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August 17, 1999

Mr. Logan Wray
Sterling Software, Inc.
300 Crescent Court
Suite 1200
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Dear Logan:

At the request of Sterling Software, Inc. (SSI), Burton Grad Associates, Inc. (BGAI) has conducted a valuation study of the intangible assets acquired as part of SSI's purchase of CoreData, Inc. (CoreData) as of the acquisition date of July 26, 1999, using the applicable SEC, AICPA and FASB valuation rules as of that date.

This study provides an assessment of the capitalizable values for the current CoreData products, each of which must be amortized over the expected economic life of the product.

The study also provides an assessment of the value of the acquired in-process research and development technologies as they are planned to be used in new SAMS products. Based on FAS2 rules regarding in process research and development work, this technology value must be expensed (written off), as of the date of the acquisition, if the technologies cannot pass FAS86 technical feasibility or meet achievable market value tests at that date.

After adjusting the total cost of acquisition for the net tangible assets less liabilities, and for the product and technologies values, the remaining purchase and acquisition costs are considered as other intangibles. These have been individually valued and their life expectancy determined so that these other intangibles can be capitalized and amortized over their appropriate economic lives.

The enclosed report provides the information and logic used in valuing the products, technologies and other intangibles. The appendices provide detailed back-up materials as well as including the spreadsheets used in performing the various calculations.


Mr. Logan Wray
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Certain Systems Management Division (SMD) managers and other personnel have contributed by describing the planned new products and analyzing SMD's plans for the use of the acquired CoreData technologies; they have also assisted BGAI in understanding the current and new SMD products and their market potential, along with SMD's strategic plans. However, all projections of revenues and costs are the sole responsibility of BGAI and do not necessarily correspond with SMD's own projections.

Contributing to this analysis for BGAI was Sid Dunayer.

Sincerely,



Burton Grad

Enclosure
5076

cc: Paul Baker
Louis Grosskopf
Bryan Urquhart

**Valuation Report on Intangible Assets of
CoreData, Inc.**

Acquired by Sterling Software, Inc.

Valued as of July 26, 1999

Prepared for:

Sterling Software, Inc.
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Suite 1200
Dallas, Texas 75201-1000

Prepared by:

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Burton Grad
Sidney J. Dunayer

Date:

August 17, 1999

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EXECUTIVE SUMMARY

At the request of Sterling Software, Inc. (SSI) and its Systems Management Division (SMD), Burton Grad Associates, Inc. (BGAI) has conducted a valuation study of the intangible assets acquired as part of the purchase of CoreData, Inc. as of July 26, 1999 (the acquisition date), using the applicable SEC, AICPA and FASB valuation rules as of that date.

This study provides an assessment of the capitalizable values for the then current CoreData products. It also provides an assessment of the value of the in-process research and development technologies acquired from CoreData as they were planned to be used by SSI in SMD's future products. It also assesses the value of the other intangibles acquired from CoreData.

To perform the study, BGAI worked with the information requested from and provided by CoreData and SMD. A number of people at SMD were interviewed in order to gather additional information and to understand SMD's planned strategies and directions.

In allocating the total cost of the acquired intangible assets, BGAI examined the products and technologies which CoreData was marketing or had under development as of the date of acquisition. BGAI then valued those intangible assets in terms of the strategic and tactical plans which SMD had formulated for future sales of the existing CoreData products and for incorporating the available and in-process CoreData technologies into new products. BGAI also examined the nature and size of the other intangible assets obtained through the acquisition. The sum of these values must equal the total cost of the acquired intangible assets.

The one CoreData product has been valued. This product valuation is based on a projection of revenues and operating costs for the product to the extent that SMD will continue to market and support it.

The assumptions for and results of these calculations for the CoreData products are shown in Section V. The results are summarized here:

Current Products	Capitalizable Value	Amortization Life
RemoteWorx (Lifeline 3.2)	\$890,000	3 years

The value of this product is \$890,000; it should be capitalized and amortized over three years starting with the date of acquisition, on a straight line basis.

There was one new product which was in the process of development by CoreData. It will become the basis for a corresponding new product from SMD which will depend significantly on the core and in-process technologies acquired from CoreData. BGAI has determined the value of the total CoreData technology contributions by preparing revenue and operating cost projections for this new SAMS product and has then allocated the NPV of the operating income appropriately to the contributions from the CoreData core technologies and the contribution of the new CoreData technologies (those in process). A further reduction in value was made to reflect the percent not yet completed of this new product development as of this acquisition date.

The assumptions for and results of the calculations for the value of the acquired CoreData in-process research and development technologies as incorporated into the intended new product are shown in Section VI. The results are summarized here:

New Product (\$000)	Total Product Value	Core Technologies Value	% Non-Complete Value	CoreData In-Process Technology Value
SAMS:Lifeline 4.0	17,947	7,286	6,230	4,431

The in-process technology value of \$4,431,000 must be expensed per FAS2 rules on research and development expenses, as of the date of acquisition, since the products which will incorporate these technologies did not yet meet FAS86 qualifications for development capitalization as of the date of acquisition.

The total measured value from products and technologies is \$5,321,000. To determine the residual value to be capitalized for other intangibles, this figure was deducted from the net intangible asset purchase value; this was computed by adding the acquisition costs to the purchase price and then adjusting for the net tangible value (tangible assets less tangible liabilities). SSI has determined that the total acquisition value is \$14,926,000 after computing the total acquisition costs on a preliminary basis. The intangibles portion of this value is \$14,817,000 after deducting \$109,000 for the net value of tangible assets less liabilities. The residual value of the other intangibles after deducting the value of products and in-process technologies is \$9,496,000 consisting of avoided employee costs, customer relations, other technologies and going concern/goodwill.

Other Intangibles	Value of Intangibles	Amortization Period
Retained Employees	230,000	8 years
Customer Base Value	-0-	-
Other Technologies	7,286,000	10 years
Going Concern/Goodwill	1,980,000	10 years
Total	9,496,000	

The total value of other intangibles is \$9,496,000. We recommend that these individual values be amortized on a straight line basis over the periods noted above.

These values and amortization periods represent BGAI recommendations to SSI for its allocation of the CoreData intangible asset purchase value among products, in-process R&D technologies and other intangibles.

SECTION I. Objectives and Work Process

As requested, Burton Grad Associates, Inc. (BGAI) performed a valuation of the intangible assets obtained by Sterling Software, Inc. (SSI) and the Systems Management Division (SMD) in its acquisition of CoreData, Inc. (CoreData), a California-based provider of software products and related services used for high performance solutions for enterprise systems networking.

The CoreData intangible assets consist of software products and in-process R&D technologies related to remote file backup systems and of other intangibles like an assembled work force, an active customer base, etc.

The technologies incorporated in the existing CoreData products and the other technologies under development by CoreData will be of significant value to SSI/SMD in its future technical product plans for worldwide markets. This is in addition to the value of the current CoreData software product.

BGAI has been requested to determine the value of the products, technologies and other intangibles acquired by SSI/SMD from CoreData. These assets may then be capitalized or written off as of the acquisition date according to appropriate SEC, FASB and other relevant accounting rules for the allocation of acquired intangible assets.

SSI retained BGAI because of BGAI's extensive experience over the last 19 years in valuing software companies and their assets. BGAI will perform this independent valuation using generally accepted valuation techniques. These valuations may be used by SSI to support financial (book) capitalization/amortization for software products, in-process technology write-offs and for capitalization/amortization of other intangibles.

The work was performed by Burton Grad, president of BGAI, and Sidney Dunayer, a BGAI Associate. Their profiles are enclosed as Appendices A-1 and A-2.

Work Plan

BGAI performed the valuation study following these steps:

1. SSI/SMD collected materials related to CoreData and SMD as specified by BGAI which provided the basis for the valuation study. The list of materials requested and provided is shown in Appendix B-1.
2. BGAI examined these materials and conducted telephone interviews with selected CoreData and SMD personnel (Appendix B-2) to obtain information not available from the source materials or to amplify or clarify these materials.
3. BGAI used selected valuation methodologies (principally net present value of projected cash flow; replacement costs of work force, etc.) and analyzed materials and interview notes so as to construct the valuation models needed.

4. For these models, key valuation factors were determined including historic customer revenues, operating costs, maintenance renewal rates, NPV factors, projected tax rates, etc. Using these factors, the recommended product and technology values were determined.
5. For the other intangibles, appropriate models were constructed using information on personnel, customers, etc. These provided the means for valuing these other intangible assets.
6. A valuation report was first delivered in draft form to ensure that all information was accurate and complete and that the logic and calculations used were clear. Then the final report was prepared and submitted, including appropriate appendices.

SECTION II. Description of the Acquired CoreData Business

CoreData, Inc. (CoreData) was a software products company, headquartered in Phoenix, Arizona, which specialized in providing software products and related services to assist customers in backing up and restoring remote, mobile client files.

A. Products

As of the acquisition date, CoreData had the following principal product:

RemoteWorx - Backup and Recovery for mobile, remote and desktop systems. The product uses a combination of advanced differencing technology, compression, changed file detection and file selection masking to achieve high levels of data reduction and reduced connection time. The backup preparation is done in a disconnected mode, and when a connection is sensed, the changed data is automatically sent to the server. The client can be set up to run on an automated schedule, making it impossible for a user to 'forget' to backup his system. The server in turn acknowledges receipt of the backup, allowing the user to disconnect while the backup is processed on the server. These approaches reduce connect time requirements. RemoteWorx also has the unique capability for a user to recover a lost file locally without connection to a server.

Sub-components of RemoteWorx:

Asset Discovery - While processing the backup, RemoteWorx can optionally gather in depth hardware and software configuration information, which can be covered in reports that will show exactly what is deployed. Included in the information is the BIOS manufacturer and release - many PCS are running BIOS that is not Y2K compliant.

RemoteSync - Automatically updates changed files from one location to another and is used internally within RemoteWorx to distribute software updates to clients as they connect. RemoteSync is also available as a Software Developers Kit that can be used as the basis of a software distribution package.

Appendix C-1 provides a more detailed description of the current CoreData product.

B. Technologies

CoreData had one principal new product in active development prior to the acquisition date:

Scalable Enterprise Server

CoreData was developing a new architecture that would allow RemoteWorx to scale well in very large environments. Called the Scalable Enterprise Server (SES), this development is contractually committed to Imation and Price Waterhouse Coopers, to be delivered October 1, 1999 for extended Beta test and as launch sites. CoreData planned to release this new product for general availability early in calendar year 2000.

The design intent of SES is to facilitate an easy entry point with flexible growth increments. Additionally, a concept of "drop and disconnect" is inherent in the offering. This is an important aspect of low bandwidth management. Using intelligent load balancing, a user's backup deltas will be routed to any available server to be dropped. Receipt of the backup will be acknowledged and the user will disconnect, the post processing of the backup will be handled asynchronously by the server.

SAN technology can be utilized at the server backend to further enhance the capability of any server being able to process incoming backups, yet maintain a single backup repository. This is very important when restores have to be serviced; once again, any available server will be able to process that request.

Appendix C-2 provides a more detailed description of the in-process technologies and the product related which CoreData was developing prior to the acquisition.

C. Customer Base

As of the acquisition date, CoreData had approximately ten active VAR's and one active OEM for the currently marketed CoreData software product.

D. Operations

CoreData had its principal headquarters in Phoenix, Arizona. The CoreData organization is shown in Appendix D. There were 11 employees, all located in Phoenix.

E. Financials

Business Overview: CoreData was a privately held Phoenix, Arizona based company incorporated in 1995. Total revenues for FY98 (ended in December) were \$1,344,000. Of this, almost 60% was derived from an OEM relationship with Sterling Commerce (Xcellenet), and 40% through VAR sales, maintenance and services. CoreData had a very small international presence, with all of its 1998 and almost all of its 1999 revenue from U. S. sources. Only one international reseller had been appointed, operating in Europe. The reseller, Genesis, has not produced any significant revenue to date. CoreData's revenue history is summarized below:

	1997	1998	1/1-8/12 1999
RemoteWorx - VAR	\$67,862	\$520,954	\$103,000
Installation Services	0	45,284	28,000
Maintenance	0	88,294	43,000
OEM	270,000	689,980	236,000
Total	\$337,858	\$1,344,513	\$410,000

Appendix E provides the financial results from CoreData for fiscal years 1997, 1998 and for the first 7½ months of fiscal year 1999.

SECTION III. SSI Strategic Plans for Use of Acquired CoreData Assets

A. SMD Products and Services

Most of the SAMS products are not directly relevant to the CoreData customers. Remote backup and recovery will be a new SMD offering to current and future SMD customers.

B. SMD Strategies for Current CoreData Products

SMD reviewed the current CoreData product and had determined, as of the acquisition date, its strategic plan for this product. RemoteWorx will be "Sterlingized" for direct sale and released as SAMS:Lifeline 3.2 as quickly as possible.

C. SMD Strategies for In-Process CoreData Research and Development Projects

As of the acquisition date, SMD planned to exploit the major development effort underway at CoreData. The plan is to rapidly complete the design, programming and testing of the Scalable Enterprise Server (to be called SAMS:Lifeline 4.0) to expand the market opportunity for remote backup and restore products to serve large customers with many mobile users.

D. SMD Strategies for CoreData Customers

The SMD plan is to migrate all CoreData VAR and direct customers from RemoteWorx (and SAMS:Lifeline 3.2 to SAMS:Lifeline 4.0. SMD will make this migration attractive by not charging directly for the switchover as long as they are active maintenance customers.

The OEM-related customers may have a more complex migration path, depending on exactly what agreements are reached with Sterling Commerce on use of SAMS:Lifeline 4.0.

While CoreData has not had a direct sales force, but has sold through OEM's and VAR's, SMD intends to provide a major focus on direct sales using its own worldwide sales force. Given the timing of the release of SAMS:Lifeline 3.2 in 1QFY00 and of SAMS:Lifeline 4.0 in 2QFY00, the SMD sales of SAMS:Lifeline 3.2 are really just start-up sales for SAMS:Lifeline 4.0.

SECTION IV. Valuation Methodologies

The general asset valuation process for acquired intangible assets (after deducting the value of the tangible assets less liabilities) is:

1. Determine valuation of those specific intangible assets (current products, non-compete agreements) to be capitalized and amortized over their economic life
2. Determine the proper value of in-process research and development projects which are to be written off at acquisition
3. Subtract the sum of the results contained in steps 1 and 2 from the total intangible asset value and allocate the remainder over the other intangible assets to be capitalized and amortized over their appropriate economic life.

There are three principal valuation techniques which can be used for valuing the intangible assets (products and technologies) of computer software and services companies:

- **Valuation of Projected Operating Profit Stream**

What would an independent buyer pay for the projected profit stream from the assets to produce a fair rate of return on the investment, considering the risk involved? Valuation is based on revenue, cost and profit projections using revenue history, competitive position, market opportunities and realistic profitability expectations.

- **Resale Value of the Assets**

What would an independent buyer pay for similar products and other assets based on current market values and recent acquisitions? Valuation is based on: comparable private and public asset acquisitions; price/earnings and price/revenue ratios of public companies in comparable businesses. These values need to have appropriate adjustments for special circumstances and balance sheet tangible values.

- **Reconstruction Costs**

What would a third-party have to pay to reconstruct equivalent products or technologies given reasonable technical skills and market knowledge? Valuation is based on design concept, number and size of programs, complexity of programs, languages and operating systems used. The actual costs incurred to acquire or develop the products and technologies is considered along with estimated reconstruction costs. Other implied costs due to market timing, product quality, etc. are also considered.

Each of these methods has to be used with appropriate consideration of business history, future risk, market direction, product and service quality and balance sheet elements. In each case, there are specific procedures to be followed so as to produce consistent valuations.

Recent statements regarding SEC rules (late 1998 and 1999) have significantly revised the intangible asset valuation procedures. Below is listed a summary of the current SEC rules as analyzed by BGAI with concurrence from SSI's auditors:

- **Product Valuation**

- ▶ All currently available products or products which have passed FAS86 tests at seller should be capitalized unless they are not going to be supported after acquisition.
- ▶ No future planned enhancements to capitalizable products can be included in the product valuation.
- ▶ Any enhancement work in process can be used for R&D writeoff as for other IPR&D technologies.
- ▶ Product life, without enhancements, must be determined for amortization purposes

- **In-Process R&D Valuation**

- ▶ Only current IPR&D projects at seller, which have not yet passed FAS86, may be considered for technology writeoff.
 - ▶ Must assign percentage of value to core technologies used in these IPR&D projects (i.e., reuse of previously delivered technologies, beyond use of their functional specifications).
 - ▶ Can only allocate percentage of project completed (per \$ of development) as in-process technology suitable for writeoff.
- Percentage completion relates to whether the project is still qualified as in-process R&D. Therefore, the ability to pass FAS86 (technical feasibility and sufficient market value) is considered the completion point.
 - All expected development costs after FAS86 qualification until completion should be explicitly charged as part of the product cost projections. These development costs after FAS86 will be treated as cash flow operating costs until delivery, even though they will be capitalized and must be explicitly deducted from the projected revenues.
 - ▶ Must explicitly consider various development and marketing risk factors (complexity, schedule, resources, etc.) in projecting revenues and costs and in selecting the discount rate.
 - ▶ Discount rate should consider company and industry historic rate of return on capital and cost of obtaining capital, and must reflect the risk of not achieving projecting operating income.

