

# Billing & OSS Finance Newsletter

September 2007

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Volume VIII, Issue 3

## SOKOLOFF RANKINGS

For the past year and a half, **Management Network Group, Inc. (NasdaqGM:TMNG)**, a provider of management consulting services, has hovered between #21 and #27 in the **Sokoloff Rankings**.<sup>\*</sup> This quarter has seen some good news for TMNG and a jump in the ratings from #24 to #18. **A major factor in the improved status was the May 31 announcement that the company is back in compliance with SEC and NASDAQ regulations.** With compliance, the company's share price cracked the two dollar mark for the first time in nearly a year.

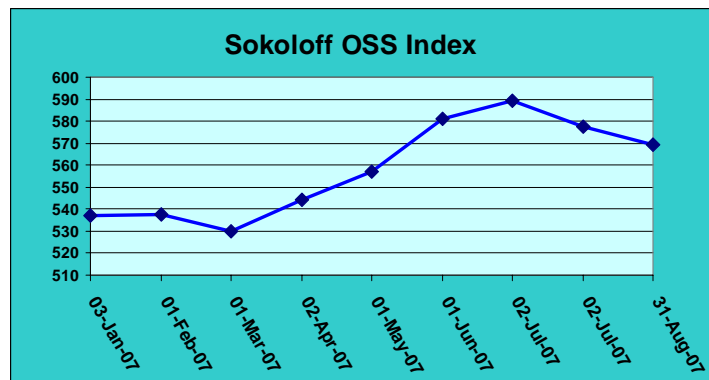
TMNG also witnessed an uptick on June 18 with the addition of the President title for COO **Micky Woo**. **Rich Nespola** continues as Chairman/CEO.

In July the company signaled to investors that TMNG was blazing a new path. **They announced that Behrman Capital sold their 34.9% interest in TMNG to a group of investment banking firms.** The firms were largely made up of current holders of TMNG common stock. **Rich Nespola** stated that he believed the transaction should ultimately diversify their common stock ownership and provide greater market liquidity in the trading of their shares.

**Lastly, the announcement of TMNG's acquisition of RVA Consulting, a privately held telecommunications consulting firm, and a positive second quarter earnings release helped to keep the company moving in an upward trend.** The company said the acquisition reaffirms its leadership in telecom consulting and that it anticipates that the transaction would be immediately accretive. **Revenue for the second quarter showed a 58.5% increase over the same quarter last year.**

This quarter we also added to the rankings **Openwave Systems, Inc. (NASDAQ: OPWV)**, a provider of software services for the communications and media industries. **OPWV** has had quite an interesting ride of late, plagued with losses, investigations into their stock-option-granting practices and a hostile takeover bid. **At the end of the first quarter, unhappy investors filed class action suits for violations of the Securities Exchange Act and clamored for a sale of the company.**

In May, Harbinger Capital Partners, which



**already owned 13% of the company, stepped in and offered to takeover the company.** They proposed to buy 40.4 million shares at \$8.30 per share, a discount from the day's closing price of \$8.65. This would then bring their ownership up to 62%. **Harbinger** made the offer more attractive to investors by suggesting that if 100% of stockholders tender their shares for cash, they would pay out a special dividend once the deal closed.

**Openwave rejected the offer saying that it was inadequate and not in the best interest of their shareholders.** Said, **OPWV Chairman, Bernard Puckett**, "The board believes that implementation of **Openwave's** stand-alone plan will generate greater value for stockholders than Harbinger's offer." The company hopes to cut quarterly expenses and plans to restructure the business by cutting 20 percent of its

workforce. Additionally the board authorized a special one time dividend of \$100 million or \$1.20 per share from the company's cash hoard of nearly \$400 million.

Investors were not pleased with the rejection of the offer and shares fell 16.1% the morning after the announcement. **Perhaps, taking this as a sign, Harbinger announced an extension of the offer two days later and appealed the May 18 decision of the Delaware court which had ruled in favor of Openwave's rejection of Harbinger's board nominees.** **Openwave** then went on to retaliate by updating their progress on their stand-alone plan and once again recommending that stockholders not tender their shares.

**In a last ditch effort Harbinger sent out a letter on June 20 informing investors that tendering their shares would send the strongest message to the board that they must resign, that a special preferred rights provision (a so called "poison pill") created in 2000 to defend against hostile takeover must be retracted, and that the Delaware court's ruling should be overturned.**

**All of this was to no avail. Harbinger withdrew its offer two days later, as it had failed to have tendered to it the minimum number of shares required and OPWV's board declined to comply with the other conditions.** With this battle behind them, **Openwave** must now move forward and be true to the promises they made their shareholders.

<sup>\*</sup>Determination of rankings is based on the Enterprise Value to Sales Multiple (EVS). This is market cap plus debt and any preferred stock, less cash, divided by trailing twelve month sales. EVS is an indicator of the relative value of the company compared to others in the same market.

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## ***SYNCHRONOSS: AN APPLE IN THE EYE OF OSS***

**Synchronoss Technologies, Inc.** (NASDAQ:SNCR), a provider of on-demand transaction management software to Tier One communications service providers (CSPs), has had quite a ride since opening for business in the fourth quarter of 2000. They raised \$34 million in Series A Funding in 2001, became EBIT positive in 2002, profitable by 2004, and had their IPO in 2006.

