

Financial Technology Monitor

Summer 2004

Consolidation Accelerates at Unprecedented Rate

Merger & Acquisition activity in the Financial Technology sector has accelerated at a very rapid rate. Year to date in 2004, 44 deals have closed which is 30% higher than the same time period in 2003.

A few companies have become aggressive in building out their product suites and aggregating a substantial customer footprint. For example, setting the pace this year, Fidelity National Financial and Metavante have announced six and five deals, respectively. In addition to the significant activity concentrated with a few acquirers, our contacts in the sector and dialogue with executive management across the Financial Technology marketplace suggest that quite a bit of activity and chatter continue in many sectors across the market. Update projects announced deal activity for the second half of 2004 will be up in excess of 35% over 2003.

What's behind the increased levels of M&A activity and strategic dialogue? We believe there are four critical factors affecting the current pace of M&A activity. First, the overall improvement in the economy and resulting health of the capital markets have resulted in two important changes: a rebound in business confidence and relative price improvement.

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Financial Technology Industry News Briefs

Safe Data Storage

Speed, convenience and efficiency are a few of the advantages of the shift to Internet-based customer transactions and electronic storage of customer data; however, it might cost your customer's trust in the process. A hacker attack or a stolen company laptop is all it will take for customer information to be left vulnerable. The Federal Trade Commission reports that the number of identity-theft complaints rose from 86,212 in 2001 to 214,905 in 2003, partly because of data vulnerabilities associated with an increased number of purchases and transactions on the Internet. A recent Survey of 815 companies found that more than 80 percent use antivirus and network-firewall software, but just 23 percent use vulnerability-scanning tools that detect the security holes used by hackers. Get down to basics to avoid these hackers and the security breach they bring by making sure your customer's information is secure.

Next on the Mortgage Front

Further innovations in credit scoring and automated underwriting, as well as end-to-end business process management, enterprise document management and electronic closing systems are some of the things on the burner for Mortgage Technology. The lending process remains a series of human-to-human, human-to-system, system-to-system and system-to-human subprocesses. But lenders are now building on successes in business rules management (BRM) to implement enterprise-level business process management (BPM). By the end of this decade, business process management will have proven to be the biggest single innovation in mortgage technology.

Fraud Continued

Are Smart Cards going to make a comeback? If fraud continues to hit the US hard enough, experts say that it's only a matter of time before the US follows the likes of Western Europe and soon Eastern Europe, Latin America and even our neighbor to the north, Canada who are all using Smart Card technology and are not being hit with fraud nearly as hard as the US. With only 21 million smart cards shipped in the US in 2003, a mere fraction of the number of credit cards shipped, the comeback looks slow in coming. Some are still skeptical of the value of using the smart card while others are praising them. Target Corp. has discontinued their role in smart card technology citing the lack of customer interest. On the flipside if you asked American Express how "blue" is doing and they will tell you that it's a "smart" idea.

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Consolidation Accelerates at Unprecedented Rate (Cont'd.)



Executives at many financial technology companies are optimistic about their businesses over the coming years and thus, are implementing longer-term business strategies to help propel their growth and consolidate their markets.

In addition, the rebound in the capital markets has created improved stock valuations enabling companies to do stock acquisitions at a relative discount to what they were considering 12-18 months ago. Moreover, the spate of IPO's and new filings has unlocked both capital and new equity currencies to be used more aggressively in consolidation strategies. Open Solutions (NASDAQ: OPEN) recent IPO and secondary offering have afforded them both a healthy cash position (\$100 million) and an attractive currency with which they can further build their company. Given today's still relatively low interest rate environment, the ability to do an accretive transaction for cash is unprecedented. Moreover, companies like Fidelity National that have utilized their excess cash to acquire a significant technology footprint now have the option to effect a creative corporate finance solution and implement a subsidiary IPO and spin-off that will yield significant benefits to their shareholders. Don't be surprised to see Metavante, a subsidiary of Marshall & Ilsley (NYSE: MI) look to some creative structuring of their own in the coming months.

