REALPAGE INC
Form 424B4
August 12, 2010

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Filed Pursuant to 424(b)(4)
Registration No. 333-166397

12,300,000 Shares

RealPage, Inc.

Common Stock

This is the initial public offering of our common stock. We are selling 6,000,000 shares of common stock and the selling stockholders identified in this prospectus are selling 6,300,000 shares of common stock. We will not receive any proceeds from the sale of shares of common stock by the selling stockholders.

Prior to this offering, there has been no public market for our common stock. The initial price of our common stock is $11.00 per share. Our common stock has been approved for listing on the NASDAQ Global Select Market under the symbol RP.

The underwriters have an option to purchase a maximum of 1,845,000 additional shares from certain of the selling stockholders to cover over-allotments.

After this offering, Stephen T. Winn, our Chief Executive Officer and Chairman of the Board, and entities beneficially owned by Mr. Winn, will own approximately 46.0% of our common stock.

Investing in our common stock involves risks. See Risk Factors on page 11.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to RealPage	Proceeds to Selling Stockholders
Per share	$11.00	$0.77	$10.23	$10.23
Total	$135,300,000	$9,471,000	$61,380,000	$64,449,000

Delivery of the shares of common stock will be made on or about August 17, 2010.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse **Deutsche Bank Securities**

William Blair & Company **RBC Capital Markets**

JMP Securities **Pacific Crest Securities**

The date of this prospectus is August 11, 2010.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

Dealer Prospectus Delivery Obligation

Until September 5, 2010 (25 days after the commencement of this offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information you should consider in making your investment decision. You should read this entire prospectus carefully, especially the risks of investing in our common stock discussed under Risk Factors and the consolidated financial statements and related notes included elsewhere in this prospectus, before making an investment decision.

Company Overview

We are a leading provider of on demand software solutions for the rental housing industry. Our broad range of property management solutions enables owners and managers of single-family and a wide variety of multi-family rental property types to manage their marketing, pricing, screening, leasing, accounting, purchasing and other property operations. Our on demand software solutions are delivered through an integrated software platform that provides a single point of access and a shared repository of prospect, resident and property data. By integrating and streamlining a wide range of complex processes and interactions among the rental housing ecosystem of owners, managers, prospects, residents and service providers, our platform optimizes the property management process and improves the experience for all of these constituents.

Our solutions enable property owners and managers to increase revenues and reduce operating costs through higher occupancy, improved pricing methodologies, new sources of revenue from ancillary services, improved collections and more integrated and centralized processes. As of June 30, 2010, over 6,100 customers used one or more of our on demand software solutions to help manage the operations of approximately 5.2 million rental housing units. Our customers include nine of the ten largest multi-family property management companies in the United States, ranked as of January 1, 2010 by the National Multi Housing Council, based on number of units managed.

We sell our solutions through our direct sales organization. Our total revenues were approximately $83.6 million, $112.6 million, $140.9 million and $86.2 million in 2007, 2008, 2009 and the six months ended June 30, 2010, respectively. In the same periods, we had operating (loss) income of approximately ($1.6 million), ($0.4 million), $6.9 million and $2.9 million, respectively, and net (loss) income of approximately ($3.1 million), ($3.2 million), $28.4 million and ($39 thousand), respectively. Net income for 2009 included a discrete tax benefit of approximately $26.0 million as a result of a reduction of our net deferred tax assets valuation allowance.

Our Adjusted EBITDA in 2007, 2008, 2009 and the six months ended June 30, 2010 was approximately $6.0 million, $13.1 million, $25.6 million and $15.2 million, respectively. We believe Adjusted EBITDA is useful to investors in evaluating our operating performance. Our management uses Adjusted EBITDA in conjunction with accounting principles generally accepted in the United States, or GAAP, operating performance measures as part of its overall assessment of our performance for planning purposes, including the preparation of our annual operating budget, to evaluate the effectiveness of our business strategies and to communicate with our board of directors concerning our financial performance. Adjusted EBITDA should not be considered as an alternative financial measure to net (loss) income, which is the most directly comparable financial measure calculated in accordance with GAAP, or any other measure of financial performance calculated in accordance with GAAP. The following table presents a reconciliation of net (loss) income to Adjusted EBITDA:

	Six Months Ended June 30,

	Year Ended December 31, 2007	2008	2009	2010 (unaudited)
	(in thousands)			
Net (loss) income	$ (3,143)	$ (3,209)	$ 28,429	$ (39)
Depreciation and asset impairment	4,854	9,847	9,231	5,051
Amortization of intangible assets	2,273	2,095	5,784	4,496
Interest expense, net	1,510	2,152	4,528	2,936
Income tax expense (benefit)		703	(26,028)	(23)
Stock-based compensation expense	490	1,476	2,805	2,386
Acquisition-related expense			844	392
Adjusted EBITDA	$ 5,984	$ 13,064	$ 25,593	$ 15,199

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For further discussion regarding Adjusted EBITDA, see footnote 6 to the table in Selected Consolidated Financial Data.

Industry Overview

The rental housing market is large and characterized by challenging and location-specific operating requirements, diverse industry participants, significant mobility among residents and a variety of property types, including single-family and a wide range of multi-family property types, including conventional, affordable, privatized military, student and senior housing. According to the U.S. Census Bureau American Housing Survey for the United States: 2007, there were 39.3 million rental housing units in the United States in 2007. Based on U.S. Census Bureau data and our own estimates, we believe that the overall size of the U.S. rental housing market, including rent, utilities and insurance, exceeds $300 billion annually. We estimate that the total addressable market for our current on demand software solutions is approximately $5.5 billion per year. This estimate assumes that each of the 39.3 million rental units in the United States has the potential to generate annually a range of approximately $100 in revenue per unit for single-family units to approximately $240 in revenue per unit for conventional multi-family units. We base this potential revenue assumption on our review of the purchasing patterns of our existing customers with respect to our on demand software solutions, the on demand software solutions currently utilized by our existing customers, the number of units our customers manage with these solutions and our current pricing for our on demand software solutions.

