTurn™ Inventory and Warehouse Management System is the first true on-demand warehouse management system to provide enterprise-class functionality at a fraction of the cost of traditional license and install software. Designed for quick implementation, ease-of-use, and real-time inventory accuracy, the SmartTurn system integrates ordering, receiving, and shipping while providing visibility on every item across single or multiple warehouses.
- SAP Corporation acquires Sybase for \$5,800,000,000. Today, Sybase (NYSE: SY) is the largest global enterprise software company exclusively focused on managing and mobilizing information from the data center to the point of action. Our open, cross-platform solutions securely deliver information anytime, anywhere, enabling customers to create an information edge.
- Adenyo acquires MoVox for an undisclosed consideration. MoVox enables interactive agencies and brands to reach massive mobile audiences - with focus on maximizing user interaction.
- Aruba Networks acquires Azalea Networks for \$40,500,000. Azalea Networks is the world's leading company dedicated to wireless mesh R&D, equipment and wireless communication system software.
- Flexera Software acquires ManageSoft Corporation for an undisclosed consideration. ManageSoft, The Software Management Company, reduces IT supports costs for desktops, laptops, and servers located anywhere in the world by enabling large organizations to automatically deploy, update and manage software and security patches for Windows, Linux and UNIX devices.
- SuccessFactors acquires CubeTree for \$50,000,000. With Adobe Flex as an RIA development tool, it is becoming popular day-by-day. And the good news is that CubeTree India has also entered into this spree of developing simple and complex applications using

Flex.

- Attensity Corporation acquires Biz360 for an undisclosed consideration. Biz360 empowers decision makers with essential information that allows them to act strategically and respond effectively to industry trends and competitive issues. Its measurement application, Market360, continuously monitors and analyzes print, Internet, wire and broadcast media to provide valuable insight into the effectiveness of marketing communications programs.
- TransPerfect acquires Astoria Software for an undisclosed consideration. Astoria Software is the established developer of software for structured document management in the enterprise. Its package software applications automate and manage the authoring, review, assembly and publishing processes of structured content. Natively architected to manage XML/SGML content, Astoria is unique in managing content at the document, component, and even element level.
- Apple Computer acquires Siri for an undisclosed consideration. Siri's initial technology along with IP was provided by SRI International. The later led \$200 million CALO (Cognitive Agent that Learns and Organizes) artificial intelligence project which was funded by DARPA (Defense Advanced Research Projects Agency).
- Salesforce.com acquires Jigsaw Data Corporation for \$142,000,000. Jigsaw is an online marketplace where people buy, sell and trade business contact information. The Jigsaw marketplace offers members access to a database of corporate contact information that increases efficiency by shortening the time required to find necessary business contacts
- Oracle Corp. acquires Phase Forward for \$685,000,000. Phase Forward (Nasdaq: PFWD) is a leading provider of integrated data management solutions for clinical trials and drug safety. The company offers proven solutions for electronic data capture (InForm(TM)), clinical data management (Clintrial(TM)), clinical trials signal detection (CTSD(TM)), strategic pharmacovigilance (WebVDME(TM) and Signal Management), adverse event reporting (Clintrace(TM)) and applied data standards (WebSDM(TM)). In addition, the company provides services in the areas of application implementation, hosting and validation, data integration, business process optimization, safety data management and industry standards.
- RFID Invest acquires InSync Software for an undisclosed consideration. InSync Software is pioneering a new class of Sense and Respond applications at the edge of the enterprise that leverage the internet, RFID, and sensor based technology to enable the transparent supply chain.
- Nokia acquires MetaCarta for an undisclosed consideration. MetaCarta, Inc., a provider of geographic intelligence solutions, offers users map-driven geographic search, geographic referencing, and data visualization capabilities. MetaCarta products make data and unstructured content "location-aware" making that information geographically relevant.
- NetApp acquires Bycast for an undisclosed consideration. Bycast is the leading provider of advanced storage virtualization software for large-scale digital archives and storage clouds. For organizations whose business depends on access to vital data, Bycast protects and preserves digital assets over their lifetime. Bycast StorageGRID® software simplifies the management of massive fixed-content storage systems and enables organizations to optimize their storage infrastructure and ensure the integrity and availability of their valuable data assets. StorageGRID also enables the formation of archives that can scale to petabytes of data across hundreds of sites. StorageGRID is sold globally through OEM relationships with two of the world's major storage vendors. Bycast Inc. is a privately held company headquartered in Vancouver, BC.



Overture Advisors, LLC (www.OvertureAdvisors.com) is an Independent Investment Banking Firm focused on Information Technology companies.

Overture Advisors...

arranges acquisitions and private equity financings.

is focused entirely on Information Technology product and services firms.

has professionals with over 20 years of experience in the technology sector.

partners with its clients, assigning experienced and knowledgeable team members to your project.

has former C level executives as part of its team to provide insight and an operational perspective.

has a presence in New York, Washington D.C., Toronto, Atlanta, Chicago, Dallas, and Silicon Valley.

has global reach with an extensive rolodex of relationships outside of North America and is affiliated with investment banks in the UK and France.

We would appreciate an opportunity to speak with you by phone if you have an interest in learning more about how we might work together. Please use the information below to let us know how to best get in touch with you.

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"We will find a way, or we will make one." - Hannibal