



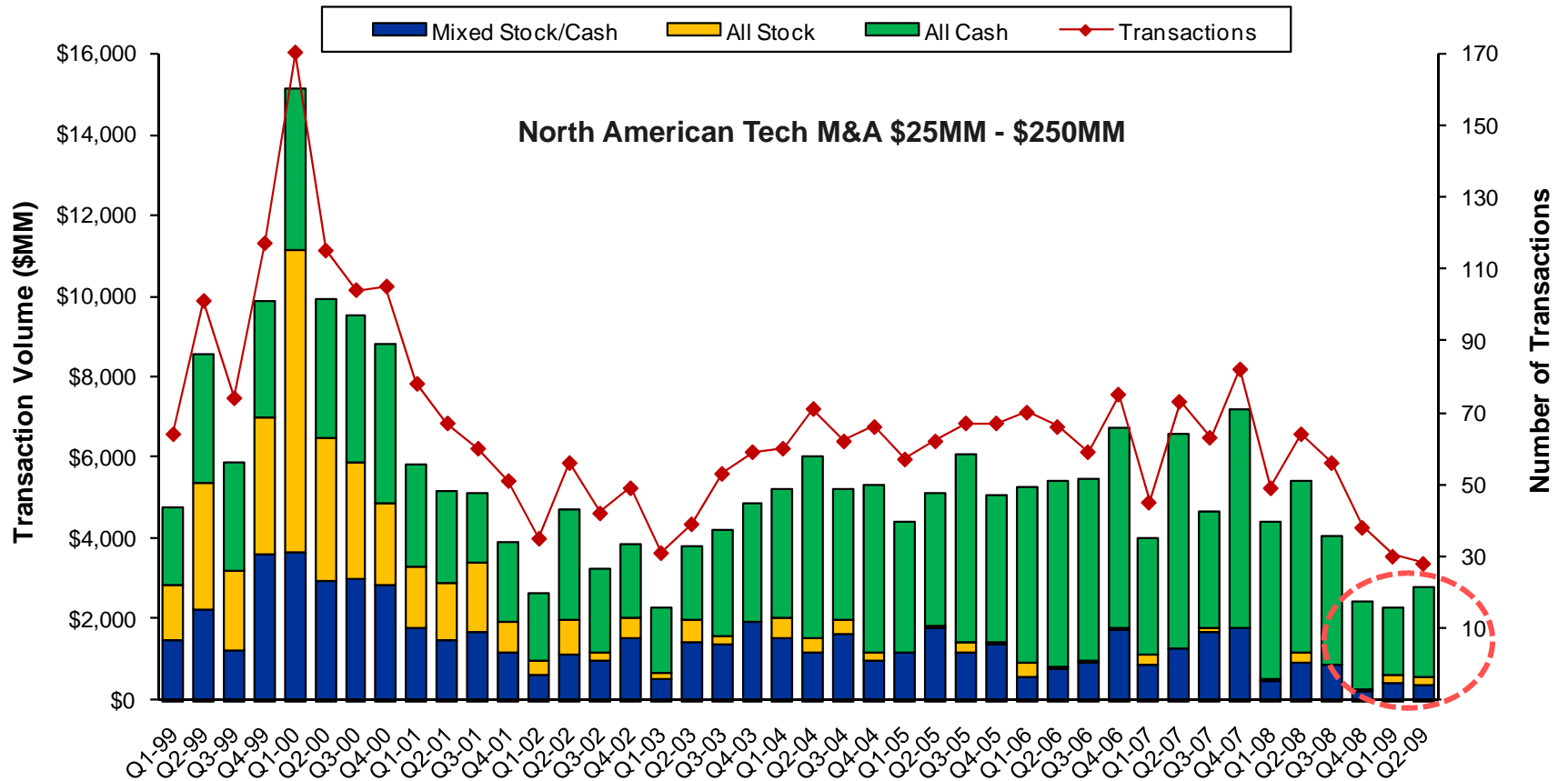
Year-to-date Tech M&A Update

July 2009

Tech M&A Is Showing Signs of Recovery

Experience after the “.com” bubble suggests that transaction activity tracks the decline of market indices, which are recovering

- The exception tends to be public companies, which typically need about one year of trading within a new valuation band to consider a corporate sale at typical premiums (e.g. 25%-35%)



North American technology transactions with disclosed dollar values between \$25.0MM and \$250.0MM.
Source: Capital IQ / Standard & Pooers.

