

IMPACT OF SOX ON THE SOFTWARE INDUSTRY
Adverse Section 404 Reports
For Companies with Years Ended in 2006
As of April 23, 2007

The following is a copy of the sixteen adverse reports that were issued from companies in the Software industry with years ended in 2006. These were all of the accelerated filers in the Software industry with adverse Sarbanes-Oxley Section 404 management self assessments. This information was gathered using the online research tool called Audit Analytics an Ives Group, Inc company.

The following is a summary of the **material internal control weaknesses** reported in the sixteen adverse Section 404 Self Assessments:

Internal Controls - Accounting documentation, policy and/or procedures	16
Internal Controls - Material and/or numerous auditor /YE adjustments	11
Internal Controls - Accounting personnel resources, competency/training	10
Internal Controls - Restatement or nonreliance of company filings	5
Internal Controls - Untimely or inadequate account reconciliations	4
Internal Controls - Ethical or compliance issues with personnel	3
Internal Controls - Non-routine transaction control issues	3
Internal Controls - Information technology, software, security & access issue	1
Internal Controls - Restatement of previous 404 disclosures	1
Internal Controls - Senior management competency, tone, reliability issues	1

The following is a summary of the **material accounting weaknesses** reported in the sixteen adverse Section 404 Self Assessments. Section 404 is not just about internal control issues, but also about misapplication of financial accounting and reporting issues:

Accounting - Tax expense/benefit/deferral/other (FAS 109) issues	7
Accounting - Revenue recognition issues	6
Accounting - Accounts/loans receivable, investments & cash issues	5
Accounting - Acquisition, merger, disposal or reorganization issues	4
Accounting - Liabilities, payables, reserves and accrual est failures	3
Accounting - Cash flow statement (FAS 95) classification errors	2
Accounting - Deferred, stock-based or executive comp issues	2
Accounting - Fin Stmt, footnote, US GAAP, segment disclosure issues	2
Accounting - Foreign, related party, affiliated and/or subsid issues	2
Accounting - PPE, intangible or fixed asset (value/diminution) issues	2
Accounting - Balance sheet classification of asset issues	1
Accounting - Consolidation, (Fin46r/Off BS) & foreign curr transl issues	1
Accounting - Debt and/or equity classification issues	1
Accounting - Depreciation, depletion or amortization issues	1
Accounting - Expense recording (payroll, SG&A) issues	1
Accounting - Income statemt classification, margin and EPS issues	1
Accounting - Inventory, vendor and cost of sales issues	1
Accounting - Lease, FAS 5, legal, contingency & commit issues	1
Accounting - Lease, leasehold & FAS 13 (98) (subcategory) issues	1

The following is a copy of the sixteen Section 404 management self assessment that resulted in an adverse Section 404 Self Assessments in 2006.

AUDIT ANALYTICS™

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SELECTICA INC

Report of Management on Internal Controls over Financial Reporting Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Securities Exchange Act Rules 13a-15(f) and 15(d)-15(f). The Company's internal control system is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the reliability of financial reporting and the preparation of published financial statements in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. A material weakness is a control deficiency or combination of control deficiencies that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Based on management's assessment of our internal control over financial reporting as of March 31, 2006, we have identified the following material weakness: We had insufficient controls over the External Reporting process related to the preparation, review and approval of the annual and the interim financial statements. Specifically, we had insufficient: a) review within the accounting and finance departments; b) preparation and review of footnote disclosures accompanying our financial statements; and c) technical accounting resources. As of March 31, 2006, we did not have sufficient personnel and technical accounting expertise within our accounting function to sufficiently address complex transactions and/or accounting and financial reporting issues that arise from time to time in the course of our operations. Although these deficiencies did not result in errors in the financial statements, there is however, more than a remote likelihood that a material misstatement of our annual or interim financial statements would not have been prevented or detected.

Because of the material weakness described in the preceding paragraph, the Company has concluded that its internal control over financial reporting was not effective as of March 31, 2006. Our independent registered public accounting firm, Armanino McKenna LLP, has issued an attestation report on management's assessment of the Company's internal control over financial reporting, which is included herein.

