MOTIVE INC
Form SC 14D9
July 16, 2008

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14D-9

SOLICITATION/RECOMMENDATION STATEMENT
UNDER SECTION 14(d)(4) OF THE SECURITIES EXCHANGE ACT OF 1934

MOTIVE, INC.
(Name of Subject Company)

MOTIVE, INC.
(Name of Person Filing Statement)

COMMON STOCK, PAR VALUE $.001 PER SHARE
(Title of Class of Securities)

61980V107
(CUSIP Number of Class of Securities)

Jack Greenberg
General Counsel and Secretary
Motive, Inc.
12515 Research Boulevard, Building 5
Austin, Texas 78759-2220
(512) 339-8335

(Name, Address and Telephone Number of Person Authorized to
Receive Notice and Communications on Behalf of the Person(s) Filing Statement)

With copies to each of:

Don J. McDermett, Jr.
Baker Botts L.L.P.
2001 Ross Avenue
Dallas, Texas 75201
(214) 953-6454

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o Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

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Item 1. ***Subject Company Information.***

(a) Name and Address

The name of the subject company is Motive, Inc., a Delaware corporation (the Company). The address of the principal executive offices of the Company is 12515 Research Boulevard, Building 5, Austin, Texas 78759-2220. The telephone number of the Company at its principal executive offices is (512) 339-8335.

(b) Securities

The title of the class of equity securities to which this Solicitation/Recommendation Statement on Schedule 14D-9 (together with the Exhibits and Annexes hereto, this Statement) relates is the common stock, par value $0.001 per share, of the Company (Common Stock). As of the close of business on June 30, 2008, 27,754,569 shares of Common Stock were outstanding.

Item 2. ***Identity and Background of Filing Person.***

(a) Name and Address

The filing person is the Company. The Company s name, business address and business telephone number are set forth in Item 1(a) above.

(b) Tender Offer

This Statement relates to the offer by Magic Acquisition Subsidiary Inc. (Purchaser), a Delaware corporation and a wholly-owned subsidiary of Lucent Technologies Inc., a Delaware corporation (Parent) and a wholly-owned subsidiary of Alcatel Lucent, a *société anonyme* organized under the laws of the Republic of France (Alcatel Lucent), to purchase all of the issued and outstanding shares of Common Stock (each, a Share), for $2.23 per Share, in cash to the seller (the Offer Price) without interest and less any applicable withholding taxes, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated July 16, 2008 (as amended or supplemented from time to time, the Offer to Purchase), and in the related Letter of Transmittal (the Letter of Transmittal which, together with the Offer to Purchase, constitute the Offer). The Offer is further described in a Tender Offer Statement on Schedule TO (as amended or supplemented from time to time, the Schedule TO) filed by Alcatel Lucent, Parent and Purchaser with the Securities and Exchange Commission (the SEC) on July 16, 2008. A copy of each of the Offer to Purchase and the Letter of Transmittal are attached as Exhibit (a)(1)(A) and Exhibit (a)(1)(B), respectively, to the Schedule TO, and each is incorporated herein by reference.

The Offer is being made pursuant to the Agreement and Plan of Merger, dated as of June 16, 2008, by and among the Company, Parent and Purchaser (the Merger Agreement). The Merger Agreement provides that, among other things, the Offer is contingent upon the valid tender of a number of Shares equaling (x) not less than 17,639,096 Shares (the Minimum Condition), which represents approximately 58.3% of the issued and outstanding Shares (including for such purpose the 2.5 million Shares expected to be issued in connection with the previously announced settlement of the Company s securities class action lawsuit (the Settlement Shares)), or (y) if Purchaser lowers the Minimum Condition (as is permitted on a single occasion under the Merger Agreement), not less than 15,493,417 Shares, which represents approximately 51.2% of the issued and outstanding Shares (including for such purpose the Settlement Shares), plus the total number of Shares issued or to be issued between the date of the Merger Agreement and the acceptance for payment by Purchaser of Shares tendered in the Offer in response to certain elections to exercise options or warrants

to purchase Shares (the Lowered Minimum Condition).

Pursuant to the terms of the Merger Agreement, the Company also granted Purchaser, subject to certain conditions and limitations, an irrevocable option (the Top-Up Option), to be exercised, in whole or in part, on or prior to the 5th business day after completion of the Offer, to acquire a number of Shares (the Top-Up Option Shares) that, when added to the number of Shares owned by Parent, Purchaser and any of their respective wholly-owned subsidiaries at the time of the exercise of the Top-Up Option, constitutes (x) if the Minimum Condition is applicable, at least 90% of the number of Shares that will be issued and outstanding immediately after giving effect to the issuance of the Top-Up Option Shares on a fully diluted basis (including all Shares issuable under options and warrants to purchase Shares), or (y) if the Lowered Minimum Condition is applicable, at least 90% of the number of

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Shares that will be issued and outstanding upon acceptance for payment by Purchaser of Shares tendered in the Offer, including the Top-Up Option Shares, in either case at a price per Share equal to the Offer Price.

The Merger Agreement also provides that following completion of the Offer and, if necessary, the exercise of the Top-Up Option, the Company and Purchaser will complete a second-step merger (the Merger) through the short form procedures available under the Delaware General Corporation Law (the DGCL) without a meeting of the Company s stockholders, in which Purchaser will be merged with and into the Company, with the Company as the surviving corporation (such surviving corporation, the Surviving Corporation). At the effective time of the Merger (the Effective Time), each issued and outstanding share of the common stock, par value $0.001 per share, of Purchaser will be converted into one fully paid and nonassessable share of common stock of the Surviving Corporation, all Shares that are owned by the Company, Parent, or Purchaser and any of their respective direct or indirect wholly-owned subsidiaries will be cancelled and retired and will cease to exist and all other issued and outstanding Shares (other than Dissenting Shares (as defined below)) will be converted into the right to receive the Offer Price, without interest thereon, less any required withholding taxes (the Merger Consideration). Shares held by stockholders who have properly demanded appraisal and complied with the provisions of the DGCL relating to dissenters rights of appraisal (Dissenting Shares) will not be converted into a right to receive the Merger Consideration, unless such stockholder fails to perfect, withdraws or otherwise loses his, her or its right to appraisal.

At the Effective Time, each outstanding option to purchase shares of Common Stock issued under one of the Company s (or a predecessor s) stock option plans will be cancelled in exchange for the right to receive a single lump sum cash payment equal to the product of (i) the excess, if any, of the Merger Consideration over the per share exercise price of such stock option and (ii) the number of Shares issuable upon exercise of such stock option at the Effective Time, less any applicable tax or other withholdings. No consideration shall be payable in respect of any Company stock option for which the per share exercise price equals or exceeds the Merger Consideration and such Company stock option shall be cancelled and have no further force or effect. In addition, prior to the Effective Time, the Company will use its commercially reasonable efforts to cancel all outstanding warrants to purchase Shares in exchange for the right to receive a single lump sum cash payment to be paid as promptly as practicable after the Effective Time, equal to the product of (i) the excess, if any, of the Merger Consideration over the per share exercise price of such warrants and (ii) the total number of Shares for which such warrants may be exercised. No consideration shall be payable in respect of any such warrants for which the per share exercise price equals or exceeds the Merger Consideration and such warrants shall be cancelled and have no further force or effect.

A copy of the Merger Agreement is filed as Exhibit (e)(1) hereto and is incorporated herein by reference.

Upon completion of the Merger, Purchaser intends to cause the Company to file a Form 15 with the SEC to suspend the Company s obligation to file reports under the Securities Exchange Act of 1934, as amended (the Exchange Act), and to terminate the registration of the Common Stock under the Exchange Act. In the event that the number of stockholders of the Company is sufficiently reduced as a result of the completion of the Offer, Purchaser may take this action upon the completion of the Offer rather than upon completion of the Merger.

As set forth in the Schedule TO, the principal executive offices of Parent and Purchaser are located at 600 Mountain Avenue, Murray Hill, New Jersey 07974.

The Company is making information relating to the Offer and the Merger available on the internet at http://ir.motive.com.

Item 3. ***Past Contacts, Transactions, Negotiations and Agreements.***

Certain contracts, agreements, arrangements or understandings between the Company or its affiliates and (i) the Company s executive officers, directors or affiliates, or (ii) Parent, Purchaser or their respective executive officers, directors or affiliates are, except as noted below, described in the Information Statement that is attached hereto as Annex A and is incorporated herein by reference (the Information Statement), which is being furnished to the Company s stockholders in connection with Parent s right pursuant to the Merger Agreement to designate persons to the board of directors of the Company (the Board) after acquiring Shares pursuant to the Offer, pursuant to Rule 14f-1 under the Exchange Act. Except as described in this Statement (including in the Exhibits hereto and in Annex A hereto) or incorporated herein by reference, to the knowledge of the Company, as of the date

of this Statement, there are no material agreements, arrangements or understandings or any actual or potential conflict of interests between the Company or its affiliates and (i) the Company s executive officers, directors or affiliates or (ii) Purchaser, Parent or their respective executive officers, directors or affiliates.