- ▶ Should show completion percentage reduction explicitly in NPV calculations on a year-by-year basis.
- ▶ The life of each product qualified for technology writeoff must be determined, without consideration of future enhancements.
- **Other Intangible Assets**
 - ▶ Must be explicitly valued where possible
 - ▶ Include customer relations, assembled work force, developed technologies
 - ▶ Infrastructure, trade names, patents, copyrights, etc. should also be valued
 - ▶ The economic life needs to be projected for each of these other intangibles to determine its amortization period.
 - ▶ All valuations need to be on a fair value basis: would any qualified, competent buyer put a similar value on the acquired intangibles? This means that any price paid by the buyer beyond that which would have been paid by any other qualified, competent buyer may have to be capitalized as goodwill.

The specific valuation procedures used in this project are described in the following subsections.

A. Software Products Valuation

Usually, neither reconstruction cost nor comparable company market value provides an appropriate valuation methodology for the value of the current products acquired.

Therefore, for software products, BGAI computes the net present value of the projected operating income stream over the expected economic life of the specific products which the seller was marketing as of the acquisition date and which the buyer expects to continue to market and support.

There are four primary steps in determining the net present value of the projected profit to be earned by sales and recurring revenues from the current products to be marketed.

1. Establish the Available Market Opportunity

Information is collected regarding the market opportunities for these types of products with consideration of prospective growth and competition on different platforms for various functions and markets. Competitive and technology factors are also considered.

2. Prepare Product Unit Forecasts and Estimate Revenue

Using management information and financial records as a basis, the sales history for the available products is examined. From this work, a profile of each product is built and used as a basis for BGAI forecasting. To produce realistic future sales projections, this is overlaid with the data derived from the market opportunity analysis and specific Buyer marketing plans.

3. Project Operating Costs and Pre-Tax Operating Profits

Seller, buyer and industry historic operating costs are analyzed to project future costs. This yields a projected operating profit stream.

4. Determine Economic Life and Compute Net Present Value

The NPV calculations are based on the use of a selected discount rate, adjusted to the investment being made at the midpoint of each year. The figure selected is based on the level of risk in the BGAI forecasts; it considers, but does not necessarily match, the company's historic/projected rate of return on investment.

The marketable economic life for each product is determined, based on the market opportunity, sales history and experience, product currency, competition, expected technological developments and buyer strategy. We believe that a five-year life is realistic for the principal acquired CoreData product, as shown in Section V.

The effective tax rates for North American profits (Federal and state) and for international profits have been projected by the Buyer's financial management.

The NPV calculations are made based on projected cash flow after tax adjustment over the economic life of the products. A straight line (or revenue-ratio) amortization method can be used for each product, based on its marketable economic life and its operating income pattern. Section V and its related Appendices shows this product valuation process in detail.

B. Acquired Technologies Valuation

Whether particular acquired technologies which are included in the new products can be expensed as in-process research and development depends on the intended use by the acquirer and whether technological feasibility has already been demonstrated for the future products which will incorporate these technologies per FAS86 rules. The technology values are not limited to the actual cost of development to date, but should reflect the value to the acquirer for the acquirer's intended uses.

BGAI analyzed each of the planned future SMD products to determine if they already met the FAS86 technology feasibility rules for capitalization. If not, the value, adjusted for percent completed as of the acquisition date and for any reuse of previous core technologies, must be written off at the acquisition date because of FAS2 rules on not capitalizing in-process research and development costs.

The primary method used for valuing acquired technologies intended for future use is a projected cash flow-based valuation using the projected operating income for the new products. Comparable market value is not particularly useful in this situation. Reconstruction costs can be considered by examining the money spent on the technologies, as of the acquisition date to determine if this is a reasonable amount compared to the work performed and market timeliness.

The projected operating income stream approach requires analyzing the specific future product to be produced and marketed using the acquired technologies; a projection is then made of the revenues, costs and operating income from this future product. The net present value of the resulting operating income stream is calculated over a realistic economic life to produce the valuation figures.

There are four primary steps in determining the net present value of the projected operating income to be earned by sales and recurring revenues from the new products to be completely marketed.

1. **Establish the Available Market Opportunity**

Information is collected regarding the market opportunities for these new products with consideration of prospective growth and competition on different platforms for various functions and markets. Competitive and technology factors are also considered.

2. **Prepare Product Forecasts and Estimate Revenue**

Using management and market studies and market knowledge, a profile of each product is built and used as a basis for BGAI forecasting. To produce realistic future sales projections, this is overlaid with the data derived from the market opportunity analysis and specific acquirer marketing plans.

3. **Project Operating Costs and Pre-Tax Operating Income**

Seller, Buyer and industry historic operating costs are analyzed to project future costs. This yields a projected operating income stream.

4. **Determine Economic Life and Compute Net Present Value**

The NPV calculations are based on the use of a selected discount rate, adjusted to the investment being made at the midpoint of each year. The figure selected is based on the level of risk in the BGAI forecasts; it considers, but does not necessarily match, the company's historic/projected rate of return on investment.

The figures for the NPV discount rate are determined for the technologies, considering in each case the special business risks. The effective tax rates are provided by the acquiring company. We have used ten years as the marketable economic life for the planned new products using the acquired technologies, including the sunset maintenance period.

Section VI and its associated appendices show the process and calculations for the new products which will use the acquired CoreData IPR&D technologies.

C. Risk Levels in BGAI Forecasts for Acquired Products and Technologies

BGAI's practice is to prepare its own revenue forecasts and cost projections for each qualified in-process and planned product, rather than use the assumptions and projections prepared by the acquirer of the assets (buyer).

In general, BGAI sets a blended discount rate considering the cost of borrowing money for the acquirer, the historic and planned rate of return on investment for the acquiring company and for similar companies in this marketplace and the anticipated technical and market risk.

The BGAI forecasted revenue and operations costs use conservative business assumptions and are consistent with the identified level of risk. In preparing its revenue forecast and projected operating costs, BGAI has carefully considered, for each in-process product, its stage of completion, complexity of work completed, difficulty of completing the work in a timely fashion, technological uncertainties, and any other relevant factors which would increase the risk to timely, successful technical completion and market success.

D. Core Technologies and Percent Completion Adjustments

The SEC states that the value of core technologies is reflected in those products which currently contain those technologies. If a new product will directly reuse previously released programs and there are no significant technical risks in this reuse, then the value of the contributions of these core technologies has to be excluded from the value of the new products.

If a new product just uses similar functionality to that in an existing released product, but it has to be rearchitected, restructured, redesigned, reprogrammed and retested, then this does not constitute reuse of core technology, but rather should be considered part of in-process R&D work and treated accordingly for valuation and FAS2 write off.

In this situation, CoreData had a significant predecessor product and, hence, substantial relevant core technologies. These have to be taken into consideration.

The new product which was under development at CoreData as of the date of acquisition contains IPR&D technologies which CoreData had designed and was implementing. The SEC rules require that the only value which can be assigned to these IPR&D technologies must be based on the percent of the research and development work completed as of the acquisition date. BGAI examined the cost to the acquisition date incurred by CoreData for the new product and the remaining cost to complete detailed design or operational prototypes to an acceptable FAS86 technical level. The ratio of costs incurred to the acquisition date versus the total projected costs to the FAS86 date was used to compute the adjusted NPV for the new product. The further development costs required to prepare the new products for general release were explicitly considered in the cost projections for the new product.

E. Other Intangible Assets

The principal other intangible assets acquired from CoreData are:

- trained personnel
- established customer base as a source for future SMD product revenue
- other technologies as a source for future SMD product revenue, including the value of core technologies for future products
- effective infrastructure and operational procedures (going concern and goodwill)

The elements of infrastructure, name recognition, channel relationships, business procedures, etc. for CoreData are of very limited value to SSI, since SSI already has these capabilities and will integrate the CoreData organization into the existing SMD business operations.

The valuation procedures used for the other intangible assets are described in detail in Section VII.

SECTION V. Valuation of the Acquired CoreData Product

The valuation methodologies and principles as described in Section IV A are applied in this section to the product acquired from CoreData.

A. SMD Plans for Acquired CoreData Products

As described in Section III, SMD intends to actively market the current CoreData product, RemoteWorx, as SAMS:Lifeline 3.2. However, this product will have a very limited economic life, since SMD plans to replace it with its new SAMS:Lifeline 4.0 as soon as practical (within six months). There will continue to be some new sales and some add-on sales as well as related maintenance and service revenues until all RemoteWorx and SAMS:Lifeline 3.2 users are phased out by the end of FY2002.

B. Valuation Procedure

The valuation for the CoreData product (we have continued to use the RemoteWorx name) follows the methodology described in Section IV A:

- Market Opportunities
- Revenue Forecasts
- Cost and Operating Income Projections
- NPV over Economic Life

C. Market Opportunities for the CoreData Product

Most substantial companies in North America and internationally will want to provide for centralized backup and recovery for their remote mobile computers. RemoteWorx provides an effective software product which enables companies to use selected servers for this backup and recovery function.

Market forecasts predict continued rapid growth for mobile computers and for the remote backup marketplace and the CoreData product is effective in providing useful facilities for this expanding market.

D. General Assumptions Used in the Valuation

In producing the revenue forecasts, operating cost estimates, operating income and net present values, a number of business assumptions have been made by BGAI. The general assumptions are listed below:

1. The market for effective, efficient backup and recovery software products for remote, mobile computers will grow to even more significant levels during the next few years, and SMD will get a significant share of this marketplace.

2. International and North America will grow in a somewhat different fashion partly because of CoreData's lack of installed international customers and the relative effectiveness of different sales channels.
3. Professional Services will be a limited revenue source for this product and will be used principally when the product is originally installed.
4. SMD will use three marketing/sales modes: Direct, OEM and VAR in North America and Direct and VAR internationally.
5. BGAI has used a three-year projection starting October 1, 1999.
6. Operating income ratios will improve substantially for this product, reaching and holding a level well above industry averages. This is because SMD runs a high margin business and will not spend a significant amount of money on development of this current product.
7. No inflation or deflation factors will be used for costs or for product or service prices.
8. The product users will be charged for maintenance and support; since many customers will continue to use these offerings for the forecast years, the maintenance revenue will be significant.
9. Add-ons will be a growth factor particularly for OEM's and VAR's.
10. A tax rate of 38% will be applied against all North American operating income and 30% against International operating income.
11. A discount rate of 15% will be used and applied to the after-tax operating income to compute the net present value. We consider this product forecast to be relatively low risk.

E. Revenue Forecasts for the CoreData Product

The revenue forecasts for the CoreData product are shown in Appendix F in Tables 11-16. Based on historic financial information provided by CoreData (see Appendix D), BGAI used fiscal year 1997, 1998 and 1999 revenues for the CoreData product as a starting point for the forecast.

New sales will start strong in FY00, but will drop dramatically as the replacement product is released by mid-FY00.

Services revenues will be at 10% of new sales revenues (for direct sales in North America and internationally) and 15% for VAR's worldwide. Add-ons will run at 50% and then 25% of the installed base for direct sales, at 25% for North America OEM's and 10% for VAR's.

Maintenance/support revenues are computed using the following factors:

- Erosion -- from 10% in FY00 to 50% in FY02 as customers migrate to the replacement product
- Maintenance/Support fees of 10% of the then current average selling price
- 100% maintenance acceptance rate for new sales

The results of these calculations for RemoteWorx (SAMS:Lifeline 3.2) shows revenues as follows:

(\$000)	FY 2000	FY 2001	FY 2002	Total
Direct				
North America	600	544	152	1296
International	360	214	30	604
Total	960	758	183	1900
OEM				
North America	668	731	172	1570
International	0	0	0	0
Total	668	731	172	1570
VAR				
North America	449	274	56	778
International	360	385	210	955
Total	809	658	266	1733
Total	2437	2147	620	5204

F. Costs and Operating Income Projections

CoreData's operating costs for 1997, 1998 and 1999 do not provide a meaningful guide to the costs which SSI/SMD will incur in marketing and supporting the current CoreData product. SMD's own experience provides a somewhat better starting point. BGAI has used SMD as a model for both North America and International cost projections.

In projecting the operating income for the CoreData product, BGAI has used the following cost to revenue ratios (see Appendix F, Tables 21, 22 and 23) for Direct, OEM and VAR for both North American and International revenues.

	Direct			OEM (NA only)			VAR		
	FY00	FY01	FY02	FY00	FY01	FY02	FY00	FY01	FY02
Cost of Revenues	.10	.10	.10	.10	.10	.10	.10	.10	.10
Sales, Marketing & Support	.30	.25	.20	.30	.30	.30	.30	.30	.30
R & D	.15	.15	.15	.15	.15	.15	.15	.15	.15
G & A	.15	.15	.15	.15	.15	.15	.15	.15	.15
Total Operating Costs	.70	.65	.60	.70	.70	.70	.70	.70	.70
Operating Income Margin	.30	.35	.40	.30	.30	.30	.30	.30	.30

The results of using these ratios are summarized in Tables 21, 22 and 23 of Appendix F with a total projected operating cost of \$3,586,000 over three years.

G. Net Present Value Calculations – CoreData Product

The above figures have been used in Appendix F, Tables 31, 32 and 33 to calculate the net present value for the CoreData product. A tax rate of 38% has been used for the North American operating income and 30% for the International operating income. An after-tax discount rate of 15% has been used to recognize the cost of money and rate of return for SSI along with the relatively low expected risk in this forecast of revenues and costs.

RemoteWorx – Direct (SAMS:Lifeline 3.2)	(\$000)	North America	International	Total
Revenues		1296	604	1900
Operating Income Pre Tax		431	195	626
Operating Income After Tax		267	137	404
Net Present Value		227	119	346

RemoteWorx – OEM (SAMS:Lifeline 3.2)	(\$000)	North America	International	Total
Revenues		1570	0	1570
Operating Income Pre Tax		471	0	471
Operating Income After Tax		292	0	292
Net Present Value		249	0	249

RemoteWorx – VAR (SAMS:Lifeline 3.2)	(S000)	North America	International	Total
Revenues		778	955	1733
Operating Income Pre Tax		233	286	520
Operating Income After Tax		145	201	345
Net Present Value		127	168	294

RemoteWorx – Total (SAMS:Lifeline 3.2)	(S000)	North America	International	Worldwide
Revenues		3644	1559	5204
Net Present Value		603	287	890

The value of \$890,000 should be capitalized and then amortized over three years on a straight line basis for RemoteWorx (SAMS:Lifeline 3.2) from the date of acquisition.

SECTION VI. Valuation of CoreData Technologies

The technologies valuation methodology and principles as described in Section IV B, C and D are applied in this section to the value of the new product which was being constructed by CoreData using technologies which are still considered in-process research and development.

A. Technologies Assessment Principles

CoreData was developing certain new technologies which are of substantial value; they will enable SMD to complete and deliver key new remote backup and recovery products in a much more timely fashion than if SMD had to specify, design, build and test the comparable technologies needed to construct these new products.

SSI determined the price it was willing to pay for the CoreData assets not just by considering the value of the current product business and the trained employees and customer base, but also by what it believed would be the value of the in-process CoreData technologies, giving significant weight to the new remote backup and recovery technologies which CoreData had under development.

Therefore, to assist in the allocation of the acquisition purchase price, BGAI has assessed the value of the in-process technologies based on SMD's specific plans, as of the acquisition date, for development and marketing of a new product and related services using the acquired CoreData technologies. BGAI has projected the revenues, costs and operating income for the new product and related services to determine the net present value for the IPR&D.

Based on the rules of FAS2, any acquired in-process research and development work which cannot yet meet appropriate technical and market tests (as stated in FAS86) must be expensed on a current basis. Since the new SMD product using the acquired new CoreData technologies has not yet been detail designed or prototyped, it cannot meet the FAS86 technical tests at this time and, therefore, the acquired technology values must be expensed (written off) as of the date of acquisition. However, this NPV assessment must be reduced to reflect the percentage of work not yet completed for the product as of the date of acquisition and the degree to which it incorporates core technologies from predecessor CoreData products.

