

Billing & OSS Finance Newsletter

March 2007

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Volume VIII, Issue 1

SOKOLOFF RANKINGS

This quarter we feature **Lightbridge Inc.** (*NasdaqGM:LTBG*), **ADC Telecom** (*NasdaqGS:ADCT*), **Evolving Systems Inc.** (*NasdaqCM:EVOL*), and **Management Network Group Inc.** (*NasdaqGM:TMNG*). All of these companies showed improvement from last quarter's **Sokoloff & Company Rankings**.*

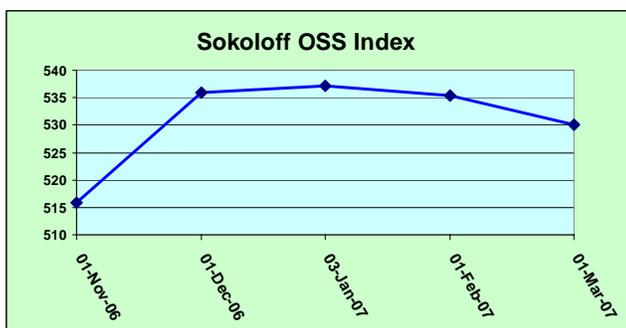
Lightbridge Inc. has steadily seen an upward trend reaching a high point in February. The company's fortunes began to change in April 2004 when it acquired **Authorize.net**, which provides payment gateway services for merchants via the web. This turned out to be a fortuitous move by management as its former major line of business, **Telecom Decisioning Services (TDS)** has been in a rapid decline. This culminated on February 21st as **LTBG** announced the sale of the **TDS Business** to **Vesta Corporation** for \$2.5 million in cash plus the assumption of certain contractual liabilities.

Authorize.net has proven to be the most valuable part of **LTBG's** business; with its January 31 announcement of fourth quarter revenues the stock soared. **Authorize.net** alone grew 23% year over year hitting a record with \$12.8 million in sales. **Robert Donahue**, CEO of **Lightbridge** stated "With the sale of the TDS business completed, we will be focused solely on growing and expanding our payment processing business."

ADC Telecom, a vendor for wireline, wireless, cable, broadcast, and enterprise networks, saw a gradual ascent during the fourth quarter and into the first. **ADC's** shares rose following positive fourth quarter results. Then, on March 5th, the company

announced that it had exceeded its earnings guidance for Q1 (fiscal year ending February 2nd). "Our first quarter sales and earnings in 2007 were stronger than we expected. We are pleased with this performance in the face of several customer timing variables, including merger integration in the US and regulatory reviews in other countries," said **Robert E. Switz**, president and CEO of **ADC**.

ADC's unloading of two divisions in the month of January, added to its climb. On the



12th, it announced that it sold its professional services business in France. On the 29th they reached an agreement to sell **ADC's** interest in **BigBand Networks** to the other shareholders for \$58.9 million. **BigBand** is a seller of platforms for broadband multimedia to telecom providers nationwide.

Evolving Systems announced plans to realign and strengthen their executive management team to better support their 2007 growth initiatives. Management changes included the Chairman, CEO, and Presidency, and will be completed by April 1 of this year.

EVOL also announced a regional partnership with **Reksoft** in Russia on the 25th of January. **Thad Dupper**, President, said, "Our partnership with **Reksoft**, with their proven track record of success in the region, will enable us to gain a foot-hold in this

dynamic market at a very exciting time." However, the largest move of the quarter for **Evolving Systems** came on February 26 with their announcement that a major European wireless customer plans to extend the use of their **Tertio™** Service Activation solution across four of its operation companies. Stock hit \$2.10, the highest since March of 2006.

In December **TMNG** announced the acquisition of UK Consulting and Technology Firm, **Cartesian Limited**. The total value of the transaction was approximately \$7.3 million. **Rich Nespola**, Chairman and CEO of **TMNG** commented, "This acquisition extends **TMNG Global's** consulting expertise and adds a sustainable new element to our business model." **TMNG** also saw a major spike on February 15 when it provided a positive fourth quarter business update. They reported unaudited revenue growth of 38% and full fiscal year growth of 12%.

Lastly, some mention should be made of telecommunications software companies, **Comverse Technology Inc.** (*OTC:CMTV.PK*), and its subsidiary, **Ulticom Inc.** (*OTC:ULCM.PK*). The companies have been delinquent in filing their reports because of problems with the backdating of options. Both companies were delisted on February 1st. **Comverse** was relatively unscathed and even climbed one notch in the rankings, but **Ulticom** dropped from 4 to 14.