(a) Agreements, Arrangements or Understandings with Parent or Purchaser

The Merger Agreement

The summary of the material terms of the Merger Agreement set forth in Section 13 The Merger Agreement of the Offer to Purchase and the description of the conditions of the Offer contained in Section 15 Conditions to Purchaser s Obligations of the Offer to Purchase are incorporated by reference herein (the Offer to Purchase is filed as exhibit (a)(1)(A) to the Schedule TO).

The summary of the Merger Agreement contained in the Offer to Purchase is qualified in its entirety by reference to the Merger Agreement, a copy of which is filed as Exhibit (e)(1) hereto and is incorporated herein by reference.

The Merger Agreement governs the contractual rights among the Company, Parent and Purchaser in relation to the Offer and the Merger. The Merger Agreement has been filed as an exhibit to this Statement to provide stockholders with information regarding the terms of the Merger Agreement and is not intended to modify or supplement any factual disclosures about the Company, Parent or Purchaser in the Company s public reports filed with the SEC. In particular, the Merger Agreement and this summary of terms are not intended to be, and should not be relied upon as, disclosure regarding any facts and circumstances relating to the Company, Parent or Purchaser. The representations and warranties contained in the Merger Agreement were made for the sole benefit of the other parties thereto and have been negotiated with the principal purpose of establishing the circumstances in which Purchaser may have the right not to consummate the Offer and Merger, or a party may have the right to terminate the Merger Agreement, including if the representations and warranties of another party prove to be untrue due to a change in circumstance or otherwise, and to allocate risk between the parties. Stockholders should not rely on the representations and warranties as a characterization of the actual state of facts as of the date of the Merger Agreement or as of the date of this Statement since they were modified by a confidential disclosure letter. The representations and warranties may also be subject to a contractual standard of materiality different from those generally applicable to stockholders and are qualified by information set forth in the confidential disclosure letter.

Nondisclosure Agreement

On March 28, 2007, the Company and Alcatel Lucent entered into a nondisclosure agreement to facilitate the mutual sharing of information in order to allow the parties to evaluate a potential transaction. This summary of the nondisclosure agreement does not purport to be a complete description of the terms and conditions of the nondisclosure agreement and is qualified in its entirety by reference to the nondisclosure agreement, which is filed as Exhibit (e)(4) hereto and is incorporated herein by reference.

Exclusivity Letter

On April 24, 2008, the Company and Alcatel Lucent entered into a 60 day exclusivity letter whereby the Company agreed, for a period of 60 days, not to solicit any proposals from, enter into discussions with or execute agreements with any party other than Alcatel Lucent in connection with a proposed purchase of the Company. Pursuant to the exclusivity letter, Alcatel Lucent granted the Company the right to, at any time after 30 days following the execution of the exclusivity letter (i) request written confirmation from Alcatel Lucent that its proposed purchase price for the Company was $67.8 million, subject to certain adjustments, and if Alcatel Lucent failed to issue such confirmation, provided the Company with the right to terminate the exclusivity letter without payment of any of Alcatel Lucent s

fees and expenses and (ii) terminate the exclusivity letter (subject to payment of the fees and expenses incurred by Alcatel Lucent solely in connection with its due diligence investigation, up to $250,000) in the event the Board determined that such action was necessary or appropriate in, and would be consistent with, the exercise by the Board of its fiduciary duties. This summary of the exclusivity letter does not purport to be a complete description of the terms and conditions of the exclusivity letter and is qualified in its entirety by reference to the exclusivity letter, which is filed as Exhibit (e)(3) hereto and is incorporated herein by reference.

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(b) Agreements, Arrangements or Understandings with the Company s Executive Officers and Directors

Information Statement

Certain agreements, arrangements or understandings between the Company or its affiliates and certain of their directors, executive officers and affiliates are described in the Information Statement.

Interests of Certain Persons

In considering the recommendation of the Board to tender Shares in the Offer, stockholders should be aware that the Company s executive officers and directors have agreements or arrangements that may provide them with interests that may differ from, or be in addition to, those of stockholders generally. As described below, the directors and officers of the Company have certain indemnification rights post-Merger, the transactions contemplated by the Merger Agreement will constitute a change in control of the Company for purposes of the change in control employment agreements with executive officers that could entitle an executive officer to severance payments and other benefits. The Board was aware of these agreements and arrangements during its deliberations of the merits of the Merger Agreement and the transactions contemplated therein and in determining to make the recommendation set forth in this Statement.

Director and Officer Indemnification and Insurance

Parent will cause the Surviving Corporation to assume all indemnification obligations of the Company which now exist in favor of directors and officers of the Company. Parent will also cause the Surviving Corporation to indemnify current and former directors, officers and employees of the Company and its subsidiaries.

For six years after the consummation of the Merger, Parent must cause the Surviving Corporation to maintain in effect the Company s current director and officer liability insurance policy on terms which are no less favorable than those currently in effect, subject to a 275 percent cap on premiums and certain other conditions.

The foregoing summary of the indemnification of directors and officers and director and officer liability insurance does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement, which is filed as Exhibit (e)(1) hereto and is incorporated herein by reference.

Management Arrangements with Parent

As of the date of this Statement, Parent is discussing the terms of future employment agreements with Anna Clepper, the Company s Vice President, Human Resources, Michael Fitzpatrick, the Company s Chief Financial Officer, and Richard Hanna, the Company s Chief Operating Officer, but, as of the date of this Statement, the terms of such employment agreements with Parent have not been finalized and there can be no assurance that such agreements will be reached. The discussions referenced above commenced after the Merger Agreement was executed.

Section 16 Matters

Prior to the Effective Time, the Company will take all such steps as may be required to cause any dispositions of Common Stock or options resulting from the Merger by each officer and director who is subject to the reporting requirements under Section 16(a) of the Exchange Act, to be exempt from liability under Rule 16b-3 promulgated under the Exchange Act.

(c)

Effect of the Offer and the Merger Agreement on Equity and Equity-Based Awards Granted under the Company s Stock Plans

Stock Options. Upon consummation of the Offer, a change in control will result under each of the Company s (or a predecessor s) stock option plans and, as Purchaser is not assuming any of the Company s stock options or stock option plans, all stock options issued under the Company s stock option plans will become fully vested at least 15 days prior to the Effective Time. At the Effective Time, each outstanding option to purchase shares of Common

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Stock issued under one of the Company s (or a predecessor s) stock option plans will be cancelled in exchange for the right to receive a single lump sum cash payment equal to the product of (i) the excess, if any, of the Merger Consideration over the per share exercise price of such stock option and (ii) the number of Shares issuable upon exercise of such stock option at the Effective Time, less any applicable tax or other withholdings. No consideration shall be payable in respect of any Company stock option for which the per share exercise price equals or exceeds the Merger Consideration and such Company stock option shall be cancelled and have no further force or effect.

Warrants. Prior to the Effective Time, the Company will use its commercially reasonable efforts to cancel all outstanding warrants to purchase Shares (the Warrants) in exchange for the right to receive a single lump sum cash payment to be paid as promptly as practicable after the Effective Time, equal to the product of (i) the excess, if any, of the Merger Consideration over the per share exercise price of such Warrants and (ii) the total number of Shares for which such Warrants may be exercised. No consideration shall be payable in respect of any such Warrants for which the per share exercise price equals or exceeds the Merger Consideration and such Warrants shall be cancelled and have no further force or effect.

Restricted Common Shares. Upon consummation of the Offer, a change in control will result with respect to all of the Company s restricted stock agreements and, as Purchaser is not assuming any of the restricted stock agreements, all restricted stock issued under the Company s restricted stock agreements will vest in full at that time. However, it is expected that the Board will in the near term authorize the immediate vesting in full of all restricted stock, and the immediate termination of all restrictions thereon, in order to allow the holders thereof to tender such restricted stock in the Offer.

