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# Soft•letter

BUSINESS INSIGHTS FOR SOFTWARE DEVELOPERS & PUBLISHERS

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*Our most recent M&A  
study shows that size  
matters for multiples but  
not for acquisitions  
See pages 4-6.*

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## The Eternal Darkness of the Clueless Mind

The 2004 film *The Eternal Sunshine of the Spotless Mind* describes a man who deliberately erases a portion of his past memories in a quest to experience a better future. To achieve this happy outcome, the hero of the film undergoes a physical process that inflicts, in the words of one of the characters, "brain damage." When evaluating Google's recent PR fiasco with CNET.com, one is forced to the conclusion that upper management at Google has seen this movie and taken its central conceit to heart, forgetting that movies are generally fairy tales and their scenarios rarely apply to the real world. Picking a fight with the press is always a bad idea, but Google's search engine has apparently forgotten to report this sad fact to the search engine colossus as it repeats past mistakes made by Ashton-Tate, Microsoft, Siebel, etc.

The Google contretemps began on July 14<sup>th</sup> when CNET reporter Elinor Mills, as part of a larger article on privacy issues and concerns, decided to Google Google CEO Eric Schmidt and discovered a wealth of "personal" details about the petulant CEO from Google search engine results. Among the tidbits she uncovered (all from publicly accessible sites) were such details that Schmidt flies airplanes, gave money to the Gore campaign, lives in Atherton, CA, is worth about \$1.5 billion bucks, and has attended "The Burning Man" art festival. Not exactly the stuff of tabloid dreams, but an excellent example of the power of Google to intrude into the personal life of individuals to an extent not previously possible without the expenditure of more time and effort than most people have been able or willing to commit. The article went on to make the point that Google also tracks a considerable amount of personal information not made available to the general public, and speculated on the privacy dangers this concentration of information in the hands of Google poses.

Now, Google is a large, very successful company (like Microsoft and Siebel) and must expect to undergo periodic scrutiny at the hands of reporters; that's what the press does to large companies or to companies who occupy a "strategic" topic in the minds of readers and reporters. CNET's focus on Google's impact on privacy are legitimate (and inevitable). It's the price a company pays for big time success and a monster IPO.

But when the CNET story was published, Google and CEO Schmidt promptly threw a temper tantrum and *(continued on page three)*

## Preliminary Patent Searches for the Entrepreneur, Part II of II

by Randall Ward

When searching the main patent sites, some knowledge of Boolean logic is important. For example, if you search debugging **and** microprocessor, both terms have to be in the record, limiting your retrieval to records that mention both debugging and microprocessor. Debugging **or** microprocessor retrieves patents in which either one or the other term or both terms appear, resulting in more records being retrieved.

Let's begin with [www.uspto.gov](http://www.uspto.gov) and start with the terms "medical record" and "encryption". This search returned 81 records (hits). Each one will have a link to the full text of the patent. There are several search variations you can use on these terms. This site allows truncation (or wildcarding) and you can reduce "encryption" to "encrypt\$". This will search all forms of the word with the root encrypt, including encrypted, encryption, encrypts, etc. Generally, you will want to begin to search broadly, retrieving a large answer set, and then narrow in from there. For example, you can search for a term. You can search for the term in the title only. You can make the assumption that if the term/keyword is in the title, the patent is more likely to be about the keyword than if the keyword is found somewhere in the abstract. You can narrow your search further by issue date, inventor name, or any other field available. The USPTO site is not very forgiving if you don't search the terms using the proper formats. For instance, *Doe-John\$* is the accepted format for an inventor's name.

The USPTO site also allows us to search for words in a certain field. For instance, we can search for "medical record" in just the title field. This will narrow the search; however, the USPTO search engine cannot truncate within the quotation marks. Therefore, you could not search "medical record\$" and hope to get the singular and the plural; you must do the search twice, once with "medical record" and then with "medical records." You can easily print a retrieved US patent you retrieve in html format from your browser. For a PDF version, we found a site that provides it free on the web, [www.freepatentsonline.com](http://www.freepatentsonline.com).