*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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550 North Brand Blvd. Suite 1650 Glendale, CA 91203
(818) 547-4500, fax (818) 547-4388, www.sokoloffco.com

COMVERSE'S REAL TIME BILLING DIVISION

Sokoloff and Company had the pleasure of interviewing **Howard Woolf, President of the Real Time Billing Division of Comverse Technology, Inc.** (OTC: CMVT.PK) to get his viewpoint on the OSS and Billing area as well as his perspective on **Comverse's** recent acquisitions. **Comverse** is a major provider of software and systems enabling network-based multimedia enhanced communication services.

Tell us about the history of the Real Time Billing Division.

We've been in the business much longer than people realize... about seven years. We started out with a pre-paid product that we sold to smaller companies. Then, about four years ago, we decided to extend our reach and enhance our offering. We realized that what we did better than anyone else was **real time processing** and that **speed was really our technical advantage.**

The division started to feel the pull of service providers whose primary need was to grow market share by targeting segments with unique offerings that would be attractive to their customers. Operators became more like merchandisers. We were able to offer them flexibility and a dynamic way to add and change services to fit the desires of their users. **For example, our product is able to verify time, date, location, content downloaded, SMS use, and a host of other user stats.** Marketing can sell with this. Since the product is able to determine user habits, the operator can target and send promotions that fit with that customer's usage. It's a very good marketing tool, and it's flexible and high speed.



**Howard Woolf, President
Comverse Real Time Billing Division**

Mr. Woolf was previously the CEO of Odigo, Inc.—until the company was acquired by Comverse in 2002. Prior to this, Mr. Woolf garnered rich experience with more than 25 years in high-tech industry, holding a number of senior strategic positions with leading global companies, including General Electric, Intel, Digital Equipment Corporation and Compaq.

Today we have such a powerful system, that we had to create a group of people just to work with operators and brainstorm on different marketing programs. *In this way, we become a partner in building brand.* We have customers that span the spectrum: telephone and cable companies, people who sell online services, even eBay. **We're also very scalable.** We have a customer that started with 40,000 subscribers, and today has 40,000,000 subscribers, but he's never had to do an upgrade because our system is able to scale. We've seen some customers' business doubling and tripling every year.

June 2006
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Solutions Limited

Has merged with



SUBEX
Systems

The undersigned advised Subex Systems Limited.



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What made Comverse decide to acquire Kenan?

We looked at every billing company out there, and there's a lot of good ones, **but none had the balance of field implementation structure and resources, great product, and track record of customer service that Kenan did.** We

"We believe the world of convergence is our destiny."

had real time billing expertise and they had postpaid billing, on-site deployment and IT services resources. The two together made a compelling capability to enter convergence. **We believe the world of convergence is our destiny.** The proof of this is in our customers who are pulling us into combined real time and post date. In a converged solution you don't have to worry about technology barriers. And now operators are able to micro segment the market according to real time/postpaid time.

How did the transaction get introduced to Comverse? What were the drivers?

Like all good marriages, we were motivated. We had a customer who wanted a combined solution so we collaborated with **Kenan** as marketing partners to try to fix this. We found that the chemistry, outlook, ambition, values and technology that we both had were a match. Our relationship started to grow. **We knew if we really wanted to solve the problem in the industry in the right way, we'd have to join to be able to determine a solution.**

How has the integration of Kenan gone?

Great. We began with a task force to put together the first version of our combined product and **within 6 months we sold our first system.**

In less than a year we went into commercial trials and we were able to launch an operator with converged billing solutions. We have also sold the same system to other operators and have a good backlog of business from our joint offering.

What other acquisitions has Comverse made that have fallen under your division?

Late last year we acquired **Neutronomy**. **Neutronomy** had a self service and customer service product and great technology. We see a

tremendous opportunity in the marketplace for small and medium operators. **With Neutonomy, we are able to give them a satisfying solution and help them avoid spending huge amounts of money for CRM (Customer Relationship Management).** CRM systems cost a fortune and it's up to debate whether the cost pays for itself. *We think over time some Tier One's will start to get rid of their CRM systems as well, because they will realize they don't have to live with these larger products that overkill and are overly expensive.* They may want to change to something more practical.

How does your division successfully compete with Amdocs, Convergys, and other billing companies?

Those companies focus almost exclusively in North America and that's where they've made their primary investments. **We're a global company and include emerging markets like India, Asia and Eastern Europe.** We're also different in that our model is a product approach. We customize and tailor the solution for each operator but it's mostly standardized and can be upgraded. In this way, the cost of the product is amortized over a number of operators, versus a product which is completely unique to a company. Those types of products mean that the operator has to solely pay for all of the development. With our product, the cost is borne by the whole industry, therefore we're more cost effective. We also offer real time billing and you're guaranteed that you'll be able to update and upgrade it in the future, unlike other products which might require redoing from scratch if it's not a product that's made for the whole industry.

It's interesting to note that both Oracle and IBM have entered the OSS arena via recent acquisitions. What are your thoughts on this?