Rental property management spans both the resident lifecycle and the operations of a property. The resident lifecycle can be separated into four key stages: prospect, applicant, residency and post-residency. Each stage of the lifecycle has unique requirements, such as identifying and capturing quality prospects, processing applications, assessing applicants credit risk, processing payments to and from residents and service providers and managing resident turnover. In addition to managing the resident lifecycle, property owners and managers must also manage the operations of their properties, including material and service provider procurement, insurance and risk mitigation, utility and energy management, information technology and telecommunications management, accounting, expense tracking and management, document management, security, staff hiring and training, staff performance measurement and management and marketing. A property owner s or manager s ability to effectively address these requirements can significantly impact their revenue and profitability.

A variety of software applications have been developed to automate many of these functions. However, these applications often require property owners and managers to implement a myriad of third-party and/or internally developed point solutions. These solutions can be expensive to implement and maintain and are often ineffective at helping property owners and managers increase rental revenue and reduce costs.

The RealPage Solution

We provide a platform of on demand software solutions that integrate and streamline rental property management business functions. Our solutions enable owners and managers of single-family and a wide variety of multi-family rental property types, including conventional, affordable, privatized military, student and senior housing, to manage their marketing, pricing, screening, leasing, accounting, purchasing and other property operations. These functions have traditionally been addressed by individual, disparate applications. Our solutions enable property owners and managers to increase revenues and reduce operating costs through higher occupancy, improved pricing methodologies, new sources of revenue from ancillary services, improved collections and more integrated and centralized business processes. Our solutions contribute to a more efficient property management process and an improved experience for all of the constituents involved in the rental housing ecosystem, including owners, managers, prospects, residents and service providers.

We believe the benefits of our solutions for our customers include the following:

Increased revenues. Our solutions help our customers improve sales and marketing effectiveness, optimize pricing and occupancy and improve collection of rental payments, utility expenses, late fees and other charges.

Reduced operating costs. Our solutions help our customers streamline and automate many ongoing property management functions, centralize certain property operations, control purchasing by on-site personnel and eliminate the need to own and support property management applications and associated hardware infrastructure.

Improved quality of service for residents and prospects. Our solutions expedite the processing of a variety of recurring transactions and increase the frequency and quality of communication with residents and prospects, providing higher resident satisfaction and increased differentiation from competing properties that do not use our solutions.

Streamlined and simplified property management business processes. Our solutions share data and automate the workflow of certain business processes, thereby eliminating redundant data entry and simplifying many recurring tasks.

Ability to integrate third-party products and services. Our open architecture and application framework facilitate the integration of third-party applications and services into our solutions.

Increased visibility into property performance. Our integrated platform and common data repository enable owners and managers to gain a comprehensive view of the operational and financial performance of each of their properties.

Simple implementation and support. Our solutions include pre-configured extensions that meet the specific needs of a variety of property types and can be easily tailored by our customers to meet the specific needs of their properties or business processes.

Improved scalability. Our application infrastructure is designed to evolve with our customers needs.

The competitive strengths of our solutions are as follows:

Integrated on demand software platform based on a common data repository. Our solutions are delivered through an integrated on demand software platform that provides a single point of access via the Internet to all of our products and a common repository of prospect, resident and property data.

Large and growing ecosystem of property owners, managers, prospects, residents and service providers. Our solutions automate and streamline many of the recurring transactions and interactions among a large and expanding rental housing ecosystem of property owners and managers, prospects, residents and service providers.

Comprehensive platform of on demand software solutions for property management. We provide what we believe to be the broadest range of on demand capabilities for managing the resident lifecycle and core operational processes for residential property management.

Deep rental housing industry expertise. We design our solutions based on our extensive rental housing industry expertise, insight into industry trends and developments and best practices.

Open cloud computing architecture. Our cloud computing architecture enables our solutions to interface with many of our customers existing systems and allows our customers to outsource the management of third-party business applications.

Our Strategy

We intend to leverage the breadth of our solutions and industry presence to solidify our position as a leading provider of on demand software solutions to the rental housing industry. The key elements of our strategy to accomplish this objective are as follows:

- acquire new customers;
- increase the adoption of additional solutions within our existing customer base;

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add new solutions to our platform; and

pursue acquisitions of complementary businesses, products and technologies.

Risks Affecting Us

Our business is subject to a number of risks that you should understand before making an investment decision. These risks are discussed more fully in Risk Factors following this prospectus summary. Some of these risks are:

our quarterly operating results have fluctuated in the past and may fluctuate in the future, which could cause our stock price to decline;

we have a history of operating losses and may not maintain profitability in the future;

if we are unable to manage the growth of our diverse and complex operations, our financial performance may suffer;

our business depends substantially on customers renewing and expanding their subscriptions for our solutions and any increase in customer cancellations or decline in customer renewals and expansions would harm our future operating results;

we face intense competitive pressures and our failure to compete successfully could harm our operating results;

we may not be able to continue to add new customers, which could adversely affect our operating results; and

if we are not able to integrate past or future acquisitions successfully, our operating results and prospects could be harmed.

Risks Related to this Offering and Ownership of Our Common Stock

There are risks related to this offering and the ownership of our common stock that you should understand before making an investment decision. These risks are discussed more fully in Risk Factors following this prospectus summary. One of these risks is that, upon completion of this offering, the concentration of our capital stock owned by insiders, including Stephen T. Winn, our Chief Executive Officer and Chairman of the Board, and entities beneficially owned by Mr. Winn, will limit your ability to influence corporate matters.

Company Information

We were incorporated in the State of Delaware in December 2003 through a merger with our predecessor entity, RealPage, Inc., a Texas corporation, which was originally incorporated in November 1998 as Seren Capital Acquisition Corp. Our principal executive offices are located at 4000 International Parkway, Carrollton, Texas 75007, and our telephone number is (972) 820-3000. Our website address is www.realpage.com. The information on, or that can be accessed through, our website is not part of this prospectus.