When searching the European site, be aware that their engine doesn't search the patent's full text; at best you will be searching the title and abstract and retrieve fewer hits. Note that truncation is permitted within the phrasing quotation marks. Technically, while viewing retrieved patents you can print the entire document, but only one page at a time and in PDF. The Japanese site (known formally as the Industrial Property Digital Library) claims it doesn't offer wildcards since it searches all word forms. I am somewhat skeptical of this claim because when I searched "encryption" instead of "encrypt," I received four hits instead of three. Once retrieved, you can only print the retrieved document's first page, which contains the title, inventor, patent number, etc.

Don't be intimidated if you don't know all the ins and outs of the databases discussed. Play with them, experiment with searches, and work through their help systems. Only a handful of professionals come close to knowing every detail of the patent search engines and every nuance of patent law. Your goal when conducting research is to glean enough information from these sites to help you determine whether to drop a patent effort or to proceed further with the process.

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announced with the type of haute grandeur guaranteed to make the press' collective teeth ache, that Google would not deign to speak to CNET for a year, presumed punishment for the organization's act of lese-majesty. The outcome of this behavior was completely predictable.

First, the blogs picked up the story and spread it far and wide, mocking Google while making fun of its paranoia. The UK division of CNET asked with mock plaintiveness whether Google's vow of silence applied to them? Then the major TV business shows ran with the story, with Eric Schmidt and Google receiving sardonic mentions and raised eyebrows on MSNBC, CNBC, Fox's Cavuto show, etc.

Finally, and inevitably, the august New York Times weighed in on the whole mess. On August 24th, writer and reporter Gary Rivlin wrote an article called "Relax, Bill Gates; It's Google's Turn as the Villain" which described how "venture capitalists, entrepreneurs and technologists gather in Silicon Valley..." to grouse "...about Google, complaining about everything from a hoarding of top engineers to its treatment of partners and potential partners. The word arrogant is frequently used." It quoted a Mr. Levchin, who said that "I'm surprised at how fast the company's reputation is changing." It highlighted the observations of a Mr. Kraus who exclaimed that "Microsoft is becoming I.B.M. and Google is becoming Microsoft." (Presumably, Mr. Kraus meant mean the old, illegal-acting monopolist Microsoft pre DOJ government spanking, not the newly chastened, good corporate citizen of recent vintage).

To drive the New York Time's point home, a few days later, on August 28, Times reporter Randall Stross wrote another article on Google and CNET entitled "Google Anything, so Long as It's Not Google." The article had more fun observations about the search engine firm, such as "the company reacted in a way better suited to a 16th-century monarchy than a 21st-century democracy with an independent press" and "Mr. Schmidt and his staff have had six weeks to restore a working relationship with CNET (and to apologize)."

How should have Google reacted to the CNET story? Well, it could have simply ignored it, a far smarter thing to do than its current course. But Google is currently being positioned by the press as a potential Black Knight in pursuit of the Fair Maiden, Privacy.

An even more intelligent course of action would be to acknowledge the concerns the story raised and perhaps announce a program or series of actions that Google is considering putting in place to protect the Fair Maiden. These can cover a gamut of possibilities, including setting up an advisory board within the company to monitor privacy concerns, working with outside bodies to establish privacy "standards" for web search, contributing a hunk of Google stock to a non-profit organization for further work on privacy protection, etc., etc. Properly executed, such an approach would change the direction of the story and would reposition Google as a White Knight riding forth to protect Privacy, changing the company's churlish visage into something more charming.

