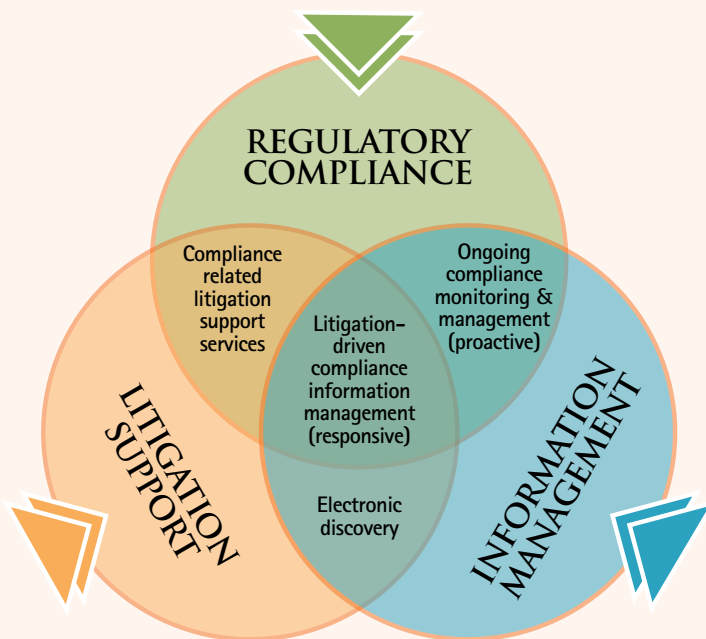


TECHNOLOGY-ENABLED SERVICES COMPLIANCE AND LITIGATION SUPPORT



Over the last decade, the litigation support, compliance and information management markets have converged at an accelerating pace, creating a growing, \$3 billion annual opportunity for companies in the "convergence zones" of these segments. Mirus believes these overlapping areas present a unique opportunity for companies to reap the benefits of synergies derived from combining and rearranging sales channels and solutions across these complementary markets.

Initially, this convergence was driven by the increasingly important role information management plays in litigation support. Examples of offerings in this space include:

- Emergence of document management systems tailored for legal documents;
- Electronic management of paper-based discovery processes through scanning and coding; and
- Discovery and management of massive quantities of electronic information (EDD).

More recently, compliance has emerged as the new frontier, as today's multi-national enterprises face huge compliance challenges that require effective information management. Solutions arising from the litigation support and information management sectors

LITIGATION SUPPORT encompasses a variety of services related to the litigation process, such as electronic data discovery (EDD), legal document management and others.

INFORMATION MANAGEMENT deals broadly with the storage and management of all types of information.

REGULATORY COMPLIANCE comprises those services and technologies that facilitate corporate compliance with all kinds of governmental regulation, such as the Sarbanes-Oxley Act, HIPAA, the Patriot Act and others.

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CASE STUDY: IBIS CONSULTING

Market leader and EDD domain expert turbocharges litigation and compliance offerings at Pitney Bowes

Founded in 1992, Ibis Consulting was one of the few "pure-play" EDD providers that had not ventured into paper-based discovery, licensed software, or other ancillary lines of business. With lumpy growth but excellent profitability, Ibis was considered the "expert's expert" and frequently handled projects considered too complex or time-sensitive for other vendors.

Though Ibis's technology and process discipline were key differentiators, many prospective buyers lacked the sophistication to fully grasp the value of this differentiation. In addition, Ibis sold its services through indirect channels, often on a private-label basis, so its name was not widely known by end customers. Moreover, Ibis had developed a vision for helping enterprises manage their discoverable information proactively instead of reactively to a litigation matter, but the vision had yet to be implemented.

Mirus recognized that a successful outcome would require identifying buyers that could truly appreciate the unique value of Ibis' existing technology and processes and its vision for a proactive compliance-oriented service offering. When Mirus sold Ibis to Pitney Bowes for \$67 million in cash, the transaction dramatically increased

the capacity and throughput of the Pitney Bowes Legal Solutions division and provided a roadmap for Pitney Bowes's entry into the compliance market – an opportunity it had long planned to aggressively pursue.

"After screening more than 40 investment banks, I selected Mirus based on the quality, track record, and unequalled responsiveness of the bankers; Mirus consistently exceeded my expectations, managed

the entire process professionally, and found the right buyer for my business – without question, I'd hire them again if I had the chance."

– Jay McNally, founder and CEO, Ibis Consulting, Inc.

are well positioned to meet this need for sophisticated information management technology. The learnings of the litigation support market are invaluable for those looking to proactively manage compliance obligations.

Three factors will continue to drive this convergence forward: an increasingly litigious society, tightening of corporate oversight by regulatory bodies to prevent future cases of misconduct, and exploding amounts of electronic data. These trends give rise to many rapidly evolving opportunities, particularly where regulatory compliance, information management and litigation support overlap. Large incumbents doing business primarily in one of the three circles (storage, enterprise content management, forensics, and so forth) will focus increasingly on the convergence zones to capture their share of these rapidly growing sectors.