B. Specific CoreData Technologies Assessment

There is one new in-process CoreData product which will be produced, marketed and supported by SMD. This new product will use the acquired CoreData technologies; it will not use any predecessor SMD technologies.

The total value of the acquired CoreData technologies is determined by calculating the net present value of this new product and then reducing this value for the core technologies contributions and for the percent not yet completed by CoreData as of the date of acquisition.

BGAI worked with materials provided by SMD and CoreData as well as communicating with representatives from SMD and CoreData to understand the use of the in-process CoreData technologies for the new SMD product.

C. SMD Information Supplied

Information on market opportunities was obtained from CoreData materials and from SMD for the new product. Consideration of these and other technical, market, competitive and business factors were used by BGAI in setting its own assumptions to determine the BGAI projected operating income for the new product and related services. SMD provided:

1. Schedules for when the new product will be able to pass FAS86 tests and when it will be generally released (available for delivery).
2. Pricing plans for new licenses, upgrades/add-ons, maintenance and related technical services.
3. Estimates of the number of new customers and license revenues during the first and subsequent years after release.
4. Projections of the ratio between upgrades/add-ons and the installed base.
5. Projections of the ratio of technical services revenue to new license revenues.
6. Projections of the initial acceptance rate of maintenance on both new licenses and on upgrades/add-ons and projections on maintenance erosion rates after the first license year.
7. Views on marketable product life for new customers and continued support of those customers.
8. Plans and projections for both North American and International markets for all of the above items to identify any differences between the American markets and projections and international markets and projections. Similar comparisons for direct, OEM and VAR sales.
9. Estimates of expected costs for North America and International for all three marketing/distribution channels. The classification of cost information is:
 - Cost of revenues (for new licenses, maintenance, services)
 - Marketing, sales and support
 - Research and development
 - General and administrative

All of the information supplied by SMD for the new product valuation in this Section has been carefully reviewed and used by BGAI as a reference for BGAI's own assumptions.

D. Market Opportunities

The market opportunities for the new product is described in more detail in Appendix C-2. Remote backup and recovery products will become an even more significant business opportunity over the next few years. By being timely to market with effective, efficient, flexible products, SMD should be able to obtain a reasonable share of the market, even against tough competition.

Most major companies and institutions will want to have centralized backup and recovery facilities for their remote, mobile computer users. Some will want to set up their own services, while others will prefer to use third-party processing centers.

E. BGAI General Assumptions

In producing the revenue forecasts, operating cost estimates, operating income and net present values, a number of business assumptions have been made by BGAI. The general assumptions are listed below:

1. The market for remote backup and recovery software products and services will grow substantially, and SMD will get a reasonable share of this marketplace.
2. International and North America will be comparable in size in adopting remote backup and recovery products, but timing may vary as well as the significance of different marketing channels.
3. Installation, training and usage assistance services will be a limited revenue source for this market; these services will be used principally when the product is originally installed.
4. BGAI plans to use a ten-year projection starting 10/1/99. New customers for the new product will decline during the latter part of the period as the market becomes saturated and/or replacement technologies obsolete this product.
5. Operating income ratios will increase for the new product and related services over the first few years of the ten-year planning horizon, reaching levels well above industry averages, but similar to the ratios for other SMD products.
6. No inflation or deflation factors will be used for costs or for product or service prices.
7. The new SMD product will be priced substantially on a per-client basis so that add-ons will constitute significant additional revenues.
8. This product will charge for maintenance and support; since most customers will continue to use this product for many years, the maintenance revenue will be very significant.

9. A tax rate of 38% will be applied against all North American operating income and 30% against all International operating income.
10. A discount rate of 20% will be used and applied to the after-tax operating income to compute the net present value. BGAI has prepared all of the forecasts, and believes that this level of risk is consistent with these forecasts.

F. Revenue Forecast

The revenue forecast for the new product is constructed in Appendix H, Tables 11, 13 and 15 (North America) and Tables 12, 14 and 16 (International). BGAI has assumed a relatively fast start for the product in FY00, with strong growth in 2001-2003 with some slow down in 2004-2006. After 2006, there will be few new sales for this product.

Add-ons/upgrades will be significant, accounting for 10% of the new license value of the installed base each year for direct sales, 50% down to 5% for OEM's and 15% down to 5% for VAR's. This is computed as a percentage of the remaining maintenance each year (e.g., 100% multiplied by the 10% maintenance fee equals 10%).

Services will stay at a 10% rate of new license revenue throughout the planning period for SAMS:Lifeline 4.0 for North America direct sales and 5% for International direct sales. OEM's will have no services revenue; VAR's will have 10% services worldwide.

Maintenance/support revenues will be very significant, particularly in the latter years of the forecast:

- Retention rate of 95% (5% erosion) each year for four years and then dropping to 90% for three years and then 85%, 80% and 70% for the last three years
- 10% maintenance/support fee based on the then current new license charge
- 100% acceptance of maintenance/support agreements by new customers

The results of these revenue calculations are summarized below:

SAMS:Lifeline 4.0 (Direct)											
(\$000)	FY00	FY01	FY 02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	Total
North America	2880	6302	10109	11612	11503	11154	8309	4529	3805	2797	72999
International	2300	3901	5625	7619	8545	8312	7301	3384	2842	2089	51920
Total	5180	10203	15734	19231	20048	19466	15610	7913	6647	4886	124919

The total revenues for SAMS:Lifeline 4.0 (Direct) are forecast by BGAI to be \$124,919,000.

SAMS:Lifeline 4.0 (OEM)											
(\$000)	FY00	FY01	FY 02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	Total
North America	825	1395	1966	1644	1649	1930	1494	823	401	211	12337
International	660	1776	2584	2660	2239	2620	2028	1118	545	286	16515
Total	1485	3171	4549	4304	3889	4550	3521	1941	946	496	28852

The total revenues for SAMS:Lifeline 4.0 (OEM) are forecast to be \$28,852,000.

SAMS:Lifeline 4.0 (VAR)											
(\$000)	FY00	FY01	FY 02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	Total
North America	720	1583	2594	3279	3787	3832	3207	2246	1041	656	22944
International	600	1319	2162	3132	3635	3555	2827	1991	943	594	20759
Total	1320	2902	4756	6411	7422	7387	6034	4237	1984	1250	43703

The total revenues for SAMS:Lifeline 4.0 (VAR) are forecast to be \$43,703,000.

SAMS:Lifeline 4.0 (Total)											
(\$000)	FY00	FY01	FY 02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	Total
North America	4425	9280	14669	16535	16939	16916	13009	7599	5246	3663	108281
International	3560	6997	10370	13412	14420	14488	12156	6492	4330	2969	89193
Total	7985	16276	25040	29946	31358	31403	25165	14091	9576	6632	197474

The total revenues for SAMS:Lifeline 4.0 (Total) are forecast to be \$197,474,000.

G. Cost and Operating Income Projections

Appendix H, Tables 21, 22 and 23 show the assumptions made in calculating the operating costs for the new products. The cost model used was based on SMD's experience with other information management products. From relatively high cost ratios in FY00-FY02 (primarily because of small initial sales), BGAI believes that the cost ratios will drop to come close to the usual SMD levels and hold at these levels throughout the ten-year forecast period. For consistency, BGAI has used the same cost ratios for both North America and International. However, the figures are considerably different for Direct, OEM and VAR sales.

SAMS:Lifeline 4.0 (Direct)										
(\$000)	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
Cost of Sales	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10
Marketing and Sales	.40	.35	.35	.30	.27	.25	.25	.25	.25	.25
Research and Development	.20	.20	.15	.15	.13	.10	.10	.10	.10	.10
General and Administration	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15

SAMS:Lifeline 4.0 (OEM)										
(\$000)	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
Cost of Sales	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
Marketing and Sales	.30	.30	.30	.30	.30	.30	.30	.30	.30	.30
Research and Development	.30	.25	.20	.20	.20	.20	.20	.15	.15	.15
General and Administration	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15

SAMS:Lifeline 4.0 (VAR)										
(\$000)	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
Cost of Sales	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
Marketing and Sales	.30	.30	.30	.30	.30	.30	.25	.25	.25	.25
Research and Development	.30	.25	.20	.20	.20	.20	.20	.15	.15	.15
General and Administration	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15

H. NPV Calculations

Appendix H, Tables 31, 32, 34 and 35, show the NPV calculations for the new products. Using a 38% tax rate for North America and a 30% tax rate for International and a 20% discount rate to reflect the cost of money, the return on investment plus an appropriate risk factor, the worldwide NPV prior to adjustments for SAMS:Lifeline 4.0 is:

NPV (\$000)	North America	International	Worldwide
Direct	6352	5040	11393
OEM	1079	1616	2695
VAR	1914	1945	3859
Total	9346	8601	17947

I. Core Technologies Adjustment

In constructing these new products, SMD has planned to use substantial program materials from the previously released CoreData product. This re-use varies from simply utilizing requirements or functional specifications to actually incorporating the design and, in some cases, the program source code. Section IV D spells out the criteria used for determining whether the use of previously released programs constitutes re-use of core technologies. The definition used is:

- If the new product only uses requirements and functional specifications, then it does not constitute re-use of core technologies.
- If the new product uses design or code from a previously released program, then it is considered to be using the appropriate percentage of core technologies.

In the case of this new product, there was one predecessor product to be considered: RemoteWorx.

In conjunction with the SMD business development director and the SMD and CoreData product development managers, BGAI reviewed all of the planned functional/technology elements of the new products and the corresponding elements for RemoteWorx as appropriate. Appendix G-1, page 1, provides definitions for the factors used. SMD does not plan to incorporate any other SMD product functionality into the new products. Therefore, there is no core technologies reduction for other SMD product contributions.

Appendix G-2 shows the factors determined through the technical and marketing discussions and constructs a model to compute the significance of the contributions of the core technologies versus the new technologies. The results are:

	SAMS:Lifeline 4.0
Core Technologies	40.6%
New Technologies	59.4%
Total	100.00%

As shown in Tables 31, 32, 33 and 34 of Appendix H, the % core technologies factors are applied to the new product net present values to establish the values of the core technologies.

The value of the CoreData core technologies was determined to be \$7,286,000 and should be considered as part of other intangibles and has been included in Section VII.

J. Percent Completion Adjustment

In addition to the core technologies adjustment, it is also necessary to reduce the value of the acquired IPR&D technologies to reflect the degree to which the development work has not yet been completed.

The new product under development at CoreData as of the date of acquisition contains IPR&D technologies which CoreData had designed and was implementing. The SEC rules require that the only value which can be assigned to these IPR&D technologies must be based on the percent of the work completed as of the acquisition date. BGAI examined the research and development cost to the acquisition date incurred by CoreData for the new product and the remaining cost to SMD to complete detailed design or operational prototypes to an acceptable FAS86 technical validation level.

The ratio of the costs to the acquisition date versus the total projected costs to the FAS86 date was used to help determine the % completed and to compute the adjusted NPV for the new product. The percent completion determined by the development cost to the acquisition date versus the total cost to the FAS86 date has been adjusted to recognize the significantly greater complexity required for the design and programming work during the earlier phases of the project than that still required to satisfy the FAS86 technical feasibility test. The further development cost required to prepare the new products for general release had been explicitly considered in preparing the cost projections. Appendix G-3 shows these development plan calculations for the new product.

Using these values, BGAI determined that SAMS:Lifeline 4.0 was 42.3% completed as of the acquisition date. However, the International version needs to have various natural language changes for European and Asian sales. Therefore, BGAI used 40% completion for the International NPV adjustment and 43% completion for the North American NPV adjustment.

This percentage factor was used in Appendix H, Tables 31, 32, 33 and 34 to determine the NPV for the product after deducting the percent not yet completed. The percent not completed value was \$6,230,000.

K. Summary of NPV Calculations

As a result of this analysis and calculation, BGAI recommends that SSI use the following values for the acquired CoreData technologies to be used in the new SAMS:Lifeline 4.0 product:

(S000)	Adjusted NPV North America	Adjusted NPV International	Adjusted NPV Total
Direct	1623	1198	2820
OEM	276	384	660
VAR	489	462	951
Total	2387	2044	4431

This value of \$4,431,000 should be written off as of the date of acquisition as In-Process Research and Development under FAS2 rules.

SECTION VII. Valuation of Other Intangible Assets

In acquiring CoreData, SSI/SMD had six principal business goals:

1. Acquiring the current CoreData product to pick up new sales and maintenance revenues
2. Acquiring the CoreData technologies specifically related to scalable server mobile backup and recovery so that SMD can enhance its position as a major provider of storage software products.
3. Acquiring trained technical staff to enable SMD to enter into this market more rapidly, effectively and efficiently
4. Acquiring the customer base which might provide buyers for current and future SMD product offerings
5. Acquiring other CoreData technical knowledge and experience from previous products which should assist in other SMD products (e.g., developed technologies)
6. Acquiring the going concern practices and procedures and goodwill

In valuing each of these primary intangible assets one must be especially careful to identify the value as of the acquisition date and to avoid double counting the same benefit:

- Item 1 refers to the value of the existing product as of the acquisition date. The CoreData product was valued in Section V.
- Item 2 (IPR&D Technologies) has been valued in Section VI; it only includes the percent already completed of the in-process R&D efforts and excludes the core technologies contributions.
- Item 3 (assembled work force) refers to the costs avoided by SMD by acquiring the trained staff. All retained employees will be considered. These cost savings do not overlap other benefits.
- Item 4 (Customer Base) would have its principal value in providing increased potential for these customers to purchase other SMD products.
- Item 5 refers to all acquired technologies which were available, but have not been incorporated in a specific marketable future product. This principally includes the value of other uses for RemoteWorx core technologies.
- Item 6 is a potpourri of all of the other intangible assets acquired by SMD from CoreData. This category includes name recognition, going concern practices and procedures, operational locations, channel and partnership relations, etc. The value of these will be the residual value from the purchase payments made and acquisition costs incurred less all other tangible and intangible assets.

A. Trained Personnel

Acquisition of trained personnel provides a direct benefit to the acquiring company since it avoids the costs of recruiting, training and bringing new employees to their full level of productivity.

SMD expected to retain 8 of CoreData's 11 employees. BGAI's determination of the value of these avoided employee costs is \$371,000. This saving occurs principally because SMD does not have to recruit and train personnel to maintain, develop, support and sell the old and new acquired products. The savings, after-tax adjustment, is \$230,000 which should be amortized over an eight-year period representing the useful life of the acquired staff. Appendix I-1 provides the details of these calculations.

B. Customer Base

The acquired CoreData customer base might have been of direct benefit to SMD, since acquiring a new customer is an expensive marketing and sales process, but once a company has served a customer, the customer is far more apt to buy additional products than a non-customer. However, in this case, since CoreData has marketed exclusively through OEM's and VAR's, there is no direct end-user customer relationship. While the OEM and VAR relationships could potentially provide additional marketing and distribution channels for other current and future SMD products, there are no specific incremental sales expectations for the current SMD products.

C. Other Technologies

CoreData has been developing advanced technologies for its key product for the past year. At the time of the acquisition, SMD could not identify any technologies other than those used for the new SAMS:Lifeline 4.0 product.

Appendix I-2 identifies the value of the RemoteWorx core technologies. The resulting valuation of the acquired CoreData core technologies is \$7,286,000 and should be amortized over a ten-year period, the same period as the new SAMS:Lifeline 4.0 product forecast. See Appendix I-2 for further information.

D. Going Concern and Goodwill Valuation

In addition to the other intangibles itemized in this Section, there are some other going concern and goodwill values which need to be considered in the total valuation process. These items cannot be valued individually so are only assessed as a group. Appendix I-3 provides the calculations for the going concern and goodwill values. The result is a valuation of \$1,980,000 which should be amortized over a ten-year period.

E. Summary of Other Intangibles Valuation

These four elements constitute the whole of the value of the other intangibles. The life expectancy of each is shown below:

Other Intangibles	Value (\$000)	Amortizable Life
Retained Employees	230,000	8 Years
Customer Base	-0-	10 years
Core Technologies	7,286,000	10 years
Going Concern and Goodwill	1,980,000	10 years
Total	9,496,000	

BGAI believes that the other intangibles value of \$9,496,000 realistically represents the value of all of these acquired elements and that it should be allocated and amortized as shown above.

SECTION VIII. Summary of Valuations and Financial Recommendations

SSI has determined that the preliminary acquisition cost for all of the intangible assets obtained from CoreData is \$14,817,000 (see Appendix I-4).

In Section V, we determined that the net present value of the carryover CoreData products was \$890,000. This must be capitalized and should be amortized on a straight line basis over five years.