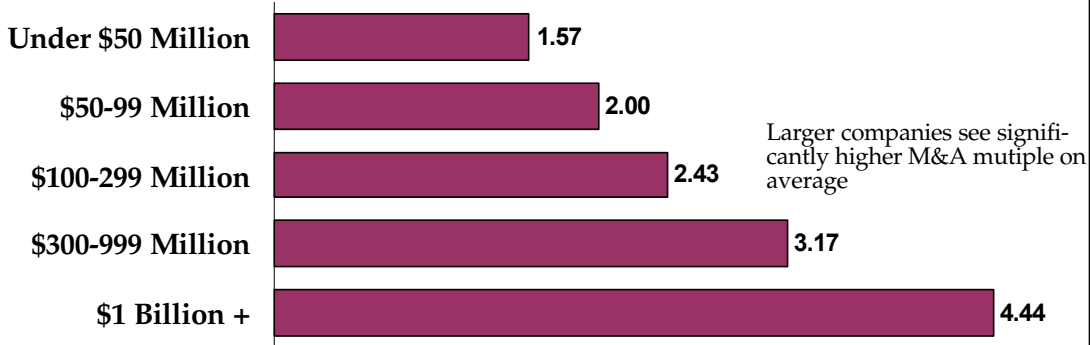
**"In addition to its new and rapidly developing posture of the enemy of privacy, Google now faces another, longer term problem. The press is now mad at Google and the press has a long institutional memory. At the first sign of weakness on Google's part, they will pounce."**

—Softletter

**"Ask any Siebel sales rep about the power of the press to damage a high-technology company that antagonizes it and then commits a major marketing mistake."**

—Softletter

### Larger Deals, Higher Multiples



### Benchmarks: Mergers and Acquisitions

In the 12 months ending June 2005, the Corum Group reported to *Softletter* 104 acquisitions. Here are 103 of them, arranged by deal size, and omitting only Avaya's purchase of Spectel (cash, \$103 million) for which no revenue figures were reported. For without revenue we cannot compute the *Multiple* of revenues to purchase price that reflects the attractiveness of the acquisition to the buyer, and which sellers wish to maximize.

The size of the Multiple is influenced both by size of deal and by market segment. The accompanying chart showing median Multiples reveals a strong tendency for the Multiple to increase as the deal size increases. The influence of market segment shows in the exception to this tendency for the six deals sized \$30-39 million: here the median multiple is 3.04, influenced upward from the low values of IT services by the presence of security and pure Internet plays.

Previously we have noted that the Multiple is generally highest for companies in Storage, Security, Pure Internet, and Enterprise Infrastructure and Software, and generally lowest in IT Services, Wireless, Connectivity, and Gaming. The reasons have to do with the potential for market expansion in the highest, and either lack of that potential in the lowest, or confusion about the market's structure and major players. The crushing winner of a Multiple (45.33) in this roundup is Network Appliances' acquisition of Decru, which adds security software to NetApp's storage. This June 2005 acquisition was spurred by massive breaches into the stored data of major companies.

Of the 104 deals, 65 were cash-only (although in a few cases as tender offers). Four were stock-only deals. Fifteen involved earnouts (some in the form of deferred compensation), and only ten involved debt (in the form of notes or assumption of the acquiree's debts). The median deal size was \$50 million and the median revenue was \$30 million for the 103 deals in the table.

Size matters for multiples, but not for acquisitions: 51 of the 104 deals were done for less than \$50 million.