Vendors with an interest in these areas are already cashing in on the convergence zones. Some have taken an organic approach, investing in new or extensions of existing solutions (such as Electronic Evidence Discovery's rollout of an on-demand version of its offerings). Others have acquired companies with

complementary products, services or technologies (illustrated by the acquisition by Xiotech, a data storage provider, of Daticon, a leading EDD vendor). Still others have achieved liquidity and gained access to additional resources through a sale (such as Summit Partners' acquisition of OnSite E-Discovery, an established discovery services vendor, and Pitney Bowes's acquisition of Ibis Consulting, a leader and pioneer in the EDD market).

Electronic data discovery (EDD) is one of the most prominent opportunities to emerge from the convergence of the litigation support and information management markets. In the past decade, the early-stage character of this sub-segment allowed organizations in this space to achieve profitable growth without significant strategic and operational discipline. However, Mirus expects these dynamics to change radically, as end customers become savvier, competition intensifies, and technology matures. To maximize their value, organizations must excel in what Mirus considers the key success factors at the convergence of these market sectors, as identified in the accompanying chart.

KEY SUCCESS FACTOR	THE LAST TEN YEARS	THE NEXT TEN YEARS
Efficiency & Scalability	Supply / demand imbalance allows less-efficient providers to profitably compete at current scale.	Only highly-efficient providers with low-cost operations and scalable infrastructure will thrive in a growing but competitive market.
Robustness & Capacity	Underlying robustness and reliability of technology and operations is typically not transparent to outsiders.	The market will demand proven technology and business processes that are highly reliable and can handle large data volumes.
Expertness	Niches that require only partial expertise can be successfully exploited (i.e. low-complexity situations) by recent entrants.	Deep, all-round "expertness" and longevity are essential to serve customers facing complex challenges.
Reputation for Quality	Imperfect information masks failures and allows providers with below-par quality and accuracy to survive, despite risk to clients.	Increasing awareness of the implications of failures in data integrity and compliance will make a reputation for quality and accuracy paramount.
Extensibility	Technology needs to get a single job (e.g. electronic discovery) done.	Extensibility to support multiple product offerings is key to exploiting new opportunities.
Sales infrastructure	Providers can succeed using a direct sales model focused on a few large clients.	Sustained success requires solid marketing and well-developed sales infrastructure, as well as a diversified client base.

CASE STUDY: DATICON

Venerated discovery services provider snapped up by growing storage solutions company

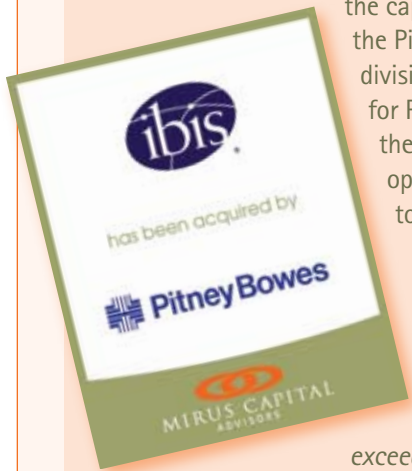
An established "top five" discovery services provider, Daticon had built a proprietary technology platform for processing electronic data, as well as a blue-chip customer base and an extraordinary facility for delivering its services. When a series of events caused revenue to fall short of projections, the company's debt and expense burden quickly undermined its ability to generate its historically high profit margins.

Daticon's board hired Mirus to identify a buyer as quickly as possible. Leveraging its industry knowledge and relationships with buyers and domain experts, Mirus reached out to 300 prospective buyers and generated four offers in just six weeks. By positioning Daticon as a vehicle for buyers to move into the "convergence zone" of information management and litigation support, Mirus focused attention on the future potential of the business under new ownership rather than its recent performance.

Xiotech Corporation outbid other buyers, including two multi-billion-dollar global corporations, after grasping the potential to evolve its storage solutions business from the information management sector into the more profitable evidence management space. Mirus sold Daticon for \$30 million in cash, far above the board's expectations, less than four months after being retained.

"With incredible speed, the Mirus team was able to understand the company and develop an outstanding offering memorandum. This allowed Mirus to begin the marketing effort just two weeks from the date they were engaged. Their hands-on approach to every facet of the sale process and their management of the final transaction resulted in an outcome that was beyond anyone's expectations."

– Bill Zambarano, President, Daticon, Inc.



To learn more about Mirus' outlook on this market sector, please contact David Hoffer at 781-418-5922 or by e-mail at hoffer@merger.com.

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We create markets for closely-held businesses and provide merger advisory for public corporations and professional financial investors.

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- Corporate Divestitures
- Partial Liquidity Events
- Valuation Analysis
- Strategic Consulting

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Mirus maximizes the potential for success in all aspects of a business acquisition.

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- Financing an Acquisition
- Valuation Analysis
- Strategic Consulting

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Mirus helps clients seize the opportunity to take their businesses to the next level by accessing new capital.

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- Financing an Acquisition
- Recapitalizations
- Debt Restructures

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- Section 409A Valuations
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A STRONG RECORD OF SUCCESS

Mirus has managed over 200 mergers, acquisitions, and financing transactions. As a result of the positive outcomes generated by our bankers, many clients have chosen to do multiple transactions with us. We combine deep industry expertise with a process tailored to the specific needs of each client. We have represented companies in over 40 major industries and have developed a deep domain expertise in several key markets. These include **Software, Business Services, and Industrials.**

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To learn more about how Mirus Capital Advisors can help you lift your business to new heights, please call **781-418-5900** or write to us at info@merger.com.