Sokoloff & Company began reporting on the company soon after it became public and SNCR has consistently held the number one spot in our rankings based on its enterprise value to sales multiple. **Synchronoss continued its successful run this past quarter with the announcement of its multi-year contract with AT&T to provide services for the Apple iPhone.**

**Sokoloff & Company** interviewed CFO, **Larry Irving**, to get an insight on how this company has been able to grow its business so successfully.

### **What's the origin of Synchronoss?**

It was a spin off of **Vertek**, a professional services corporation. **Steve Waldis**, who is now our CEO, was a principal there. Early on, Steve realized that there were many problems surrounding back office efficiencies. CSPs were solving them by spending significant amounts of money on bodies instead of using software and technology.

**Synchronoss has an atypical model, providing complex OSS functionality in a services model rather than a license sale model. How were you able to convince carrier customers to buy into a**

**SaaS (Software as a Service) model rather than license sale along customary lines?**

Service providers over the past number of years have spent significant amounts of money and capital which has not given them what they needed. Our model, from the beginning, has always focused on the transaction and improvement of operational efficiencies. We maximize automation and increase

quality which results in a lower cost per transaction for the CSP. **Our model doesn't require significant cost for upfront investment or upgrades.** The provider pays a per click fee for each transaction and in effect is only paying for consumption. We back our performance with service level guarantees in both processing time and quality. ***This results in a business model which ensures speed to market, lower cost for transactions and improved quality which is what the carrier wants.***

**How did the SaaS model evolve for Synchronoss?**

Right from the first day. We've added more transactions and customers over the years, but we began the business with that model in mind.

**Tell us about the experience with AT&T of rolling out the iPhone.**


We believe the **Apple iPhone** to be a revolutionary product and the biggest industry event in awhile. **It was extremely critical that the launch be without a flaw, so we did numerous processing and scalability tests with both AT&T and Apple.** We had to make sure that the platform and overall service offering was ready to support significant transaction volumes with the highest automation levels. It was a very successful launch and was the highlight of the industry. Our selection by **AT&T** is a testament of the faith and trust they have in us and our partnership with them has become larger and stronger as a result.

**Have you had any reason to work directly with Apple? If so, in what respect and how has that experience been?**

Our relationship is with **AT&T** directly but we also worked closely with **Apple** engineers during the iPhone launch. The coordination with **Apple** and **AT&T** was very successful, and it contributed strongly to the flawless launch.


**With 81% of your most recent quarter's revenue coming from AT&T, describe what services you're providing for them and in which domain(s).**

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In the prior quarter revenues from AT&T was 68%. Services continue to expand throughout AT&T, driven most recently by the launch of the iPhone. Although the bulk of the recent growth continues to be with AT&T Mobility for both consumer and business sectors we also service VoiP, and other wire line services.

**With all of your clients being in North America, what, if any, are your plans for expansion internationally?**

Our recent launches have led to significant awareness of our services on a more global basis; as a result we have begun to explore international markets. That said, it's only in an exploratory stage right now. The success of our eCommerce channel has brought us a lot of awareness and a desire for companies to talk with us so we have accelerated our focus in exploring new markets.

**What can you tell us about new products and services you're working on?**

As CSPs continue to offer more complex services and devices across multiple networks the need to process these transactions is expected to grow. **Synchronoss spends in the neighborhood of 10% of its revenue dollars in research and development.** Earlier this year, we announced our ConvergenceNow™ platform which allows for new transaction types such as the iPhone as well as many other services. Both **Time Warner Cable** and **Comcast** are delivering their wireless offerings through the ConvergenceNow™ platform.

**Understanding that this is not a guidance and would be strictly a personal opinion, describe the**

**Lawrence R. Irving**  
CFO, and Treasurer, Synchronoss Technologies, Inc.

Larry has over 25 years of financial and telecom experience. Prior to Synchronoss, Larry served as CFO/Treasurer for both publicly traded and venture backed companies. In addition, he has held extensive financial management and business development responsibilities at various companies.



**Synchronoss of 2012.**

Though we don't provide guidance beyond 2007, I can say that we have continued to build strong customer

always look for ways to maximize shareholder value. **Whether it's through partnership activities, or mergers and acquisitions, if it made sense for us, we would not hesitate to act.**

**What was market acceptance like for your IPO?**

During our IPO last year, the market was in a tailspin. The market had been down almost every day of our roadshow which was approximately 14 days. As a result we ended up pricing at eight dollars, which was below our price target. **Since then, our stock price has more than quadrupled.**

**Contact**  
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**relationships in helping them provide services better, faster, and cheaper.** We expect that transactions will continue to become more complex as more services are bundled and we are confident that we will be in a position to provide the needed solutions.

**Are there any mergers and acquisitions in your future, and if so what kinds of companies?**

We don't have any formal merger and acquisition objective; however we

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**"Always do right. This will gratify some people and astonish the rest."**  
- Mark Twain (1901)