RealPage®, OneSite®, OneSite Leasing and Rents™, OneSite Facilities™, OneSite Purchasing™, OneSite Accounting™, OneSite Budgeting™, Propertyware®, HUDManager®, RentRoll®, i-CAM™, Tenant Pro®, Spectra™, CrossFire®, CrossFire Contact Center™, CrossFire Leasing Portal™, CrossFire Resident Portal™, CrossFire Studio™, M/PF Research®, YieldStar®, YieldStar Price Optimizer™, LeasingDesk®, LeasingDesk Screening™, LeasingDesk

Insurance Services™, eRenterPlan™, Credit Optimizer™, Velocity™, OpsTechnology™, OpsMarket™, OpsAdvantage™, OpsBuyer™, OpsBid™, Domin-8®, Lead2Lease® and PropertyLinkOnline™ are our trademarks and registered trademarks appearing in this prospectus. All other trademarks and trade names appearing in this prospectus are the property of their respective owners.

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The Offering

Common stock offered by us	6,000,000 shares
Common stock offered by the selling stockholders	6,300,000 shares
Total common stock offered	12,300,000 shares
Common stock to be outstanding after this offering	62,305,404 shares
Use of proceeds	We intend to use the net proceeds from this offering to pay accumulated and unpaid dividends on our outstanding shares of Series A, Series A1 and Series B convertible preferred stock that have accrued at a rate of 8% per annum of the original issue price of each such share of preferred stock, compounded quarterly, of which the amount expected to be paid in cash is $0.4 million as of June 30, 2010, to repay approximately $17.2 million of our indebtedness outstanding as of June 30, 2010 and for general corporate purposes, including working capital. We also may use a portion of the net proceeds to acquire complementary businesses or technologies. We will not receive any proceeds from the sale of shares by the selling stockholders. See Use of Proceeds.
Risk factors	You should read the Risk Factors section of this prospectus for a discussion of factors that you should consider carefully before deciding to invest in shares of our common stock.
NASDAQ Global Select Market symbol	RP

The number of shares of common stock that will be outstanding after this offering is based on 55,962,216 shares of our common stock outstanding as of June 30, 2010 plus 343,188 shares of our common stock issuable in payment of accumulated and unpaid dividends on our Series A, Series A1 and Series B convertible preferred stock accrued as of June 30, 2010 and excludes:

- 9,126,284 shares of common stock issuable upon the exercise of options outstanding as of June 30, 2010 (including 155,000 shares of our common stock that we expect to be sold in this offering by certain selling stockholders upon the exercise of vested options at the closing of this offering) under our 1998 Stock Incentive Plan, with a weighted average exercise price of $4.86 per share;

- 85,000 shares of common stock issuable upon exercise of options outstanding as of June 30, 2010 issued to directors pursuant to stock option agreements outside of our 1998 Stock Incentive Plan, with a weighted average exercise price of $7.06 per share;

- 499,999 shares of our common stock issued on July 1, 2010 in connection with our acquisition of eReal Estate Integration, Inc.;

- 3,500,022 shares of common stock reserved for future issuance under our 2010 Equity Incentive Plan, which will become effective in connection with this offering (including 1,000,022 shares of common stock reserved, as of June 30, 2010, for future issuance under our 1998 Stock Incentive Plan, which shares will be added to the shares reserved under our 2010 Equity Incentive Plan, upon its effectiveness); and

181,016 shares of our common stock issuable in payment of accumulated and unpaid dividends on our Series A, Series A1 and Series B convertible preferred stock accrued after June 30, 2010.

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Unless otherwise indicated, the information in this prospectus assumes:

- the 1-for-2 reverse stock split of our common stock and convertible preferred stock effected in July 2010;
- the conversion of all outstanding shares of our convertible preferred stock into 29,043,748 shares of common stock effective upon the completion of this offering;
- no exercise of options outstanding as of June 30, 2010;
- no exercise by the underwriters of their right to purchase up to 1,845,000 shares of common stock to cover over-allotments; and
- the filing of our amended and restated certificate of incorporation and the effectiveness of our amended and restated bylaws, which will occur immediately upon the completion of this offering.

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Summary Consolidated Financial Data

The following tables present summary consolidated financial data for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 and summary consolidated balance sheet data as of December 31, 2007, 2008 and 2009 and June 30, 2010. We have derived the consolidated statement of operations data for the years ended December 31, 2007, 2008, and 2009 and the consolidated balance sheet data as of December 31, 2008 and 2009 from our audited consolidated financial statements, which appear elsewhere in this prospectus. We have derived the consolidated balance sheet data as of December 31, 2007 from our audited consolidated financial statements that are not included in this prospectus. We have derived the consolidated statement of operations data for the six months ended June 30, 2009 and 2010 and the consolidated balance sheet data as of June 30, 2010 from our unaudited consolidated financial statements included elsewhere in this prospectus. You should read this information in conjunction with our consolidated financial statements, the related notes to these financial statements and the information in Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

	Year Ended December 31,			Six Months Ended June 30,	
	2007	2008	2009	2009 (unaudited)	2010 (unaudited)
	(in thousands, except per share data)				
Revenue:					
On demand	$ 62,592	$ 95,192	$ 128,377	$ 60,116	$ 76,866
On premise	11,560	7,582	3,860	2,878	4,292
Professional and other	9,429	9,794	8,665	4,117	5,029
Total revenue	83,581	112,568	140,902	67,111	86,187
Cost of revenue	35,703	46,058	58,513	27,603	36,392
Gross profit	47,878	66,510	82,389	39,508	49,795
Operating expenses:					
Product development	21,708	28,806	27,446	13,598	17,304
Sales and marketing	18,047	23,923	27,804	13,013	16,365
General and administrative	9,756	14,135	20,210	8,723	13,261
Total operating expense	49,511	66,864	75,460	35,334	46,930
Operating (loss) income	(1,633)	(354)	6,929	4,174	2,865
Interest expense and other, net	(1,510)	(2,152)	(4,528)	(1,983)	(2,927)
Net (loss) income before taxes	(3,143)	(2,506)	2,401	2,191	(62)
Income tax expense (benefit)		703	(26,028)	154	(23)
Net (loss) income	$ (3,143)	$ (3,209)	$ 28,429	$ 2,037	$ (39)
Net (loss) income attributable to common stockholders:					
Basic	$ (9,143)	$ (10,658)	$ 10,611	$ (845)	$ (2,363)