Valuations for Healthy/Scarce Assets Are Strong

Competition for healthy assets has resulted in unusually high premiums paid throughout 2009. In most cases transactions involving non-distressed businesses were highly competitive and in some cases publicly contested

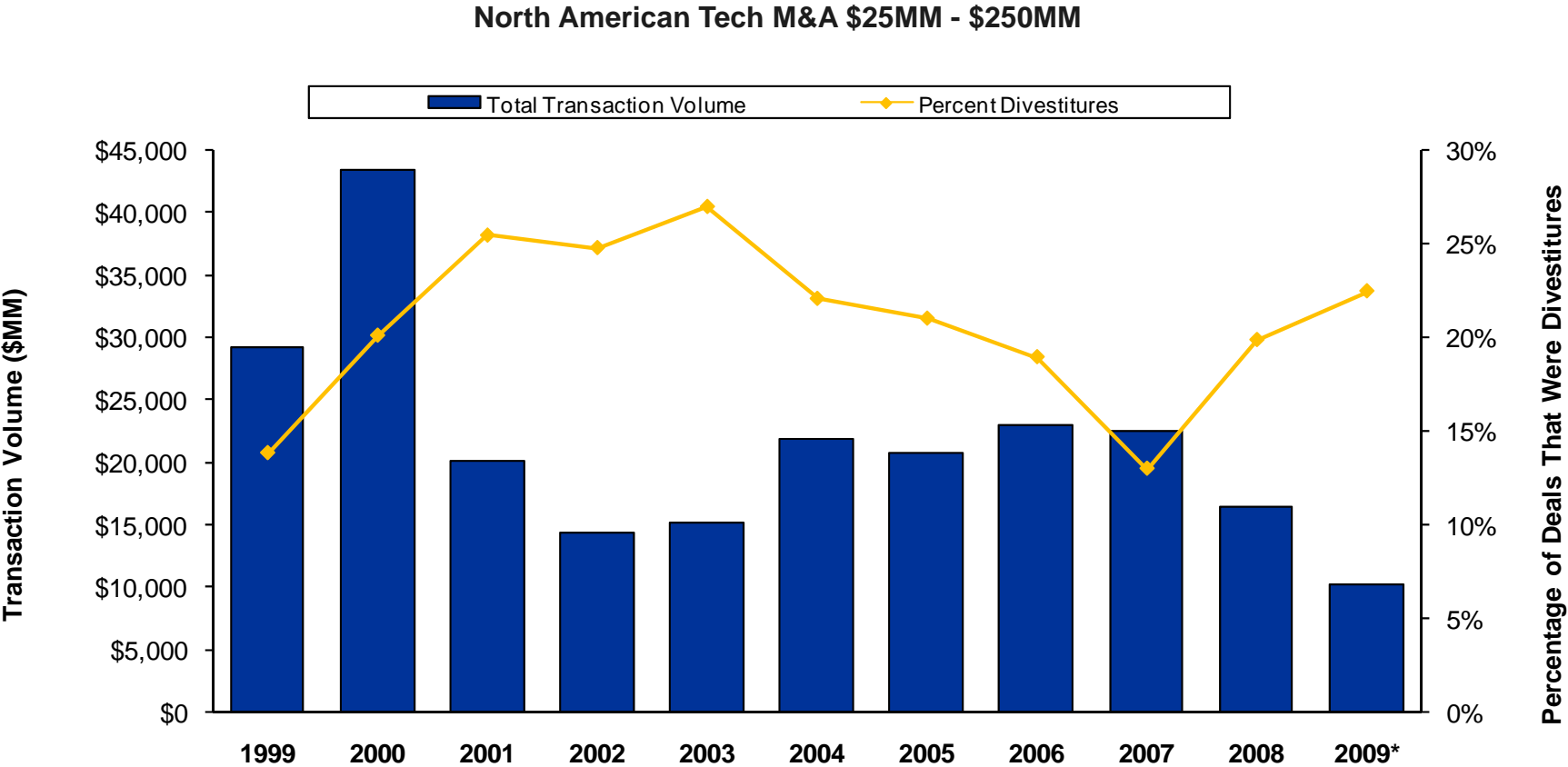
| Announce Date | Target | Acquiror | Total Transaction Value (\$MM) | Premium to Target's Unaffected Stock Price | Competitive | Publicly Contested |
|---------------|----------------------|-----------------------|--------------------------------|--|-------------|--------------------|
| 06/11/09 | SoftBrands | Golden Gate Capital | \$94.7 | 100.0% | ✓ | |
| 06/04/09 | Wind River Systems | Intel | 884.4 | 43.8% | | |
| 06/01/09 | Data Domain | EMC | 2,513.7 | 92.2% | ✓ | ✓ |
| 05/06/09 | LogicVision | Mentor Graphics | 14.2 | 56.0% | | |
| 05/05/09 | Borland Software | Micro Focus | 212.2 | 102.7% | ✓ | |
| 05/01/09 | Vignette Corporation | Open Text | 305.1 | 54.4% | ✓ | |
| 04/19/09 | Sun Microsystems | Oracle | 8,341.5 | 102.1% | ✓ | ✓ |
| 04/03/09 | SumTotal Systems | Vista Equity Partners | 132.2 | 146.2% | ✓ | ✓ |
| 02/20/09 | Entrust | Thoma Bravo | 122.9 | 29.0% | ✓ | |