In Section VI, we determined that the net present value of the acquired CoreData technologies for the SAMS:Lifeline 4.0 new product was \$17,947,000. After deductions to recognize the percent not completed as of the acquisition date and the reuse of core technologies, BGAI recommends that SSI use \$4,431,00 as the value of the acquired new technologies assets as of the date of the acquisition. This value should be written off as of the acquisition date under FAS2 IPR&D rules.

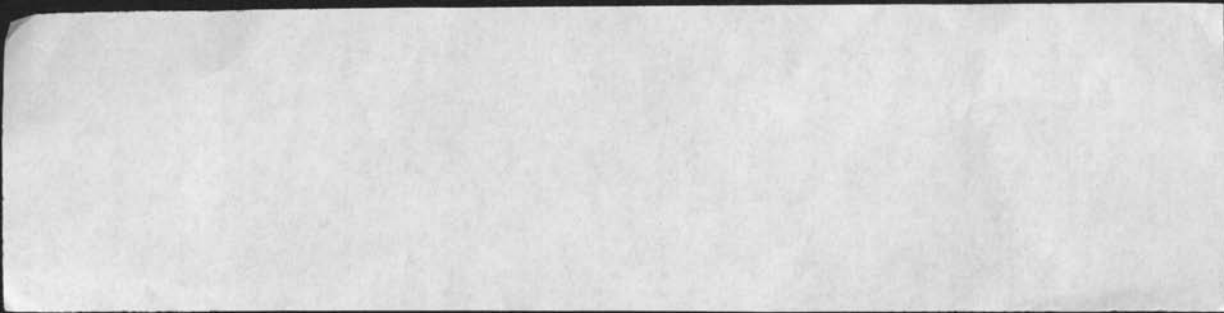
The following calculations were used to determine the total purchase price and the value remaining for the other intangible assets:

	(\$000)
Asset Purchase Price	14,000
Acquisition Costs – Preliminary	926
Total Purchase Price	14,926
Less: Total Tangible Assets minus Liabilities	109
Total Value of Acquired Intangible Assets	14,817
Less: Products	890
Less: Technologies	4,431
Value of Other Intangibles	9,496

In Section VII the total valuation of the other CoreData intangible assets to be allocated was computed as \$9,496,000, principally comprised of trained personnel, customer base, other technologies and going concern/goodwill value. These other intangibles should be amortized as shown below:

Other Intangibles	Value	Amortizable Life
Retained Employees	230,000	8 Years
Customer Base	-0-	10 years
Core Technologies	7,286,000	10 years
Going Concern and Goodwill	1,980,000	10 years
Total	9,496,000	

The sum of all of these intangible assets matches the purchase price plus other acquisition costs less the net value of tangible assets and tangible liabilities.



Professional Summary

Burton Grad, President of Burton Grad Associates, Inc. (BGAI), has a long record of significant contributions to the computer software and services industry. He has experience both as a user and developer of application and systems products and as consultant, innovator, businessman and leader in the computer software and services industry.

Since 1978 he has been a consultant to companies providing software products, software professional services, processing services and other computer software and services offerings:

- ❖ Strategic planning, management and organizational consulting, and product analysis, evaluation and review
- ❖ Company and product acquisition studies including due diligence and valuation for financial capitalization and write-off purposes
- ❖ Planning, assessment and analysis of business operations including quality and productivity measurements

Work is performed personally or with the assistance of experienced specialists in market analysis, customer services, systems programs and industry applications on mainframe and departmental computers as well as on client/server and personal computer systems.

This is a partial list from the more than 175 BGAI clients:

Broadview Associates	i2 Technologies, Inc
Budgeting Technology, Inc.	Infosafe
CIBER, Inc.	Keane, Inc.
DA Consulting Group	Mediware, Inc.
Decision Consultants, Inc.	Platinum Technology
Discount Investment Corporation	SPSS, Inc.
Elron Software, Inc.	Sterling Commerce, Inc.
Geocapital Partners	Sterling Software, Inc.
Grace Consulting and Technologies	TSI International

Work Achievements**Burton Grad Associates, Inc. (1978 - Present)**

- * Strategic planning, management and organizational consulting, and product analysis, assessment and review
- * Company, product and technology valuation studies for financial, tax, capitalization and acquisition purposes
- * Due diligence studies on acquisitions of computer software/services companies
- * Business assessment studies and implementation projects for product strategy, development, quality management and customer service

Customer Care, Inc. (1992 - 1996)

- * Published *CustomerCare Newsletter* and *CustomerCare Survey* directed at software companies' customer services activities: support, documentation, training and product-related consulting
- * Provided consulting on customer service processes, and training for customer service personnel

Heights Information Technology Service (1979 - 1983)

- * Performed professional services for applications and systems development
- * Used professionals on a remote, work at home basis with effective project management

International Business Machines Corporation (1960 - 1978)

- * Definition, design and implementation of application development systems strategy resulting in release of IBM's development management systems
- * Development of application programs for every major industry
- * Establishment of joint planning and programming development with European operations
- * Announcement, development and initial support of CICS
- * Management of application development for small business and process control systems
- * Responsibility for the production, release and maintenance of almost 200 programs
- * Conception of approach to and programs for text processing and office automation systems
- * Development and expansion of computer based training systems
- * Development of management science and scientific programs
- * Participation in the structuring and unbundling of IBM program products
- * Creation of the Study Organization Plan for specifying and designing application systems

General Electric Company (1949 - 1960)

- * Programming of the first commercial computer (Univac I in Louisville)
- * Development of discrete simulation techniques for manufacturing planning and control
- * Invention of decision tables

- * Study of automated factory design and implementation
- * Initiation and use of advanced techniques for production, inventory and quality control

Other Professional Activities**1972-1996****ITAA**

- * Computer Software and Services Trade Association
- * President, Treasurer and Board member of American Software Association Division of ITAA
- * Member of ITAA Board
- * Chair and member of various committees (Industry Relations, Software Capitalization, Software Openness, Technology Information Services, Quality Management)
- * Executive Committee of Information Technology Foundation (Project Office)

1968 and 1979

Principal author of *Management Systems*, published by Holt, Rinehart and Winston. Used for colleges and businesses for computer application system methodology and design.

1950-Present

Speaker and chair at conferences and workshops and contributor to professional journals on various information technology subjects including decision tables, quality control, systems engineering and software capitalization.

Burton Grad Associates, Inc.
101 Post Road East
Westport, Connecticut 06880
(203)222-8718
(203) 222-8728 FAX

EDUCATION

1949 Bachelor of Management Engineering
Rensselaer Polytechnic Institute
Troy, New York

POSITION HISTORY

1978-Present **Burton Grad Associates, Inc.,**
 Founder and President
 Consultants to computer software and services companies

1992-1996 **CustomerCare, Inc.**
 Chairman
 Publisher and Consultants for software company customer services

1978-1984 **Heights Information Technology Services, Inc.,**
 Founder and President
 Professional software services

1960-1978 **International Business Machines Corporation**
 Consultant - IBM Research Lab
 Director of Development - Data Processing Division (DPD)
 Manager - Development Services and Scientific
 Application Programs (DPD)
 Manager - Technical and Scientific Development (DPD)

1949-1960 **General Electric Company**
 Consultant - Advanced Application and Systems Development,
 Production Control Services
 Manager - Production Control Operation - Large Steam Turbine Division
 Manufacturing Training Program

Professional Profile - Sid Dunayer

Communications and Network Related Projects

Major International Chemical Manufacturer

Requirements analysis and design of the global network connecting the various product design centers worldwide. The network is currently implemented using Token-Ring and Ethernet local area networks connected via private T1/T3 service, Fiber links, Asynchronous and Synchronous dial connections, X.25 packet connections and SAA connections to the mainframes. Through this network, the chemists worldwide can share data and work together on new creations. The actual mechanism used to route any given "transaction" is dependent on the required response time for that transaction. Those that are "urgent" or require a timely response are routed via an appropriate network connection. The lower priority data replication messages are batched and sent using a cheaper network route.

Software Products Company

As part of a strategic planning study, analyzed various current and proposed message/document interchange models to establish requirements for an integrated messaging system, including analysis of transport mechanisms and use of available communications software packages.

Major Software Products and Services Company

As part of a study to determine whether to centralize company development and processing services, prepared requirements statement for installing an integrated communications network to cover development, processing services and corporate administration as well as telephone and fax services.

Network Services Provider

As part of a technical due diligence for an acquisition, performed an analysis to determine possible methods for connecting the newly acquired customers to the client's VAN. Analysis included the possibility of connecting the VAN to the packet network used by these customers. In this way, the packet service could reroute the customer transactions to the VAN. As customers were migrated from the packet network to the VAN, service on the packet network would decrease and eventually would cease, at which time the connection to the packet network would no longer be required.

Major Financial Institution

Designed and implemented a corporate-wide customer service network including the use of small computers (replacing mainframes), leased lines, dial-in backup units and other interconnect facilities for regional processing centers.

**Information Required for Product,
Technologies and Other Intangibles Valuation**

1. List of principal CoreData customers for preceding three years and the revenues from each of these accounts for each year
2. Analysis of CoreData installed base including installation dates, maintenance status, platforms
3. Financial statements for CoreData and SSI/SMD for the preceding three years
4. Effective SSI tax rates (U.S. federal and state and international) for budget purposes as of the acquisition date
5. Organization chart for CoreData, with number of employees by function
6. Marketing materials for CoreData offerings and services
7. List, description, size and market share of principal competitors to CoreData and SMD
8. SSI/SMD acquisition analysis materials for CoreData
9. SSI/SMD business and strategic plans for CoreData products and technologies including planned products, types of services, pricing, development projects, etc.
10. SSI/SMD sales, marketing and support plan for acquired CoreData products and customers
11. Technical analysis of CoreData and relevant SSI/SMD products and CoreData in-process development activities in terms of platforms and system functionality
12. SSI/SMD technical plans for utilizing and incorporating acquired CoreData technologies in future or in enhanced SSI/SMD products and services

Interviews Conducted

SMD

Chris Gahagan
Louis Grosskopf
Steve Harriman
Bryan Urquhart

CoreData

Karl Forster
Jim Parker

Description of RemoteWorx

RemoteWorx[®]

Version 3.1

Automated Backup Solutions for the Remote and Mobile Workforce

RemoteWorx is designed to provide companies with an automatic and centralized solution to desktop and mobile data backup and protection.

RemoteWorx provides multiple solutions from one technology:

- Automated data backup
- Data Retrieval & Storage
- Asset Discovery & Tracking

In order to grow, companies are expanding their mobile and remote workforces – and RemoteWorx can grow along with it

Let RemoteWorx Save You

RemoteWorx is the most economical data backup and storage software on the market. Purchase additional Client licenses as they are needed.

The RemoteWorx product allows remote and mobile workers to quickly transmit their backup and retrieve files from the corporate network using a byte-level technology.

What Makes RemoteWorx Different?

◆ Scalability

RemoteWorx is the only backup product designed for a large volume of users. The average server can handle up to 250 concurrent connections or up to 3500 users total. As your company grows, simply purchase additional RemoteWorx Client licenses and hard drive storage to continue.

◆ Built-In Fault Tolerance

RemoteWorx performs a self diagnostic if a problem occurs. A corrective action will be described and automatically taken, without any administrative interaction. Because of the small transmission size, Clients are never on the server long enough to create any congestion.

◆ Integration

Integrate RemoteWorx with existing storage management systems, such as IBM ADSM[®] and more. There is no need to have two separate backup systems and data storage system.

How RemoteWorx Can Help Your Company

Benefits for Users

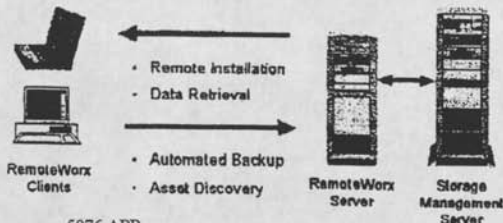
- ◆ Maximize users time on-line – check email and send a backup transmission at the same time. Connections to the server are just long enough to drop off the data packet.
- ◆ Increase employee productivity by making the responsibility of data backup an automatic process
- ◆ Users can retrieve a specific file from a project completed one week, six months, or even a year ago

Benefits for Administrators

- ◆ In less than 2 hours, the RemoteWorx server can be up and running with 25 clients
- ◆ System configuration data from Asset Management shortens Help Desk Calls
- ◆ Automatically manage data by region, department and/or users
- ◆ Use RemoteWorx Reports to summarize hardware and software inventory and categorize file storage

Benefits for the Company

- ◆ Protect the company data – an asset just as valuable as the laptop itself
- ◆ Maximize employee time at the lowest cost
- ◆ Have an accurate inventory of company hardware and software assets



Auto Client Installer Makes It Easy!

The RemoteWorX Auto Client Installer enables network managers to quickly configure, distribute and install RemoteWorX Client software on remote and mobile PCs.

There is no need to have the user's machine physically present to set it up for a backup. The administrator can customize the settings in RemoteWorX to backup the desired data and distribute the Client software via e-mail to remote and mobile users.

All users need to do it double click on the attached, self-extracting file to start protecting their data with RemoteWorX.

- ◆ Administrator configurable RemoteWorX Client options
- ◆ Fast and easy Client software distribution via e-mail
- ◆ Ensure e-mail receipt of Client software using the Return Receipt feature
- ◆ Increases Administrative control over backup process
- ◆ Provides a means for consistent, standardized Client group configurations to improve asset and data management

System Requirements

Client Requirements

Windows 95/98 or NT 4.0
486 66MHz or higher processor
8 MB RAM minimum (16MB RAM recommended)
Hard Drive: 2MB for software installation; 50MB for local revision storage recommended

Server Requirements

Windows NT 4.0
Pentium processor or equivalent
32 MB RAM
Hard Drive: 5MB for install; 1GB minimum, depending on the # of RemoteWorX Clients (guidelines in manual)

Sterling Software

4114 E. Wood Street, Suite #2
Phoenix AZ, 85040-1952
Phone: (602) 437-6575
Fax: (602) 437-5066

www.sterling.com



Sterling Software is a registered trademark and RemoteWorX is a trademark of Sterling Software, Inc. Windows 95/98 and Windows NT are registered trademarks of Microsoft Corporation.
ADSM is a registered trademark of IBM Corporation.

RemoteWorX 3.1 Features

◆ Byte and Block-level Backup Technology

Using byte-level technology, RemoteWorX detects changes to files, encrypts, and transmits just the "changed bytes" since the last backup. Now, block delta support has been added for faster backup of large files. Ensuring the smallest amount of data is sent reduces both transmission time and cost.

◆ Instant Data Recovery

Data may be retrieved from the server or locally (on-board storage) – a feature unique to RemoteWorX. Byte-level file revisions are compressed and stored locally so users can instantly recover lost or corrupted files—without ever connecting to the server. RemoteWorX is also designed to work with next day laptop replacement programs using simple point-and-click data restoration.

◆ Disconnected Process

Clients do not need to be connected to the server to perform a backup. When a connection to the server is made, the data is "dropped off" for the server to process, and the client can disconnect anytime after the data is transmitted, minimizing user connection time to the server.

◆ Asset Discovery and Tracking

Hardware and software asset information is collected when the backup occurs and is automatically sent to the server. System administrators can now discover and track the configurations of the entire workforce – providing the most cost efficient help desk for remote users.

Other Features

- RemoteWorX Client file synchronization
- Simple selection of Operating System special folders – like Favorites, Templates, Desktop and many others.
- Advanced File Include – RemoteWorX now supports a type-in (DOS) style capture set definition. This option supports DOS wildcards * and ? in both file names and folder names.
- Excludes Files and Folders Based on Capture Sets – Exclusions may be made by filename or folder (including wildcards). There may be one set of excludes for a capture set and different set of excludes for another capture set.
- Capture Set Based Server Revisioning – RemoteWorX allows the user to control how many revisions of files backed up by this capture set are stored on the server. This is done either through the server's setting or by defining a specific value for the files in a capture set.
- Deleted File Retention – RemoteWorX now gives the user the ability to decide what to do with backups of files that have been deleted on the client. They can be kept indefinitely or automatically removed after a certain period of time.
- Personality Settings – easier to backup and restore the personality settings, such as icons, favorites, desktop shortcuts and Start Menu shortcuts in the event of a machine loss.

Description of Scalable Enterprise Server

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TBSS Overview

The TBSS will perform the same basic tasks the current RemoteWorx server performs. However, with the TBSS design, it will separate these tasks onto one or more physical boxes. The use of the additional boxes is to allow the server to handle a greater load than any single box implementation. The load presented to the server can now be spread amongst the available boxes.