Diluted	$ (9,143)	$ (10,658)	$ 10,611	$ (845)	$ (2,363)
Net (loss) income per share attributable to common stockholders:					
Basic	$ (0.89)	$ (0.77)	$ 0.44	$ (0.04)	$ (0.09)
Diluted	$ (0.89)	$ (0.77)	$ 0.42	$ (0.04)	$ (0.09)
Weighted average shares used in computing net (loss) income per share attributable to common stockholders:					
Basic	10,223	13,886	23,934	23,831	25,901
Diluted	10,223	13,886	25,511	23,831	25,901

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	Year Ended December 31, 2007	2008	2009	Six Months Ended June 30, 2009 (unaudited)	2010 (unaudited)
	(in thousands, except per share data)				
Pro forma net income per share attributable to common stockholders (unaudited)(1):					
Basic			$ 0.55		$ 0.02
Diluted			$ 0.54		$ 0.02
Pro forma weighted average shares outstanding used in computing net income per share attributable to common stockholders (unaudited)(2):					
Basic			55,436		57,232
Diluted			57,013		58,070
Pro forma as adjusted net income per share attributable to common stockholders (unaudited)(1):					
Basic			$ 0.51		$ 0.02
Diluted			$ 0.50		$ 0.02
Pro forma as adjusted weighted average shares outstanding used in computing net income per share attributable to common stockholders (unaudited)(3):					
Basic			59,664		61,459
Diluted			61,241		62,298

	As of December 31, 2007	2008	2009	As of June 30, 2010 (unaudited)
	(in thousands)			
Consolidated Balance Sheet Data:				
Cash and cash equivalents(4)	$ 2,731	$ 4,248	$ 4,427	$ 5,132
Total current assets	30,414	49,119	51,003	54,969
Total assets	59,518	102,340	142,113	160,517
Total current liabilities	54,969	75,705	78,050	86,385
Total deferred revenue	41,052	47,232	49,428	50,854
Current and long-term debt(5)	23,809	48,943	53,990	64,743
Total liabilities	87,954	129,622	136,757	153,049
Preferred stock	78,534	71,675	71,832	73,047
Total stockholders deficit	(106,969)	(98,957)	(66,476)	(65,579)
Other Financial Data:				
Adjusted EBITDA(6)	$ 5,984	$ 13,064	$ 25,593	$ 15,199
Operating cash flow	4,441	7,962	24,758	8,197

Capital expenditures	7,122	10,263	9,509	4,718

	As of December 31,			As of June 30,
	2007	**2008**	**2009**	**2010**
Selected Operating Data:				
Number of on demand customers at period end	2,199	2,669	5,032	6,186
Number of on demand units at period end (in thousands)	2,800	3,833	4,551	5,206
Total number of employees at period end	654	922	1,141	1,260

(1) Pro forma net income per share and pro forma as adjusted net income per share represent net income divided by the pro forma weighted average shares outstanding and pro forma as adjusted weighted average

shares outstanding, respectively, as though the conversion of our redeemable convertible preferred stock into common stock occurred on the original issuance dates. We plan to use $17.2 million of the proceeds of this offering for reduction of our indebtedness. Pro forma net income per share and pro forma as adjusted net income per share reflect the effect of our use of proceeds from the offering to repay debt. The pro forma net income per share calculation reflects our sale of 1,772,518 shares of common stock in this offering used for this debt reduction after deducting underwriting discounts and commissions and our estimated offering costs payable. Pro forma net income per share and pro forma as adjusted net income per share were computed as follows: actual net income of $28.4 million and net (loss) of $39 thousand was increased by approximately $2.1 million and $1.0 million for the year ended December 31, 2009 and the six months ended June 30, 2010, respectively, representing the pro forma reduction in interest expense, net of tax, resulting from the use of net offering proceeds to reduce indebtedness.

(2) Pro forma weighted average shares outstanding reflects the conversion of our redeemable convertible preferred stock (using the if-converted method) into common stock as though the conversion had occurred on the original dates of issuance. The pro forma weighted average shares outstanding reflects our sale of 1,772,518 shares of common stock in this offering used for the debt reduction noted in (1) above. In addition, pro forma weighted average common shares outstanding, as of December 31, 2009 and June 30, 2010, considers (a) the issuance of 1,418,669 shares of our common stock in payment of a portion of dividends accrued on our Series A, Series A1 and Series B convertible preferred stock through December 31, 2009 and declared on December 31, 2009, (b) the issuance of 342,696 shares of common stock in payment of a portion of dividends accrued on our Series A, Series A1 and Series B convertible preferred stock through March 31, 2010 and declared on April 23, 2010 and (c) the issuance of 343,188 shares of our common stock in payment of a portion of accumulated and unpaid dividends on our Series A, Series A1 and Series B convertible preferred stock as of June 30, 2010, each as if such shares had been issued on January 1, 2009.

(3) Pro forma as adjusted weighted average shares outstanding reflects the conversion of our redeemable convertible preferred stock (using the if-converted method) into common stock as though the conversion had occurred on the original dates of issuance. The pro forma as adjusted weighted average shares outstanding reflects our sale of 6,000,000 shares of common stock in this offering including 1,772,518 shares used for the debt reduction noted in (1) above. In addition, pro forma as adjusted weighted average common shares outstanding, as of December 31, 2009 and June 30, 2010, considers (a) the issuance of 1,418,669 shares of our common stock in payment of a portion of dividends accrued on our Series A, Series A1 and Series B convertible preferred stock through December 31, 2009 and declared on December 31, 2009, (b) the issuance of 342,696 shares of common stock in payment of a portion of dividends accrued on our Series A, Series A1 and Series B convertible preferred stock through March 31, 2010 and declared on April 23, 2010 and (c) the issuance of 343,188 shares of our common stock in payment of a portion of accumulated and unpaid dividends on our Series A, Series A1 and Series B convertible preferred stock as of June 30, 2010, each as if such shares had been issued on January 1, 2009.

(4) Excludes restricted cash.

(5) Includes capital lease obligations.

(6) We define Adjusted EBITDA as net (loss) income plus depreciation and asset impairment, amortization of intangible assets, interest expense, net, income tax expense (benefit), stock-based compensation expense and acquisition-related expense.