Source: Capital IQ / Standard & Poors.

Divestitures are a Growing Part of M&A Volume ...

Distressed divestitures have mainly been worked through, and the focus is now on corporate pruning

- Shareholders tend to demand management focus on core businesses in downturns
- Divestitures afford sellers the resources and management bandwidth to become opportunistic buyers



* First half 2009 data annualized.
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... And a Good Source of Value Creation ...

Divestitures drive above average returns ...

- Studies show economic downturns create an opportunity to generate above average M&A returns, especially for buyers and sellers involved in divestiture transactions ⁽¹⁾
 - A target whose value proposition remains intact but has recently-depressed margins presents an exceptional value-creation opportunity
 - Above average premiums paid on low-multiple targets do not depress returns to acquirors

Divestiture rationale is re-enforced by a potentially long-term need for technology companies to self-finance

- The price of risk (and the perceived risk of the technology industry) will remain much higher than that experienced from 2002 to 2007
- The poor long-term track record of the NASDAQ index will increase the cost of capital for growth companies
- Asset pruning through divestitures followed by consolidating transactions designed to improve cash flow will likely be key strategies for corporate self-funding

Share repurchases are typically poor drivers of value creation and therefore poor uses of cash

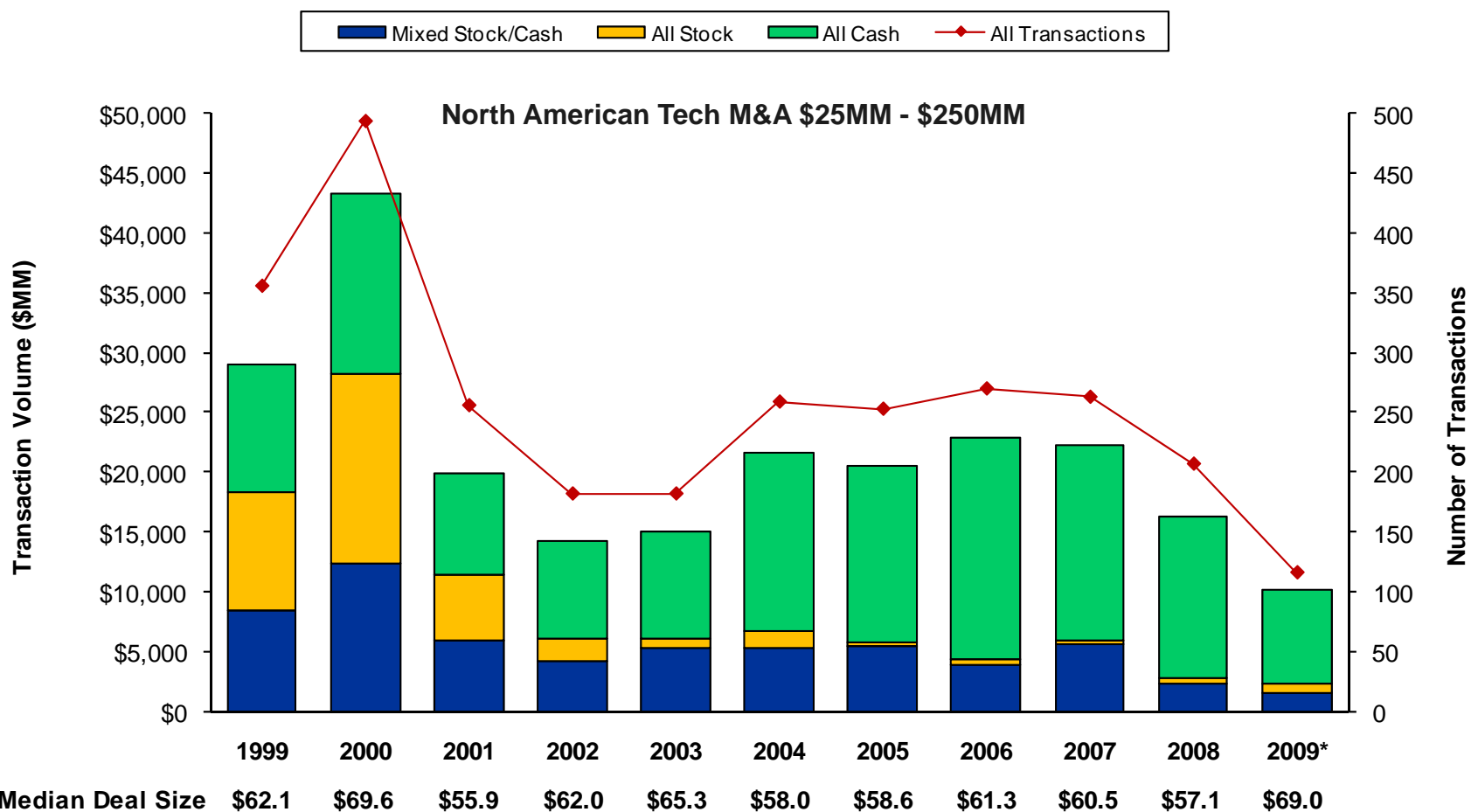
For additional reports and detail on mid-market M&A, managing through a downturn and share price impact of repurchase plans please visit www.gtkpartners.com. For occasional comments on current developments, please see www.gtkpartners.com/blog.