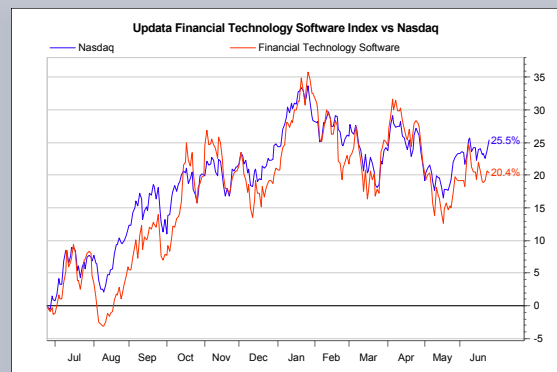
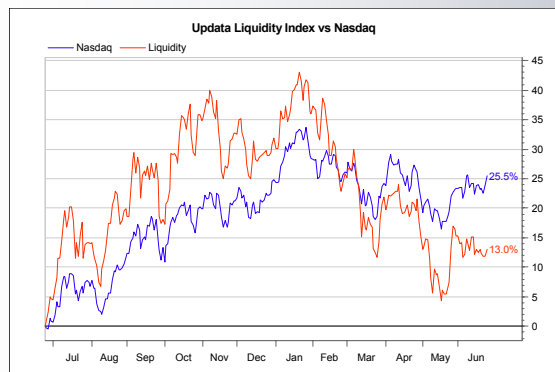
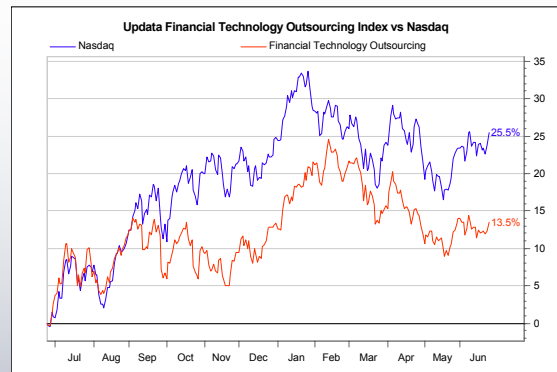
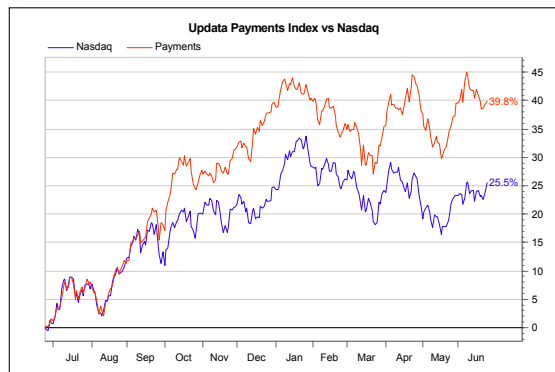
Second, we have seen an increase in IT budgets across financial institutions. Banks, securities firms and insurance carriers are all dedicating more resources toward streamlining their operations. Some of the increases in budget are due to regulatory changes, but most are an increasing awareness of the ability to replace paper and people with electronic processes that create a more efficient, lower cost solution. In addition to the increased budget, we are also seeing many firms specifically allocate more dollars to third party software vendors and service providers. As a result of convergence across financial institutions and consolidation among financial companies, the trend toward working with larger vendors with a more complete product/solution set continues unabated.

The third contributing factor for the increased M&A activity of late is mandated regulatory changes. Recent legislation, including Check 21, Sarbanes Oxley and the Patriot Act, are creating an impetus for a new wave of technology spending. As financial institutions review their systems in an effort to maintain compliance and seek new efficiencies, vendors that have inadequate or non-existent solutions in these areas are aggressively moving to add these capabilities through strategic acquisition. We have seen both Fidelity National and Metavante make acquisitions in the imaging/check processing arena to bolster their capabilities in anticipation of Check 21 taking full effect. We fully expect that we will see additional consolidation in the check imaging/processing area before year end. In addition, we believe that consolidation will begin in the fraud and regulatory compliance markets in the near future as well.