CHORDIANT SOFTWARE INC

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of September 30, 2006 based on the guidelines established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Because of its inherent limitations, internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with established policies or procedures may deteriorate.

A material weakness is a control deficiency, or a combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. In connection with the Company's assessment of the effectiveness of internal control over financial reporting, the Company has identified the following material weaknesses that existed as of September 30, 2006: Control activities relating to stock option grants:

In connection with the restatement discussed above, we recorded \$8.3 million of additional pre-tax non-cash stock

based compensation expense and associated withholding tax exposure related to stock option grants that occurred in the fiscal periods 2000 thru 2006. The Company did not maintain effective control over the granting of stock options and its accounting for its non-cash stock-based compensation and related financial statement disclosures, since the method by which the Company originally valued certain common stock and amortized deferred stock-based compensation for such common stock were determined to be incorrect. Our current management has determined that a majority of the control deficiency relates to the finalization of granting stock options. This control deficiency resulted in adjustments to the Company's fiscal year 2006 annual and interim financial statements. Further, this control deficiency could result in material misstatements to the Company's annual or interim financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness.

Control activities relating to the training of the sales force and the communication of issues impacting revenue recognition to the finance department

In conjunction with a license transaction consummated during the year ended September 30, 2006, management became aware of a verbal agreement relating to the provision of professional services that was communicated to a customer via a member of the sales organization. The financial statement impact of this verbal arrangement was determined to be not material to the financial statements at September 30, 2006 and was deemed to be isolated in nature; however, it indicated a need to improve the level of training that the sales staff should receive to ensure that the sales staff fully understand that verbal arrangements are strictly prohibited by Company policy and that any contract addendums should be communicated to the finance department. As a result, the Company determined that it did not maintain effective control over the training of the sales force and the communication of issues impacting revenue recognition to the finance department. This control deficiency did not result in adjustments to the Company's fiscal year 2006 annual or interim financial statements. However, this control deficiency could result in material misstatements to the Company's annual or interim financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness.

ATARI INC

Management's Report on Internal Control over Financial Reporting Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that: • Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; • Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and • Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management assessed the effectiveness of our internal control over financial reporting as of March 31, 2006. In making this assessment, management used the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO"). A material weakness is a control deficiency, or a combination of control deficiencies, that result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. In connection with management's assessment of our internal control over financial reporting described above, management has identified the following material weaknesses in the Company's internal control over financial reporting as of March 31, 2006:

- During February 2006 prior to the filing of our December 31, 2005 Form 10-Q, we determined that we needed to restate our consolidated statement of cash flows for the nine months ended December 31, 2004 as a result of a material weakness in internal controls over financial reporting. Specifically, the controls in place as they relate to the financial close and reporting review process failed to detect certain accounting errors. Further, during the fourth quarter of March 31, 2006, the financial close and reporting review process failed to detect an accounting error related to license amortization expense. Accordingly, management has determined that this control deficiency constitutes a material weakness.
- Certain of our internal controls were dependent upon computer-generated information but were not designed to ensure the integrity of that information prior to its use. As a result, we were not able to provide reasonable assurance that only valid orders are recorded and processed and that credit notes and adjustments to revenue, accounts receivable and cost of sales are accurately calculated and recorded. Accordingly, management has determined that

this control deficiency constitutes a material weakness.

- Certain of our internal controls were dependent upon computer-generated information but were not designed to ensure the integrity of that information prior to its use. As a result, we were not able to provide reasonable assurance that payments had been properly approved and disbursed to the appropriate suppliers, nor that they were recorded in the appropriate period. Accordingly, management has determined that this control deficiency constitutes a material weakness.
- We did not maintain adequate controls over payroll records and related reconciliations at one of our development studios. Specifically, the studio did not effectively maintain required employee records. Further, the development studio did not effectively perform formal monthly reconciliations related to its payroll accounts and related bank statements. Accordingly, when aggregated, management has determined that these control deficiencies constitute a material weakness.
- We did not maintain adequate controls over income tax accounts and related disclosures. Specifically, these controls failed to ensure the proper calculations and presentation of our required income tax footnote disclosures. Accordingly, management has determined that this control deficiency constitutes a material weakness.