Fundamental goals:

- The entire server must be able to run on a single box, if required.
- The server can be sectioned into areas of specialization. These areas can be placed on different machines in order to increase the overall computing capacity of the server.
- Individual components of the server should be able to fail without impacting the overall process.
- Boxes should be able to be added or removed at will without impacting the overall process.
- The server should work just as smooth for a 100-user installation as it works for 60,000 users. CoreData will create a process where either criteria applies equally well.

TBSS Components and Respective Functions

The RemoteWorx Server software will be enhanced to contain three types of components within the TBSS solution: the System Manager, the Connection Manager and Package Manager Servers.

System Manager

- **Create users** - This will create a user, assign all the appropriate attributes such as user ID, configuration file, etc. and notify the connection servers to update any cache information they may have to authenticate users.
- **Delete users** - This will delete the user from the database of users. It will spawn a Package Manager task to transfer the users data to CD for retrieval by MCS. It will inform the Connection Managers to remove all references to the user from their user list cache.
- **Manage users** - This will perform all tasks generally related to users: move a user from one organization to another, change a user default backup configuration selection, activate/deactivate, protect/unprotect the user.
- **Create and manager backup configuration** - The backup definition editor will reside on the System Manager.
- **Monitor of machines** - This will keep a heartbeat with all components. Should a machine not respond to a heartbeat message, the System Manager will alert the RemoteWorx Administrator through whatever defined methods exist.

Note: If the System Manager goes down and a machine fails, the Connection Managers will handle this automatically, and redirect traffic without involving the System Manager. Notification of System Manager failure will need to be developed.

- **Define machine usage** - This will manage the tasks that each component in the system should perform.
- **Administrator Notification** - When any server machine fails to respond to a heartbeat message, the System Manager will send notification to the administrator. Note: if the System

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Manager fails, a notification will be sent to the administrator by one of the remaining machines.

Connection Manager

Purpose: Manage the connections from the users. Connection Manager will authenticate users in the system and then redirect the connections to Package Manager Servers employing load balance methodology.

Specific functions:

- **Accept connections from users** - The first step is to accept the connection from the client and verify the protocol is originating from RemoteWorx.
- **Authenticate users** - The connection servers will keep a mirrored copy of the master user list in memory (RAM). When the user connects, their credentials will be verified locally at the connection server. Performing local authentication allows the System Manager to perform independent of the connection load, which provides high availability, and high connection rates.
- **Redirect users to Package Manager pools** - The authentication process will direct the connection to the Package Manager this user is a member of. The connection server will keep real-time load information for each machine in the Package Manager pools. The connection server will determine which Package Manager server currently has capacity to receive a user and return to the client the IP address of the Package Manager server this user should connect to. The Connection Manager will also send a message to the Package Manager server informing the Package Manager to accept the user's connection. This later step prevents clients from connecting to the Package Manager server first and bypassing the authentication process.

Package Manager Servers

Purpose: Perform 2 basic tasks:

1. Receive / transmit files to / from the users
2. Process the packages received by the users and fulfill file restoration requests.

Specific functions:

- **Accept connections from clients** - Each time a user connects to the Connection Manager, a notification to the Package Manager server will be initiated. When the user connects to this Package Manager server, the connection is cross-referenced. If it matches up, then the user is accepted. Invalid users are rejected.
- **Support checkpoint restart** - The Package Manager servers must support checkpoint restart for both receiving and transmitting files. Since the files are stored on the protected data storage server, the re-transmission can resume from any Package Manager server.
- **Notify the Connection Manager that the user has connected** - The Package Manager server will notify the connection server that the user has connected and is currently being serviced by the Package Manager server. Should a line drop occur and the user reconnect, the Connection Manager will redirect the user to the same Package Manager server in order to clean up any files that are half transmitted. This is required for checkpoint restart to work properly.
- **Receive files from clients and store them directly to the protected data storage device** - Upon the initiation of a send file from the client, the server will open a file at the data storage server. As each packet of data is transmitted from the client, the protocol server will write the

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data directly to the data storage. When the file has completed transmission, the protocol server closes the file in the data store.

- **Support line drop** - Should the line drop the Package Manager server will close the file on the data storage server – in order that checkpoint restart can pick up where this transmission left off. Upon receipt of a file from the client the Package Manager server will update a task list file that is stored on the protected data storage server. This task list contains the list of packages that will be processed by the package-processing portion of the Package Manager servers. The protocol side of the Package Manager server adds tasks to the list. The package processing side of the Package Manager server removes tasks from the list.

Note: The protocol portion will inspect the package to determine what task the package is intended to perform. If the package is a retrieve request, then the package is placed in a special retrieve priority queue. Should the package be a backup package it is placed in the backup (lower priority) queue.

- The package processors pull tasks from the data storage server and process packages.
- The Package Manager servers create a pool of threads based on the number of CPUs on the server. The server will first go to the retrieve queue and process these retrieve requests at maximum speed prior to any backup package processing.
- When all retrieve requests are fulfilled then the package processor will turn to backup packages.
- When a package has completed processing, the server will look for a new task to begin. It always looks for retrieves first. As long as it is processing a retrieve package the server will not look for new backup packages.

Note: If a retrieve package is dependent on the processing of a backup package, then the needed backup package will be processed first.

The server also requires protected file storage. This is either the local hard drive for the server or a map point onto another machine.

Note: If this is pointing to a different machine, we will not place any requirements on the OS of that machine. From our point of view as long as we can create, read, write, delete, and lock files on that map point, we have met a sufficiency condition. If this protected storage is a different machine (such as a Multi-Access Storage Array) then the machine we are installed on, we will not place any software on that machine. This ensures we are independent of that machine's OS.

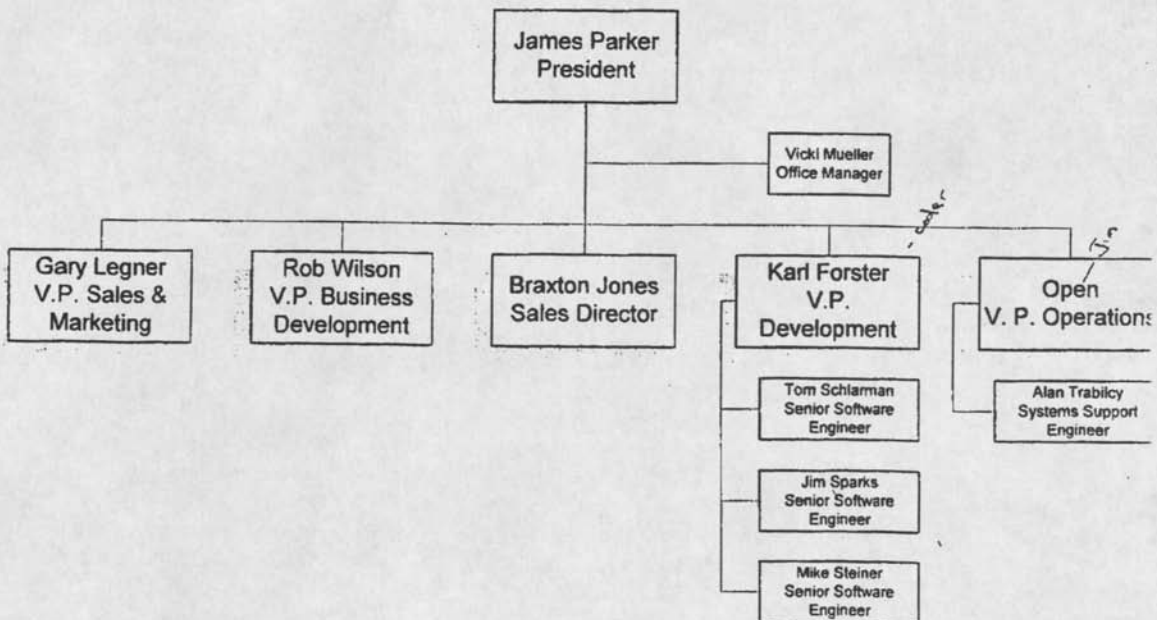
The intention is for an administrator to begin with installing all the above components on a single machine. This would get them up and going through an initial test phase. As their needs grow, they can add machines depending on where the bottlenecks seem to be.

For the service implementation, we can start with a few machines, and grow as the user load grows. Thus as we find how our performance is, we can tune the number of boxes to the current and anticipated loads.

CoreData Organization

CoreData, Inc.

January 27, 1999



CoreData Financials

CoreData, Inc.
Profit and Loss
January 1996 through December 1998

01/25/99

	Jan - Dec '96	Jan - Dec '97	Jan - Dec '98	TOTAL
Ordinary Income/Expense				
Income				
RemoteWorx 2.1	0.00	52,576.00	520,954.94	573,530.94
Installation Services	6,485.30	0.00	45,284.16	51,769.46
MagVault	1,905.80	15,282.15	0.00	17,187.95
Maintenance	0.00	0.00	88,294.64	88,294.64
OEM/API Licensing	0.00	270,000.00	689,980.00	959,980.00
Total Income	8,371.10	337,858.15	1,344,513.74	1,680,742.99
Cost of Goods Sold				
Freight	0.00	0.00	2,385.48	2,385.48
Material	1,188.25	6,854.59	13,907.26	21,950.10
Software Sublicense	0.00	10,642.58	-10,330.17	312.41
Total COGS	1,188.25	17,497.17	5,962.57	24,647.99
Gross Profit	7,182.85	320,360.98	1,338,551.17	1,656,095.00
Expense				
Payroll Exp.	10,818.95	638,014.88	850,638.65	1,496,472.48
Fixed Costs of Goods & Services	221,985.35	0.00	0.00	221,985.35
General & Administrative	38,464.28	166,650.52	240,852.97	446,007.77
Marketing	4,694.64	54,230.22	94,545.64	153,470.40
Research & Development	228,675.96	44,598.24	4,946.35	278,218.45
Sales	7,143.19	193,683.63	100,122.15	300,948.97
State Income	50.00	0.00	0.00	50.00
Support Services	0.00	8,226.98	30,085.32	38,312.30
Total Expense	511,832.17	1,105,442.47	1,321,191.08	2,938,465.72
Net Ordinary Income	-504,649.32	-785,081.49	17,360.09	-1,272,370.72
Other Income/Expense				
Other Income				
Reimbursed Expenses	0.00	0.00	1.50	1.50
Interest Income	0.00	20,862.93	31,582.71	52,446.64
Total Other Income	0.00	20,862.93	31,584.21	52,447.14
Other Expense				
Interest Expense	8,935.15	6,920.86	422.29	16,278.30
Penalties and Late Charges	56.37	5,361.99	-1,950.82	3,467.54
Taxes	0.00	0.00	50.00	50.00
Total Other Expense	8,991.52	12,282.85	-1,478.53	19,765.84
Net Other Income	-8,991.52	8,580.08	33,062.74	32,651.30
Net Income	-513,640.84	-776,501.41	50,422.83	-1,239,719.42

RemoteWorx: Sales History

(S000)	1996	1997	1998	1/1-8/12 1999
OEM				
Licenses		270	690	100
Maintenance		0	77	136
Service		0	0	0
Total	0	270	767	236
VAR				
Licenses	2	68	521	103
Maintenance	0	0	11	43
Service	6	0	45	28
Total	8	68	577	174
Total Revenue	8	338	1344	410

	A	B	C	D	E
1	RemoteWorx (SAMS:Lifeline 3.2)				11
2	Revenues (North America -- Direct)				
3		Projected			Total
4	(\$000)	FY00	FY01	FY02	2000-2002
5					
6	<u>New Product Licenses</u>				
7	New license rate		.50	.00	
8	New license revenue	500	250	0	750
9					
10	<u>Add-ons/Upgrades</u>				
11	Add-on rate		5.00	2.50	
12	Add-on revenue	0	188	102	289
13					
14	<u>Services</u>				
15	Services rate	.10	.10	.10	
16	Services revenue	50	25	0	75
17					
18	Maintenance Revenue	50	81	51	182
19					
20	Total Revenue	600	544	152	1296
21					
22	<u>Maintenance Calculations</u>				
23	Previous year maintenance	0	50	81	
24	Retention rate	.90	.75	.50	
25	Remaining maintenance	0	38	41	78
26	New + add-on license revenue	500	438	102	
27	Maintenance/license rate	.10	.10	.10	
28	Conversion rate	1.0	1.0	1.0	
29	New license maintenance revenue	50	44	10	104
30	Total Maintenance	50	81	51	182
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	F	G	H	I	J
1	RemoteWorx (SAMS:Lifeline 3.2)				12
2	(International -- Direct)				
3		Projected			Total
4	(\$000)	FY00	FY01	FY02	2000-2002
5					
6	<u>New Product Licenses</u>				
7	New license rate		.50	.00	
8	New license revenue	300	150	0	450
9					
10	<u>Add-ons/Upgrades</u>				
11	Add-on rate		5.00	2.50	
12	Add-on revenue	0	113	61	173
13					
14	<u>Services</u>				
15	Services rate	.10	.10	.10	
16	Services revenue	30	15	0	45
17					
18	Maintenance Revenue	30	49	30	109
19					
20	Total Revenue	360	214	30	604
21					
22	<u>Maintenance Calculations</u>				
23	Previous year maintenance	0	30	49	
24	Retention rate	.90	.75	.50	
25	Remaining maintenance	0	23	24	47
26	New + add-on license revenue	300	263	61	
27	Maintenance/license rate	.10	.10	.10	
28	Conversion rate	1.0	1.0	1.0	
29	New license maintenance revenue	30	26	6	62
30	Total Maintenance	30	49	30	109
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	K	L	M	N	O
1	RemoteWorx (SAMS:LifeLine 3.2) Revenues (North America -- OEM)				13
2					
3		Projected			Total 2000-2002
4	(\$000)	FY00	FY01	FY02	
5					
6	<u>New Product Licenses</u>				
7	New license rate		1.00	.00	
8	New license revenue	300	300	0	600
9					
10	<u>Add-ons/Upgrades</u>				
11	Add-on rate	2.50	2.50	1.00	
12	Add-on revenue	225	267	82	574
13					
14	<u>Services</u>				
15	Services rate	0.00	0.00	0.00	
16	Services revenue	0	0	0	0
17					
18	Maintenance Revenue	143	164	90	396
19					
20	Total Revenue	668	731	172	1570
21					
22	<u>Maintenance Calculations</u>				
23	Previous year maintenance	100	143	164	
24	Retention rate	.90	.75	.50	
25	Remaining maintenance	90	107	82	279
26	New + add-on license revenue	525	567	82	
27	Maintenance/license rate	.10	.10	.10	
28	Conversion rate	1.0	1.0	1.0	
29	New license maintenance revenue	53	57	8	117
30	Total Maintenance	143	164	90	396
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	P	Q	R	S	T
1	RemoteWorx (SAMS:Lifeline 3.2) (International -- OEM)				14
2					
3		Projected			Total 2000-2002
4 (\$000)		FY00	FY01	FY02	
5					
6	<u>New Product Licenses</u>				
7	New license rate		.00	.00	
8	New license revenue	0	0	0	0
9					
10	<u>Add-ons/Upgrades</u>				
11	Add-on rate	.00	.00	.00	
12	Add-on revenue	0	0	0	0
13					
14	<u>Services</u>				
15	Services rate	0.00	0.00	0.00	
16	Services revenue		0	0	0
17					
18	Maintenance Revenue	0	0	0	0
19					
20	Total Revenue	0	0	0	0
21					
22	<u>Maintenance Calculations</u>				
23	Previous year maintenance	0	0	0	
24	Retention rate	.90	.75	.50	
25	Remaining maintenance	0	0	0	0
26	New + add-on license revenue	0	0	0	
27	Maintenance/license rate	.10	.10	.10	
28	Conversion rate	1.0	1.0	1.0	
29	New license maintenance revenue	0	0	0	0
30	Total Maintenance	0	0	0	0
31					
32					
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	U	V	W	X	Y
1	RemoteWorx (SAMS:Lifeline 3.2) Revenues (North America -- VAR)				15
2					
3	Projected			Total 2000-2002	
4	(\$000)	FY00	FY01		FY02
5					
6	<u>New Product Licenses</u>				
7	New license rate		0.50	0.00	
8	New license revenue	300	150	0	450
9					
10	<u>Add-ons/Upgrades</u>				
11	Add-on rate	1.00	1.00	1.00	
12	Add-on revenue	68	78	51	196
13					
14	<u>Services</u>				
15	Services rate	.15	.15	.15	
16	Services revenue	45	23	0	68
17					
18	Maintenance Revenue	104	101	56	261
19					
20	Total Revenue	449	274	56	778
21					
22	<u>Maintenance Calculations</u>				
23	Previous year maintenance	75	104	101	
24	Retention rate	.90	.75	.50	
25	Remaining maintenance	68	78	51	196
26	New + add-on license revenue	368	228	51	
27	Maintenance/license rate	.10	.10	.10	
28	Conversion rate	1.0	1.0	1.0	
29	New license maintenance revenue	37	23	5	65
30	Total Maintenance	104	101	56	261
31					
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	Z	AA	AB	AC	AD
1	RemoteWorx (SAMS:Lifeline 3.2) Revenues				16
2	(International -- VAR)				
3		Projected			Total 2000-2002
4	(\$000)	FY00	FY01	FY02	
5					
6	<u>New Product Licenses</u>				
7	New license rate		1.00	.50	
8	New license revenue	300	300	150	750
9					
10	<u>Add-ons/Upgrades</u>				
11	Add-on rate	1.00	1.00	1.00	
12	Add-on revenue	0	23	27	50
13					
14	<u>Services</u>				
15	Services rate	.10	.10	.10	
16	Services revenue	30	30	15	75
17					
18	Maintenance Revenue	30	55	45	130
19					
20	Total Revenue	360	385	210	955
21					
22	<u>Maintenance Calculations</u>				
23	Previous year maintenance	0	30	55	
24	Retention rate	.90	.75	.50	
25	Remaining maintenance	0	23	27	50
26	New + add-on license revenue	300	323	177	
27	Maintenance/license rate	.10	.10	.10	
28	Conversion rate	1.0	1.0	1.0	
29	New license maintenance revenue	30	32	18	80
30	Total Maintenance	30	55	45	130
31					
32					
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	A	B	C	D	E
51	RemoteWorx (SAMS:Lifeline 3.2)				21
52	Revenues (Worldwide -- Direct)				
53					
54	Projected			Total	
55	(\$000)	FY00	FY01	FY02	2000-2002
56					
57	North America				
58	Revenues	600	544	152	1296
59					
60	Cost of revenues rate	.10	.10	.10	
61	cost	60	54	15	130
62	Marketing and sales rate	.30	.25	.20	
63	cost	180	136	30	346
64	R and D rate	.15	.15	.15	
65	cost	90	82	23	194
66	G and A rate	.15	.15	.15	
67	cost	90	82	23	194
68	Total Costs- North America	420	353	91	865
69	Cost/Revenue Ratio	.70	.65	.60	
70					
71	International				
72	Revenues	360	214	30	604
73					
74	Cost of revenues rate	.10	.10	.10	
75	cost	36	21	3	60
76	Marketing and sales rate	.30	.25	.20	
77	cost	108	53	6	168
78	R and D rate	.15	.15	.15	
79	cost	54	32	5	91
80	G and A rate	.15	.15	.15	
81	cost	54	32	5	91
82	Total Costs - International	252	139	18	409
83					
84	Cost/Revenue Ratio	.70	.65	.60	
85					
86	Total Costs - Worldwide	672	492	110	1274
87					
88	Total Revenue - Worldwide	960	758	183	1900
89					
90					
91					
92					
93					
94					
95					
96					
97					
98					
99					
100					