Finally, we believe that several new technologies and business models are finally proving out and now there is a rush to gain scale/critical mass to enhance profitability and accelerate sales momentum. Many successful financial technology consolidators have established a pattern of waiting for new technologies to gain market acceptance and profitability before seeking to make acquisitions where they can leverage their brand, capital and sales infrastructure to scale the businesses. Fiserv, Bisys, Sungard and several others have mastered this technique. Now that we are seeing some next generation payments companies gain traction and profitability (Online Resources and Princeton eCom are good examples) we expect that consolidation by several traditional players will accelerate. In addition, several ASP business models are finally crossing over the profitability hurdle and are ripe to partner with a larger more established entity to capitalize on an inflection point in their growth cycle. Moreover, now those smaller entities can better achieve their value expectations now that they have demonstrated a scalable, profitable business model.

Bottom line: There is a confluence of factors that are accelerating the pace of activity in the Financial Technology sector. We expect that 2004 will yield M&A activity levels 30%-40% higher than in 2003, but that 2005 will truly be an exceptional year in terms of strategic deal activity with numbers of transactions increasing another 30%-40% above 2004 levels. As several very promising companies are looking to do some private-to-private M&A to position themselves to execute on an IPO in the next 12-18 months, we expect to see quite a bit of activity in the sub-\$50 million transaction size. However, we also expect the trends identified above to continue the rapid consolidation of products and customer bases into a more defined group of relatively sizable broad based Financial Technology leaders in the coming years.

Update Various Financial Technology Composites: LTM Price Performance



Technology Outsourcing index includes BSG, DGIN, DST, FISV, TREE, SEIC, STT, SDS, ADP, FIC, JH, ORCC
 Technology Software License index includes SVNX, ADVS, BARZ, CORI, JKHY, INTD, INTU, JH, SONE, SCAI
 Liquidity index includes ESPD, ITG, INET, NITE, NYFX, TRAD, CME
 Payments index includes ADS, ACRT, EPAY, CEY, CKFR, CEFT, EFDS, FDC, GPN, NAP, TSS, TSAI, TTPA, FNDD, ORCC, INTD

Financial Technology Company News Briefs

SANTA BARBARA, Calif., May 11, 2004 - **724 Solutions** (Nasdaq: SVNX - News; Toronto: SVN - News), a leading provider of next-generation IP-based network and data services, today announced an agreement with Nokia (NYSE: NOK - News) to acquire the Nokia Multimedia Application Gateway (AGW) product and a separate OEM agreement under which Nokia will continue to offer the product to its existing and future customers.

LANSING, MI, May 11, 2004 - **ABN AMRO Merchant Services, LLC** (AAMS), a joint-venture of LaSalle Bank Corporation and National Processing Company, LLC (NPC®), a wholly owned subsidiary of National Processing, Inc. (NYSE: NAP - News), announced the execution of a prepaid services alliance with EWI Holdings, Inc (EWI), a leader in the emerging sector of prepaid and cash payments processing. Under the terms of the agreement, AAMS will provide to its merchant base access to EWI's product suite of prepaid services such as prepaid wireless, long distance and digital content.

CALABASAS, Calif., May 10, 2004 - **Digital Insight® Corp.** (Nasdaq: DGIN - News; www.digitalinsight.com), the leading online banking provider, today announced that New Jersey-based Spencer Savings Bank has signed a multi-year agreement to use Digital Insight's outsourced online banking. Spencer Savings Bank selected Digital Insight solutions based, in part, on Digital Insight's robust product offerings. The \$1.5 billion-in- assets, full-service bank will offer Internet Banking and Bill Payment for the first time to its 20,000 potential end users.

FRANKFURT & MUNICH, Germany May 10, 2004 - **State Street Corporation** (NYSE: STT - News), the world's leading provider of services to institutional investors, announced today that it has been awarded a multibillion euro depotbank (custody and accounting) and performance and analytics mandate from Lufthansa German Airlines.