In addition to the amounts the Company s directors and officers will receive as consideration for their directly held shares of Common Stock in the Offer and the Merger, the following directors and executive officers will receive the payments set forth below based on the options and restricted stock held by such persons:

Director/Officer	**Options**	**Restricted Stock**
Alfred T. Mockett, Chairman of the Board, Chief Executive Officer	$ 76,000	$ 111,500
Richard Hanna, Chief Operating Officer	$ 38,000	
Michael Fitzpatrick, Chief Financial Officer	$ 38,000	
Jack Greenberg, General Counsel, Secretary	$ 38,000	
Markus Remark, Senior Vice President, World Wide Services		
Anna Clepper, Vice President, Human Resources		
Thomas J. Meredith, Director	$ 54,672	
Virginia Gambale, Director	$ 33,171	
Michael J. Maples, Sr., Director	$ 33,171	
	$ 33,171	

David Sikora,
Director

Change in Control Agreements and Severance Payments. The Company currently has employment agreements with Ms. Clepper and Messrs. Mockett, Hanna, Fitzpatrick, Greenberg and Remark (each individually, an Executive Officer or collectively, the Executive Officers), all of which, except for the current employment agreement between Mr. Remark and a subsidiary of the Company, include post-employment severance and change in control benefits. Mr. Remark s current employment agreement does not provide for post-employment severance or change in control benefits, however, under German law and custom, Mr. Remark would receive severance payments from the Company on terms and in amounts consistent with what is customary for his position with the Company, such terms and amounts to be negotiated between him and the Company. Each Executive Officer, other

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than Mr. Remark, is eligible for severance benefits following the occurrence of a change in control (as defined in each employment agreement), if such Executive Officer s employment is terminated or if such Executive Officer resigns for good reason (as defined in each employment agreement).

The following table, based on a change in control having occurred as of June 30, 2008, shows the estimated payments and benefits that would be provided to each Executive Officer under his or her respective employment agreement following a change in control. For Mr. Mockett and Ms. Clepper, the actual accrued bonus amounts would be dependent on when in the year the change in control occurs and such amounts are payable only upon their termination or resignation. The accrued bonus numbers below have been calculated based on two fully completed quarters relative to the entire year. For Messrs. Hanna, Greenberg, and Fitzpatrick, the accrued bonus amount is not prorated but is for one year regardless of when the change in control occurs. The Retention Bonus column reflects the change in control acceleration of retention bonuses originally to be paid to the Executive Officers in 2008 thru 2010. See Retention Bonus Program below.

	Severance Payment ($)	Accrued Bonus Payment ($)	Retention Bonus Payment(1) ($)	Total Change in Control Payments ($)
Alfred T. Mockett(2)	350,000	175,000	429,667	954,667
Richard Hanna	137,500	165,000	300,767	603,267
Markus Remark	(3)	(3)	261,067	(3)
Jack Greenberg	112,500	112,500	204,500	429,500
Michael Fitzpatrick	112,500	112,500	204,500	429,500
Anna Clepper	107,500	32,250	183,017	322,767

(1) Included in this column is each Executive Officer s 2008 retention bonus grant, as follows: Mr. Mockett $170,000; Richard Hanna $119,000; Jack Greenberg $85,000; Michael Fitzpatrick $85,000; Markus Remark $128,000; and Anna Clepper $76,500. Also included is the value of the stock price appreciation from the 2008 retention bonus grant price of $1.70 and $1.50; for Alfred Mockett $53,000; Richard Hanna $37,100; Jack Greenberg $26,500; Mike Fitzpatrick $26,500; Markus Remark $50,400; and Anna Clepper $23,850.

(2) The Company is also required to pay Mr. Mockett s medical insurance for one year following termination of employment.

(3) Mr. Remark s current employment agreement with a subsidiary of the Company, dated September 18, 2003 (the Current Remark Employment Agreement), does not provide for any severance payments or accrued bonus payments. However, Mr. Remark would be entitled to severance payments and benefits in accordance with German law and custom, which payments and benefits are indeterminable as of the date of this Statement. Accordingly, the Company cannot determine the severance payment, accrued bonus payment or total change in control payments that Mr. Remark would have received if a change in control occurred as of June 30, 2008. In connection with Mr. Remark s May 2008 promotion to Senior Vice President, World Wide Services of the Company, the Company has proposed to enter into a new employment agreement with Mr. Remark in substantially the form attached as Exhibit (e)(18) (the Proposed Remark Employment Agreement), which has not been accepted by Mr. Remark as of the date of this Statement, but which would, upon execution, supersede the terms of the Current Remark Employment Agreement. Pursuant to the terms of the Proposed Remark

Employment Agreement, Mr. Remark would be eligible for severance benefits following the occurrence of a change in control (as defined in the Proposed Remark Employment Agreement), if his employment was terminated or if he resigned for good reason (as defined in the Proposed Remark Employment Agreement). Pursuant to the terms of the Proposed Remark Employment Agreement, if a change in control occurred as of June 30, 2008, Mr. Remark would have received $125,000 in severance payment, an estimated $62,500 in accrued bonus payment (calculated based on two fully completed quarters relative to the entire year, however, the actual accrued bonus amounts would be dependent on when in the year the change in control occurs and such amounts are payable only upon his termination or resignation) and an estimated $448,567 of total change of control payments (including his $261,067 retention bonus payment). Additionally, under the Proposed Remark Employment Agreement, the Company would be responsible for the expense to repatriate Mr. Remark

to his home country if he was terminated by the Company. In the event that Mr. Remark does not sign the Proposed Remark Employment Agreement or an agreement in substantially the form thereof, the Company expects that the total amount payable to Mr. Remark in connection with a change in control of the Company would be less than or equal to the $448,567 total change in control payments described herein. The summaries of the Current Remark Employment Agreement and the Proposed Remark Employment Agreement contained herein are qualified in their entirety by reference to the original transaction documents, copies of which are filed as Exhibits (e)(17) and (e)(18) hereto and are incorporated herein by reference.

Pursuant to the Merger Agreement, upon a change in control, all of the then unvested restricted stock then held by the Executive Officers would be immediately vested in full. Pursuant to the Merger Agreement all unvested stock options will vest (subject to the consummation of the Merger) at least 15 days prior to the Effective Time. If a change in control had occurred on June 30, 2008, the following stock options and restricted stock would have been subject to such accelerated vesting:

Restricted Stock/Options	**Alfred Mockett**	**Richard Hanna**	**Markus Remark**	**Jack Greenberg**	**Mike Fitzpatrick**	**Anna Clepper**
Restricted Stock	50,000					
Options by Strike Price:						
$1.85	133,334	66,667(1)		66,667(1)	66,667(1)	
$2.30					41,667(2)	
$2.65		66,667(2)		41,667(2)		
$3.40	187,500(2)					
$8.69			2,500			
$10.98			1,875			

(1) Pursuant to the applicable option agreement, in the case of a change in control, these unvested stock options will not immediately vest unless the Executive Officer s employment is terminated as well. However, pursuant to the Merger Agreement all unvested stock options will vest (subject to the consummation of the Merger) at least 15 days prior to the Effective Time.

(2) Pursuant to Stock Option Termination Agreements dated June 16, 2008, effective upon consummation of the Offer, these options will be cancelled.

Retention Bonuses. Pursuant to the Company s Key Employee Incentive Bonus Plan, the Company has awarded retention bonuses (Retention Bonuses) to certain key employees of the Company, including the Executive Officers. The Retention Bonuses are cash awards which vest in accordance with the vesting schedules provided in each participant s award agreement. In addition, the Award Agreements for the Executive Officers provide for a cash payment (a Change in Control Premium Amount) with respect to any Retention Bonus that has not yet fully vested at the time of a change in control. The Change in Control Premium Amount for any participant is equal to the product of the participant s Change in Control Premium (which equals the excess, if any, of the fair market value of a share of Common Stock on the last trading day before consummation of the change in control over the fair market value of a share of Common Stock on the participant s date of award of the Retention Bonus) and the quotient obtained by dividing (i) the original dollar amount of the participant s Retention Bonus by (ii) the fair market value of a share of Common Stock on the date of the award of the Retention Bonus. The Change in Control Premium Amount is to be paid within 10 days following the consummation of the change in control. The vesting of a participant s award will be accelerated in connection with a change in control of the Company if either (i) the successor entity (or a parent or

subsidiary of such successor entity) does not assume the award or (ii) such participant s employment is terminated by the Company or successor entity, other than for cause, within 12 months following the change in control (except in the case where the participant is simultaneously re-employed by the Company or an affiliate of the Company). In order for a participant to be eligible to receive payment pursuant to the Retention Bonus, such participant must have been continuously employed with the Company from the date of the award through the date of payment, except (i) where the vesting of a participant s award is accelerated due to a termination of employment by the Company or a successor entity, other than for cause, following a change in control, as described above, or (ii) where the participant s employment with the Company is terminated due to death

or disability following the vesting of an award but prior to the payment thereof. In addition, the Company, in its sole discretion, may convert all of the unvested portion of any Retention Bonus to a replacement restricted stock unit award on the terms and subject to the conditions of the Key Employee Incentive Bonus Plan.