	F	G	H	I	J
51	RemoteWorx (SAMS:Lifeline 3.2)				22
52	Revenues (Worldwide -- OEM)				
53					
54		Projected			Total
55	(\$000)	FY00	FY01	FY02	2000-2002
56					
57	North America				
58	Revenues	668	731	172	1570
59					
60	Cost of revenues rate	.10	.10	.10	
61	cost	67	73	17	157
62	Marketing and sales rate	.30	.30	.30	
63	cost	200	219	52	471
64	R and D rate	.15	.15	.15	
65	cost	100	110	26	236
66	G and A rate	.15	.15	.15	
67	cost	100	110	26	236
68	Total Costs- North America	467	512	120	1099
69	Cost/Revenue Ratio	.70	.70	.70	
70					
71	International				
72	Revenues	0	0	0	0
73					
74	Cost of revenues rate	.10	.10	.10	
75	cost	0	0	0	0
76	Marketing and sales rate	.30	.30	.30	
77	cost	0	0	0	0
78	R and D rate	.15	.15	.15	
79	cost	0	0	0	0
80	G and A rate	.15	.15	.15	
81	cost	0	0	0	0
82	Total Costs - International	0	0	0	0
83					
84	Cost/Revenue Ratio	1.0	1.0	1.0	
85					
86	Total Costs - Worldwide	467	512	120	1099
87					
88	Total Revenue - Worldwide	668	731	172	1570
89					
90					
91					
92					
93					
94					
95					
96					
97					
98					
99					
100					

	K	L	M	N	O
51	RemoteWorx (SAMS:Lifeline 3.2)				23
52	Revenues (Worldwide -- VAR)				
53					
54		Projected			
55	(\$000)	FY00	FY01	FY02	Total 2000-2002
56					
57	North America				
58	Revenues	449	274	56	778
59					
60	Cost of revenues rate	.10	.10	.10	
61	cost	45	27	6	78
62	Marketing and sales rate	.30	.30	.30	
63	cost	135	82	17	233
64	R and D rate	.15	.15	.15	
65	cost	67	41	8	117
66	G and A rate	.15	.15	.15	
67	cost	67	41	8	117
68	Total Costs- North America	314	191	39	545
69	Cost/Revenue Ratio	.70	.70	.70	
70					
71	International				
72	Revenues	360	385	210	955
73					
74	Cost of revenues rate	.10	.10	.10	
75	cost	36	38	21	95
76	Marketing and sales rate	.30	.30	.30	
77	cost	108	115	63	286
78	R and D rate	.15	.15	.15	
79	cost	54	58	32	143
80	G and A rate	.15	.15	.15	
81	cost	54	58	32	143
82	Total Costs - International	252	269	147	668
83					
84	Cost/Revenue Ratio	.70	.70	.70	
85					
86	Total Costs - Worldwide	566	461	186	1213
87					
88	Total Revenue - Worldwide	809	658	266	1733
89					
90					
91					
92					
93					
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95					
96					
97					
98					
99					
100					

	A	B	C	D	E
101	Net Present Value -- RemoteWorx (SAMS:Lifeline 3.2) (Worldwide--Direct)				31
102					Total
103	(\$000)	FY00	FY01	FY02	2000-2002
104	North America				
105	Revenue	600	544	152	1296
106	Operating Income Ratio	0.3	0.35	0.40	
107	Operating Income	180	190	61	431
108	Tax Rate	.38	.38	.38	
109	Operating Income After Tax	112	118	38	267
110	NPV Factors	.935	.813	.707	
111	NPV	104	96	27	227
112					
113	Discount Rate - North America	0.15			
114					
115					
116					
117					
118					
119					
120					
121					
122					
123					
124	International				
125	Revenue	360	214	30	604
126	Operating Income Ratio	.30	.35	.40	
127	Operating Income	108	75	12	195
128	Tax Rate	.30	.30	.30	
129	Operating Income After Tax	76	52	9	137
130	NPV Factors	.935	.813	.707	
131	NPV	71	43	6	119
132					
133	Discount Rate - International	0.15			
134					
135	Total Worldwide NPV	175	138	33	346
136					
137					
138					
139					
140	Worldwide Summary				
141	Revenue	960	758	183	1900
142	Operating income	288	265	73	626
143	Operating Income after tax	187	170	46	404
144	NPV	175	138	33	346
145					
146	Grand Total--All Products				
147	Revenue	2437	2147	620	5204
148	Operating income	731	682	204	1617
149	Operating Income after tax	471	438	133	1041
150	NPV	440	356	94	890

	F	G	H	I	J
101	Net Present Value -- RemoteWorx (SAMS:Lifeline 3.2) (Worldwide--OEM)				32
102					Total
103	(\$000)	FY00	FY01	FY02	2000-2002
104	North America				
105	Revenue	668	731	172	1570
106	Operating Income Ratio	.30	.30	.30	
107	Operating Income	200	219	52	471
108	Tax Rate	.38	.38	.38	
109	Operating Income After Tax	124	136	32	292
110	NPV Factors	.935	.813	.707	
111	NPV	116	110	23	249
112					
113	Discount Rate - North America	0.15			
114					
115					
116					
117					
118					
119					
120					
121					
122					
123					
124	International				
125	Revenue	0	0	0	0
126	Operating Income Ratio	.00	.00	.00	
127	Operating Income	0	0	0	0
128	Tax Rate	.30	.30	.30	
129	Operating Income After Tax	0	0	0	0
130	NPV Factors	.935	.813	.707	
131	NPV	0	0	0	0
132					
133	Discount Rate - Int'l	0.15			
134					
135	Total Worldwide NPV	116	110	23	249
136					
137					
138					
139					
140	Worldwide Summary				
141	Revenue	668	731	172	1570
142	Operating income	200	219	52	471
143	Operating Income after tax	124	136	32	292
144	NPV	116	110	23	249
145					
146					
147					
148					
149					
150					

	K	L	M	N	O
101	Net Present Value -- RemoteWorx (SAMS:Lifeline 3.2) (Worldwide--VAR)				33
102					Total
103	(\$000)	FY00	FY01	FY02	2000-2002
104	North America				
105	Revenue	449	274	56	778
106	Operating Income Ratio	.30	.30	.30	
107	Operating Income	135	82	17	233
108	Tax Rate	.38	.38	.38	
109	Operating Income After Tax	84	51	10	145
110	NPV Factors	.935	.813	.707	
111	NPV	78	41	7	127
112					
113	Discount Rate - North America	0.15			
114					
115					
116					
117					
118					
119					
120					
121					
122					
123					
124	International				
125	Revenue	360	385	210	955
126	Operating Income Ratio	.30	.30	.30	
127	Operating Income	108	115	63	286
128	Tax Rate	.30	.30	.30	
129	Operating Income After Tax	76	81	44	201
130	NPV Factors	.935	.813	.707	
131	NPV	71	66	31	168
132					
133	Discount Rate - International	0.15			
134					
135	Total Worldwide NPV	149	107	38	294
136					
137					
138					
139					
140	Worldwide Summary				
141	Revenue	809	658	266	1733
142	Operating income	243	197	80	520
143	Operating Income after tax	159	132	54	345
144	NPV	149	107	38	294
145					
146					
147					
148					
149					
150					

Function and Technology Mapping Definitions	
Function Availability	
Full	Product feature is available in the specified release to the extent needed to
Partial	Product feature is available but does not fully satisfy market requirements for
N/A	Product feature has essentially not been implemented (not available)
Reuse in New Product*	
None	Substantially no reuse of any existing technology
Requirements	Existing product provides a requirements definition of product features/functionality
Specifications	Existing product provides a functional specification for product usage
Design	Existing product's technical design is being used substantially in the future product
Code	Existing software source code is being used substantially in the future product
Market Significance	
High	Critical to customer buying the product; would not buy without it
Moderate	Valuable to customer buying the product, but lack of it would not, by itself, preclude
Low	Limited significance to most prospects; nice to have, but would not pay extra for it

- * If none or only requirements or specifications are reused in new product, then core technologies contribution is considered to be zero. If design or code is reused, then core technologies contribution is considered to be an appropriate percentage for that function.

Product Releases

RemoteWorx 3.1	Existing product released July 1999
SAMS:Lifeline 3.2	Modified version of RemoteWorx 3.1, release September 1999
SAMS:Lifeline 4.0	Product name for redesigned, next generation product, Scalable Enterprise Server
	Lifeline 4.0 will be extended to integrate with the SAMS:VNE and SAMS:Alexandria products

SAMS:Lifeline 4.0

Functions	Function Availability in RemoteWorx	Reuse in New Product	Market Significance	RemoteWorx Technology Contribution	Market Weighting	Core Technology Contribution Value
Server Platforms					3%	.030
Windows NT 4.x	Full	Code	High	100%		
Windows 2000	Full	Code	High	100%		
Client Platforms					3%	.030
Windows95	Full	Code	High	100%		
Windows98	Full	Code	High	100%		
Windows NT 4.x	Full	Code	High	100%		
Windows 2000	Full	Code	High	100%		
Scalable Server					25%	.073
Session Manager	Partial	Code	High	50%		
User Authentication Cache	N/A		High	0		
Package Manager	Partial	Code	High	70%		
Worker Pools	N/A		High	0		
Groups	Partial	Code	High	60%		
System Manager	N/A		High	0		
Backup Profile Manager	Partial	Code	High	25%		
Fault Tolerance	N/A		High	0	7%	.000
Inter-Server Comm	N/A		High	0		
Heartbeat Service	N/A		High	0		
Load Balancing	N/A		High	0		
Performance Monitor	N/A		High	0	2%	.000
User Interface					18%	.077
Client	Partial	Code	High	70%		
Server	Partial	Code	High	15%		
Asset Management	Full	Code	Moderage	100%	2%	.020
Reporting	Partial	Req'ts	High	10%	4%	.004
Client Backup/Restore					15%	.138
Delta Engine Technology	Full	Code	High	100%		
File System Traversal	Full	Code	High	100%		
File System Filtering	Full	Code	High	100%		
Componetize Client Functionality	Partial	Code	Moderate	70%		
Package Transfer	Full	Code	High	90%		

Functions	Function Availability in RemoteWorx	Reuse in New Product	Market Significance	RemoteWorx Technology Contribution	Market Weighting	Core Technology Contribution Value
Client Installation/Configuration						
Auto Client Installer	Partial	Code	High	50%	12%	.019
Web Based Client Installer	N/A		High	0		
Centralized on Server	Partial	Code	High	30%		
Interface for E-Commerce Support	N/A		High	0		
Application Aware	N/A		High	0		
Server Installation/Configuration	Partial	Code	Moderate	50%	2%	.010
VNE Integration					2%	.000
Server Reporting	N/A		Moderate	0		
Asset Reporting	N/A		Moderate	0		
User Reporting	N/A		Moderate	0		
Alexandria Integration					2%	.000
Disaster Backup	N/A		Moderate	0		
HSM Functionality	N/A		Moderate	0		
International Language Facility					3%	.005
Single Byte	Partial	Code	High	35%		
Double Byte	N/A		High	0		
Core Technologies Value						.406
New Technologies Value						.594
Total					100%	1.000

SAMS:Lifeline 4.0 - % Completion Analysis

Start to Acquisition Date (6/99 - 7/99)			
People	P-months	Cost/Month	Cost
Senior Designer	1	\$15,000	\$15,000
Senior Programmer/Designer	1	10,000	<u>10,000</u>
Subtotal			\$25,000
Acquisition Date to FAS86 Date (8/99 - 10/99)			
Senior Designer	.5	\$15,000	\$7,500
Senior Programmer/Designer	1.0	10,000	10,000
Programmer	4.5	7,500	<u>33,750</u>
Subtotal			\$51,250
Total for Phases I and II			\$76,250
General Release Date (11/99 - 2/00)			
Senior Project Manager	2.0	\$15,000	\$30,000
Senior Programmer	4.0	10,000	40,000
Programmer	8.0	7,500	60,000
Tester (QA)	3.25	6,000	19,500
Documenter	2.0	4,000	<u>8,000</u>
Subtotal			157,500
Grand Total			\$233,750

% Completion Calculation

	Cost	Complexity Factor*	Adjusted Cost	Percent Complete
Cost to Acquisition Date	25,000	1.5	37,500	42.3%
Cost from Acquisition to FAS86 date	51,250	1.0	51,250	57.7%
Total Cost to FAS86 date	76,250		88,750	100.0%
North America = 43% Complete				
International = 40% Complete				

- * The complexity factor represents the significantly greater difficulty of the R&D work performed prior to the acquisition date versus that work needed to satisfy the FAS86 technical feasibility requirements after the acquisition date.