Management has concluded that, as a result of these material weaknesses, the Company did not maintain effective internal control over financial reporting as of March 31, 2006, based on the criteria in Internal Control-Integrated Framework issued by COSO. Management is currently evaluating various forms of remediation and expects to have these material weaknesses corrected prior to the end of fiscal 2007. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of March 31, 2006 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is included on page 43 of this Annual Report on Form 10-K. Atari, Inc. June 29, 2006

CONCUR TECHNOLOGIES INC

Our management is responsible for establishing and maintaining adequate "internal control over financial reporting," which is defined as a process to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of September 30, 2006 based on the framework in Internal Control – Integrated Framework issued by the Committee of the Sponsoring Organizations of the Treadway Commission.

Based on that evaluation, our management identified a deficiency in the operation of the Company's internal accounting controls, which constituted a material weakness in our internal control over financial reporting. A material weakness is a significant deficiency, as defined in Public Company Accounting Oversight Board Auditing Standard No. 2, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of a company's annual or interim financial statements would not be prevented or detected by company personnel in the normal course of performing their assigned functions. This deficiency pertained to our controls over changes in accounting principles, which was identified when an unauthorized change to the accounting method for calculating adjustments to accounts receivable and the current portion of deferred revenue resulted in adjustments to our consolidated balance sheet as of September 30, 2006, as properly reflected in this Annual Report on Form 10-K. Because of this material weakness, our management concluded that Concur did not maintain effective internal control over financial reporting as of September 30, 2006, based on criteria established in Internal Control – Integrated Framework issued by COSO. Management's assessment of the effectiveness of internal control over financial reporting as of September 30, 2006 excludes Outtask systems that have not been migrated to our existing systems. See Note 2 of Notes to Consolidated Financial Statements for a further description of this acquisition.

Our independent registered public accounting firm, Deloitte & Touche LLP, has audited our management's assessment of the effectiveness of Concur's internal control over financial reporting and has issued an audit report thereon, which is included in Part II, Item 8 of this Annual Report.

CATAPULT COMMUNICATIONS CORP

Management's Annual Report on Internal Control Over Financial Reporting Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial

reporting includes those policies and procedures that: • pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; • provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and • provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become ineffective because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2006. In making this assessment, management used the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). During our fiscal year ended September 30, 2006, we held variable rate demand notes as an investment. In our balance sheets as of December 31, 2005, March 31, 2006 and June 30, 2006, we classified these securities as cash and cash equivalents rather than short-term investments as required by generally accepted accounting principles (GAAP). We also reported the purchase and sale of these securities in our statements of cash flows for the three months ended December 31, 2005, six months ended March 31, 2006 and nine months ended June 30, 2006 as purchases and sales of cash equivalents. Upon further review, our management determined that these securities should be reported on our balance sheets as short-term investments, and that the purchase and sale of the securities should be reported on our statements of cash flows in the investing section. As a result, we will restate our balance sheets and statements of cash flows for those dates and periods, respectively, and we will file amended Forms 10-Q for the periods ended December 31, 2005, March 31, 2006 and June 30, 2006. Our management determined that a material weakness in internal control over financial reporting with respect to the accounting for and disclosure of short-term investments existed as of September 30, 2006. Specifically, controls were not operating effectively to ensure that (i) short-term investments were properly excluded from cash and cash equivalents on the balance sheet, and (ii) the corresponding purchases and sales of short-term investments were properly presented in the investing section of the statement of cash flows. The misclassification of these securities of approximately \$3.6 million at September 30, 2006, had no impact on our current assets, working capital, stockholders' equity, net income (loss), net income (loss) per share or net cash provided by operating activities for the affected periods. As a result of the material weaknesses in internal control over financial reporting described above, management has concluded that as of September 30, 2006, our internal control over financial reporting was not effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Our independent registered public accounting firm, Deloitte & Touche LLP, has issued an audit report on our assessment of the Company's internal control of financial reporting. This report is included herein. (c) Changes in internal controls over financial reporting. There was no change in our internal control over financial reporting that occurred during the fourth quarter of fiscal 2006 that materially affected, or was reasonably likely to materially affect, our internal control over financial reporting. In order to remediate the material weakness in our internal control over financial reporting discussed above, management is in the process of designing, implementing and enhancing controls to ensure the proper presentation and disclosure of short-term investments on our consolidated balance sheets and statements of cash flows. We expect to remediate this material weakness in our internal control over financial reporting in fiscal 2007.