The Company has granted Retention Bonuses pursuant to the Key Employee Incentive Bonus Plan to the Executive Officers as described below:

Name	Aggregate Amount of Retention Bonus ($)
Alfred T. Mockett	429,667
Richard Hanna	300,767
Markus Remark	261,067
Jack Greenberg	204,500
Michael Fitzpatrick	204,500
Anna Clepper	183,017

Each of these Retention Bonuses vests in three equal annual installments. However, upon a change in control of the Company, in certain situations (as described above), the vesting of the Retention Bonuses will be accelerated.

Contingent Retention Bonus Program. The Company has established a contingent retention program that consists of the implementation of retention bonuses for key individual contributors. The plan provides for a cash bonus payable March 31, 2009, with the only condition for payment being continuous employment through that date. This timing was selected to enable a one quarter transition period following the close of a transaction, during which time Purchaser can implement its own retention program(s) as it chooses. No Executive Officers are participating in this contingent retention program.

Employees. For a period of twelve months after the Effective Time, the employees of the Company immediately prior to the Effective Time that continue as employees of Parent, the Surviving Corporation or their respective subsidiaries will be provided with health, welfare and retirement benefits that are no less favorable, in the aggregate, than those provided by the Company and its subsidiaries immediately prior to the Effective Time.

Extended Severance Benefit. The Company has established an extended severance benefit to be offered to all employees (other than those employees employed in India or who currently have a three-month or greater severance benefit). This benefit will provide that, in the event of their involuntary termination not for cause, each such employees will receive a three-month severance and continuation of the Company s insurance contribution for three months. This benefit will not apply to terminations after December 31, 2008.

Item 4. *The Solicitation or Recommendation.*

(a) Recommendation of the Board

The Board, at meetings held on June 11, 2008 and June 16, 2008, among other things, (1) approved the Merger Agreement, the terms of the Offer, the Merger and the other transactions contemplated under the Merger Agreement, (2) determined that the Merger Agreement and the transactions contemplated therein, including the Offer and the Merger, are advisable and in the best interests of the Company and its stockholders, (3) determined that the

consideration to be paid to the stockholders of the Company in the Offer and the Merger is fair to, and in the best interests of, those stockholders, (4) approved the Merger Agreement and the transactions contemplated thereby, for purposes of Section 203 of the DGCL, (5) determined that, if required under the DGCL, the Merger Agreement and the Merger be submitted to a vote of the stockholders in accordance with the DGCL, (6) elected that the Offer and the Merger, to the extent of the Board s power and authority and to the extent permitted by law, not be subject to any takeover laws that may be applicable to Merger Agreement and the transactions contemplated thereby and (7) recommended that the stockholders accept the Offer and tender their Shares in the Offer.

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(b) Background of the Transaction

For purposes of this Item 4, references to Alcatel Lucent , unless otherwise specified, are to Parent, Purchaser and Alcatel Lucent.

In April 2005, Alcatel Lucent (then known as Alcatel) and the Company entered into a joint marketing and development agreement for remote management of home networking devices. As a result of such commercial relationship, Alcatel Lucent is both a joint development partner for certain of the Company s products, as well as a worldwide distribution partner for certain of the Company s products and services. The approximate amount of aggregate revenue to the Company resulting from Alcatel Lucent s distribution of these products was $6.4 million as of December 31, 2007.

In the context of this commercial relationship, there has been regular and ongoing contact between the Company and Alcatel Lucent, during which the parties, from time to time, engaged in preliminary discussions concerning Alcatel Lucent s potential acquisition of, investment in or additional commercial relationship with the Company.

In March 2007, Alcatel Lucent executed a revised confidentiality and non-disclosure agreement with the Company, replacing an earlier agreement from January 19, 2006 in connection with the joint marketing and development program. During April through August 2007, representatives of the Company and Alcatel Lucent held preliminary discussions surrounding a potential acquisition of the Company by Alcatel Lucent. Such discussions did not prove fruitful and were subsequently terminated. Such discussions did not lead to a definitive agreement.

On November 6, 2007, the Company announced that it had engaged Thomas Weisel Partners LLC (Thomas Weisel Partners) to assist the Company in evaluating strategic alternatives to maximize stockholder value, including a possible sale or other business combination transaction.

As part of its evaluation of strategic alternatives for the Company, representatives of Thomas Weisel Partners contacted potential bidders about a possible acquisition of the Company, and certain of such potential bidders executed confidentiality and non-disclosure agreements. Thirty-four potential bidders were contacted (or made inbound contacts) and management presentations were made to 10 potential bidders.

On November 16, 2007, representatives of Thomas Weisel Partners contacted representatives of Alcatel Lucent to advise Alcatel Lucent that the Company was considering a possible sale of the Company and Alcatel Lucent expressed an interest in participating in a possible sale of the Company.

On December 3, 2007, representatives of Alcatel Lucent attended a management presentation conducted by representatives of the Company and Thomas Weisel Partners.

Throughout January 2008, Alcatel Lucent and other potential bidders conducted preliminary due diligence investigations of the Company, which also included meetings with certain members of senior management of the Company.

On January 29, 2008, Alcatel Lucent submitted a non-binding indication of interest to acquire the Company for approximately $90 million. The non-binding indication of interest was conditioned upon, among other things, Alcatel Lucent completing its ongoing due diligence investigation of the Company, the settlement of the Company s securities class action litigation and shareholder derivative litigation becoming final, non-appealable and fully funded, delivery of certain audited financial statements and resolution (or the reasonable prospect for resolution) of the investigation into the Company being conducted by the SEC.

On February 4, 2008, Alcatel Lucent was notified by Thomas Weisel Partners that it had not been selected to proceed into the second phase of the bidding process. At that time two other potential bidders were permitted to continue in the process.

From February 5, 2008 through February 14, 2008, representatives of Alcatel Lucent continued to express its interest to the Company to participate in the second phase of the bidding process. As a result of such discussions, on February 15, 2008, Alcatel Lucent was added to the second phase of the bidding process.

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On February 29, 2008, Paul, Weiss, Rifkind, Wharton & Garrison LLP (Paul Weiss), transaction counsel to the Company, circulated a draft merger agreement to the potential bidders that participated in the second phase of the bidding process, including Alcatel Lucent. Concurrently therewith, Baker Botts L.L.P. (Baker Botts), corporate counsel to the Company, circulated a draft disclosure letter relating to the then current draft of the merger agreement.

On March 18, 2008, Alcatel Lucent submitted a revised bid to purchase the Company for a per share purchase price of $2.23, subject to certain conditions, which conditions were substantially similar to those contained in the indication of interest submitted by Alcatel Lucent on January 29, 2008 discussed above.

On March 25, 2008, representatives of Thomas Weisel Partners informed Alcatel Lucent that its bid had been rejected. Alcatel Lucent was informed that its offer price was equal to or below the proposals of other bidders and that such other proposals contained proposed closing conditions that might be more easily attained by the Company.

On March 27, 2008, the Board determined that a bid by another bidder was perceived to be less conditional than Alcatel Lucent s bid and on March 28, 2008 the Company entered into an exclusivity agreement with such other bidder. On April 9, 2008, that exclusivity agreement was terminated as the parties could not reach agreement on terms for a definitive agreement.

On April 11, 2008, representatives of the Company and Alcatel Lucent discussed and agreed to convene certain meetings in order to re-engage discussions on the potential purchase of the Company by Alcatel Lucent.

On April 13, 2008, the Board met to discuss the status of discussions with Alcatel Lucent and appropriate next steps.

From April 15 through April 18, 2008, representatives of the Company s management met with representatives of Alcatel Lucent and Bryan Cave LLP (Bryan Cave), legal counsel to Alcatel Lucent, to discuss different structures with respect to a potential business combination between the Company and Alcatel Lucent, including the Company s proposal of a near-term equity investment by Alcatel Lucent.