(1) "Return of the Strategist" , *The Boston Consulting Group*, May 2008

Even So, 2009 Volume Will Likely Set a 10-Year Low

M&A activity showed a recent peak in Q4 of 2007 and annualized H1 2009 numbers reflect a decline of 38% vs. 2008

- Financial acquirors are responsible for approximately 8% of the total transaction volume shown below. Activity among this group grew steadily from a low in 2001 to a high in 2005 of approximately 4% and 14%, respectively



* First half 2009 data annualized.

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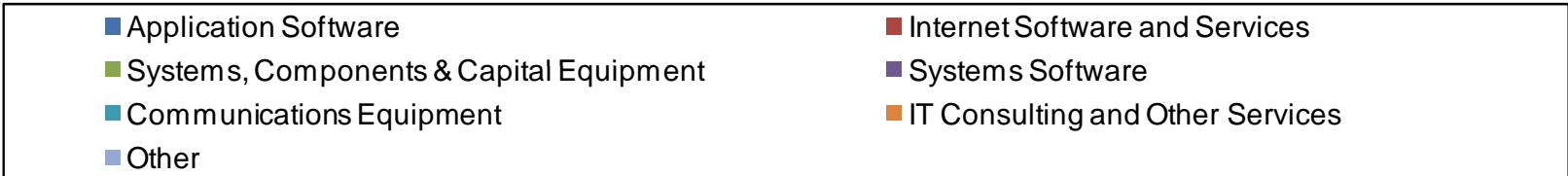
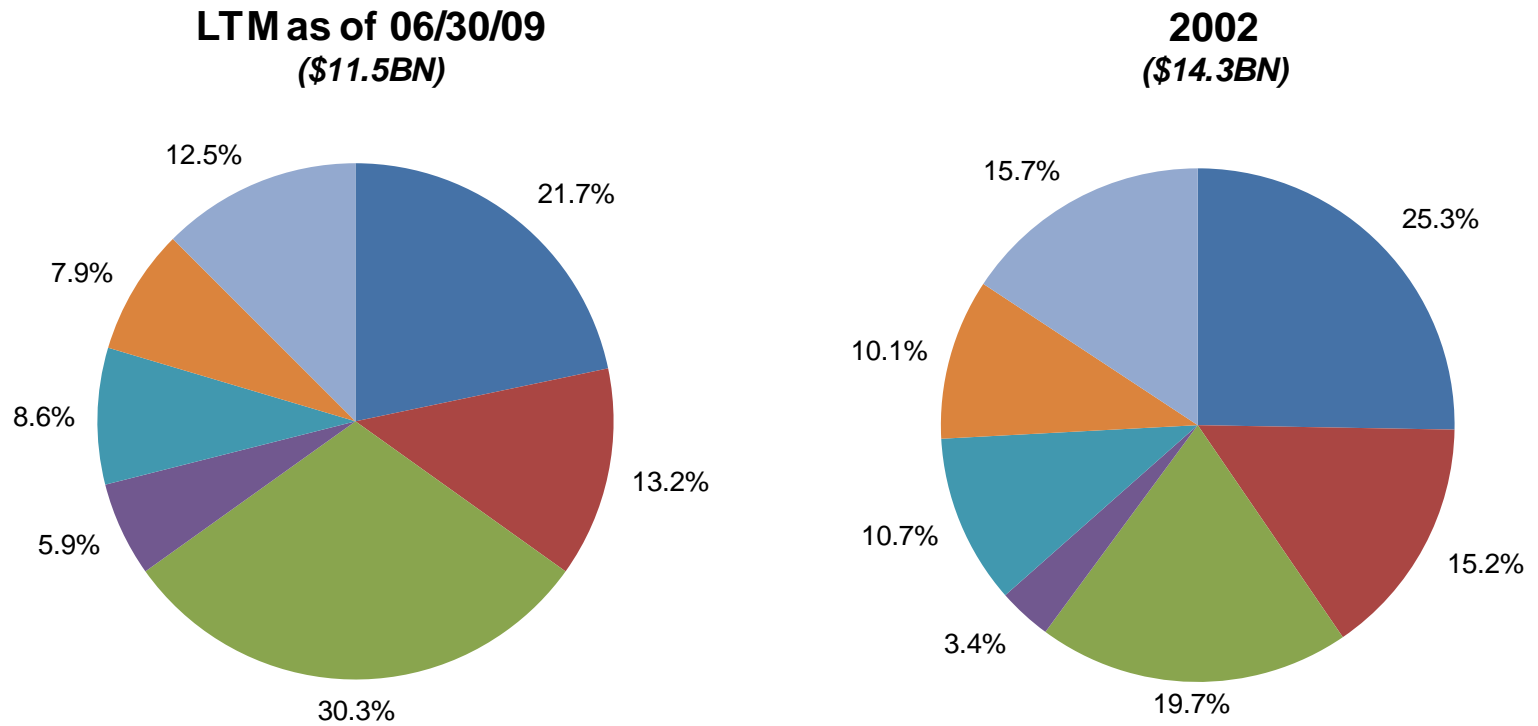
Source: Capital IQ / Standard & Poors.