We believe that the use of Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating our operating performance because it provides them with an additional tool to compare business performance across companies and across periods. We believe that:

Adjusted EBITDA provides investors and other users of our financial information consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations and facilitates comparisons with our peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results; and

it is useful to exclude certain non-cash charges, such as depreciation and asset impairment, amortization of intangible assets and stock-based compensation and non-core operational charges, such as acquisition-related expense, from Adjusted EBITDA because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations and these expenses

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can vary significantly between periods as a result of new acquisitions, full amortization of previously acquired tangible and intangible assets or the timing of new stock-based awards, as the case may be.

We use Adjusted EBITDA in conjunction with traditional GAAP operating performance measures as part of our overall assessment of our performance, for planning purposes, including the preparation of our annual operating budget, to evaluate the effectiveness of our business strategies and to communicate with our board of directors concerning our financial performance.

We do not place undue reliance on Adjusted EBITDA as our only measure of operating performance. Adjusted EBITDA should not be considered as a substitute for other measures of liquidity or financial performance reported in accordance with GAAP. There are limitations to using non-GAAP financial measures, including that other companies may calculate these measures differently than we do, that they do not reflect our capital expenditures or future requirements for capital expenditures and that they do not reflect changes in, or cash requirements for, our working capital. We compensate for the inherent limitations associated with using Adjusted EBITDA measures through disclosure of these limitations, presentation of our financial statements in accordance with GAAP and reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure, net (loss) income.

The following table presents a reconciliation of net (loss) income to Adjusted EBITDA:

	Year Ended December 31,			Six Months Ended June 30,	
	2007	2008	2009	2009 (unaudited)	2010 (unaudited)
	(in thousands)				
Net (loss) income	$ (3,143)	$ (3,209)	$ 28,429	$ 2,037	$ (39)
Depreciation and asset impairment	4,854	9,847	9,231	4,513	5,051
Amortization of intangible assets	2,273	2,095	5,784	2,684	4,496
Interest expense, net	1,510	2,152	4,528	1,983	2,936
Income tax expense (benefit)		703	(26,028)	154	(23)
Stock-based compensation expense	490	1,476	2,805	1,178	2,386
Acquisition-related expense			844		392
Adjusted EBITDA	$ 5,984	$ 13,064	$ 25,593	$ 12,549	$ 15,199

The following table presents stock-based compensation included in each expense category:

	Year Ended December 31,			Six Months Ended June 30,	
	2007	2008	2009	2009 (unaudited)	2010 (unaudited)
	(in thousands)				
Cost of revenue	$ 48	$ 104	$ 367	$ 152	$ 267
Product development	251	727	1,175	499	1,037
Sales and marketing	110	277	498	215	340
General and administrative	81	368	765	312	742

Total stock-based compensation expense	$ 490	$ 1,476	$ 2,805	$ 1,178	$ 2,386

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RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with the financial and other information contained in this prospectus, including our consolidated financial statements and related notes, before deciding whether to purchase shares of our common stock. If any of the following risks actually occurs, our business, financial condition, results of operations and future prospects could be materially and adversely affected. In that event, the market price of our common stock could decline and you could lose part or all of your investment.

Risks Related to Our Business

Our quarterly operating results have fluctuated in the past and may fluctuate in the future, which could cause our stock price to decline.

Our quarterly operating results may fluctuate as a result of a variety of factors, many of which are outside of our control. Fluctuations in our quarterly operating results may be due to a number of factors, including the risks and uncertainties discussed elsewhere in this prospectus. Some of the important factors that could cause our revenues and operating results to fluctuate from quarter to quarter include:

- the extent to which on demand software solutions maintain current and achieve broader market acceptance;
- our ability to timely introduce enhancements to our existing solutions and new solutions;
- our ability to increase sales to existing customers and attract new customers;
- changes in our pricing policies or those of our competitors;
- the variable nature of our sales and implementation cycles;
- general economic, industry and market conditions in the rental housing industry that impact the financial condition of our current and potential customers;
- the amount and timing of our investment in research and development activities;
- technical difficulties, service interruptions or security breaches;
- our ability to hire and retain qualified key personnel, including the rate of expansion of our sales force;
- changes in the legal, regulatory or compliance environment related to the rental housing industry, fair credit reporting, payment processing, privacy, utility billing, the Internet and e-commerce;
- the amount and timing of operating expenses and capital expenditures related to the expansion of our operations and infrastructure;
- the timing of revenue and expenses related to recent and potential acquisitions or dispositions of businesses or technologies;

- our ability to integrate acquisitions in a cost-effective and timely manner;
- litigation and settlement costs, including unforeseen costs; and
- new accounting pronouncements and changes in accounting standards or practices, particularly any affecting the recognition of subscription revenue or accounting for mergers and acquisitions.

Fluctuations in our quarterly operating results may lead analysts to change their long-term model for valuing our common stock, cause us to face short-term liquidity issues, impact our ability to retain or attract key personnel or cause other unanticipated issues, all of which could cause our stock price to decline. As a result of the potential variations in our quarterly revenue and operating results, we believe that quarter-to-

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quarter comparisons of our revenues and operating results may not be meaningful and the results of any one quarter should not be relied upon as an indication of future performance.

We have a history of operating losses and may not maintain profitability in the future.

We have not been consistently profitable on a quarterly or annual basis. We experienced net losses of $3.1 million and $3.2 million in 2007 and 2008, respectively, and a net loss of $39 thousand for the six-month period ended June 30, 2010. As of June 30, 2010, our accumulated deficit was $89.8 million. While we have experienced significant growth over recent quarters and our net income was $28.4 million in 2009, we may not be able to sustain or increase our growth or profitability in the future. Net income for 2009 included a discrete tax benefit of approximately $26.0 million as a result of a reduction of our net deferred tax assets valuation allowance. We expect to make significant future expenditures related to the development and expansion of our business. In addition, following the completion of this offering, we expect that our general and administrative expenses will increase due to the additional operational and reporting costs associated with being a public company. As a result of these increased expenditures and expenses, we will need to generate and sustain increased revenue to achieve future profitability expectations. We may incur significant losses in the future for a number of reasons, including the other risks and uncertainties described in this prospectus. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays and other unknown factors that may result in losses in future periods. If these losses exceed our expectations or our growth expectations are not met in future periods, our financial performance will be affected adversely.