Between April 16, 2008 and April 24, 2008, representatives of the Company and Alcatel Lucent negotiated the terms of an exclusivity letter whereby the Company agreed, for a period of 60 days, not to solicit any proposals from, enter into discussions with or execute agreements with any party other than Alcatel Lucent in connection with a proposed purchase of the Company. Pursuant to the exclusivity letter, which was executed on April 24, 2008, Alcatel Lucent granted the Company the right to, at any time after 30 days following the execution of the exclusivity letter (i) request written confirmation from Alcatel Lucent that its proposed purchase price for the Company was $67.8 million, subject to certain adjustments, and if Alcatel Lucent failed to issue such confirmation, provided the Company with the right to terminate the exclusivity letter without payment of any of Alcatel Lucent s fees and expenses and (ii) terminate the exclusivity letter (subject to payment of the fees and expenses incurred by Alcatel Lucent solely in connection with its due diligence investigation, up to $250,000) in the event the Board determined that such action was necessary or appropriate in, and would be consistent with, the exercise by the Board of its fiduciary duties. Following the execution of the exclusivity letter, Alcatel Lucent continued its due diligence investigation of the Company until the execution of the Merger Agreement.

On April 30, 2008, Paul Weiss distributed a revised draft merger agreement to representatives of Alcatel Lucent and Bryan Cave. From April 30, 2008 until the execution of the Merger Agreement, the parties and their respective legal counsel exchanged drafts of the merger agreement and the related disclosure letter and held extensive discussions and negotiations relating to the terms and conditions of the draft merger agreement and the information included in the disclosure letter.

On May 6, 2008, Bryan Cave delivered to Paul Weiss a list of significant issues for discussion concerning the draft merger agreement, which issues related principally to: (i) the scope of certain representations and warranties to be made by the Company, (ii) covenants to be given by the Company in respect of its business between the execution of a definitive merger agreement and the closing of the merger, (iii) termination events and the payment of a termination fee or reimbursement of transaction expenses by the Company, and (iv) conditions to the completion by Alcatel Lucent of a tender offer for the Company s Shares. On May 7, 2008, representatives of Paul Weiss and

Bryan Cave participated in a conference call to discuss the issues list previously provided by Bryan Cave concerning the draft merger agreement.

On May 9, 2008, Alcatel Lucent informed the Company that it had rejected the Company s aforementioned near-term equity investment proposal, and Alcatel Lucent submitted to the Company, in lieu thereof, a term sheet for a secured loan facility between Alcatel Lucent and the Company.

On May 13, 2008, representatives of Alcatel Lucent and the Company discussed by telephone significant issues regarding the transaction. In particular, the Company rejected Alcatel Lucent s secured loan facility proposal, discussed the proposed tender offer conditions in the draft Merger Agreement, and requested an update on the status of Alcatel Lucent s due diligence investigation.

Over the next two weeks, representatives of the Company, Alcatel Lucent, Paul Weiss, Baker Botts and Bryan Cave engaged in various discussions and negotiations regarding the terms and conditions of the proposed transaction. Such discussions related principally to issues surrounding the covenants to be given by the Company in respect of the conduct of its business between the execution of a definitive merger agreement and the closing of the merger, termination events and the payment of a termination fee or reimbursement of transactions expenses by the Company, and conditions to the completion by Alcatel Lucent of a tender offer for the Company s Shares.

On May 29, 2008, following a request by the Company in accordance with the exclusivity letter discussed above, Alcatel Lucent confirmed in writing to the Company that the proposed purchase price for the Company remained $67.8 million, subject to certain permitted adjustments.

Over the next several days, representatives of the Company and Alcatel Lucent, including their respective legal counsel, engaged in discussions and intensive negotiations to finalize the terms and conditions of the merger agreement.

From June 10, 2008, to June 12, 2008, representatives of Alcatel Lucent met with representatives of the Company at the Company s headquarters in Austin, Texas to discuss human resources and certain other issues.

On June 11, 2008, the Board met with its advisers and management to review the status of negotiations and the proposed transaction with Alcatel Lucent. At such meeting, the Board, subject to the resolution of certain open issues, determined that it is advisable for the Company to enter into the Merger Agreement, approved the execution, delivery and performance of the Merger Agreement and determined to recommend that the stockholders accept the Offer and tender their Shares to Purchaser pursuant to the Offer. At such meeting, one member of the Board was unable to attend.

From June 11, 2008 to June 16, 2008, the parties continued to engage in discussions and negotiations with respect to the terms of the merger agreement and the related disclosure letter and, on June 16, 2008, final drafts of the Merger Agreement and the disclosure letter related thereto were distributed to the parties and their representatives. On the evening of June 16, 2008, the Board met with its advisers and management and, after being briefed on the status of the negotiations and final revisions to the terms of the Merger Agreement, reaffirmed its resolutions of June 11, 2008. At such meeting, one member of the Board was unable to attend. Shortly after such Board meeting, the Merger Agreement was executed.

On June 17, 2008, Alcatel Lucent and the Company issued a joint press release announcing execution of the Merger Agreement.

(c) Reasons for the Recommendation of the Board of Directors

In approving the Offer, the Merger, the Merger Agreement and the transactions contemplated thereby and recommending that all stockholders accept the Offer and tender their Shares pursuant to the Offer, the Board considered a number of factors. The following is a summary of the material factors that supported this decision:

Company Operations and Financial Condition. The Board considered the current and historical financial condition and results of operations of the Company, as well as its prospects and objectives, including the significant risks involved in achieving those prospects and objectives, and the current and expected conditions in the broadband and mobile service management software industry.

Challenges of Remaining Independent. The Board considered the continuing challenges facing the Company, including the size of the Company compared to its customers and competitors, the continued delinquent status of the Company relative to its periodic SEC reports, its attendant inability to hold annual stockholders meetings, and the cost and management attention required to become current with such reports, the fact that the Shares are not listed or admitted to trading on any securities exchange, general economic, environmental and market conditions, and the implications of those challenges on prospects for the Company as a stand-alone company.

Thomas Weisel Partners Fairness Opinion. The Board has received a presentation from its financial advisor, Thomas Weisel Partners, and the written opinion of Thomas Weisel Partners to the effect that, as of the date of the opinion and based upon and subject to the various considerations set forth in the opinion, the Offer Price to be received by the stockholders in the Offer is fair from a financial point of view to such holders. A summary of the Thomas Weisel Partners opinion is set forth under the caption Opinion of Thomas Weisel Partners below. The full text of the Thomas Weisel Partners opinion dated June 16, 2008, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Thomas Weisel Partners in rendering its opinion, is attached as Annex B and is incorporated in its entirety herein by reference. Company stockholders are urged to, and should, carefully read the Thomas Weisel Partners opinion in its entirety. The Thomas Weisel Partners opinion addresses only the fairness, from a financial point of view and as of the date of the opinion, to holders of Common Stock of the Offer Price proposed to be paid in the Offer. The Thomas Weisel Partners opinion was directed solely to the Board and was not intended to be, and does not constitute, a recommendation to any Company stockholder as to how any stockholder should vote or act on any matter relating to the proposed Offer or Merger. The Board was aware that Thomas Weisel Partners becomes entitled to certain fees described in Item 5 of this Statement contingent upon the consummation of the Offer.

Thomas Weisel Process. The Board considered the eight-month process that it had undertaken with assistance from Thomas Weisel Partners to review strategic alternatives for the Company, including Thomas Weisel Partners efforts to identify and approach numerous potential acquirors for the Company, and the fact that the terms proposed by Purchaser and Parent, as reflected in the Merger Agreement, were superior to any other definitive proposal that was received during this process. The Board considered the risk of loss of opportunity to enter into a transaction with Parent and Purchaser as well as the lack of any assurance that there would be another opportunity in the future for the Company s stockholders to receive as significant a premium over the prevailing market price of the Shares as that contemplated by the proposed transaction.

Offer Price. The Board considered that the Offer Price represented a premium of approximately 53% over the closing price of the Shares on June 16, 2008, and a premium of approximately 51% over the average closing prices of the Shares for the 90 days prior to June 16, 2008, the date of the parties execution of the Merger Agreement.

Trading Price of the Company Common Stock. The Board considered the recent and historical stock price performance of the Shares.

The Merger Agreement. The Board considered the financial and other terms of the Offer, the Merger and the Merger Agreement, including the benefits of the transaction being structured as a first-step tender offer and second-step merger, and the nature of the arm s length negotiation of the Merger Agreement.

Presentations and Management View. The Board considered the presentations by, and discussion of the terms of the Merger Agreement with, the Company s senior management, Paul Weiss, Baker Botts and Thomas

Weisel Partners. The Board also considered the belief of the Company s senior management that, based on its review of the Company s strategic alternatives and based on Thomas Weisel Partners experience in the industry and contact with other potential acquirors, it was highly unlikely that any party would propose an alternative transaction that would be more favorable to the Company and its stockholders than the Offer and the Merger.