Current Themes: Scarcity, Cash & Seller Financing

During downturns, especially those involving volatile valuations and constrained credit, historical experience implies the following

- Scarcity of high quality assets drives substantial premiums for healthy businesses
 - There has been a Mexican Standoff of sorts between healthy sellers and able buyers resulting in unusually high premiums paid. Additional detail on premiums paid is included on Page 2
- Cash has been and will continue to be king
 - Depressed equity valuations and the difficulty of pricing stock deals in a volatile environment has biased both buyers and sellers toward cash
 - For stock or stock/cash deals, actively consider exchange rate collars. They are no more troublesome than a failed transaction or a missed opportunity
- Large cap acquirors remain active and have become responsible for a larger percentage of deals
 - For acquirors, continued large cap competition for targets puts a further premium on the ability to offer cash and to move quickly
 - For sellers of divisions and subsidiaries, offering seller financing can be an important tool
 - Allows some mid-cap acquirors to bid more effectively, improving price and process discipline
 - Allows private equity firms to compete, which provides a price floor. PE firm participation improves consummation probability, an important consideration in divestitures which typically involve meaningful time investment up-front by the corporate seller

Software Still Drives Mid-market Tech M&A ...



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... As Do Familiar Names

Perennial M&A leaders Cisco, IBM and Microsoft remained on the most-actives list. Oracle continued with its post-2003 transformation to a consolidator.

| LTM as of 06/30/09 | |
|-----------------------|---|
| Most Active Acquirors | # |
| Oracle | 7 |
| Cisco Systems | 5 |
| Autodesk | 4 |
| CA | 4 |
| McAfee | 4 |
| Microsoft | 4 |
| AOL | 3 |
| IBM | 3 |
| Micro Focus | 3 |
| Open Text | 3 |

Source: Capital IQ / Standard & Poors.

| 2002 | |
|-----------------------------|---|
| Most Active Acquirors | # |
| Intuit | 4 |
| L-3 Communications Holdings | 4 |
| Sun Microsystems | 4 |
| Cisco Systems | 3 |
| First Data Corp | 3 |
| Danaher | 3 |
| IBM | 3 |
| Microsoft | 3 |
| SAS | 3 |
| SunGard Data Systems | 3 |