Everybody's trying to do everything and it's not an easy task to have a well thought out architecture. **People do see the dynamics and are attracted to the opportunity, but the question is execution.** Our model is a more straightforward design and we build from the ground up. Furthermore, some of

Kenan has OSS in it so it already works together as a product. **Whoever gets to seamless first wins.**

Is an OSS acquisition in Converse's future?

It's possible, we're always looking.

What are your thoughts about where future growth for your division may lie?

Mergers and acquisitions are one thought, although I'm not a big fan of just being big

"People are going to want everything all the time everywhere they are and the system that can manage billing, merchandising and availability will win. "

and how to enter that effectively in the least expensive way. This is what makes WiMax (WiMAX is a wireless digital communications system) so interesting. IMS also, because it will lower the cost of the infrastructure though it may take five years to play out. **Content everywhere is the story.**

What emerging technologies and telecom services do you see on the horizon which will impact your business in the next five to ten years?

IMS will effect us, everything we're doing is gearing up for IP, being able to bill for content, manage channels, and multi play. **People are going to want everything all the time everywhere they are and the system that can manage billing merchandising and availability will win.** That's the technology that we're going to focus on.

Contact Sokoloff & Company

Please contact Mark Schwartz Managing Director New Business Development for a confidential consultation about your company's merger and acquisition needs. (818) 547-4500 mschwartz@sokoloffco.com

*Effective Date April 2007
This notice appears as a matter of record only.*



SUBEX AZURE
...Powering the ROC

has agreed to acquire



SYNDESIS

The undersigned advised Subex Azure Limited.



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550 North Brand Blvd. Suite 1650 Glendale, CA 91203
(818) 547-4500, fax (818) 547-4388
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for big's sake. **There's a necessary advantage to being right sized, and my experience is that right sized companies move faster and are more agile.** We're very selective. We manage our growth very tightly. Regionally, there's tremendous opportunity in Asia, India and Eastern Europe. China is still the highly coveted plum, though that's a long term bet. Even mature North American markets are possibilities as eventually the incumbents will have to compete with the new guys and the new guys have the technology we sold them.

The technologies that customers will be most interested in are online content

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While at our website, surf around. There's plenty of useful information, including our archive of M&A Transaction Case Histories.

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

SOKOLOFF & CO. VALUATION RANKINGS OF PUBLIC BILLING & OSS COMPANIES Q4 2006 Numbers & Stock Prices as of February 23, 2007

Sokoloff & Company compiles a quarterly review of selected public Billing & OSS companies (and companies that dedicate a portion of their business to Billing & OSS) and compares how each is valued by the public marketplace. Comparative values for each company are expressed as: **EVS**, which is Enterprise Value divided by Sales and **PE**, Price to Earnings (market cap divided by earnings). **EVM** is Enterprise Value Multiple; Enterprise Value is the sum of the company's market capitalization plus any debt or preferred stock and minus cash on hand. **EVM** is the Enterprise Value divided by **EBITDA** (Earnings Before Interest, Depreciation and Amortization). All multiples are based on trailing twelve months (TTM) numbers through the most recently reported quarter.

Note: The quarterly revenue percentage column is the increase (or decrease) from the same quarter in the previous year. Where fiscal year has differed from calendar year, the most recently reported information is used. The 4th Q 06 percentage column is the increase from 4th Q 05. Changed from previous list: Intivista SA (VTAY.PK) voluntarily withdrew from the NASDAQ. Metasolv (MSLV) was acquired by Oracle Corp. (ORCL). Oracle Corp. (ORCL) and IBM (IBM) have both been added. **Information provided strictly for informational purposes to industry senior executives. Sokoloff & Co. makes no representations as to its accuracy. Sokoloff & Co. does not advise public investors; this information should not be used for investing purposes.**