	A	B	C	D	E	F	G	H	I	J	K	L
1	Revenues for SAMS:Lifeline 4.0 (North America -- Direct)											11
2	Projected Fiscal Year											
3												
4	(\$000)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total 2000- 2009
5												
6	New Customer Sales											
7	New Sales Units	10	20	30	30	25	20	10	0	0	0	145
8	Price/Unit	240	240	240	240	240	240	240	240	240	240	
9	New License Revenue	2400	4800	7200	7200	6000	4800	2400	0	0	0	34800
10												
11	Add-on Sales											
12	Add-on Growth Rate	1.00	1.25	1.00	1.00	1.00	1.00	.75	.50	.50	.50	
13	Add-on Revenue	0	285	700	1415	2049	2569	2231	1461	1227	902	12839
14												
15	Services											
16	Services Rate	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	
17	Services Revenue	240	480	720	720	600	480	240	0	0	0	3480
18												
19	Maintenance Revenue	240	737	1490	2277	2854	3305	3438	3068	2577	1894	21880
20												
21	Maintenance Calculations											
22	Previous Year Maintenance	0	240	737	1490	2277	2854	3305	3438	3068	2577	
23	Retention Rate	.95	.95	.95	.95	.90	.90	.90	.85	.80	.70	
24	Remaining Maintenance	0	228	700	1415	2049	2569	2975	2922	2455	1804	17116
25	New License + Add-on Revenue	2400	5085	7900	8615	8049	7369	4631	1461	1227	902	
26	Maintenance License Rate	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	
27	Initial Conversion Rate	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
28	New Maintenance Revenue	240	509	790	862	805	737	463	146	123	90	4764
29	Total Maintenance	240	737	1490	2277	2854	3305	3438	3068	2577	1894	21880
30												
31	Total Revenue	2880	6302	10109	11612	11503	11154	8309	4529	3805	2797	72999
32												
33												
34												
35												
36												
37												
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45												
46												
47												
48												
49												
50												

	M	N	O	P	Q	R	S	T	U	V	W	X
1	Revenues for SAMS:Lifeline 4.0 (International -- Direct)											12
2	Projected Fiscal Year											
3												
4	(\$000)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total 2000-2009
5												
6	New Customer Sales											
7	New Sales Units	10	15	20	25	25	20	15	0	0	0	130
8	Price/Unit	200	200	200	200	200	200	200	200	200	200	
9	New License Revenue	2000	3000	4000	5000	5000	4000	3000	0	0	0	26000
10												
11	Add-on Sales											
12	Add-on Growth Rate	1.00	1.25	1.00	1.00	1.00	1.00	.75	.50	.50	.50	
13	Add-on Revenue	0	238	488	890	1331	1768	1583	1092	917	674	8980
14												
15	Services											
16	Services Rate	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	
17	Services Revenue	100	150	200	250	250	200	150	0	0	0	1300
18												
19	Maintenance Revenue											
20		200	514	937	1479	1964	2345	2568	2292	1926	1415	15640
21	Maintenance Calculations											
22	Previous Year Maintenance	0	200	514	937	1479	1964	2345	2568	2292	1926	
23	Retention Rate	.95	.95	.95	.95	.90	.90	.90	.85	.80	.70	
24	Remaining Maintenance	0	190	488	890	1331	1768	2110	2183	1834	1348	12142
25	New License + Add-on Revenue	2000	3238	4488	5890	6331	5768	4583	1092	917	674	
26	Maintenance License Rate	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	
27	Initial Conversion Rate	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
28	New Maintenance Revenue	200	324	449	589	633	577	458	109	92	67	3498
29	Total Maintenance Revenue	200	514	937	1479	1964	2345	2568	2292	1926	1415	15640
30												
31	Total Revenue											
32		2300	3901	5625	7619	8545	8312	7301	3384	2842	2089	51920
33												
34												
35												
36												
37												
38												
39												
40												
41												
42												
43												
44												
45												
46												
47												
48												
49												
50												

	Y	Z	AA	AB	AC	AD	AE	AF	AG	AH	AI	AJ
1	Revenues for SAMS:Lifeline 4.0 (North America -- OEM)											13
2	Projected Fiscal Year											
3												
4	(\$000)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total 2000-2009
5												
6	New Customer Sales											
7	New Sales Units	1	1	1	0	0	0	0	0	0	0	3
8	Price/Unit	750	750	750	750	750	750	750	750	750	750	
9	New License Revenue	750	750	750	0	0	0	0	0	0	0	2250
10												
11	Add-on Sales											
12	Add-on Growth Rate	.0	6.0	5.0	4.0	3.0	3.0	2.0	1.0	5	.5	
13	Add-on Revenue	0	450	878	1218	1151	1346	933	392	129	68	6565
14												
15	Services											
16	Services Rate	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	
17	Services Revenue	0	0	0	0	0	0	0	0	0	0	0
18												
19	Maintenance Revenue	75	195	338	426	499	583	560	431	272	143	3522
20												
21	Maintenance Calculations											
22	Previous Year Maintenance	0	75	195	338	426	499	583	560	431	272	
23	Retention Rate	1.00	1.00	.90	.90	.90	.90	.80	.70	.60	.50	
24	Remaining Maintenance	0	75	176	304	384	449	467	392	259	136	2641
25	New License + Add-on Revenue	750	1200	1628	1218	1151	1346	933	392	129	68	
26	Maintenance License Rate	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	
27	Initial Conversion Rate	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
28	New Maintenance Revenue	75	120	163	122	115	135	93	39	13	7	882
29	Total Maintenance	75	195	338	426	499	583	560	431	272	143	3522
30												
31	Total Revenue	825	1395	1966	1644	1649	1930	1494	823	401	211	12337
32												
33												
34												
35												
36												
37												
38												
39												
40												
41												
42												
43												
44												
45												
46												
47												
48												
49												
50												

	AK	AL	AM	AN	AO	AP	AQ	AR	AS	AT	AU	AV
1	Revenues for SAMS:Lifeline 4.0 (International -- OEM)											14
2	Projected Fiscal Year											
3												
4	(\$000)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total 2000-2009
5												
6	New Customer Sales											
7	New Sales Units	1	2	2	1	0	0	0	0	0	0	6
8	Price/Unit	600	600	600	600	600	600	600	600	600	600	600
9	New License Revenue	600	1200	1200	600	0	0	0	0	0	0	3600
10												
11	Add-on Sales											
12	Add-on Growth Rate	.0	6.0	5.0	4.0	3.0	3.0	2.0	1.0	.5	.5	
13	Add-on Revenue	0	360	972	1482	1562	1828	1267	532	176	92	8271
14												
15	Services											
16	Services Rate	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	
17	Services Revenue	0	0	0	0	0	0	0	0	0	0	0
18												
19	Maintenance Revenue	60	216	412	579	677	792	760	585	369	194	4644
20												
21	Maintenance Calculations											
22	Previous Year Maintenance	0	60	216	412	579	677	792	760	585	369	
23	Retention Rate	1.00	1.00	.90	.90	.90	.90	.80	.70	.60	.50	
24	Remaining Maintenance	0	60	194	370	521	609	634	532	351	184	3457
25	New License + Add-on Revenue	600	1560	2172	2082	1562	1828	1267	532	176	92	
26	Maintenance License Rate	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	
27	Initial Conversion Rate	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
28	New Maintenance Revenue	60	156	217	208	156	183	127	53	18	9	1187
29	Total Maintenance	60	216	412	579	677	792	760	585	369	194	4644
30												
31	Total Revenue	660	1776	2584	2660	2239	2620	2028	1118	545	286	16515
32												
33												
34												
35												
36												
37												
38												
39												
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41												
42												
43												
44												
45												
46												
47												
48												
49												
50												

	AW	AX	AY	AZ	BA	BB	BC	BD	BE	BF	BG	BH
1	Revenues for SAMS:Lifeline 4.0 (North America -- VAR)											15
2	Projected Fiscal Year											
3												
4	(\$000)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total 2000-2009
5												
6	New Customer Sales											
7	New Sales Units	15	30	45	50	50	40	30	15	0	0	275
8	Price/Unit	40	40	40	40	40	40	40	40	40	40	
9	New License Revenue	600	1200	1800	2000	2000	1600	1200	600	0	0	11000
10												
11	Add-on Sales											
12	Add-on Growth Rate	1.5	1.5	1.5	1.5	1.5	1.5	1.0	.75	.5	.5	
13	Add-on Revenue	0	81	246	497	785	1082	841	627	336	211	4707
14												
15	Services											
16	Services Rate	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	
17	Services Revenue	60	120	180	200	200	160	120	60	0	0	1100
18												
19	Maintenance Revenue	60	182	368	581	802	990	1045	959	705	444	6137
20												
21	Maintenance Calculations											
22	Previous Year Maintenance	0	60	182	368	581	802	990	1045	959	705	
23	Retention Rate	.90	.90	.90	.90	.90	.90	.85	.80	.70	.60	
24	Remaining Maintenance	0	54	164	332	523	722	841	836	671	423	4566
25	New License + Add-on Revenue	600	1281	2046	2497	2785	2682	2041	1227	336	211	
26	Maintenance License Rate	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	
27	Initial Conversion Rate	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
28	New Maintenance Revenue	60	128	205	250	278	268	204	123	34	21	1571
29	Total Maintenance	60	182	368	581	802	990	1045	959	705	444	6137
30												
31	Total Revenue	720	1583	2594	3279	3787	3832	3207	2246	1041	656	22944
32												
33												
34												
35												
36												
37												
38												
39												
40												
41												
42												
43												
44												
45												
46												
47												
48												
49												
50												

	BI	BJ	BK	BL	BM	BN	BO	BP	BQ	BR	BS	BT
1	Revenues for SAMS:Lifeline 4.0 (International -- VAR)											16
2	Projected Fiscal Year											
3												
4	(\$000)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total 2000-2009
5												
6	New Customer Sales											
7	New Sales Units	10	20	30	40	40	30	20	10	0	0	200
8	Price/Unit	50	50	50	50	50	50	50	50	50	50	50
9	New License Revenue	500	1000	1500	2000	2000	1500	1000	500	0	0	10000
10												
11	Add-on Sales											
12	Add-on Growth Rate	1.5	1.5	1.5	1.5	1.5	1.5	1.0	.75	.5	.5	
13	Add-on Revenue	0	68	205	415	699	994	775	571	304	192	4222
14												
15	Services											
16	Services Rate	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	
17	Services Revenue	50	100	150	200	200	150	100	50	0	0	1000
18												
19	Maintenance Revenue	50	152	307	518	736	912	952	869	639	402	5537
20												
21	Maintenance Calculations											
22	Previous Year Maintenance	0	50	152	307	518	736	912	952	869	639	
23	Retention Rate	.90	.90	.90	.90	.90	.90	.85	.80	.70	.60	
24	Remaining Maintenance	0	45	137	276	466	662	775	762	608	383	4115
25	New License + Add-on Revenue	500	1068	1705	2415	2699	2494	1775	1071	304	192	
26	Maintenance License Rate	.10	.10	.10	.10	.10	.10	.10	.10	.10	.10	
27	Initial Conversion Rate	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
28	New Maintenance Revenue	50	107	170	241	270	249	177	107	30	19	1422
29	Total Maintenance	50	152	307	518	736	912	952	869	639	402	5537
30												
31	Total Revenue	600	1319	2162	3132	3635	3555	2827	1991	943	594	20759
32												
33												
34												
35												
36												
37												
38												
39												
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41												
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43												
44												
45												
46												
47												
48												
49												
50												

	A	B	C	D	E	F	G	H	I	J	K	L
51	Costs for SAMS:Lifeline 4.0 (Worldwide -- Direct)											21
52	Projected Fiscal Year											
53												
54												
55	(\$000)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total 2000-2009
56												
57	North America											
58	Revenues	2880	6302	10109	11612	11503	11154	8309	4529	3805	2797	72999
59												
60	Cost of revenues	rate	.10	.10	.10	.10	.10	.10	.10	.10	.10	
61		cost	288	630	1011	1161	1150	1115	831	453	380	7300
62	Marketing and sales	rate	.40	.35	.35	.30	.27	.25	.25	.25	.25	
63		cost	1152	2206	3538	3484	3106	2788	2077	1132	951	21134
64	R and D	rate	.20	.20	.15	.15	.13	.10	.10	.10	.10	
65		cost	576	1260	1516	1742	1495	1115	831	453	380	9649
66	G and A	rate	.15	.15	.15	.15	.15	.15	.15	.15	.15	
67		cost	432	945	1516	1742	1725	1673	1246	679	571	10950
68	Total Costs-North America		2448	5041	7582	8128	7477	6692	4985	2718	2283	49033
69												
70	Cost/Revenue Ratio - North America		.85	.80	.75	.70	.65	.60	.60	.60	.60	
71												
72	International											
73	Revenue	2300	3901	5625	7619	8545	8312	7301	3384	2842	2089	51920
74												
75	Cost of revenues	rate	.10	.10	.10	.10	.10	.10	.10	.10	.10	
76		cost	230	390	562	762	855	831	730	338	284	5192
77	Marketing and sales	rate	.40	.35	.35	.30	.27	.25	.25	.25	.25	
78		cost	920	1365	1969	2286	2307	2078	1825	846	711	14829
79	R and D	rate	.20	.20	.15	.15	.13	.10	.10	.10	.10	
80		cost	460	780	844	1143	1111	831	730	338	284	6731
81	G and A	rate	.15	.15	.15	.15	.15	.15	.15	.15	.15	0.25
82		cost	345	585	844	1143	1282	1247	1095	508	426	7788
83												
84	Total Costs - International		1955	3121	4219	5333	5554	4987	4381	2030	1705	34540
85												
86	Cost/Revenue Ratio - Int'l		.85	.80	.75	.70	.65	.60	.60	.60	.60	
87												
88												
89												
90												
91												
92												
93												
94												
95												
96												
97												
98												
99												
100												

	M	N	O	P	Q	R	S	T	U	V	W	X
51	Costs for SAMS:Lifeline 4.0 (Worldwide -- OEM)											22
52												
53	Projected Fiscal Year											
54												
55 (\$000)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total 2000 2009	
56												
57	North America											
58	Revenues	825	1395	1966	1644	1649	1930	1494	823	401	211	12337
60	Cost of revenues rate	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	
61	cost	41	70	98	82	82	96	75	41	20	11	617
62	Marketing and sales rate	.30	.30	.30	.30	.30	.30	.30	.30	.30	.30	
63	cost	248	419	590	493	495	579	448	247	120	63	3701
64	R and D rate	.30	.25	.20	.20	.20	.20	.20	.15	.15	.15	
65	cost	248	349	393	329	330	386	299	123	60	32	2548
66	G and A rate	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	
67	cost	124	209	295	247	247	289	224	123	60	32	1851
68	Total Costs-North America	660	1046	1376	1151	1155	1351	1045	535	261	137	8717
69												
70	Cost/Revenue Ratio - North America	.80	.75	.70	.70	.70	.70	.70	.65	.65	.65	
71												
72	International											
73	Revenue	660	1776	2584	2660	2239	2620	2028	1118	545	286	16515
74												
75	Cost of revenues rate	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	
76	cost	33	89	129	133	112	131	101	56	27	14	826
77	Marketing and sales rate	.30	.30	.30	.30	.30	.30	.30	.30	.30	.30	
78	cost	198	533	775	798	672	786	608	335	163	86	4954
79	R and D rate	.30	.25	.20	.20	.20	.20	.20	.15	.15	.15	
80	cost	198	444	517	532	448	524	406	168	82	43	3360
81	G and A rate	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	
82	cost	99	266	388	399	336	393	304	168	82	43	2477
83												
84	Total Costs - International	528	1332	1809	1862	1567	1834	1419	727	354	186	11618
85												
86	Cost/Revenue Ratio - International	.80	.75	.70	.70	.70	.70	.70	.65	.65	.65	
87												
88												
89												
90												
91												
92												
93												
94												
95												
96												
97												
98												
99												
100												

	Y	Z	AA	AB	AC	AD	AE	AF	AG	AH	AI	AJ
51	Costs for SAMS:Lifeline 4.0 (Worldwide -- VAR)											23
52												
53	Projected Fiscal Year											
54												
55	(\$000)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total 2000-2009
56												
57	North America											
58	Revenues	720	1583	2594	3279	3787	3832	3207	2246	1041	656	22944
59												
60	Cost of revenues rate	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	
61	cost	36	79	130	164	189	192	160	112	52	33	1147
62	Marketing and sales rate	.30	.30	.30	.30	.30	.30	.25	.25	.25	.25	
63	cost	216	475	778	984	1136	1150	802	562	260	164	6526
64	R and D rate	.30	.25	.20	.20	.20	.20	.20	.15	.15	.15	
65	cost	216	396	519	656	757	766	641	337	156	98	4543
66	G and A rate	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	
67	cost	108	237	389	492	568	575	481	337	156	98	3442
68	Total Costs-North America	576	1187	1816	2295	2651	2682	2084	1348	624	393	15657
69												
70	Cost/Revenue Ratio - North America	.80	.75	.70	.70	.70	.70	.65	.60	.60	.60	
71												
72	International											
73	Revenue	600	1319	2162	3132	3635	3555	2827	1991	943	594	20759
74												
75	Cost of revenues rate	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	
76	cost	30	66	108	157	182	178	141	100	47	30	1038
77	Marketing and sales rate	.30	.30	.30	.30	.30	.30	.25	.25	.25	.25	
78	cost	180	396	649	940	1090	1067	707	498	236	149	5910
79	R and D rate	.30	.25	.20	.20	.20	.20	.20	.15	.15	.15	
80	cost	180	330	432	626	727	711	565	299	141	89	4101
81	G and A rate	.15	.15	.15	.15	.15	.15	.15	.15	.15	.15	
82	cost	90	198	324	470	545	533	424	299	141	89	3114
83												
84	Total Costs - International	480	989	1513	2193	2544	2489	1838	1194	566	356	14163
85												
86	Cost/Revenue Ratio - International	.80	.75	.70	.70	.70	.70	.65	.60	.60	.60	
87												
88												
89												
90												
91												
92												
93												
94												
95												
96												
97												
98												
99												
100												