THQ INC

We, as management of THQ Inc. and its subsidiaries (the "Company"), are responsible for establishing and maintaining adequate internal controls over financial reporting. Pursuant to the rules and regulations of the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles (GAAP) and includes those policies and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management has conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of March 31, 2006 based on the control criteria established in a report entitled Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

In Management's Report on Internal Control Over Financial Reporting included in the Annual Report on Form 10-K for the fiscal year ended March 31, 2006, we had previously concluded that the Company's internal control over financial reporting was effective as of March 31, 2006. In connection with the restatement discussed under the heading "Explanatory Note" immediately preceding Part I, Item 1 and in Note 2, "Restatement of Consolidated Financial Statements" in Notes to Consolidated Financial Statements of this Form 10-K/A, we have subsequently concluded that the material weakness described below existed as of March 31, 2006 and as a result, the Company's internal control over financial reporting was not effective as of March 31, 2006. Accordingly, Management's Report on Internal Control Over Financial Reporting has been restated.

The following is a summary of the material weakness identified by management as of March 31, 2006:

- We did not design and implement controls necessary to provide reasonable assurance that the measurement date for stock option grants was appropriately determined. As a result, the measurement date used for certain option grants was not appropriate and such grants were not accounted for in accordance with GAAP;
- We failed to ensure that actions of the Compensation Committee meetings were thoroughly and timely documented; and
- We failed to ensure that managers and other personnel involved in the stock option grant process understood the consequences of timely approval of finalized employee grant lists.

The registered independent public accounting firm of Deloitte & Touche LLP, as auditors of the Company's consolidated financial statements, has issued an attestation report on management's restated assessment of the Company's internal control over financial reporting.

DENDRITE INTERNATIONAL INC

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, have evaluated our disclosure controls and procedures (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) as of the period covered by this report. Based on their evaluation as of December 31, 2006, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosures controls and procedures were not effective as of December 31, 2006 because of a material weakness in internal control over financial reporting related to our accounting for tax contingencies and reserves.

Subsequent to the filing of the Form 10-Q for the quarterly period ended September 30, 2006, management identified a material weakness in the design and operating effectiveness of the Company's internal control over financial reporting related to its tax contingencies and reserves. The material weakness related to the lack of effective controls to timely identify and properly account for tax items at certain non U.S subsidiaries. The material weakness resulted in immaterial misstatements to prior period financial statements and created a more than remote likelihood that a material misstatement of the annual or interim financial statements would not be prevented or detected on a timely basis.

Based on the material weakness discussed above, management has determined that the Company did not maintain effective internal control over financial reporting as of December 31, 2006, based on criteria for effective internal control over financial reporting described in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

ART TECHNOLOGY GROUP INC

Management's Annual Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2006 based on the guidelines established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. (COSO).

Because of its inherent limitations, internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with established policies or procedures may deteriorate. Our management's assessment of and conclusions on the effectiveness of our internal control over financial reporting did not include the internal controls of eStara, Inc., which we acquired in October 2006. eStara's assets and liabilities and the results of its operations from the date of acquisition are included in our consolidated financial statements at and for the year ended December 31, 2006. eStara's assets constituted 36.0% of our total assets at December 31, 2006, and revenue attributable to eStara accounted for 4.5% of our revenue for the year then ended. A material weakness is a control deficiency, or a combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. As a result of our management's assessment of the effectiveness of internal control over financial reporting, we have identified the following material weaknesses that existed as of December 31, 2006: 1. Inadequate and ineffective controls over the financial statement close process.