SAN FRANCISCO, CA, May 10, 2004 - **Advent Software, Inc.** (NASDAQ: ADVS) announced that it has acquired its UK and Swiss-based independent distributors, and now directly controls all of its European operations. In addition to the two announced today, Advent's European operations include offices in the Netherlands, Sweden, Denmark, Norway, Greece and Spain.

ATLANTA, May 7, 2004 - **Harland Financial Solutions, Inc.**, a wholly owned subsidiary of John H. Harland Company (NYSE:JH - News), announced today that Banknorth N.A., with \$26.5 billion in assets has licensed the Encore!(r) suite of branch automation products, implementation and training services.

NEW ROCHELLE, NY May 3, 2004, **Sybase** (NYSE: SY), the provider of enterprise infrastructure and mobile software, completed its previously announced acquisition of XcelleNet, a provider of frontline management software, from investment firm Francisco Partners. Sybase says it "intends to integrate XcelleNet into its iAnywhere Solutions subsidiary, positioning the combined organization as the leader in mobile database, mobile middleware and mobile and remote device management." Sybase also completed its acquisition of substantially all of the assets of Dejima, Inc., a provider of mobile access solutions using natural language interface technology. Sybase will integrate the Dejima assets into its iAnywhere subsidiary, adding technology Sybase says "simplifies access to backend data, applications and information to its portfolio of market-leading mobile solutions. In addition, Sybase subsidiary iAnywhere unveiled a new version of Pylon Application Server, its software for extending Lotus Domino environments to PDAs and smartphones.

PLANTATION, Fla., April 26, 2004 - **TradeStation Group** has won the South Florida Business Journal's 2004 Business of the Year Award in the Professional Services - Over \$10 Million category. The 2004 Business of the Year Award recognizes the top businesses in South Florida for their financial growth and performance, dedication to their employees and community spirit. The award ceremony was held on April 22, 2004 in Bal Harbour, Florida.

NEW YORK, April 20, 2004 - **BISYS**, a leading provider of business process outsourcing solutions for the financial services sector, today announced that it has been selected by Philadelphia-based Delaware Investments to provide recordkeeping and administration services for approximately 1,700 retirement plans, representing more than 130,000 plan participants and approximately \$2 billion in assets.

SANTO DOMINGO, Dominican Republic, April 23, 2004 - **First Data Corp.** (NYSE: FDC - News), a global leader in electronic commerce and payment services, today announced it has signed a processing agreement with Banco Vimenca S.A. in the Dominican Republic.

ATLANTA, April 22, 2004 - **S1 Corporation** (NASDAQ: SONE - News), the leading provider of integrated front-office solutions for financial institutions, and **Alogent Corp.**, a provider of payment transaction processing solutions for global financial institutions, remittance and payment processors, today announced a strategic agreement in which the companies will join forces to provide banks with flexible check truncation options to help maximize the potential return of investment from branch re-engineering initiatives. With the agreement, S1 will integrate Alogent's Extensible Deposit Automation(TM) solution, Sierra Xpedite®, with the S1 Teller solution to offer its more than 1,000 branch customers the choice of automating and truncating check deposits at the teller, branch back counter, or at the distributed point of presentment in the front office, depending on their unique workflow processes.

MOUNTAIN VIEW, Calif., April 5, 2004 - **Intuit Inc.** (Nasdaq: INTU - News) today announced that Sprint, PR Newswire and UCLA Anderson School of Management have selected QuickBase® for corporate workgroup collaboration and information management. These organizations join a growing list of customers including Fleet Bank, Hyperion, Medical Action and NCR Professional Services, who have found QuickBase to increase productivity in functions as diverse as project and product management, training, legal, information technology, and marketing and sales.

