



Kevin Trosian

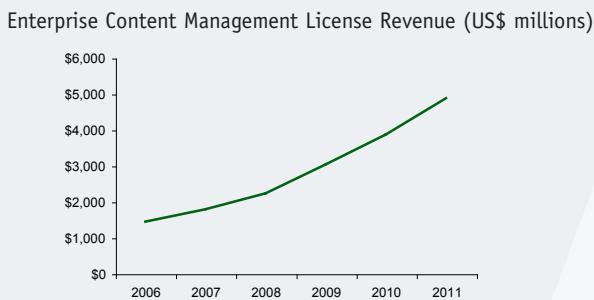
FocalPoint Partners is a middle market investment banking firm serving the technology and telecommunications industries. Kevin Trosian, FocalPoint's Director of Tech and Telecom and former senior equity analyst for Banc of America/ Montgomery Securities, shares his insights into the market forces which are transforming the industry.

LegalTech 2007 Wrap-Up

eDiscovery is a Hot Sector Getting Hotter

We recently returned from the LegalTech 2007 conference in New York City and saw some major changes in the industry versus 2006. EDiscovery and litigation technology have been big growth areas, as evidenced by the number of companies present. Every inch of exhibition space was taken, and walking the floor was more hectic than walking a 5th Ave department store during the January sales. Not only did the attendance indicate the rapid growth stage of the industry, it solidified the notion that eDiscovery is hot and on the minds of big technology players and entrepreneurs alike.

Forecast: North America eDiscovery Technology Spending Market Growth, 2006 To 2011



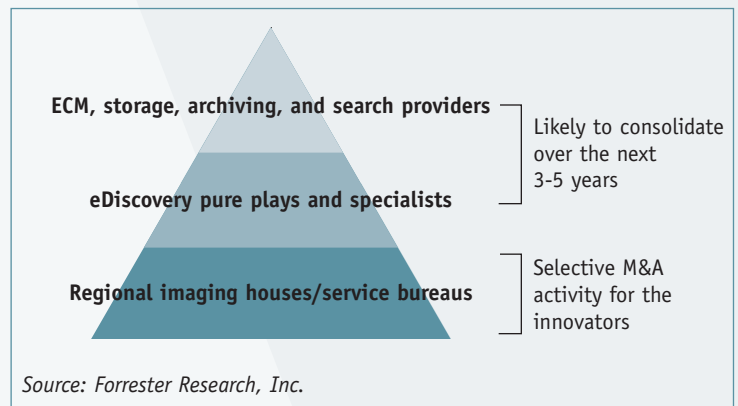
Source: Company reports and Forrester Research, Inc. estimates

An Evolving Customer Base

We believe the fundamental change among vendors is their target audience. Many of the large vendors have expanded their focus from merely reaching out to law firms to expanding into the general enterprise, espousing the virtues of enterprise-wide "preparedness". What is interesting is that it's not merely the serial litigation offenders in industries such as tobacco and biotech that are maintaining a state of litigation readiness – it's becoming far more pervasive in mid-to large public companies. This has opened the eyes of the larger technology vendors, including the large database and content management companies, as they now see the legal vertical as another channel in which to sell an expanded base of products. For example, companies like EMC have launched an eDiscovery solution based around their enterprise-wide storage offering, integrating email archiving, content management software and tiered network storage platforms.

Implications for M&A Activity

We believe this is likely to spur an even faster pace of consolidation in the space over the next 6-18 months. But with so many vendors out there, many are likely to be left without a dance partner unless they can differentiate themselves from both a service and technology perspective. For example, while a myriad of service providers showed decent cash flow and profitability, few will be able to generate the premium multiples that their owners are expecting. Distinguishing the best of class, technology-enabled innovators from the me-too players will be paramount to driving value. On the software side, the key remains having a scalable product that will work with the more comprehensive platforms in the market. Another key feature we saw that was receiving some buzz included companies that handle discovery in multiple languages. While there was little else that was groundbreaking on the software side at the conference, consolidation will accelerate as companies focused on one component of the discovery process – such as workflow management or search – will find themselves snapped up by larger players who are building end-to-end solutions.



Source: Forrester Research, Inc.

In conclusion

In many ways, the conference reminded us of the "irrational exuberance" days of the Internet, where many saw a large market opportunity, but failed to establish a permanent foothold in the burgeoning sector. We anticipate more vendors are likely to keep entering the space, but those with an established presence and key customer base, including those that have attracted the in-house counsel of enterprises, are most likely to catch the acquisitive eye of the major vendors and service providers.

