

Overall M&A activity within the Software & Services sector increased 22% over the last twelve months (LTM) ending March 31, 2005, with 819 deals reported compared with 674 deals for the same period last year and with median valuation multiples at 1.5 times Revenue, 12.4 times EBITDA, 19.5 times EBIT and 2.5 times Book Value.

**M&A Transactions - By Software & Services Subsector**

**For the Last Twelve Months Ended March 31,**

	01		02		03		04		05	
Enterprise Software	293	26%	161	30%	116	35%	249	37%	284	35%
Internet Software & Services	450	39%	182	33%	92	27%	171	25%	221	27%
IT Services	199	17%	85	16%	36	11%	111	16%	153	19%
Application Software	101	9%	50	9%	40	12%	64	9%	71	9%
Systems Software	73	6%	43	8%	33	10%	66	10%	65	8%
Home Entertainment Software	26	2%	23	4%	19	6%	13	2%	25	3%
<b>Total</b>	<b>1142</b>	<b>100%</b>	<b>544</b>	<b>100%</b>	<b>336</b>	<b>100%</b>	<b>674</b>	<b>100%</b>	<b>819</b>	<b>100%</b>

Based on Mosaic Capital research and data provided by S&P, Thomson Financial, Dow Jones and Reuters. Data includes some diversified targets that focus on more than one Subsector.

National and international strategic buyers lead the demand for U.S.-based businesses in this sector. In addition, private equity groups own or control over 625 portfolio companies and also are fueling demand. Buyers objectives include:

- Fill product suites and become a category leader
- Increase market share in maturing sectors (e.g. - ERP, CRM, Content Management, etc.)
- Acquire install bases and better compete for limited IT customer spending volume
- Provide more integrated, reliable and simpler systems

**About Mosaic Capital**

Mosaic Capital LLC is a leading national investment banking firm specializing in merger and acquisition and related corporate finance transactions, as well as business valuations for middle-market companies. The private placement of debt and equity securities is provided through affiliate Mosaic Capital Securities LLC - member NASD/SIPC. Mosaic Capital is a member of International Merger & Acquisition Partners (www.imap.com), an exclusive global partnership of leading M&A advisory firms with 98 offices in 24 countries, the partners of which have completed 1,000 middle market transactions exceeding \$18 billion in value since 2000.

Mosaic Capital seeks introductions to owners and management teams in the following lines of business:

**Enterprise Software, including:**

- CRM, ERP, Supply Chain and Logistics
- Enterprise Middleware
- Document Management Software
- Enterprise Information Portals
- Enterprise Data Mining, Warehousing & Mgmt

**Internet Software & Services, including:**

- Search Engines & Navigation Portals
- Website, Browser and Agent/Spider Software
- E-Commerce & Plug-Ins Software
- Info Streaming and Network Management
- Content Publishing & Delivery/Management
- Performance and Usage Tracking Software
- Application Host Enabled Software
- Internet Monitoring, Security and Content

**Systems Software, including:**

- Operating System Software
- Backup/Recovery, Security & Network Admin
- Licensing Distributors and Control Software
- Performance Monitoring and Analysis
- Software Configuration and Control
- Wireless/802.11 Access
- Computer Telephone Integration (CTI)
- Computer Aided Design (CAD) Software
- Design Automation and Development Tools
- Artificial Intelligence Software
- Encryption Software

**Home Entertainment Software, including:**

- Distance Learning, Training & Ref Materials
- Computer Games & Console Platforms

**IT Services**

- Data Processing & Outsourced
- Information Retrieval Services
- Computer Facilities Management
- Computer Rental and Leasing
- Data Warehousing & Management
- Enterprise Resource Planning (ERP)
- Application Management
- Remote Enterprise Management
- Remote Performance Testing
- Networking & Hardware Services
- Data Processing and Entry Services
- Data Storage, Backup & Recovery
- Infrastructure Consulting

**Application Software**

**Sales & Divestitures   ♦   Mergers & Acquisitions   ♦   Valuations   ♦   Financing**

For more information contact Gordon Gregory, David Cohn, David Herman, Kevin Shultz, Chuck Troe, Stan Deakin or Jeff Shippy at 1.818.906.9800, or visit our website at [www.mosaiccapital.com](http://www.mosaiccapital.com)