MOSINEE, WI, March 29, 2004 - **Wausau Financial Systems** (WFS), a leading provider of payment processing solutions, announces a partnership agreement with SortLogic SYSTEMS, a division of Omni-Soft, Inc., to integrate and resell SortLogic SYSTEMS' software tools for reducing the complexity of software integration for multiple hardware environments. The partnership will make available SortLogic SYSTEMS' DPX Transport Interface for the IBM 3890/XP, and BancTec SpeedFIRST hardware platforms. SortLogic SYSTEMS' DPX Transport Interface seamlessly supports multiple document processing hardware platforms with no additional programming effort, including reader-sorters from Unisys, BancTec, IBM, and NCR.

REDWOOD CITY, Calif., March 16, 2004 - **Yodlee, Inc.**, the trusted leader in enabling financial service providers (FSPs) to develop superior financial products and services, increasing customer profitability, today launched BillDirect – a unique new approach to Electronic Bill Presentment and Payment (EBPP). BillDirect is the only EBPP solution that leverages the convenience of the biller direct model for bill payment with the utility of consolidated bill presentment plus value-added alerts, charting, and management tools for a comprehensive, easy-to-use bill pay and financial planning tool. **America Online**, the world's leading interactive services company, is the first customer to utilize BillDirect's powerful technology solution. BillDirect powers AOL Bill Pay, a new service which offers AOL members a streamlined way to pay bills online as well as manage their personal finances.

BOSTON, MA, Tuesday, March 09, 2004 - **Macgregor**, the leading provider of buy-side trade order management systems (OMS) will utilize Radianz's shared market infrastructure to accelerate the number of brokers in Europe and Asia that Macgregor clients will be able to trade with electronically. In a joint announcement, Macgregor said it selected Radianz because Radianz's infrastructure is designed specifically for financial use, has a global footprint of more than 10,000 financial services sites, and handles the Financial Information eXchange (FIX) protocol. The Radianz infrastructure will complement Macgregor's full service FIX certification and support model and reduce the time it will take Macgregor to add European and Asian brokers to the Macgregor Financial Network (MFN).

Upcoming Financial Technology Events

June 24-25, 2004:	ETA Expo Network, La Jolla, CA
Sep. 19-21, 2004:	Identity Theft Symposium, Washington, DC
Oct. 3-5, 2004:	ATM & Debit Forum 2004, Baltimore, MD
Oct. 3-5, 2004:	10th Annual Financial Services Technology Forum, Phoenix, AZ
Oct. 6-8, 2004	5th Annual Wealth Management Forum, Chicago, IL
Nov. 7-10, 2004:	Association for Financial Professionals 25 th Annual Conference, San Diego, CA
Nov. 16-19, 2004:	BAI's Retail Delivery Conference & Expo 2004, Las Vegas, NV

2004 Financial Technology Public Offerings

(*\$ and Shares in Millions*)

Date	Company	Filing	Shares Issued	Offering Price	Amount Raised
6/1/2004	EDGAR Online	Follow-on			\$5.00
5/19/2004	Wincor Nixdorf	IPO	8	\$49.00	\$392.00
5/18/2004	Open Solutions	Follow-on	5.1	\$21.50	\$109.65
05/11/2004	Global Payments	Follow-on	6.9	\$44.3	\$305.33
4/30/2004	Intersections	IPO	6.3	\$17.0	\$107.10
3/16/2004	TNS	IPO	4.4	\$18.0	\$79.20
Filed	Archipelago Holdings, L.L.C.	IPO	NA		\$150.00
Filed	Cardtronics	IPO	NA		\$115.00
Filed	Jackson Hewitt	IPO	NA		\$100.00
Filed	Market Axxess Holding	IPO	NA	NA	NA
Filed	Morningstar	IPO	NA	NA	NA
Filed	GFI Group	IPO	NA	NA	\$100.0
Filed	Fidelity National Info Services	IPO	NA	NA	\$250.0