If we are unable to manage the growth of our diverse and complex operations, our financial performance may suffer.

The growth in the size, complexity and diversity of our business and the expansion of our product lines and customer base has placed, and our anticipated growth may continue to place, a significant strain on our managerial, administrative, operational, financial and other resources. We have experienced rapid growth over the past three years. We increased our number of employees from 532 as of December 31, 2006 to 1,260 as of June 30, 2010 and our number of on demand customers from 1,469 as of December 31, 2006 to 6,186 as of June 30, 2010. We increased the number of on demand product centers that we offer from 20 as of December 31, 2006 to 42 as of June 30, 2010 and have added four on premise property management systems as a result of our February 2010 acquisition. In addition, in the past, we have grown and expect to continue to grow through acquisitions. For example, we recently acquired eReal Estate Integration, Inc., a lead management and lead syndication business. Our ability to effectively manage our anticipated future growth will depend on, among other things, the following:

- successfully supporting and maintaining a broad range of solutions;
- maintaining continuity in our senior management and key personnel;
- attracting, retaining, training and motivating our employees, particularly technical, customer service and sales personnel;
- enhancing our financial and accounting systems and controls;
- enhancing our information technology infrastructure; and
- managing expanded operations in geographically dispersed locations.

If we do not manage the size, complexity and diverse nature of our business effectively, we could experience delayed software releases and longer response times for assisting our customers with implementation of our solutions and could lack adequate resources to support our customers on an ongoing basis, any of which could adversely affect our reputation in the market and our ability to generate revenue from new or existing customers.

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The nature of our platform is complex and highly integrated and if we fail to successfully manage releases or integrate new solutions, it could harm our revenues, operating income and reputation.

We manage a complex platform of solutions that consists of our property management systems and integrated software-enabled value-added services. Many of our solutions include a large number of product centers that are highly integrated and require interoperability with each other and our other solutions, as well as products and services of third-party service providers. Additionally, we typically deploy new releases of the software underlying our on demand software solutions on a monthly or quarterly schedule depending on the solution. Due to this complexity and the condensed development cycles under which we operate, we may experience errors in our software or unexpected performance issues from time to time. For example, our solutions may face interoperability difficulties with software operating systems or programs being used by our customers, or new releases, upgrades, fixes or the integration of acquired technologies may have unanticipated consequences on the operation and performance of our other solutions. If we encounter integration challenges or discover errors in our solutions late in our development cycle, it may cause us to delay our launch dates. Any major integration or interoperability issues or launch delays could have a material adverse effect on our revenues, operating income and reputation.

Our business depends substantially on customers renewing and expanding their subscriptions for our solutions and any increase in customer cancellations or decline in customer renewals or expansions would harm our future operating results.

We generally license our solutions pursuant to customer agreements with a term of one year. Our customers have no obligation to renew these agreements after their term expires, or to renew these agreements at the same or higher annual contract value. In addition, under specific circumstances, our customers have the right to cancel their customer agreements before they expire, for example, in the event of an uncured breach by us, or in some circumstances, by paying a cancellation fee. In addition, customers often purchase a higher level of professional services in the initial term than they do in renewal terms to ensure successful activation. As a result, our ability to grow is dependent in part on customers purchasing additional solutions or professional services after the initial term of their customer agreement. Though we maintain and analyze historical data with respect to rates of customer renewals, upgrades and expansions, those rates may not accurately predict future trends in customer renewals. Our customers renewal rates may decline or fluctuate for a number of reasons, including, but not limited to, their satisfaction or dissatisfaction with our solutions, our pricing, our competitors pricing, reductions in our customers spending levels or reductions in the number of units managed by our customers. If our customers cancel their agreements with us during their term, do not renew their agreements, renew on less favorable terms or do not purchase additional solutions or professional services in renewal periods, our revenue may grow more slowly than expected or decline and our profitability may be harmed.

Additionally, we have experienced, and expect to continue to experience, some level of customer turnover as properties are sold and the new owners and managers of properties previously owned or managed by our customers do not continue to use our solutions. We cannot predict the amount of customer turnover we will experience in the future. However, we have experienced slightly higher rates of customer turnover with our recently acquired Propertyware property management system, primarily because it serves smaller properties than our OneSite property management system, and we may experience higher levels of customer turnover to the extent Propertyware grows as a percentage of our revenues. If we experience increased customer turnover, our financial performance and operating results could be adversely affected.

We have also experienced, and expect to continue to experience, some number of consolidations of our customers with other parties. If one of our customers consolidates with a party who is not a customer, our customer may decide not to continue to use our solutions. In addition, if one of our customers is consolidated with another customer, the acquiring customer may have negotiated lower prices for our solutions or may use fewer of our solutions than the acquired customer. In each case, the consolidated entity may attempt to negotiate lower prices for using our solutions as a result of their increased size. These consolidations may cause us to lose customers or require us to reduce prices as a result of enhanced customer leverage, which could cause our financial performance and operating results to be adversely affected.

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Because we recognize subscription revenue over the term of the applicable customer agreement, a decline in subscription renewals or new service agreements may not be reflected immediately in our operating results.

We generally recognize revenue from customers ratably over the terms of their customer agreements, which are typically one year. As a result, much of the revenue we report in each quarter is deferred revenue from customer agreements entered into during previous quarters. Consequently, a decline in new or renewed customer agreements in any one quarter will not be fully reflected in our revenue or our results of operations until future periods. Accordingly, this revenue recognition model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription term.

We may not be able to continue to add new customers and retain and increase sales to our existing customers, which could adversely affect our operating results.

Our revenue growth is dependent on our ability to continually attract new customers while retaining and expanding our service offerings to existing customers. Growth in the demand for our solutions may be inhibited and we may be unable to sustain growth in our customer base for a number of reasons, including, but not limited to:

- our inability to market our solutions in a cost-effective manner to new customers or in new vertical or geographic markets;
- our inability to expand our sales to existing customers;
- our inability to build and promote our brand; and
- perceived security, reliability, quality or compatibility problems with our solutions.