Strategic Alternatives. The Board considered, in consultation with Thomas Weisel Partners, potential strategic alternatives available to the Company and the viability and risks associated with each alternative,

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including the prospects for the Company continuing on a stand-alone basis and the risks associated with achieving and executing upon the Company s business plan, both short-term and long-term. In particular, the Board considered the increased competition in the broadband and mobile service management software industry and the fact that greater size, critical mass and resources are increasingly required for companies to successfully compete in this industry. The Board also considered Parent to be an attractive strategic acquirer, having a complementary business platform with significant strategic relevance to the Company s business, substantial financial resources and a strong business reputation.

Certainty of Value, Lack of Financing Contingency. The fact that the Offer and the Merger, because they are solely for cash consideration, coupled with the absence of any financing condition, the experience, reputation and financial condition of Parent, provided certainty as to the value of the consideration to be received in the proposed transactions and that Parent s obligations to purchase Shares in the Offer and to close the Merger were not subject to its ability to obtain financing.

Ability to Pursue Subsequent Superior Proposals. The Company s ability, prior to the Acceptance Date, to entertain subsequent acquisition proposals if certain conditions are satisfied, including where the Company receives an unsolicited bona fide acquisition proposal that the Board reasonably determines in good faith (after consultation with its outside counsel and its financial advisor) is likely to result in or constitute a Superior Proposal (as defined in the Merger Agreement).

Ability to Change Recommendation. The Board s ability, prior to the Acceptance Date and subject to, under certain circumstances, the payment of Parent s and Purchaser s expenses of up to $1.25 million or a termination fee of $3 million (including Parent s and Purchaser s expenses incurred in connection with the transaction), as applicable, to change its recommendation regarding the advisability of the Offer and the Merger if it concludes in good faith, after receiving the advice of outside legal counsel, that the failure of the Board to make such a change in recommendation would be reasonably likely to result in a breach of its fiduciary duties under applicable law.

Ability to Terminate Merger Agreement. The Company s right to terminate the Merger Agreement prior to the Acceptance Date (i) to enter into an acquisition transaction with a third party that the Board determines to be a Superior Proposal if certain conditions are satisfied and the Company pays a termination fee (including expenses incurred by Parent and Purchaser in connection with the transaction) of up to $3 million to Parent; and (ii) in the event of certain breaches or failures by Parent or Purchaser of their representations, warranties, covenants or agreements set forth in the Merger Agreement.

Availability of Dissenters Rights. The Board considered the fact that stockholders of the Company who believe that the terms of the Offer and the Merger are unfair have the right to dissent from the Merger and demand payment of the fair value for their shares, in lieu of the consideration to be received in the Merger, in accordance with the DGCL, if such stockholders do not tender their shares in the Offer, do not vote in favor of the Merger and otherwise comply with the DGCL.

Costs of Operating as a Public Company. The Board considered the fact that maintaining the Company as a public entity is expensive both in terms of actual costs, including providing audited financial statements and other information to stockholders, retaining disinterested directors, and complying with the extensive regulations that are applicable to public companies.

The following is a summary of the material negative considerations that the Board weighed against the foregoing factors:

The covenant in the Merger Agreement prohibiting the Company from soliciting other potential acquisition proposals, and restricting its ability to entertain other potential acquisition proposals unless certain conditions are satisfied.

The provision in the Merger Agreement requiring the Company to (i) pay Parent s and Purchaser s expenses of up to $1.25 million or a termination fee of $3 million (including Parent s and Purchaser s expenses incurred in connection with the transaction), as applicable, if the Company terminates the Merger Agreement or the Board changes its recommendation regarding the advisability of the Offer and Merger under

certain circumstances and (ii) pay Parent s and Purchaser s expenses of up to $1.25 million or a termination fee of $3 million (including Parent s and Purchaser s expenses incurred in connection with the transaction), as applicable, if Parent should terminate the Merger Agreement under certain circumstances.

The covenants in the Merger Agreement restricting the conduct of the Company s business prior to the completion of the Merger to conduct that is in the ordinary course consistent with past practice in all material respects, as well as various other operational restrictions on the Company and its subsidiaries prior to the completion of the Merger.

The risks and costs to the Company if the Offer does not close, including the diversion of management and employee attention, employee attrition and the effect on business and customer relationships, as well as the Company s ability to attain satisfaction of all conditions to Purchaser s obligation to consummate the Offer, including the condition requiring the final, non-appealable resolution of the Company s securities class action and derivative litigation and the condition requiring the Company s delivery to Parent and Purchaser of unqualified audited financial statements for the years ended December 31, 2006 and 2007.

The risk that Parent may terminate the Merger Agreement and not complete the Offer in certain circumstances, including if there is a Material Adverse Effect (as defined in the Merger Agreement) on the Company s business, results of operation or financial condition, or if the Company does not perform its obligations under the Merger Agreement in all material respects.

The Board recognized that completion of the Offer and Merger as contemplated by the Merger Agreement would eliminate the opportunity for the Company s stockholders to participate in the future growth and profits of the Company. The Board also realized that the termination fee and expense reimbursement required by the terms of the Merger Agreement to be paid by the Company in certain circumstances would make it more costly for another potential purchaser to acquire the Company.

The foregoing discussion of the information and factors considered by the Board is not intended to be exhaustive, but merely summarizes the material factors considered. The members of the Board evaluated the Offer, the Merger and the Merger Agreement in light of their knowledge of the business, financial condition and prospects of the Company and the strategic alternatives to the Company, and based upon the advice of financial and legal advisors. In view of the number and wide variety of factors, both positive and negative, considered by the Board, the Board did not find it practical to, and did not, quantify or otherwise assign relative or specific weights to the factors considered or determine that any factor was of particular importance. Rather, the Board viewed its position and recommendations as being based on the totality of the information presented to and considered by the Board. In addition, individual members of the Board may have given differing weights to different factors and may have viewed certain factors more positively or negatively than others.

Opinion of Thomas Weisel Partners

In November 2007, the Company retained Thomas Weisel Partners to act as the Company s financial advisor in connection with the evaluation of strategic alternatives, including a possible sale, merger, or other business combination. On June 16, 2008, Thomas Weisel Partners delivered to the Board its oral opinion that, as of that date, the consideration to be received by the Company s stockholders in the Offer and the Merger was fair to the stockholders from a financial point of view. Thomas Weisel Partners delivered its written opinion dated June 16, 2008 confirming its oral opinion.

The Board determined the consideration the Company s stockholders would receive in the Offer and the Merger through negotiations with Parent. The Company did not impose any limitations on Thomas Weisel Partners with

respect to the investigations made or procedures followed in rendering its opinion.

The full text of the written opinion that Thomas Weisel Partners delivered to the Board is attached as Annex B and is incorporated herein by reference. Stockholders of the Company should read this opinion carefully and in its entirety. However, the following summary of the Thomas Weisel Partners opinion is provided for review by the stockholders of the Company.

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Thomas Weisel Partners opinion addresses only the financial fairness of the Offer Price to the stockholders and does not address the relative merits of the Offer, the Merger and any alternatives to the Offer and the Merger, the Company s underlying decision to proceed with or effect the Offer, the Merger, any other transaction as compared to the Offer or the Merger, or any other aspect of the transactions contemplated by the draft Merger Agreement. In addition, Thomas Weisel Partners opinion does not address the fairness of the Offer or the Merger to, or any consideration received in connection therewith by, the holders of any other class of securities, creditors or other constituencies of the Company, nor does it address the fairness, financial or otherwise, of the amount or nature of any compensation payable to or to be received by, or any equity issued to, any of the Company s officers, directors or employees, or any class of such persons, in connection with the Offer or the Merger relative to the Offer Price. Thomas Weisel Partners opinion does not address the consequences of, nor does Thomas Weisel Partners express any opinion as to any consideration that may be received in the Merger by, stockholders perfecting and pursuing appraisal rights as permitted by applicable law.

In connection with its opinion, Thomas Weisel Partners, among other things:

(1) reviewed certain publicly available financial and other data with respect to the Company, including certain consolidated financial statements and certain other relevant financial and operating data relating to the Company made available from published sources and from the internal records of the Company;

(2) reviewed the financial terms and conditions of the Merger Agreement;

(3) compared the Company from a financial point of view with certain other companies which Thomas Weisel Partners deemed to be relevant;

(4) considered the financial terms, to the extent publicly available, of selected recent business combinations which Thomas Weisel Partners deemed to be comparable, in whole or in part, to the Offer and the Merger;

(5) made inquiries regarding and discussed the Offer, the Merger and the draft Merger Agreement and the draft agreements ancillary thereto and other matters related thereto with the Company s counsel and auditor;

(6) reviewed the reported price and trading activity for the Company s Shares;

(7) reviewed and discussed with representatives of the Company s senior management certain information of a business and financial nature regarding the Company, furnished to Thomas Weisel Partners by senior management, including certain financial forecasts and related assumptions; and

(8) performed such other analyses and examinations as Thomas Weisel Partners have deemed appropriate, including, without limitation, examinations of current regulatory activities and investigations involving Company, which Thomas Weisel Partners deemed to be material to the Company s business or its ability to regain its status as a company listed on a national securities exchange.