Recent Financial Technology Private/Venture Capital Financing

Date	Company	Description	Amount Raised (Mil.)	Investors
Jun-04	EPIQ Systems	Case management solutions	\$50.0	Undisclosed Institutional Investors
Jun-04	RiskMetrics Group	Provider of risk analytics to blue-chip financial institutions, and more recently has established itself as the market leader for hedge fund and other alternative investment managers	\$122.0	Spectrum Equity Investors and General Atlantic Partners along with Technology Crossover Ventures
Jun-04	ION Trading Group	Provider of high-performance trading solutions for electronic fixed income markets	\$44.0	TA Associates
Jun-04	NorthStar	Wealth management software provider. NorthStar's product helps financial services firms with investor profiling, wealth planning, investment selection and implementation, client monitoring, portfolio reporting and client review.	\$11.5	Benchmark Capital, Chess Ventures, HIG Ventures, and Pinnacle Ventures
Jun-04	eCredit	Provider of credit risk management and collections software and services.	\$8.0	North Hill Ventures (Lead), Apex Venture Partners, Internet Capital Group, Sterling Venture Partners
Jun-04	Pay By Touch	Provider of biometric payment processing technology and services.	\$25.0	Mobius Venture Capital
May-04	Global Cash Access	Payment Processing/Outsourcing/Gaming	\$315.0	Summit Partners, Tudor Ventors
May-04	Mitek Systems	Electronic Payments Software, Hardware, Check Imaging	\$3.0	Laurus Funds
May-04	INEA	Banking Solutions, Performance Management Software	\$8.0	EdgeStone Capital Partners, Ventures West, Apax Partners, RBC Tech Ventures
May-04	TrustWave	Secures credit card Web transactions	\$10.1	FTVentures
May-04	FreedomPay	Provider of cashless payment and loyalty solutions to the nation's food service providers, Fortune 1000 corporations, healthcare facilities, universities, sports & entertainment, and the military.	\$7.0	Goldman Sachs Group [VC], Nokia Venture Partners

Financial Technology M&A Activity

(\$ in Millions)

Date Closed	Seller	Buyer	Deal Value	Revenue	Mult of Revenue
Pending	Brut LLC (SunGard)	NASDAQ®	\$190.0	NA	NA
Pending	E*Trade Access Inc	Cardtronics Inc	\$106.0	NA	NA
Pending	Delta Singular Outsourcing Services	First Data Corp.	\$250.0	NA	NA
Pending	Advanced Financial Solutions Software	Metavante	NA	NA	NA
Jun-04	Beacon Credit Services	NetBank	NA	NA	NA
Jun-04	REFCO	Thomas H. Lee Partners	NA	NA	NA
Jun-04	JB Oxford	Ameritrade	\$26.0	NA	NA
Jun-04	Instinet's ProTrader Assets	Zone Trading Partners	\$8.0	NA	NA
Jun-04	NYCE	Metavante	\$610.0	\$143.0	4.3x
Jun-04	Barra Inc.	Morgan Stanely Capital	NA	NA	NA
Jun-04	Brightware	eDocs, Inc.	NA	NA	NA
Jun-04	EPOS Corporation	Tier Technologies	\$19.0	\$1.6	12.0x
May-04	Kirchman Corp.	Metavante	NA	NA	NA
May-04	TradeWeb	Thomson Corp	\$385.0	NA	NA
May-04	London Bridge Software Holdings	Fair Isaac	\$257.0	\$104.0	2.5x
May-04	Sienna	Clear2Pay	NA	NA	NA
Apr-04	OPCENTER	Enterprise Engineering, Inc.	NA	NA	NA
Apr-04	netDecide Corporation	Informa Financial Information, Inc.	NA	NA	NA
Apr-04	Eontec	Siebel Systems	\$70.0	NA	NA
Apr-04	Loss Control Solutions	eFunds Corporation	NA	NA	NA
Apr-04	Penley	eFunds Corporation	NA	NA	NA
Apr-04	Bankware	Fidelity National Financial	NA	NA	NA
Apr-04	Radical Corporation	Investment Technology Group	NA	NA	NA
Apr-04	Sanchez Computer Associates	Fidelity National Financial	\$177.2	\$98.3	1.8x
Apr-04	DVNO	Navio Inc.	NA	NA	NA

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