In conjunction with the year-end financial close, our procedures and controls to ensure that accurate financial statements in accordance with generally accepted accounting principles could be prepared and reviewed on timely basis were not operating effectively. Such ineffective procedures and controls include (a) ineffective review of historical cumulative translation adjustment balances relative to the timing of substantial liquidation of foreign locations, which resulted in a restatement of our 2002 and 2003 financial statements; (b) inadequate processes to account for transactions and accounts, such as business combinations, commissions, restructuring accruals and cumulative translation adjustments; and (c) insufficient documentation of accounting policies and procedures and retention of historical accounting portions. As a result of the above deficiencies, material and less significant post-closing adjustments were identified by our independent registered public accounting firm, Ernst & Young LLP, and recorded in our financial statements as of and for the year ended December 31, 2006. These adjustments affected the following financial statement account line items: current liabilities, cumulative translation adjustment, stockholders' equity, operating expenses and foreign currency exchange gain. This weakness could continue to affect the balances in the accounts previously mentioned and affect our ability to timely close our books and review and analyze our financial statements. 2. Inadequate staffing within the accounting organization. During 2006, there were numerous changes in our accounting personnel. This has led to our not having a sufficient number of experienced personnel in the accounting organization to provide reasonable assurance that transactions are being recorded as necessary to ensure timely preparation of financial statements in accordance with generally accepted accounting principles, including the preparation of our Annual Report on Form 10-K. We consider this weakness to be a material weakness in the operation of entity-level controls and operation level controls. The ineffectiveness of such controls can result in misstatement to assets, liabilities, revenues, and expenses. Our management concluded that, due to the material weaknesses described above, we did not maintain effective internal control over financial reporting as of December 31, 2006. Our independent registered public accounting firm, Ernst & Young LLP, has issued a report on our assessment of our internal control over financial reporting. This report appears on the next page.

ARIBA INC

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of September 30, 2006 based on the guidelines established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Our internal control over financial reporting includes policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with United States generally accepted accounting principles. A material weakness is a control deficiency, or a combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Based upon our evaluation of internal control over financial reporting as of September 30, 2006, we identified several significant deficiencies in our internal control over financial reporting that resulted in adjustments and reclassifications to certain financial statement accounts. None of the internal control deficiencies was considered material individually. However, when considered in the aggregate, these control deficiencies indicate a need for more detailed analysis and documentation of balance sheet accounts and together represent a material weakness in internal control over financial reporting. These deficiencies primarily related to balance sheet accounts created in fiscal year 2003 and prior, as follows:

In fiscal year 2001, we abandoned a number of leased facilities as part of our corporate restructuring. Included in the

restructuring charges was the impairment of leasehold improvements made to these facilities. In preparing our financial statements for the fiscal year ended September 30, 2006, our management reconciled the amount of the impaired leasehold improvements in our general ledger with our fixed assets register. The reconciliation identified that a total of \$3.6 million of depreciation expense had been incorrectly recorded in fiscal years 2002 and 2003 for the leasehold improvements impaired in fiscal year 2001. Management will continue to perform the reconciliation described above in future periods to ensure depreciation expense is properly recorded.

The other significant deficiencies relate to the overaccrual of general accounts payable and lease costs and our accounting for marketing development funds in fiscal years 2001 through 2003.

These deficiencies resulted in an increase in property and equipment, net of \$3.6 million and decreases in accounts payable of \$1.9 million, accrued liabilities of \$1.2 million and accumulated deficit of \$6.7 million (increase to stockholders' equity) as of October 1, 2003 and decreases in net loss in years prior to fiscal year 2004. None of these adjustments impacted reported revenue or cash flow from operating activities during fiscal years 2001 through 2004.

Based on the results of our evaluation, our management concluded that our internal control over financial reporting was not effective, as described below, as of September 30, 2006. We have reviewed the results of management's assessment with our Audit Committee.