Firm	Acquirer	Cash	Stock	Earnout	Notes	Total	Revenues (000)	Multiple	Type Firm
Omega Systems	Open Solutions (OPEN)	\$2,500				\$2,500	\$2,000	1.25	Check handling SW
Mergence Technologies	Datawatch Corp. (DWCH)	\$2,500				\$2,500	\$1,000	2.50	Content management SW
Focalex	Intermix Media (IMIX PK)	\$4,000				\$4,000	\$3,500	1.14	I'Net adv. & affiliate mktg. SW
Marketleap	Digital Impact (DIGI)	\$1,500	\$2,300		\$300	\$4,100	\$1,500	2.73	Search eng. optimiz. & online acq.
Bedrock Networks	Matrix Communications (MXC.L)		\$4,400			\$4,400	\$7,500	0.59	Network integration specialist
Integrated Data Systems	Online Resources Corp. (ORCC)	\$5,000			\$300	\$5,300	\$3,200	1.66	Credit union SW
Neurascript	Dicom group (DOPCF)	\$5,500		x		\$5,500	\$2,400	2.29	Information capture tools
Heart Consulting Services	ebix.com (EBIX)	\$3,600	\$2,000		\$1,400	\$7,000	\$3,000	2.33	Software for insurance brokers
CashTech solutions	Fundtech (FNDDT)	\$3,300		\$3,700		\$7,000	\$3,400	2.06	Cash mgt. E-banking SW
Dralasoft	Verity (VRTY)	\$8,000				\$8,000	\$2,500	3.20	Bus. process mgt. SW
DataKey (DKEY)	SaeNet (SFNT)	\$8,800	x		x	\$8,800	\$5,900	1.49	Security & identity mgt. SW
Financial Data Solutions	Open Solutions (OPEN)	\$9,000				\$9,000	\$6,000	1.50	Remittance processing SW
Meritage Technologies	Perficient (PRFT)	\$2,900	\$4,200		\$2,400	\$9,500	\$12,000	0.79	IT svc. prov. of e-bus. SW
Persistence Software	Progress	\$10,000				\$10,000	\$8,280	1.21	Distrib. data acc. & caching SW
BuzzeoPDMA	Dendrite International (DRTE)	\$10,000				\$10,000	\$10,000	1.00	Outsourced compliance for life-sci. ind.
Copper Mountain Networks	Tut Systems	\$10,000				\$10,000	\$9,000	1.11	Broadb& access solutions
Intuit, Inc. (INTU)	Kintera, Inc. (KNTA)	\$11,000				\$11,000	\$12,800	0.86	Sold: acctg. SW for nonprofits div.
Xenicon	&rew Corporation (&W)	\$11,500				\$11,500	\$11,000	1.05	Telecom SW for wireless networks mgt.
Info Systems	MTM Technologies (MTMC)	\$6,800	\$3,200	\$1,700		\$11,700	\$58,000	0.20	IT reseller & IT consulting
B2eMarkets	VerticalNet (VERT)		\$6,800		\$5,900	\$12,700	\$8,100	1.57	Strategic sourcing software
Sigma Micro Informatique Conseil	Varian Med. Systems (VAR)	\$13,000				\$13,000	\$7,000	1.86	Mgt. SW for French cancer clinics/hospitals
V Communications	BVRP Software	\$8,500	x	\$5,000		\$13,500	\$8,300	1.63	Utilities SW PCs
Simulation Technologies	Anteon International	\$15,000				\$15,000	\$20,000	0.75	Modeling SW military game simulation
Incurent Solutions	Online Resources Corp. (ORCC)	\$8,000	\$7,000			\$15,000	\$7,000	2.14	Internet banking solutions
IiOMO Limited	InfoSpace, Inc.	\$15,000				\$15,000	\$4,000	3.75	Developer of mobile games
Optinel Systems	C-COR Electronics (CCBL)	\$9,500		\$6,000		\$15,500	\$7,000	2.21	Network solutions for cable TV ind.
I-Media SA	Premiere Global Services, Inc.	\$18,947				\$18,947	\$14,442	1.31	Suite of electronic msg. svcs.
Symfonia	Sage Group	\$19,700				\$19,700	\$8,400	2.35	Acctg. solutions for SMB mktg. in Pol&
Member Data Services	Open Solutions (OPEN)	\$20,000				\$20,000	\$13,000	1.54	Core processing solutions for credit unions
Mobile Automation	iPass (IPAS)	\$20,000				\$20,000	\$4,000	5.00	Mgt. & protection of remote & mobile devices
Southbank Systems	Mapinfo Corp. (MAPS)	\$20,800				\$20,800	\$12,000	1.73	Infrastructure mgt. SW for UK public sector
Blue Martini	Golden Gate Capital	\$21,100				\$21,100	\$28,300	0.75	Provider of sales optimization systems
IntelliData	Corillian	\$4,500	\$17,100			\$21,600	\$50,080	0.43	Online banking & bill payment
CGI Group's credit union division	Open Solutions	\$24,000				\$24,000	\$16,000	1.50	Core data proc. provider for credit unions
Emailjob.com	Monster Worldwide	\$23,000		\$3,000		\$26,000	\$9,000	2.89	Leading online French recruiter
IMR	Captaris	\$26,500				\$26,500	\$12,000	2.21	Archiving & records mgt. SW
Retail Store Systems	Torex Retail	\$27,900				\$27,900	\$41,700	0.67	System integrator in retail ind.
Codem Systems	DRS Technologies (DRS)	\$29,000				\$29,000	\$25,000	1.16	Signal intel. systems/network interface modules
Bridge Technology Corporation	SI International, Inc.	\$30,000				\$30,000	\$22,000	1.36	IT svc. prov. to DoD Intel agencies
Integrated Management Services	Anteon International (ANT)	\$29,000		\$2,000		\$31,000	\$30,000	1.03	IT svc. prov. to govt. clients
OnBoard Software	MTC Technologies (MTCT)	\$34,000				\$34,000	\$15,000	2.27	Tech. dev. & support for DoD
Imaging Automation	Viisage Technology	\$34,186	x		x	\$34,186	\$6,000	5.70	Autom. ID doc. authentication technologies
Pricerunner.com	Valueclick (VCLK)	\$29,000	\$7,000			\$36,000	\$7,200	5.00	Online comparison shopping svcs.in Europe
On Dem& Distribution	Loudeye Corp. (LOUD)	\$18,400	\$2,300	\$17,500		\$38,200	\$10,000	3.82	Largest digital music provider in Europe
Tertio Telecom, Ltd	Evolving Systems (EVOL)	\$11,000	\$13,000		\$16,000	\$40,000	\$19,700	2.03	Telecom OSS & provisioning SW
Popkin Software	Telelogic AB (TGIAFPNK)	\$45,000				\$45,000	\$19,100	2.36	Enterprise arch. tools
Integrated Distributed Solutions	Retalix, Ltd.	\$34,400	\$7,000	\$5,000		\$46,400	\$27,400	1.69	Provides distributors with ERP Solutions
Ulead Systems	InterVideo (ICII)	\$48,680				\$48,680	\$44,000	1.11	Video, imaging, & DVD authoring SW
Atomz Corporation	WebSideStory	\$4,300	\$44,500			\$48,800	\$32,000	1.53	Digital mktg. applications
AD OPT Technologies	Kronos, Inc.	\$49,193				\$49,193	\$20,754	2.37	Workforce plng. & time & attendance solutions
AC Technologies	PEC Solutions (PECS)	\$46,700		\$3,000		\$49,700	\$48,500	1.02	IT services for US Govt.