	A	B	C	D	E	F	G	H	I	J	K	L
101	Net Present Value -- SAMS:Lifeline 4.0 (Worldwide -- Direct)											31
102	Projected Fiscal Year											
103	(\$000)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total 2000-2009
104	North America											
105	Revenue	2880	6302	10109	11612	11503	11154	8309	4529	3805	2797	72999
106	Operating Income Ratio	.15	.20	.25	.30	.35	.40	.40	.40	.40	.40	
107	Operating Income	432	1260	2527	3484	4026	4462	3324	1812	1522	1119	23967
108	Tax Rate	.38	.38	.38	.38	.38	.38	.38	.38	.38	.38	
109	Operating Income After Tax	268	781	1567	2160	2496	2766	2061	1123	944	694	14859
110	NPV Factors	.917	.764	.637	.530	.442	.368	.307	.256	.213	.178	
111	NPV	246	597	997	1146	1103	1019	633	287	201	123	6352
112												
113	Discount Rate - Americas	0.2										
114												
115	Core Technologies rate	.406	.406	.406	.406	.406	.406	.406	.406	.406	.406	
116	Core Technologies value	100	242	405	465	448	414	257	117	82	50	2579
117	Percent completion rate	.43	.43	.43	.43	.43	.43	.43	.43	.43	.43	
118	Percent not-completed value	83	202	338	388	374	345	214	97	68	42	2151
119	NPV after adjustment	63	152	255	293	282	260	162	73	51	31	1623
120												
121												
122												
123												
124	International											
125	Revenue	2300	3901	5625	7619	8545	8312	7301	3384	2842	2089	51920
126	Operating Income Ratio	.15	.20	.25	.30	.35	.40	.40	.40	.40	.40	
127	Operating Income	345	780	1406	2286	2991	3325	2920	1354	1137	836	17380
128	Tax Rate	.30	.30	.30	.30	.30	.30	.30	.30	.30	.30	
129	Operating Income After Tax	242	546	984	1600	2094	2327	2044	947	796	585	12166
130	NPV Factors	.917	.764	.637	.530	.442	.368	.307	.256	.213	.178	
131	NPV	221	417	627	849	926	857	628	242	170	104	5040
132												
133	Discount Rate - International	0.2										
134												
135	Core Technologies rate	.406	.406	.406	.406	.406	.406	.406	.406	.406	.406	
136	Core Technologies value	90	169	254	345	376	348	255	98	69	42	2046
137	Percent completion rate	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	
138	Percent not-completed value	79	149	223	303	330	306	224	86	60	37	1796
139	NPV after adjustment	53	99	149	202	220	204	149	58	40	25	1198
140												
141												
142												
143	Worldwide Summary											
144	Revenue	5180	10203	15734	19231	20048	19466	15610	7913	6647	4886	124919
145	Operating income	777	2041	3934	5769	7017	7787	6244	3165	2659	1954	41346
146	Operating income after tax	509	1328	2551	3760	4590	5094	4105	2071	1739	1279	27025
147	NPV	467	1014	1624	1994	2029	1876	1260	530	371	227	11393
148	NPV after adjustment	115	252	404	494	502	464	311	131	92	56	2820
149												
150												

	M	N	O	P	Q	R	S	T	U	V	W	X
101	Net Present Value -- SAMS:Lifeline 4.0 (Worldwide -- OEM)											32
102	Projected Fiscal Year											
103 (\$000)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total 2000 2009	
104	North America											
105 Revenue	825	1395	1966	1644	1649	1930	1494	823	401	211	12337	
106 Operating Income Ratio	.20	.25	.30	.30	.30	.30	.30	.35	.35	.35		
107 Operating Income	165	349	590	493	495	579	448	288	140	74	3621	
108 Tax Rate	.38	.38	.38	.38	.38	.38	.38	.38	.38	.38		
109 Operating Income After Tax	102	216	366	306	307	359	278	179	87	46	2245	
110 NPV Factors	.917	.764	.637	.530	.442	.368	.307	.256	.213	.178		
111 NPV	94	165	233	162	136	132	85	46	19	8	1079	
112												
113 Discount Rate - Americas	0.2											
114												
115 Core Technologies rate	.406	.406	.406	.406	.406	.406	.406	.406	.406	.406		
116 Core Technologies value	38	67	94	66	55	54	35	19	8	3	438	
117 Percent completion rate	.43	.43	.43	.43	.43	.43	.43	.43	.43	.43		
118 Percent not-completed value	32	56	79	55	46	45	29	15	6	3	365	
119 NPV after adjustment	24	42	59	41	35	34	22	12	5	2	276	
120												
121												
122												
123												
124	International											
125 Revenue	660	1776	2584	2660	2239	2620	2028	1118	545	286	16515	
126 Operating Income Ratio	.20	.25	.30	.30	.30	.30	.30	.35	.35	.35		
127 Operating Income	132	444	775	798	672	786	608	391	191	100	4897	
128 Tax Rate	.30	.30	.30	.30	.30	.30	.30	.30	.30	.30		
129 Operating Income After Tax	92	311	543	559	470	550	426	274	133	70	3428	
130 NPV Factors	.917	.764	.637	.530	.442	.368	.307	.256	.213	.178		
131 NPV	85	237	345	296	208	203	131	70	28	12	1616	
132												
133 Discount Rate - International	0.2											
134												
135 Core Technologies rate	.406	.406	.406	.406	.406	.406	.406	.406	.406	.406		
136 Core Technologies value	34	96	140	120	84	82	53	28	12	5	656	
137 Percent completion rate	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40		
138 Percent not-completed value	30	85	123	106	74	72	47	25	10	4	576	
139 NPV after adjustment	20	56	82	70	49	48	31	17	7	3	384	
140												
141												
142												
143	Worldwide Summary											
144 Revenue	1485	3171	4549	4304	3889	4550	3521	1941	946	496	28852	
145 Operating income	297	793	1365	1291	1167	1365	1056	679	331	174	8518	
146 Operating Income after tax	195	527	908	864	777	909	704	453	220	116	5673	
147 NPV	178	403	578	459	343	335	216	116	47	21	2695	
148 NPV after adjustment	44	99	142	112	84	82	53	28	11	5	660	
149												
150												

	Y	Z	AA	AB	AC	AD	AE	AF	AG	AH	AI	AJ
101	Net Present Value -- SAMS:Lifeline 4.0 (Worldwide -- VAR)											33
102	Projected Fiscal Year											
103	(\$000)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total 2000-2009
104	North America											
105	Revenue	720	1583	2594	3279	3787	3832	3207	2246	1041	656	22944
106	Operating Income Ratio	.20	.25	.30	.30	.30	.30	.35	.40	.40	.40	
107	Operating Income	144	396	778	984	1136	1150	1122	899	416	262	7287
108	Tax Rate	.38	.38	.38	.38	.38	.38	.38	.38	.38	.38	
109	Operating Income After Tax	89	245	483	610	704	713	696	557	258	163	4518
110	NPV Factors	.917	.764	.637	.530	.442	.368	.307	.256	.213	.178	
111	NPV	82	187	307	324	311	263	214	143	55	29	1914
112												
113	Discount Rate - Americas	0.2										
114												
115	Core Technologies rate	.406	.406	.406	.406	.406	.406	.406	.406	.406	.406	
116	Core Technologies value	33	76	125	131	126	107	87	58	22	12	777
117	Percent completion rate	.43	.43	.43	.43	.43	.43	.43	.43	.43	.43	
118	Percent not-completed value	28	63	104	110	105	89	72	48	19	10	648
119	NPV after adjustment	21	48	78	83	80	67	55	36	14	7	489
120												
121												
122												
123												
124	International											
125	Revenue	600	1319	2162	3132	3635	3555	2827	1991	943	594	20759
126	Operating Income Ratio	.20	.25	.30	.30	.30	.30	.35	.40	.40	.40	
127	Operating Income	120	330	649	940	1090	1067	990	796	377	238	6596
128	Tax Rate	.30	.30	.30	.30	.30	.30	.30	.30	.30	.30	
129	Operating Income After Tax	84	231	454	658	763	747	693	557	264	166	4617
130	NPV Factors	.917	.764	.637	.530	.442	.368	.307	.256	.213	.178	
131	NPV	77	176	289	349	337	275	213	143	56	30	1945
132												
133	Discount Rate - International	0.2										
134												
135	Core Technologies rate	.406	.406	.406	.406	.406	.406	.406	.406	.406	.406	
136	Core Technologies value	31	72	117	142	137	112	86	58	23	12	790
137	Percent completion rate	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40	
138	Percent not-completed value	27	63	103	124	120	98	76	51	20	11	693
139	NPV after adjustment	18	42	69	83	80	65	51	34	13	7	462
140												
141												
142												
143	Worldwide Summary											
144	Revenue	1320	2902	4756	6411	7422	7387	6034	4237	1984	1250	43703
145	Operating income	264	726	1427	1923	2226	2216	2112	1695	793	500	13882
146	Operating Income after tax	173	476	937	1268	1468	1459	1389	1114	522	329	9135
147	NPV	159	364	596	672	649	538	426	285	111	58	3859
148	NPV after adjustment	39	90	147	166	160	132	105	70	27	14	951
149												
150												

	AK	AL	AM	AN	AO	AP	AQ	AR	AS	AT	AU	AV
101	Net Present Value -- SAMS:Lifeline 4.0 (Worldwide -- All)											34
102	Projected Fiscal Year											
103	(\$000)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total 2000-2009
104	North America											
105	Revenue	4425	9280	14669	16535	16939	16916	13009	7599	5246	3663	108281
106												
107	Operating Income	741	2005	3895	4960	5657	6190	4894	2998	2079	1455	34874
108												
109	Operating Income After Tax	459	1243	2415	3075	3507	3838	3034	1859	1289	902	21622
110												
111	NPV	421	950	1537	1631	1550	1414	932	476	275	160	9346
112												
113												
114												
115												
116	Core Technologies value	171	386	624	662	629	574	378	193	112	65	3794
117												
118	Percent not-completed value	143	321	521	552	525	479	315	161	93	54	3164
119	NPV after adjustment	108	243	393	417	396	361	238	121	70	41	2387
120												
121												
122												
123												
124	International											
125	Revenue	3560	6997	10370	13412	14420	14488	12156	6492	4330	2969	89193
126												
127	Operating Income	597	1554	2830	4024	4753	5177	4518	2541	1705	1173	28872
128												
129	Operating Income After Tax	418	1088	1981	2816	3327	3624	3163	1779	1193	821	20211
130												
131	NPV	383	831	1261	1494	1471	1335	971	455	254	146	8601
132												
133												
134												
135												
136	Core Technologies value	156	337	512	607	597	542	394	185	103	59	3492
137												
138	Percent not-completed value	137	296	449	532	524	476	346	162	91	52	3066
139	NPV after adjustment	91	197	300	355	349	317	231	108	60	35	2044
140												
141												
142												
143	Worldwide Summary											
144	Revenue	7985	16276	25040	29946	31358	31403	25165	14091	9576	6632	197474
145	Operating income	1338	3559	6725	8984	10410	11368	9412	5539	3783	2628	63747
146	Operating Income after tax	877	2331	4396	5892	6834	7462	6197	3638	2482	1723	41833
147	NPV	804	1780	2798	3126	3021	2749	1902	931	529	306	17947
148	NPV after adjustment	199	440	692	772	745	678	469	230	131	76	4431
149												
150												

Assembled Work Force Valuation

Based on information provided by CoreData and SSI, BGAI has computed the cost savings from acquiring and retaining 8 of 11 CoreData employees who were on board as of the date of acquisition. The other 3 employees either voluntarily or involuntarily resigned as of July 28, 1999 or were retained temporarily for transition activities.

The table below summarizes the key factors for valuing the Assembled Work Force:

Employee Category	Number of Retained Employees	Average Monthly Salary	Learning Period (months)	Recruiting Cost (% of Annual Salary)	% Usage of Recruiting
Sales/Marketing	2	14,584	4	20	75
Senior Technical	1	14,584	4	20	75
Other Technical	3	6,007	3	20	75
Services	1	4,334	2	20	75
Finance and Administration	1	2,917	1	20	25
Total	8				

The number of employees were those actually retained on the SMD payroll just after the acquisition date, grouped into logical categories.

The average monthly salaries exclude benefits, which will be calculated as an additional 30% of salary.

Learning time is based on SMD experience in training comparable new hires.

Recruiting cost (from third-party recruiters) is based on a percentage of salary; the calculations are adjusted to take into consideration that some employees are directly hired, not obtained through outside recruiting firms. The percentage of personnel recruited through third parties is shown in the fifth column.

Training cost takes into consideration the lost productivity from the employees who are needed to provide on-the-job training or formal classes for new employees. This is assumed to be 15% of an equivalent employee's time during the learning period.

Relocation expenses, in SMD experience, have been needed in 50% of the cases for sales and technical employees. Where required, the amount paid averages \$15,000 per technical engineer and sales/marketing person.

To determine the cost savings, BGAI followed these steps (all results are shown in the table below):

1. For each employee category, the productivity loss in training a new employee is calculated as the average monthly salary (plus benefits) times the number of employees in that category times 50% of the learning period (assuming a linear increase in productivity from start date through the end of the learning period).
2. For each employee category, the recruiting cost is calculated by multiplying the number of employees by the average recruiting cost percentage times the average annual salary by the percent of cases requiring use of recruiters.
3. For each employee category, the cost of having someone actually provide on-the-job training is determined by multiplying the number of employees in that category by the trainer cost, taken at equivalent salary plus benefits.
4. For each employee category, the relocation cost is determined by multiplying the number of employees in that category by the relocation cost times the percentage requiring relocation.

The following table summarizes the results from these key cost savings elements:

Employee Category	Productivity Loss (\$000)	Recruiting Cost (\$000)	Trainer Costs (\$000)	Relocation Costs (\$000)	Total (\$000)
Sales/Marketing	76	53	23	15	167
Senior Technical	38	26	11	8	83
Other Technical	35	32	11	22	100
Services	6	8	2	0	16
Finance & Administration	2	2	1	0	5
Total	157	121	48	45	371

The total is \$371,000 for the costs avoided by SMD by acquiring a portion of the assembled work force from CoreData. This figure must be adjusted to recognize that these savings are before taxes. Using a tax rate of 38%, the value would be reduced to \$230,000.

While there is normally a fairly high employee turnover in the computer software and services industry, SMD has had good experience in retaining its employees, particularly the more senior and more highly skilled individuals. Therefore, we would recommend amortizing the assembled work force value over an eight-year period, at the end of which time there would be less than 20% of the acquired employees still on the SMD payroll.

Other Technologies Valuation

The valuation of other technologies is based upon the value of the core technologies incorporated in the new products which SMD intends to market that were under development as of the acquisition date. It may also include any other acquired technologies that may be used in future SMD products.

In this case, the value of the CoreData core technologies is quite large, \$7,286,000.

This is based upon using the information and the calculations in Appendix G-2 and Appendix H.

This figure does not need to be reduced for percent not completed, since core technologies are viewed as proven programs.

The life expectancy for realizing the values from the acquisition of all rights to these technologies would be over a ten-year period, the same time period as used for the new product forecasts.

Going Concern and Goodwill Valuation

The remainder of the acquired intangible assets from CoreData consists of items which are difficult to individually assess. These include name recognition, operational offices, partnership and channel relationships, going concern practices and procedures, etc.

The remaining unallocated acquisition cost is \$1,980,000 which is determined by deducting the retained work force, customer base/professional services and other technologies from the total value of other intangibles of \$9,496,000.

These are considered long life assets so using a ten-year projected life is a reasonable basis for amortization.

Analysis of Acquisition Costs

Acquisition Costs (\$000)	
Purchase Price	\$14,000,000
Restructuring, Transitio, Basic Value Adjustments and Other Acquisition Costs (preliminary)	926,000
Total Acquisition Costs	\$14,926,000
Tangible Assets/Liabilities	
Assets less Liabilities	\$109,000
Net Tangibles	\$109,000
Intangibles	
Value of Intangibles	\$14,817,000
Value of Products	890,000
Value of Technologies	4,431,000
Value of Intangibles less Products and Technologies	\$9,496,000
Other Intangibles	
Value of Other Intangibles	\$9,496,000
Value of Retained Personnel	230,000
Value of Customer Base	-0-
Value of Other Technologies	7,286,000
Remainder of Intangibles	\$1,980,000
Goodwill/Going Concern Value	\$1,980,000
Non-Allocated Acquisition Costs	-0-