Management's assessment of the effectiveness of our internal control over financial reporting as of September 30, 2006 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is presented below.

BMC SOFTWARE INC

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING We are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of BMC Software; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of BMC Software are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A material weakness is a significant deficiency (within the meaning of PCAOB Auditing Standard No. 2), or combination of significant deficiencies, that results in there being more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Our management assessed the effectiveness of our internal control over financial reporting as of March 31, 2006. Management's assessment identified the following material weakness in BMC Software's internal control over financial reporting. Management identified a material weakness in the design and operation of the Company's internal controls over the accounting for income taxes. There was a lack of personnel with adequate expertise in income tax accounting matters, insufficient or ineffective analysis and review practices and a lack of processes to effectively reconcile income tax general ledger accounts to supporting detail and adequately verify data used in computations, which are necessary to detect whether income tax amounts are calculated properly and recorded in the proper period. This material weakness resulted in accounting errors which were corrected prior to the issuance of the consolidated financial statements for the year ended March 31, 2006. As a result of the material weakness existing as of March 31, 2006, management has concluded that there is more than a remote likelihood that a material misstatement in our annual or interim financial statements will not be prevented or detected by our internal control over financial reporting. Because of the material weakness described above, management believes that, as of March 31, 2006, we did not maintain effective internal control over financial reporting based on the COSO criteria. Management's assessment of our internal control over financial reporting as of March 31, 2006 has been audited by our independent registered public accounting firm. Their report also appears in this Report in Part IV, Item 15.

SYMANTEC CORP

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended) for Symantec. Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has conducted an

evaluation of the effectiveness of our internal control over financial reporting as of March 31, 2006, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its evaluation, our management has identified a material weakness in internal control over financial reporting related to accounting for income taxes as of March 31, 2006. A material weakness is a significant deficiency, as defined in Public Company Accounting Oversight Board Auditing Standard No. 2, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of a company's annual or interim financial statements would not be prevented or detected by company personnel in the normal course of performing their assigned functions. Management has determined that we had insufficient personnel resources with adequate expertise to properly manage the increased volume and complexity of income tax matters associated with the acquisition of Veritas Software Corporation. This lack of resources resulted in inadequate levels of supervision and review related to the our IRS filings and our accounting for income taxes. This material weakness resulted in our failure to follow established policies and procedures designed to ensure timely income tax filings. Specifically, we did not complete the timely filing of an extension request with the IRS for the final pre-acquisition income tax return for Veritas and, accordingly, did not secure certain income tax related elections. In addition, this material weakness resulted in errors in our annual accounting for income taxes. These errors in accounting were corrected prior to the issuance of our 2006 consolidated financial statements. The aforementioned material weakness results in more than a remote likelihood that a material misstatement of our annual or interim financial statements, due to a failure to complete income tax filings consistent with management's intentions, and due to errors in accounting for income taxes, would not be prevented or detected. Because of this material weakness, management has concluded Symantec did not maintain effective internal control over financial reporting as of March 31, 2006, based on criteria established in Internal Control — Integrated Framework issued by the COSO. Our independent registered public accounting firm, KPMG LLP, has audited management's assessment of the effectiveness of Symantec's internal control over financial reporting and has issued an audit report thereon, which is included in Part IV, Item 15 of this annual report.

ACTUATE CORP

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness (within the meaning of the PCAOB Auditing Standard No. 2) is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2006, and this assessment identified a material weakness in our internal control over financial reporting related to our income tax provision. Specifically, the following deficiencies were identified:

- We lacked adequate resources with sufficient technical expertise to properly account for income taxes in accordance with generally accepted accounting principles; and
- We lacked effective policies and procedures to ensure that the review of schedules supporting our income tax provision was conducted in sufficient detail by someone other than the preparer of such schedules.

These deficiencies resulted in a material error in our income tax provision. This material error was corrected prior to issuance of the Company's 2006 consolidated financial statements.

In making its assessment of internal control over financial reporting, management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, in Internal Control-Integrated Framework. Because of the material weakness described above, management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2006.