Selected Software M&A Transactions

Date	Buyer	Seller	Target Description
21-Feb-07	RedPrairie Holding, Inc.	GEOCOMtms, Inc.	Develops fleet management software
20-Feb-07	DOMIN-8 Enterprise Solutions	Property Automation Software Corp.	Provides property management software
16-Feb-07	DOMIN-8 Enterprise Solutions	RentRight, Inc.	Provides software
16-Feb-07	Google, Inc.	Adscape Media, Inc.	Provides advertisement services
16-Feb-07	Wolters Kluwer NV	Desert Document Services, Inc.	Provides automated document preparation solutions
15-Feb-07	SunGard Capital Corp.	Aceva Technologies, Inc.	Provides enterprise application software solutions
14-Feb-07	SAP AG	Pilot Software	Develops Web-enabled decision support and business intelligence software
13-Feb-07	Yosemite Technologies, Inc.	FileKeeper, Inc.	Develops software for Windows notebooks and desktops for data protection
13-Feb-07	SunGard Capital Corp.	Maxim Insurance Software Corp.	Provides software for the insurance industry
9-Feb-07	Wicks Educational Publishing Holdings LLC	JIST Publishing, Inc.	Develops and publishes educational materials
9-Feb-07	Cisco Systems, Inc.	Five Across, Inc.	Provides web publishing and blogging services
5-Feb-07	Hewlett-Packard Co.	Bristol Technology, Inc.	Provides business process monitoring software
5-Feb-07	Hitachi Ltd.	Archivas, Inc.	Develops software
5-Feb-07	Document Sciences Corp.	CambridgeDocs LLC	Develops software for document content integration
29-Jan-07	Symantec Corp.	Altiris, Inc.	Offers full line web-enabled solutions
29-Jan-07	International Business Machines Corp.	Softtek Storage Solutions Corp.	Provides data migration, data replication and disaster recovery software products
23-Jan-07	Document Storage Systems, Inc.	Sage Health Management Solutions, Inc.	Provides healthcare technology services and software
18-Jan-07	Francisco Partners Management LLC	Mincom Ltd.	Develops enterprise and IT software and solutions to the mining, utilities, transportation and defense industries
17-Jan-07	Cognos, Inc.	Celequest Corp.	Develops software solutions for business intelligence
17-Jan-07	Wolters Kluwer NV	Banconsumer Service, Inc.	Provides compliance resource software solutions
17-Jan-07	Convio, Inc.	GetActive Software, Inc.	Provides online relationship management software
8-Jan-07	The Riverside Co.	Advanced Information Systems Group	Provides technology solutions to the provider for the automotive, aerospace and steel industries
8-Jan-07	Yahoo!, Inc.	MyBlogLog	Operates a social networking website
5-Jan-07	Thomson Corp.	Baker Robbins & Co.	Provides technology consulting services
2-Jan-07	Compuware Corp.	Proxima Technology, Inc.	Provides software solutions
27-Dec-06	Migo Software, Inc.	StompSoft, Inc.	Publishes backup, system utility and online security software
20-Dec-06	Websense, Inc.	PortAuthority Technologies, Inc.	Develops security systems software
20-Dec-06	Citrix Systems, Inc.	Ardence, Inc.	Designs and develops software
20-Dec-06	SunGard Capital Corp.	Automated Financial Systems	Develops Internet and telephone-based brokerage software
20-Dec-06	Hewlett-Packard Co.	Bitfone Corp.	Develops mobile software
18-Dec-06	Google, Inc.	Endoxon AG	Provides multimedia, internet and mobile applications services
15-Dec-06	Cisco Systems, Inc.	Tivella, Inc.	Provides digital signage software and systems
14-Dec-06	Reed Elsevier Plc	Edformation, Inc.	Develops assessment materials and online monitoring software for education
13-Dec-06	RedPrairie Holding, Inc.	StorePerform Technologies, Inc.	Provides management software
11-Dec-06	ZANTAZ, Inc.	Singlecast Technologies, Inc.	Provides software development services
5-Dec-06	International Business Machines Corp.	Consul Risk Management, Inc.	Provides prepackaged software services
4-Dec-06	Reed Elsevier Group Plc	BuyerZone.com, Inc.	Provides online lead business generation services

Comparative Company Valuations

Company	Ticker	Market Cap	Enterprise Value	EV/EBITDA	Revenue	EBITDA	Stock Price	52 Week Range
DocuCorp International Inc.	DOCC	\$116.62M	\$113.23M	7.4x	\$89.22M	\$15.31M	\$9.98	\$6.85-\$10.90
EMC Corporation	EMC	\$32.24B	\$32.34B	14.9x	\$11.16B	\$2.17B	\$14.64	\$9.44-\$14.89
Google Inc.	GOOG	\$145.68B	\$134.44B	29.4x	\$10.60B	\$4.58B	\$475.85	\$331.55-\$513.00
InfoSpace Inc.	INSP	\$719.98M	\$318.03M	9.2x	\$371.74M	\$34.47M	\$22.96	\$17.28-\$28.39
IBM Corp.	IBM	\$148.38B	\$160.40B	9.0x	\$91.42B	\$17.74B	\$98.50	\$72.73-\$100.90
Interwoven Inc.	IWOV	\$714.78M	\$554.41M	21.6x	\$193.98M	\$25.69M	\$16.40	\$8.35-\$16.50
Microsoft Corp.	MSFT	\$287.80B	\$261.40B	14.6x	\$46.06B	\$17.94B	\$29.39	\$21.46-\$31.48
Network Appliance Inc.	NTAP	\$14.91B	\$13.76B	26.6x	\$2.60B	\$518.42M	\$39.88	\$25.85-\$41.56
Open Text Corp.	OTEX	\$1.13B	\$1.41B	14.0x	\$470.58M	\$100.62M	\$22.93	\$12.86-\$24.34
Oracle Corp.	ORCL	\$89.50B	\$87.99B	13.5x	\$16.07B	\$6.51B	\$17.27	\$12.36-\$19.75
Reed Elsevier NV	REN	\$13.40B	\$13.21B	11.5x	N/A	\$1.15B	\$18.46	\$14.48-\$19.36
Reed Elsevier plc	REL	\$15.11B	\$15.11B	14.1x	N/A	\$1.07B	\$12.15	\$9.84-\$12.72
Symantec Corp.	SYMC	\$16.21B	\$15.33B	9.8x	\$5.07B	\$1.56B	\$17.53	\$14.78-\$22.19
Thomson Corp.	TOC	\$27.29B	\$31.23B	16.1x	\$6.64B	\$1.94B	\$42.62	\$35.88-\$44.19
Vignette Corporation	VIGN	\$566.78M	\$362.33M	18.7x	\$197.57M	\$19.40M	\$18.82	\$12.03-\$19.01
Yahoo! Inc.	YHOO	\$42.98B	\$41.14B	20.4x	\$6.43B	\$2.02B	\$31.60	\$22.65-\$34.09

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