x=unknown quantity

Stock symbols denote public

Numbers in 000s

Firm	Acquirer	Cash	Stock	Earnout	Notes	Total	Revenues (000)	Multiple	Type Firm
I-many, Inc.	Selectica, Inc.	\$50,281				\$50,281	\$39,680	1.27	Contract mgt. solutions
Mosaic Software Holdings	S1 Corporation	\$37,000		\$15,000		\$52,000	\$24,100	2.35	ATM & electronic payment solutions for banks
Frango	Cognos (COGN)	\$52,200				\$52,200	\$34,300	1.52	Consolidation & financial reporting solutions
Novasoft AG	CIBER (CIBR)	\$37,450	\$16,050			\$53,500	\$78,000	0.69	German provider of SAP implem. svcs.
Vintela	Quest Software (QSFT)	\$56,500				\$56,500	\$12,500	4.52	Platform integration
Arche Communication SAS	Telindus NV	\$59,000				\$59,000	\$119,300	0.49	Network security services
Imceda Software	Quest Software (QSFT)	\$48,800	\$12,200	\$10,000		\$61,000	\$8,100	7.53	Database administration tools
Webshots	CNET Networks (CNET)	\$60,000				\$70,000	\$13,000	5.38	Digital photography Web site
BlueStar Solutions	ACS (ACS)	\$73,000				\$73,000	\$50,000	1.46	Enterprise app. outsourcing svcs.
NetSolve (NTSL)	Cisco Systems (CSCO)	\$87,200				\$87,200	\$43,500	2.00	Remote network infrastructure mgt. svcs.
Attention Systems Group	TietoEnator	\$88,190			x	\$88,190	\$60,570	1.46	SW solutions/svcs. fin. svcs sector
nCube Corp.	C-COR Electronics (CCBL)	\$89,500				\$89,500	\$50,000	1.79	On-dem. & media & digital adv.
Nassda Corporation (NSDA)	Synopsis, Inc. (SNPS)	\$90,600				\$90,600	\$41,500	2.18	Semiconductor chip simulation & analysis SW
Apriama Mgmt. Technologies	Concord Comm. (CCRD)	\$93,000				\$93,000	\$43,000	2.16	IT infrastructures/services mgt. SW
etalk Corporation	Autonomy (AUTNFK)	\$30,000	\$40,000	\$23,000		\$93,000	\$37,100	2.51	Software for contact centers
Classmates Online	United Online (UNTD)	\$100,000				\$100,000	\$54,000	1.85	Finds classmates from school
ViralWorks, Inc.	Cerner Corporation (CERN)	\$100,000				\$100,000	\$70,000	1.43	Sold its physicians practice-mgt SW div.
Gray Hawk Systems	ManTech International	\$100,000				\$100,000	\$70,000	1.43	High-end IT services to intel. community
Connected corp.	Iron Mountain (IRM)	\$117,000				\$117,000	\$36,000	3.25	Archiving & storage SW
Financial Models	SS&C Technologies	\$132,000				\$132,000	\$61,100	2.16	Investment mgt. technology
SBI Razorfish	aQuantive (AQNT)	\$85,000		\$75,000		\$160,000	\$93,000	1.72	IT svc. prov. of Web development
VIPS	WebMD (HLTH)	\$160,000				\$160,000	\$59,000	2.71	SW & svcs. for healthcare providers
Corio (CRIO)	IBM (IBM)	\$161,000				\$161,000	\$70,200	2.29	Application service provider
M-Audio	Avid Technology (AVID)	\$80,000	\$83,000	\$25,000		\$188,000	\$51,500	3.65	Digital audio & MIDI sols. for musicians
Kvault Software	Veritas Software (VRTS)	\$225,000				\$225,000	\$23,000	9.78	E-mail archiving SW