Our independent registered public accounting firm has issued a report on management's assessment of our internal control over financial reporting. That report is included under Item 8 of this Form 10-K.

WITNESS SYSTEMS INC

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company maintains accounting and internal control systems which are intended to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, transactions are executed in accordance with management's authorization and accounting records are reliable for preparing financial statements in accordance with accounting principles generally accepted in the United States.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

A material weakness in internal control over financial reporting is defined by Public Company Accounting Oversight Board ("PCAOB") Auditing Standard No. 2 as a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

As of December 31, 2006, management conducted an assessment of the effectiveness of our internal control over financial reporting based upon the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), Internal Control-Integrated Framework. Based on this assessment, management concluded that as of December 31, 2006, we did not maintain effective control over financial reporting, due to the following material weaknesses:

- (1) We did not have effective policies and procedures to provide for appropriate consideration of all payments made to the selling shareholders in a business combination. This deficiency resulted in a material error in our preliminary 2006 Consolidated Financial Statements.
- (2) We did not have policies and procedures sufficiently detailed to ensure appropriate accounting for the reduction of deferred income tax asset valuation allowances established as part of a business combination. As a result, there were material errors in goodwill and income tax expense in our preliminary 2006 Consolidated Financial Statements.
- (3) Our evaluation and review of the allowance for uncollectible accounts receivable was not sufficiently thorough and objective to ensure accounts receivable were recorded at their net realizable value. Specifically, our evaluation and review of the allowance for uncollectible accounts receivable did not adequately consider the aging of certain receivables and specific customer collection issues that existed at December 31, 2006. As a result, there were errors in accounts receivable and operating expenses in our preliminary 2006 Consolidated Financial Statements.
- (4) Our policies and procedures over the recognition of deferred revenue from maintenance and other service contracts were not sufficient to ensure that revenue was recognized in the appropriate period in accordance with U.S. generally accepted accounting principles. Specifically, our policies and procedures did not provide for sufficient analysis of contracts included in deferred revenue to determine the timing of recognition. This deficiency resulted in errors in revenue and deferred revenue in our preliminary 2006 Consolidated Financial Statements. These material weaknesses result in more than a remote likelihood that a material misstatement in the annual or interim financial statements would not be prevented or detected.

Management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2006 has been audited by KPMG LLP, an independent registered public accounting firm. Their report appears immediately after this report.

NETSMART TECHNOLOGIES INC

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of management, including the chief executive officer and chief financial officer, management assessed the effectiveness of internal control over financial reporting as of December 31, 2006 based on the framework in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management has concluded that the

Company's internal control over financial reporting was not effective at December 31, 2006 to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of its financial statements for external purposes in accordance with United States generally accepted accounting principles. Management determined that these were certain material weaknesses relating to its calculation of earnings per share, the calculation of its income tax accrual and the ability to ensure that the disclosures in its regulatory filings under the Exchange Act are prepared in accordance with accounting principles generally accepted in the United States. Until remediated, these weaknesses could affect the accuracy and/or timing of future filings with the SEC and other regulatory authorities. Due to its inherent limitations, even internal control over financial reporting that is functioning effectively may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Marcum & Kleigman LLP, an independent registered public accounting firm, has audited the Company's financial statements included in this report on Form 10-K and issued its report on management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, which is included herein.

AGILE SOFTWARE CORP

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for our Company. Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Exchange Act as a process designed by, and under the supervision of, a company's principal executive and principal financial officers, and effected by a company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of April 30, 2006. In making this assessment, our management used the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management identified and reported to our Audit Committee and independent registered public accounting firm the following material weaknesses in the Company's internal control over financial reporting as of April 30, 2006:

Control environment in our Taiwan operations:

A control environment sets the tone of an organization, influences the control consciousness of its people, and is the foundation of all other components of internal control over financial reporting.