Current Rank	Previous Rank	Company	Symbol	Stock Price 2/23/07	52 Week Range	Market Cap 2/23/07	2004 Revenue (000's)	2005 Revenue (000's)	2006 Revenue (000's)	4th Q 06 Revenue (000's)	4th Q 06 Incr. (decr)	P/E	EVS	EVM
1	1	Synchronoss Technologies, Inc.	SNCR	17.91	6.25 - 19.32	574.90M	27,191	54,218	72,400	20,300	35.5%	51.87	7.33	27.32
2	New	Oracle	ORCL	16.82	12.36 - 19.75	87.16B	10,156,000	11,799,000	14,360,000	4,163,000	26.5%	24.13	5.45	13.45
3		Verisign	VRNS	26.18	15.95 - 26.78	6.36B	1,166,455	1,609,500	1,580,000	413,000	6.2%	9.69	3.78	14.22
4		Lightbridge	LTBG	16.86	9.29 - 17.04	459.74M	133,055	108,300	95,600	20,600	-24.6%	19.16	3.64	16.08
5		Fair Isaac	FIC	40.14	32.51 - 44.08	2.30B	706,206	798,671	825,365	208,200	2.7%	24.01	3.07	9.57
6		AMDOCS Ltd.	DOX	35.5	32.50 - 41.01	7.33B	1,773,732	2,038,621	2,480,060	691,000	17.7%	22.90	2.65	12.65
7		CSG Systems	CSGS	25.51	21.86 - 28.45	1.20B	529,746	377,300	383,100	96,600	3.6%	20.10	2.64	8.70
8		Agilent	A	33.27	26.96 - 39.54	13.48B	4,556,000	4,886,000	4,973,000	1,280,000	9.7%	22.10	2.51	14.48
9		Opnet	OPNI	15.49	9.20 - 16.82	318.51M	56,453	64,243	76,115	24,500	21.9%	44.50	2.51	16.07
10		Converse Technology	CMVT.PK	21.85	16.95 - 29.64	4.40B	765,892	959,442	No report	No report	N/A	40.04	2.17	15.49
11		ECTel	ECTX	5.1	3.79 - 5.75	83.78M	12,605	23,151	28,800	7,600	16.9%	N/A	2.03	-69.39
12		NetScout Systems, Inc.	NTCI	8.68	5.77 - 9.63	279.61M	71,500	85,200	97,900	26,500	6.4%	38.33	2.02	15.68
13		Tektronix Inc.	TEK	29.35	25.26 - 36.89	2.40B	920,620	1,034,654	1,040,000	272,800	7.7%	25.00	1.93	10.73
14		Ultron	ULCM.PK	8.92	8.25 - 11.50	386.07M	38,400	63,436	No report	No report	N/A	19.60	1.92	6.36
15		Mind CTI	MNDQ	2.64	2.25 - 3.50	62.00M	17,806	15,600	20,060	5,080	0.8%	28.22	1.78	8.06
16	New	IBM	IBM	97.73	72.73 - 100.90	147.22B	96,293,000	91,134,000	91,424,000	26,257,000	7.5%	16.00	1.75	9.04
17		ADC Telecom	ADCI	17.47	11.81 - 27.15	2.05B	733,900	1,129,400	1,281,900	297,200	8.9%	28.34	1.45	12.82
18		Affiliated Comp Services	ACS	54.01	46.50 - 63.66	5.35B	4,106,393	4,351,159	5,353,661	1,430,000	6.1%	20.57	1.39	7.85
19		Convergys Corp.	CVG	26.84	16.23 - 27.18	3.69B	2,487,700	2,582,100	2,800,000	720,000	7.5%	22.91	1.36	9.03
20		Tekelec	TKLC	13.51	9.50 - 16.50	921.43M	387,072	486,500	553,600	154,500	11.5%	22.92	1.21	15.45
21		Ccl Group	GIB	8.56	5.70 - 8.73	2.82B	2,704,487	3,164,597	2,986,150	776,316	0.6%	25.34	1.12	7.84
22		Evolving Systems Inc	EVOL	1.85	0.78 - 3.10	30.68M	26,342	39,452	No report	No report	N/A	N/A	1.12	8.27
23		Ace Comm	ACEC	0.99	0.86 - 3.09	18.06M	13,700	20,000	26,700	3,146	-53.3%	N/A	0.88	-4.68
24		MER Telemangement Solutions Ltd.	MTSL	1.74	1.50 - 3.45	10.05M	9,413	11,560	11,000	2,900	-3.3%	N/A	0.84	-14.20
25		Management Network	TMNG	1.99	1.27 - 2.64	71.80M	23,700	30,378	34,000	8,600	37.9%	N/A	0.82	-5.06
26		StarTek, Inc.	SRTI	11.23	9.10 - 24.50	163.85M	258,100	216,370	237,600	59,100	1.6%	18.40	0.58	4.84
27		TTI Team Telecom	TIIL	2.57	2.36 - 5.50	41.12M	37,798	43,200	46,100	10,100	-17.9%	19.60	0.18	-3.96
28		Boston Comm.	BCGI	2.37	1.08 - 4.14	42.26M	107,928	103,858	No report	No report	N/A	N/A	0.03	0.12
Sokoloff Index							Total:	128,131,194	127,028,910	130,807,101	36,948,042	Quarterly		
							545.08	Consecutive Growth over previous period:	-1%	3%	13%	Growth	5.75%	2.08
							No report - As of press time, these companies had not yet announced their Q4 & Year End results.	Average		Median	22.92	1.85	9.04	

* Companies are ranked according to EVS. Enterprise Value to Sales is calculated by dividing the Enterprise Value by trailing twelve month revenues.



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