A substantial amount of our past revenue growth was derived from purchases of upgrades and additional solutions by existing customers. Our costs associated with increasing revenue from existing customers are generally lower than costs associated with generating revenue from new customers. Therefore, a reduction in the rate of revenue increase from our existing customers, even if offset by an increase in revenue from new customers, could reduce our profitability and have a material adverse effect on our operating results.

If we are not able to integrate past or future acquisitions successfully, our operating results and prospects could be harmed.

We have acquired new technology and domain expertise through multiple acquisitions, including our most recent acquisition of eReal Estate Integration, Inc. in July 2010. We expect to continue making acquisitions. The success of our future acquisition strategy will depend on our ability to identify, negotiate, complete and integrate acquisitions. Acquisitions are inherently risky, and any acquisitions we complete may not be successful. Any acquisitions we pursue would involve numerous risks, including the following:

- difficulties in integrating and managing the operations and technologies of the companies we acquire;
- diversion of our management s attention from normal daily operations of our business;
- our inability to maintain the key employees, the key business relationships and the reputations of the businesses we acquire;

the acquisitions may generate insufficient revenue to offset our increased expenses associated with acquisitions;

our responsibility for the liabilities of the businesses we acquire, including, without limitation, liabilities arising out of their failure to maintain effective data security and privacy controls prior to the acquisition;

difficulties in complying with new regulatory standards to which we were not previously subject;

delays in our ability to implement internal standards, controls, procedures and policies in the businesses we acquire; and

adverse effects of acquisition activity on the key performance indicators we use to monitor our performance as a business.

Our current acquisition strategy includes the acquisition of companies that offer property management systems that may not interoperate with our software-enabled value-added services. In order to integrate and fully realize the benefits of such acquisitions, we expect to build application interfaces that enable such customers to use a wide range of our solutions while they continue to use their legacy management systems. In addition, over time we expect to migrate the acquired company s customers to our on demand property management systems to retain them as customers and to be in a position to offer them our solutions on a cost-effective basis. These efforts may be unsuccessful or entail costs that result in losses or reduced profitability.

We may be unable to secure the equity or debt funding necessary to finance future acquisitions on terms that are acceptable to us, or at all. If we finance acquisitions by issuing equity or convertible debt securities, our existing stockholders will likely experience ownership dilution, and if we finance future acquisitions with debt funding, we will incur interest expense and may have to comply with additional financing covenants or secure that debt obligation with our assets.

If we are unable to successfully develop or acquire and sell enhancements and new solutions, our revenue growth will be harmed and we may not be able to meet profitability expectations.

The industry in which we operate is characterized by rapidly changing customer requirements, technological developments and evolving industry standards. Our ability to attract new customers and increase revenue from existing customers will depend in large part on our ability to successfully develop, bring to market and sell enhancements to our existing solutions and new solutions that effectively respond to the rapid changes in our industry. Any enhancements or new solutions that we develop or acquire may not be introduced to the market in a timely or cost-effective manner and may not achieve the broad market acceptance necessary to generate the revenue required to offset the operating expenses and capital expenditures related to development or acquisition. If we are unable to timely develop or acquire and sell enhancements and new solutions that keep pace with the rapid changes in our industry, our revenue will not grow as expected and we may not be able to maintain or meet profitability expectations.

We derive a substantial portion of our revenue from a limited number of our solutions and failure to maintain demand for these solutions or diversify our revenue base through increasing demand for our other solutions could negatively affect our operating results.

Historically, a majority of our revenue was derived from sales of our OneSite property management system and our LeasingDesk software-enabled value-added service. If we are unable to develop enhancements to these solutions to maintain demand for these solutions or to diversify our revenue base by increasing demand for our other solutions, our operating results could be negatively impacted.

We use a small number of data centers to deliver our solutions. Any disruption of service at our facilities could interrupt or delay our customers access to our solutions, which could harm our operating results.

The ability of our customers to access our service is critical to our business. We currently serve a majority of our customers from a primary data center located in Carrollton, Texas. We also maintain a secondary data center in downtown Dallas, Texas, approximately 20 miles from our primary data center. Services of our most recent acquisitions are provided from data centers located in Wisconsin, Ohio, Kansas, Texas and Winnipeg, Canada. It is our intent to migrate all data centers to our primary and secondary data centers in Carrollton and Dallas. Any event resulting in extended interruption or delay in our customers access to our services or their data could harm our operating results. There can be no certainty that the measures we have taken to eliminate single points of failure in the primary and secondary data centers will be effective to prevent or minimize interruptions to our operations. Our facilities are vulnerable to interruption or damage from a number of sources, many of which are beyond our control, including, without limitation:

- extended power loss;
- telecommunications failures from multiple telecommunication providers;
- natural disaster or an act of terrorism;
- software and hardware errors, or failures in our own systems or in other systems;
- network environment disruptions such as computer viruses, hacking and similar problems in our own systems and in other systems;
- theft and vandalism of equipment; and
- actions or events caused by or related to third parties.

The occurrence of an extended interruption of services at one or more of our data centers could result in lengthy interruptions in our services. Since January 1, 2007, we have experienced two extended service interruptions lasting more than eight hours caused by equipment and hardware failures. Our service level agreements require us to refund a prorated portion of the access fee if we fail to satisfy our service level commitments related to availability. Refunds for breach of this service level commitment have resulted in immaterial payments to customers in the past. An extended service outage could result in refunds to our customers and harm our customer relationships.

We attempt to mitigate these risks through various business continuity efforts, including redundant infrastructure, 24 x 7 x 365 system activity monitoring, backup and recovery procedures, use of a secure off-site storage facility for backup media, separate test systems and change management and system security measures, but our precautions may not protect against all potential problems. Our secondary data center is equipped with physical space, power, storage and networking infrastructure and Internet connectivity to support the solutions we provide in the event of the interruption of services at our primary data center. Even with this secondary data center, however, our operations would be interrupted during the transition process should our primary data center experience a failure. Moreover, both our primary and secondary data centers are located in the greater metropolitan Dallas area. As a result, any regional disaster could affect both data centers and result in a material disruption of our services.