Technomatrix Technologies (TCNO)	UGS (UGS.V)	\$241,000				\$241,000	\$98,700	2.44	Mfg. & process mgt. SW
Concord Communications	Computer Associates (CA)	\$256,790				\$256,790	\$106,190	2.42	Network mgt. solutions
SMARTS, Inc.	EMC Corporation (EMC)	\$260,000				\$260,000	\$57,800	4.50	Event automation/real-time network mgt.
Decru	Network Appliance (NTAP)	\$55,000	\$217,000			\$272,000	\$6,000	45.33	Storage security systems
Niku Corporation (NIKU)	Computer Associates (CA)	\$283,000				\$283,000	\$70,800	4.00	IT mgt. & governance SW
Synstar	Hewlett-Packard (HPQ)	\$297,000				\$297,000	\$410,000	0.72	UK provider of IT svcs.
NetScaler	Citrix (CTXS)	\$135,000	\$165,000			\$300,000	\$20,000	15.00	High perf. application networking
Mapics (MAPX)	Infor Global Solutions	\$320,390				\$320,390	\$172,800	1.85	ERP SW for manufacturers
ebookers, plc (EBKR)	Cendant Corporation (CD)	\$329,600				\$329,600	\$142,300	2.32	European online travel website
Netegrity	Computer Associates (CA)	\$362,800				\$362,800	\$90,260	4.02	Identity & access-mgt. solutions
Pinnacle Systems (PCLF)	Avid Technology (AVID)	\$371,920				\$371,920	\$331,230	1.12	Image & DVD editing
LowerMyBills.com	GUS plc	\$330,000		\$60,000		\$380,000	\$120,000	3.17	Generates online mortgage applicn. leads in US
About.com	The NY Times Company	\$410,000				\$410,000	\$41,000	10.00	Online information portal
ABAQUS, Inc.	Dassault Sys. (DASTY)	\$413,000				\$413,000	\$100,000	4.13	Engineering simulation SW
Advertising.com	America Online(AOL)	\$435,000				\$435,000	\$132,000	3.30	Results-based interactive mktg. svcs.
BNW Software	Kintera (KNTA)	\$281,000	\$155,000			\$436,000	\$500,000	0.87	Rec. & athletic facilities mgt. SW
MarketWatch Inc. (MKTW)	Dow Jones & Co. (DJ)	\$463,000				\$463,000	\$71,160	6.51	Online fin. news & info. provider
PEC Solutions	Nortel Networks (NITTO)	\$471,270				\$471,270	\$202,700	2.32	A leading govt. IT svcs. firm
Shopping.com (SHOP)	Ebay (EBAY)	\$480,000				\$480,000	\$106,830	4.49	Online comp. shopping & consumer reviews
Retek Software	Oracle (ORCL)	\$579,004				\$579,004	\$174,240	3.32	ERP SW for retail industry
DigitalNet Holdings (DNET)	BAE Systems (BAESY)	\$600,000				\$600,000	\$354,200	1.69	IT svcs. for US Govt.
Ascential Software (ASCL)	IBM (IBM)	\$619,300				\$619,300	\$271,900	2.28	Data integration software
Acterna (ACTN)	JDS Uniphase (JDSU)	\$760,000				\$760,000	\$410,000	1.85	Broadband/optical test gear for networks
Telcordia Technologies	Warburg Pincus / Providence Edty.	\$1,350,000				\$1,350,000	\$1,000,000	1.35	Telecom carrier
Macromedia (MACR)	Adobe (ADBE)	\$3,059,000				\$3,059,000	\$422,120	7.25	Web development
PeopleSoft, Inc. (PSFT)	Oracle Corporation (ORCL)	\$8,970,000				\$8,970,000	\$2,670,000	3.36	HR & ERP software
Veritas Software (VRTS)	Symantec (SYMC)	\$10,860,000				\$10,860,000	\$1,970,000	5.51	Storage & backup SW