In preparing its opinion, Thomas Weisel Partners did not assume any responsibility to independently verify, and has not independently verified, the information referred to above. Instead, with the Company s consent, Thomas Weisel Partners relied on the information being accurate and complete in all material respects. With respect to the financial forecasts of the Company provided to Thomas Weisel Partners by the Company s management, upon the advice of the Company s management and with the consent of the Company s management, Thomas Weisel Partners assumed for purposes of its opinion that the forecasts have been reasonably prepared on bases reflecting the best available estimates and judgments of the Company s management at the time of preparation as to the future financial performance of the Company and that they provide a reasonable basis upon which Thomas Weisel Partners could

form its opinion. Thomas Weisel Partners also made the following assumptions, in each case with the Company s consent:

- with respect to the financial forecasts for the Company provided to Thomas Weisel Partners by the Company s management, Thomas Weisel Partners, for the purposes of its opinion, adjusted such forecasts with respect to the growth of the mobility business. The Company discussed the adjusted forecasts with Thomas Weisel Partners and acknowledged their use of such adjusted forecasts in arriving at their opinion;

that there have been no material changes in the assets, financial condition, results of operations, business or prospects of the Company since the respective dates of the last financial statements made available to Thomas Weisel Partners;

that the Offer and the Merger will be consummated in a manner that complies with the applicable provisions of the Securities Act of 1933, as amended (the Securities Act), the Exchange Act, and all other applicable federal and state statutes, rules and regulations; and

that the executed Merger Agreement will conform in all material respects to the draft Merger Agreement reviewed by Thomas Weisel Partners on June 16, 2008 and that the Offer and the Merger will be consummated in accordance with the terms described in the Merger Agreement, without any further amendments thereto, and without waiver by the Company, Purchaser and Parent of any of the conditions to any party s obligations thereunder.

In addition, for purposes of their opinion:

Thomas Weisel Partners has assumed no responsibility for, and assumed that the Company has obtained the advise of outside counsel and independent accountants as to all legal and financial reporting matters with respect to the Company, the Offer, the Merger and the draft Merger Agreement, including the (i) status and potential implications of the litigation, regulatory activities and investigations involving the Company and (ii) impact of litigation, regulatory activities and investigations on the (A) financial reporting of the Company and (B) periodic reports of the Company filed with the SEC, the results of which advice Thomas Weisel Partners has relied on without further investigation where it deemed it appropriate; and

The Thomas Weisel Partners opinion was based on economic, monetary, market and other conditions as in effect on, and the information made available to Thomas Weisel Partners as of, the date of its opinion. Accordingly, although subsequent developments may affect its opinion, Thomas Weisel Partners has not assumed any obligation to update, revise or reaffirm its opinion.

The following represents a brief summary of the material financial analyses performed by Thomas Weisel Partners in connection with providing its opinion to the Board. Some of the summaries of financial analyses performed by Thomas Weisel Partners include information presented in tabular format. In order to fully understand the financial analyses performed by Thomas Weisel Partners, stockholders should read the tables together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data set forth in the tables without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by Thomas Weisel Partners.

Motive Stock Performance Analysis. Thomas Weisel Partners examined the daily historical volume and trading prices of the Common Stock. The 30-day, 60-day, 90-day, and last twelve months average trading prices of the Common Stock were $1.49, $1.45, $1.47 and $1.82, respectively.

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Historical and Projected Financial Performance. Thomas Weisel Partners reviewed certain historical annual and quarterly results for the Company. In addition, Thomas Weisel Partners reviewed two separate estimates of the Company s possible future financial performance for fiscal and calendar years 2008 through 2012 developed in discussion with the Company s management. One estimate was based on the assumptions that (i) there would be slower growth than anticipated by management in the mobility business and (ii) the Company s operating margins would be reflective of historical trends offset by the pending resolution of the re-audit, shareholder litigation and SEC investigation, (the Base Case). The other estimate was based on the assumptions that (i) the Company s revenue growth would be consistent with management s internal forecasts and (ii) the Company s operating margins would improve relative to historical trends due to projected changes in business mix as well as due to the pending resolution of the re-audit, shareholder litigation and SEC investigation (Adjusted Case). A summary of the Base Case and Adjusted Case is set forth in the following table:

Fiscal Year Ending December 31 Financial Statistic ($in millions)	**Actual 2007**	**Estimated 2008**	**Estimated 2009**	**Estimated 2010**	**Estimated 2011**	**Estimated 2012**
Base Case						
Revenue	$ 63.6	$ 72.4	$ 79.9	$ 89.8	$ 101.6	$ 114.5
EBITDA	$ (23.6)	$ (4.5)	$ (0.4)	$ (0.4)	$ 0.6	$ 2.7
EBITDA Margin	*(37.1)%*	*(6.2)%*	*(0.5)%*	*(0.5)%*	*0.6%*	*2.4%*
Net Income	$ (32.1)	$ (10.6)	$ (2.0)	$ (1.6)	$ (0.5)	$ 1.6
Net Income Margin	*(50.5)%*	*(14.6)%*	*(2.5)%*	*(1.8)%*	*(0.5)%*	*1.4%*
Adjusted Case						
Revenue	$ 63.6	$ 73.9	$ 83.0	$ 95.0	$ 109.8	$ 126.2
EBITDA	$ (23.6)	$ (0.2)	$ 3.5	$ 4.9	$ 7.5	$ 10.7
EBITDA Margin	*(37.1)%*	*(0.3)%*	*4.2%*	*5.2%*	*6.8%*	*8.5%*
Net Income	$ (32.1)	$ (6.4)	$ 1.0	$ 2.5	$ 4.9	$ 7.8
Net Income Margin	*(50.5)%*	*(8.6)%*	*1.2%*	*2.6%*	*4.4%*	*6.2%*

Comparable Company Analysis. Based on public and other available information, Thomas Weisel Partners calculated the multiples of aggregate value, which Thomas Weisel Partners defined as equity value plus debt less cash and cash equivalents, to calendar year revenues, earnings before interest, taxes, depreciation and amortization (EBITDA) and net income for companies with similar financial position challenged by growth, scale or profitability serving telecommunication service providers as well as those with a broader focus. Thomas Weisel Partners believes that the 12 companies listed below have operations similar to some of the operations of the Company, but noted that none of these companies have the same management, composition, size or combination of businesses as the Company:

ActivIdentity Corporation

Borland Software Corporation

Chordiant Software, Inc.

HireRight, Inc.

Ilog SA

i2 Technologies, Inc.

Kana Software Inc.

Openwave Systems, Inc.

Pervasive Software Inc.

QAD Inc.

SupportSoft, Inc.

Vignette Corporation

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The following table sets forth the multiples indicated by this analysis:

Aggregate Value to:	Range of Multiples(1)		Mean	Median
Actual 2007 Revenues	0.63x	0.94x	0.75x	0.77x
Actual 2007 EBITDA	6.1x	8.2x	8.4x	6.9x
Actual 2007 Net Income	14.1x	21.8x	19.7x	17.5x
Estimated 2008 Revenues	0.60x	0.90x	0.72x	0.74x
Estimated 2008 EBITDA	7.5x	11.4x	9.5x	8.6x
Estimated 2008 Net Income	20.4x	24.7x	22.5x	23.0x
Estimated 2009 Revenues	0.60x	0.84x	0.67x	0.68x
Estimated 2009 EBITDA	6.2x	7.6x	6.6x	6.5x
Estimated 2009 Net Income	14.3x	18.8x	18.9x	18.5x

(1) Reflects 1st 3rd quartile

While the comparable company analysis compared the Company to 12 companies in similar financial position, Thomas Weisel Partners did not include every company that could be deemed to be in this category, or in the specific sector of the software industry in which the Company participates.

The following table sets forth the implied multiples indicated by the aggregate value of the consideration to be received by the Company s stockholders in connection with the Offer and the Merger. If the applicable Motive financial statistic is negative, the implied multiple is listed as Not Meaningful (N.M.).

