

Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenue:				
License fees and services	\$ 4,741	\$ 2,383	\$ 9,822	\$ 5,602
Customer support	<u>5,185</u>	<u>2,878</u>	<u>9,942</u>	<u>5,425</u>
Total revenue	<u>9,926</u>	<u>5,261</u>	<u>19,764</u>	<u>11,027</u>
Costs of revenue and operating expenses:				
Costs of license fees and services, excluding depreciation and amortization	2,393	1,125	5,369	2,194
Costs of customer support excluding depreciation and amortization	1,636	1,816	3,667	3,480
Sales and marketing	2,423	901	4,815	1,837
General and administrative	1,481	934	3,982	1,869
Product development	495	241	605	732
Depreciation	384	265	760	539
Amortization	1,395	214	2,816	432
Restructuring	<u>(3)</u>	<u>-</u>	<u>(51)</u>	<u>-</u>
Total costs of revenue and operating expenses	<u>10,204</u>	<u>5,496</u>	<u>21,963</u>	<u>11,083</u>
Loss from operations	(278)	(235)	(2,199)	(56)
Other income (expense), net	<u>(427)</u>	<u>67</u>	<u>(932)</u>	<u>124</u>
Income (loss) before income taxes	(705)	(168)	(3,131)	68
Benefit from income taxes	<u>16</u>	<u>-</u>	<u>294</u>	<u>8</u>
Net income (loss)	<u>\$ (689)</u>	<u>\$ (168)</u>	<u>\$ (2,837)</u>	<u>\$ 76</u>
Basic income (loss) per common share	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>	<u>\$ (0.15)</u>	<u>\$ -</u>
Diluted income (loss) per common share	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>	<u>\$ (0.15)</u>	<u>\$ -</u>
Weighted average basic shares outstanding	18,639	15,853	18,619	15,845
Weighted average diluted shares outstanding	18,639	15,853	18,619	17,590

Consolidated Balance Sheets

(In thousands)

(Unaudited)

June 30,
2005

December 31,
2004

ASSETS

Current assets:

Cash and cash equivalents	\$ 4,567	\$ 11,386
Current portion of restricted cash	100	100
Contract receivables, net	6,065	11,296
Unbilled work-in-progress	1,467	1,323
Prepaid and other current assets	<u>1,742</u>	<u>1,832</u>
Total current assets	13,941	25,937
Property and equipment, net	2,269	2,563
Intangible assets, net	16,282	19,993
Goodwill	35,596	37,698
Restricted cash	<u>300</u>	<u>300</u>
Total assets	<u>\$ 68,388</u>	<u>\$ 86,491</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Current portion of notes payable and long-term obligations	\$ 4,451	\$ 4,911
Accounts payable and accrued liabilities	6,125	8,357
Payable to Tertio sellers	-	2,664
Deferred foreign income taxes	128	265
Unearned revenue	<u>10,298</u>	<u>13,083</u>
Total current liabilities	21,002	29,280

Long-term liabilities:

Long-term obligations	88	125
Notes payable	8,336	11,849
Deferred foreign income taxes	<u>3,735</u>	<u>4,642</u>
Total liabilities	33,161	45,896

Preferred stock

11,281 11,281

Stockholders' equity:

Common stock	16	16
Additional paid-in capital	67,828	67,765
Other comprehensive (loss) income	(600)	1,994
Accumulated deficit	<u>(43,298)</u>	<u>(40,461)</u>
Total stockholders' equity	<u>23,946</u>	<u>29,314</u>
Total liabilities and stockholders' equity	<u>\$ 68,388</u>	<u>\$ 86,491</u>