x=unknown quantity  
Stock symbols denote public  
Numbers in 000s

## Exit Strategies: Think M&A

By Nat Burgess, Corum Group

Can you think of a software company that was successfully handed off from father to son? For traditional family businesses, lack of a suitable heir is a major concern. For software companies, lack of a suitable heir is generally assumed, and instead we worry about the lack of a suitable buyer. Can you think of a software company that has gone public without raising multiple rounds of VC and mezzanine financing in preparation for a public listing? I can't, but I know a lot of CEO's who sold their companies without ever diluting their equity with outside capital.

The numbers tell a simple story. For every dollar in individual wealth created by an IPO, over twenty dollars in individual wealth is created through M&A. The odds are high that a sale will eventually provide liquidity. Let's focus on the hard part: Liquidity when? And, how much? Experienced stockbrokers will tell you that they aren't smart enough to "time the market." I don't buy that. They don't buy 2 year CD's a month before the Fed raises rates, and they don't put their clients in high-risk equities a year before retirement (we hope). The M&A market has similar dynamics. Cheap debt, high cash balances, and pressure from the analysts to grow have combined in mid-2005 to create a very hot M&A market. Activity is high across multiple verticals, and horizontal deals are closing at high valuations. A company that could not draw a single offer in 2002 might get multiple offers today. Barring other hurdles, this is a great time to test the waters.