Aggregate Value to:	Base Case Implied Multiples	Adjusted Case Implied Multiples
Actual 2007 Revenues	0.90x	0.90x
Actual 2007 EBITDA	N.M.	N.M.
Actual 2007 Net Income	N.M.	N.M.

	Base Case Implied Multiples	Adjusted Case Implied Multiples
Estimated 2008 Revenues	0.79x	0.77x
Estimated 2008 EBITDA	N.M.	N.M.
Estimated 2008 Net Income	N.M.	N.M.

	Base Case Implied Multiples	Adjusted Case Implied Multiples

Estimated 2009 Revenues	0.72x	0.69x
Estimated 2009 EBITDA	N.M.	16.3x
Estimated 2009 Net Income	N.M.	51.4x

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Comparable Transactions Analysis. Based on public and other available information, Thomas Weisel Partners calculated where available: (1) the multiples of aggregate value to Last Twelve Months (LTM) revenues, LTM EBITDA and LTM net income; and (2) aggregate value to Next Twelve Months (NTM) revenues, NTM EBITDA and NTM net income for the following 26 comparable transactions selected based on target companies having a similar financial position to the Company:

Announcement Date	Name of Target	Name of Acquiror
07/29/04	Primus	Art Technology Group
09/03/04	QRS Corp.	Inovis International
09/21/04	Braun Consulting	Fair Isaac
01/07/05	Vastera	JP Morgan
05/10/05	Tarantella	Sun
07/29/05	MDSI	Vista
08/09/05	Register.com	Vector Capital
10/06/05	Centra Software	Saba Software
03/13/06	Artemis International Solutions	Versata
04/11/06	Portal	Oracle
04/27/06	NetIQ	AttachmateWRQ
05/24/06	DCS Group	Reynolds & Reynolds
06/05/06	Onyx Software	Made2Manage
08/28/06	InterVideo Inc.	Corel Corp.
09/21/06	Vitria Technology, Inc.	Innovation Technology Group
10/23/06	Metasolv, Inc.	Oracle
10/23/06	Indus International	Vista Equity Partners
04/02/07	Workbrain Corp.	Infor
04/11/07	Mobius Management	Allen Systems
04/24/07	Panda Software	Gala Capital
05/03/07	EasyLink Services	Internet Commerce
08/13/07	Gensym	Versata
10/2/007	Printronix	Vector Capital
05/01/08	NetManage	Micro Focus
05/29/08	Kintera	Blackbaud
06/06/08	Tumbleweed Communications	Axway

The following table sets forth the multiples indicated by this analysis and the multiples implied by the Offer:

Aggregate Value to:	Range of Multiples(1)		Mean	Median	Proposed Transaction
LTM Revenues	0.9x	1.6x	1.2x	1.0x	0.8x
LTM EBITDA	12.5x	35.3x	24.5x	17.7x	N.M.

	Range of		Proposed Transaction	Proposed Transaction at

Aggregate Value to:	Multiples (1)		Mean	Median	at Base Case	Adjusted Case
NTM Revenues	1.1x	1.6x	1.4x	1.5x	0.7x	0.7x
NTM EBITDA	7.8x	27.6x	17.4x	12.4x	N.M.	N.M.

(1) Reflects 1st 3rd quartile

No company or transaction in the comparable company or comparable transactions analyses is identical to the Company or the Offer and the Merger. Accordingly, an analysis of the results of the foregoing is not mathematical;

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rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading value of the companies to which the Company and the Offer and the Merger are being compared.

Premiums Paid Analysis. Thomas Weisel Partners reviewed the consideration paid in 77 U.S. acquisitions in the technology industry involving an aggregate value between $50 and $300 million announced since January 1, 2005 and separately, a group of comparable transactions selected based on target companies having a similar financial position to the Company. Thomas Weisel Partners calculated the premiums paid in these transactions over the applicable stock price of the target company one day and twenty days periods prior to the announcement of the acquisition. The following table summarizes Thomas Weisel Partners analysis:

	Overall Technology		**Selected Comparable Transactions**	
	Premium One Day Prior to Announcement	**Premium Twenty Days Prior to Announcement**	**Premium One Day Prior to Announcement**	**Premium Twenty Days Prior to Announcement**
3rd quartile	37.6%	41.6%	43.9%	41.5%
Median	26.8%	27.4%	18.3%	25.0%
1st quartile	12.6%	15.4%	9.2%	8.6%

Thomas Weisel Partners noted that the premiums implied by the transactions contemplated by the Merger Agreement were 52.7% and 48.0% for the period one day and 20 days prior to the date of the Thomas Weisel Partners opinion, respectively.

Discounted Cash Flow Analysis. Thomas Weisel Partners used Base Case and Adjusted Case financial cash flow forecasts of the Company for fiscal years 2008 through 2012, as estimated by the Thomas Weisel Partners in consultation with the Company s management, to perform a discounted cash flow analysis. In conducting this analysis, Thomas Weisel Partners assumed that the Company would perform in accordance with these forecasts. Thomas Weisel Partners first estimated the terminal value of the projected cash flows by applying multiples to the Company s estimated EBITDA, which multiples ranged from 7.0x to 9.0x. Thomas Weisel Partners then discounted the cash flows projected through 2012 and the terminal values to present values using rates ranging from 13.5% to 17.5%. This analysis indicated a range of aggregate values, which were then reduced by the Company s estimated net debt, to calculate a range of equity values. These equity values were then divided by fully diluted shares outstanding to calculate implied Base Case equity values per share ranging from $1.07 to $1.33 and Adjusted Case equity values per share ranging from $2.57 to $3.32. Thomas Weisel Partners noted that the value of stock consideration to be received by the Company s stockholders under the Merger Agreement was $2.23 per share.

The foregoing description is only a summary of the analyses and examinations that Thomas Weisel Partners deems material to its opinion. It is not a comprehensive description of all analyses and examinations actually conducted by Thomas Weisel Partners. The preparation of a fairness opinion necessarily is not susceptible to partial analysis or summary description. Thomas Weisel Partners believes that its analyses and the summary set forth above must be considered as a whole and that selecting portions of its analyses and of the factors considered, without considering all analyses and factors, would create an incomplete view of the process underlying the analyses set forth in its presentation to the Board and underlying its opinion. In addition, Thomas Weisel Partners may have given various analyses more or less weight than other analyses, and may have deemed various assumptions more or less probable than other assumptions. The fact that any specific analysis has been referred to in the summary above is not meant to

indicate that this analysis was given greater weight than any other analysis. Accordingly, the ranges of valuations resulting from any particular analysis described above should not be taken to be the view of Thomas Weisel Partners with respect to the actual value of the Company.

In performing its analyses, Thomas Weisel Partners made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of the Company. The analyses performed by Thomas Weisel Partners are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those suggested by these analyses. These analyses were prepared solely as part of the analysis performed by Thomas Weisel Partners with respect to the financial fairness of the consideration to be received by the Company s stockholders pursuant to the Offer and the Merger, and were provided to the Company in connection with the delivery of the Thomas Weisel Partners

opinion. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities may trade at any time in the future.

As described above, Thomas Weisel Partners opinion and presentation were among the many factors that the Board took into consideration in making its determination to approve, and to recommend that the Company s stockholders approve, the Offer and the Merger.

The Company has agreed to pay Thomas Weisel Partners a fee, payable upon consummation of the sale of the Company, equal to the greater of 2% of the value of the transaction or $1.75 million. In addition, the Company agreed to pay Thomas Weisel Partners a fee of $250,000 upon delivery of its fairness opinion in connection with a sale of the Company. The Board was aware of this fee structure and took it into account in considering the Thomas Weisel Partners opinion and in approving the Offer and the Merger. Further, the Company has agreed to reimburse Thomas Weisel Partners for its reasonable out-of-pocket expenses and to indemnify Thomas Weisel Partners, its affiliates, and their respective partners, directors, officers, agents, consultants, employees and controlling persons, against specific liabilities, including liabilities under the federal securities laws.

In the ordinary course of its business, Thomas Weisel Partners actively trades the equity securities of the Company for its own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in these securities. Thomas Weisel Partners also acted as an underwriter in connection with the initial public offering of the Company s Common Stock and has performed various investment banking services for the Company.

Intent to Tender.

To the best of the Company s knowledge, after reasonable inquiry, each executive officer and director of the Company currently intends to tender all Shares held of record or beneficially owned by such person to Purchaser in the Offer, other than such Shares, if any, that any such person or entity may have an unexercised right to purchase by exercising stock options. Following the Merger, Parent, through its authorized paying agent, will pay each option h