We did not maintain an effective control environment in our Taiwan operations. Specifically: (i) our program of annual certification by employees of compliance with the Code of Business Conduct and Ethics ("Code of Conduct") did not require annual certification of compliance by the employee; (ii) we did not provide training programs concerning the Code of Conduct to every employee in all offices outside of the United States; (iii) processes surrounding our quarterly certifications by sales personnel did not require all sales personnel to certify understanding of and compliance with revenue recognition policies and as to authenticity of sales documentation, and other certifications were not obtained from certain key employees; (iv) our employee hiring background review procedures did not require background

reviews of all prospective employees; (v) our policies concerning qualification, retention, monitoring and evaluation of resellers did not require sufficient oversight by management; and (vi) our standard reseller agreements did not require representations concerning the independence of and absence of conflicts between the reseller and us. This control deficiency permitted management at our Taiwanese subsidiary to enter into improper arrangements made with one of our resellers, which were not detected in a timely manner and could have resulted in a misstatement of the Company's accounts and disclosures that would have resulted in a material misstatement of its annual or interim consolidated financial statements and would not have been prevented or detected. Accordingly, management has concluded that this control deficiency constitutes a material weakness and contributed to the second material weakness that we have identified, described below.

Controls over reseller revenue. We did not maintain effective controls over the completeness and accuracy of our reseller revenue. Specifically, we did not maintain effective controls over the completeness and accuracy of reseller revenue related to certain transactions within our Taiwanese subsidiary to ensure that the reseller revenue derived from such transactions was recorded in accordance with GAAP. This control deficiency resulted in an audit adjustment to the 2006 consolidated financial statements as described above. Additionally, this control deficiency could have resulted in a misstatement of the Company's revenue, deferred revenue and accounts receivable that would have resulted in a material misstatement of its annual or interim consolidated financial statements that would not have been prevented or detected. Accordingly, management has concluded that this control deficiency constitutes a material weakness.

Because of these two material weaknesses, management has concluded that the Company did not maintain effective internal control over financial reporting as of April 30, 2006, based on the criteria set forth in Internal Control—Integrated Framework issued by the COSO.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of April 30, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

BORLAND SOFTWARE CORP

Management's Report on Internal Control Over Financial Reporting Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and implemented by our Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that: • pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets; • provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and • provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has assessed the effectiveness of our internal control over financial reporting as of December 31, 2006 based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management has concluded that as a result of the material weakness in our internal control over financial reporting as described below our internal control over financial reporting was not effective as of December 31, 2006. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. As of December 31, 2006, we did not maintain an effective control environment with respect to promoting compliance with policies and procedures and the prevention or detection of the override of our controls. As a result of this control deficiency, a senior officer was able to override controls which resulted in: (1) an amendment to a sales contract creating an obligation to deliver an additional software feature, without authorization of the finance and legal organization, and (2) a post-contract offer to refund the customer payment in the same transaction without authorization of the finance and legal organization. A control environment sets the tone of an organization, influences the control consciousness of its people, and is the foundation of all other components of internal control over financial reporting. In the instances noted above, the control consciousness of certain individuals was not adequate and resulted in a lack of compliance with our established control policies and procedures. This control deficiency could result in a material misstatement of our annual or interim consolidated financial statements that could not be prevented or detected. Accordingly, management has determined

that this control deficiency constitutes a material weakness. Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included in this Annual Report on Form 10-K. Remediation Plan In connection with management's assessment of internal control over financial reporting, management determined that the material weakness with respect to the control environment, which was identified in our Annual Report on Form 10-K for the year ended December 31, 2005, had not been fully remediated as of December 31, 2006 as described in Management's Report on Internal Control Over Financial Reporting. Management has made progress toward remediating the material weakness in our internal control over financial reporting. In August 2006, we conducted corporate governance training for senior personnel which was attended by our Chief Executive Officer and other senior members of our management team. We are in the process of developing on-going and sustainable compliance training programs which will be supplemented with enhanced written policies which will be monitored. We also hired a Chief Financial Officer who is actively working to significantly strengthen our control environment by implementing the training and policies mentioned above. Changes in Internal Control Over Financial Reporting During the fourth quarter ended December 31, 2006, we hired a Chief Financial Officer. This was the only change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2006 which our management concluded materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.