How can you manage your company toward maximum value? Simple: demonstrate that you are the right company to take advantage of the right market opportunity at the right time. The right company recruits great people, is fiscally prudent, creates fantastic relationships with its customers, and is able to defend its position. The right market opportunity will offer growth and stability. Attacking a market at the right time is more a function of perseverance than timing. If you don't stick with it, then you won't have a seat at the table when the game gets hot.

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Company/Description	Acquired by	Price/Terms	Revenues	Multiple
<b>NetScaler</b> • Application networking acceleration	Citrix (CTXS)	\$300,000,000 Terms: 45% cash/55% stock	\$24,000,000	<b>12.5</b>
<b>Fastclick (FSTC)</b> • Online marketing services	Valueclick(VCLK)	\$214,000,000 Terms: All stock	\$73,90,000	<b>2.90</b>
<b>CyberGuard Corp. (CGFW)</b> • Firewall and security software	Secure Computing (SCUR)	\$295,000,000 Terms: All Cash	\$63,410,000	<b>4.65</b>
<b>Brooktrout, Inc.(BRKT)</b> • Open services platforms, media gateways and servers	EAS Group Inc.	\$173,000,000 Terms: All Cash	\$78,890,000	<b>2.19</b>



## Key Word Portfolio Management

- **Atlas OnePoint** ([www.atlasonepoint.com](http://www.atlasonepoint.com)): Keyword management system; formerly known as Go Toast.
- **Inceptor** ([www.inceptor.com](http://www.inceptor.com)): Offers online key word management BidCenter system that allows you to manage and track a portfolio of keywords.
- **iProspect** ([www.iprospect.com](http://www.iprospect.com)): Similar to Inceptor; online service that allows users to manage keyword portfolios.
- **Keyword Max** ([www.keywordmax.com](http://www.keywordmax.com)): Offers keyword management services; of note is their system for detecting possible keyword fraud.
- **RapidKeyWord** ([www.rapidkeyword.com](http://www.rapidkeyword.com)): Desktop-based keyword management system; offers a free trial.
- **The Dowser** ([www.thedowser.com](http://www.thedowser.com)): Desktop-based keyword management system; free, but registration required.

### ZDNET REPORTER PHIL WAINWRIGHT ON THE ASP MODEL:

"The real ASP model, to my mind, has always consisted of a completely new class of applications and services, designed from the ground up to be delivered over the Internet on pay-as-you-go terms. A lot of people dismissed this model, because the first generation seemed unsophisticated and immature—and of course many were launched with spectacularly unrealistic business models. But the growing success today of leading proponents such as NetSuite, RightNow Technologies and salesforce.com (not to mention Web 2.0 incarnations such as BaseCamp and whatever Amazon has up its sleeve) suggests that there's a prosperous future ahead for providers that adopt a software-as-services model to deliver applications on demand. Just don't call them ASPs." (Quoted on <http://blogs.zdnet.com/SAAS/?p=2&tag=nl.e539>, 08/22/2005)

### ATTORNEY LARRY ROSEN ON THE CONCEPT OF A PATENT

"COMMONS": "If by 'patent commons' an inventor really means that 'anyone can do anything with that invention,' I recommend that he or she merely publish the invention and thereby allow it to pass into the public domain without the expense of a patent filing. Contributing an implementation of a software invention in the form of working code under an open source license to SourceForge or Apache or Linux any other published open source project is sufficient for publication purposes, at least under US patent law, thereby preventing anyone else from filing a patent on that invention." (Quoted on <http://blogs.zdnet.com/BTL/?p=1721>, 08/12/2005)

### GARTNER ANALYST MICHAEL SILVER ON LINUX DESKTOP

ADOPTION RATES: "If you had asked me three years ago what the numbers would be, I would have thought they'd be much higher by now." (Current Gartner forecasts are for only 3.2 percent of non-consumer computer users to run Linux and open-source office products by 2008.) (Quoted on TechWeb News, 08/10/2005)

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