For customers who specifically pay for accelerated disaster recovery services, we replicate their data from our primary data center to our secondary data center with the necessary stand-by servers and disk storage available to provide services within two hours of a disaster. This process is currently audited by some of our customers who pay for this service on an annual basis. For customers who do not pay for such services, our current service level agreements with our customers require that we provide disaster recovery within 72 hours.

Disruptions at our data centers could cause disruptions in our services and data loss or corruption. This could damage our reputation, cause us to issue credits to customers, subject us to potential liability or costs related to defending against claims or cause customers to terminate or elect not to renew their agreements, any of which could negatively impact our revenues.

We provide service level commitments to our customers, and our failure to meet the stated service levels could significantly harm our revenue and our reputation.

Our customer agreements provide that we maintain certain service level commitments to our customers relating primarily to product functionality, network uptime, critical infrastructure availability and hardware replacement. For example, our service level agreements generally require that our solutions are available 98% of the time during coverage hours (normally 6:00 a.m. though 10:00 p.m. Central time daily) 365 days per year. If we are unable to meet the stated service level commitments, we may be contractually obligated to provide customers with refunds or credits. Additionally, if we fail to meet our service level commitments a specified number of times within a given time frame or for a specified duration, our customers may terminate their agreement with us or extend the term of their agreement at no additional fee. As a result, a failure to deliver services for a relatively short duration could cause us to issue credits or refunds to a large number of affected customers or result in the loss of customers. In addition, we cannot assure you that our customers will accept these credits, refunds, termination or extension rights in lieu of other legal remedies that may be available to them. Our failure to meet our commitments could also result in substantial customer dissatisfaction or loss. Because of the loss of future revenues through the issuance of credits or the loss of customers or other potential liabilities, our revenue could be significantly impacted if we cannot meet our service level commitments to our customers.

We face intense competitive pressures and our failure to compete successfully could harm our operating results.

The market for our solutions is intensely competitive, fragmented and rapidly changing with relatively low barriers to entry. With the introduction of new technologies and market entrants, we expect competition to intensify in the future. Increased competition generally could result in pricing pressures, reduced sales and reduced margins. Often we compete to sell our solutions against existing systems that our potential customers have already made significant expenditures to install.

We face competition primarily from point solution providers, including traditional software vendors, application service providers, or ASPs, and other software as a service, or SaaS, providers. Our competitors vary depending on our product and service. Our principal competitors in the multi-family enterprise resource planning, or ERP, market are AMSI Property Management (owned by Infor Global Solutions, Inc.), MRI Software LLC and Yardi Systems, Inc. These competitors offer both software and ASP delivery platforms. In the last 12 months Yardi Systems, Inc. has expanded into other competitive areas through smaller acquisitions and internally developed systems. In the single-family market, our ERP systems compete primarily with AppFolio, Inc. and DIY Real Estate Solutions (recently acquired by Yardi Systems, Inc.).

We offer a number of software-enabled value-added services that compete with a disparate and large group of competitors. In the applicant screening market, our principal competitors are ChoicePoint Inc. (a subsidiary of Reed Elsevier Group plc), CoreLogic, Inc. (formerly First Advantage Corporation, an affiliate of The First American Corporation), TransUnion Rental Screening Solutions, Inc. (a subsidiary of TransUnion LLC), Yardi Systems, Inc. (following its recent acquisition of RentGrow Inc., an applicant screening provider), On-Site.com and many other smaller regional and local screening companies. In the insurance market, our principal competitors are Assurant, Inc., Bader Company, CoreLogic, Inc. and a number of national insurance underwriters (including GEICO Corporation) that market renters insurance. There are many smaller screening and insurance providers in the risk mitigation area that we encounter less frequently, but they nevertheless present a competitive presence in the market.

In the customer relationship management, or CRM, market, we compete with providers of contact center and call tracking services, including Call Source Inc., Level One, Inc., Yardi Systems, Inc. (which recently announced its intention to build a call center) and numerous regional and local call centers. In addition, we compete with lead tracking solution providers, including Call Source Inc., Lead Tracking Solutions (a division of O.C. Concepts, Inc.) and Who s Calling, Inc. In addition, we compete with content syndication providers Realty DataTrust Corporation, RentSentinel.com (owned by Yield Technologies, Inc.), RentEngine (owned by MyNewPlace.com) and rentbits.com, Inc. Finally, we compete with companies providing web portal services, including Apartments24-7.com, Inc., Ellipse Communications, Inc., Property Solutions International, Inc., Spherexx.com and Yardi Systems, Inc. Certain Internet listing services also offer websites for their customers, usually as a free value add to their listing service.

In the utility billing market, we compete at a national level with American Utility Management, Inc., Conservice, LLC, ista North America, Inc., NWP Services Corporation and Yardi Systems, Inc. (following its recent acquisition of Energy Billing Systems, Inc.). Many other smaller utility billing companies compete for smaller rental properties or in regional areas.

In the revenue management market, we compete with PROS Holdings, Inc., The Rainmaker Group, Inc. and Yardi Systems, Inc.

In the spend management market, we compete with Site Stuff, Inc. (owned by Yardi Systems, Inc.), AvidXchange, Inc., Nexus Systems, Inc., Ariba, Inc. and Oracle Corporation.

In the payment processing market, we compete with Chase Paymentech Solutions, LLC (a subsidiary of JPMorgan Chase & Co.), First Data Corporation, Fiserv, Inc., MoneyGram International, Inc., NWP Services Corporation, Property Solutions International, Inc., RentPayment.com (a subsidiary of Yapstone, Inc.), Yardi Systems, Inc. and a number of national banking institutions.

In addition, many of our existing or potential customers have developed or may develop their own solutions that may be competitive with our solutions. We also may face competition for potential acquisition targets from our competitors who are seeking to expand their offerings.

With respect to all of our competitors, we compete based on a number of factors, including total cost of ownership, ease of implementation, product functionality and scope, performance, security, scalability and reliability of service, brand and reputation, sales and marketing capabilities and financial resources. Some of our existing competitors and new market entrants may enjoy substantial competitive advantages, such as greater name recognition, longer operating histories, a larger installed customer base and larger marketing budgets, as well as greater financial, technical and other resources. In addition, any number of our existing competitors or new market entrants could combine or consolidate to become a more formidable competitor with greater resources. As a result of such competitive advantages, our existing and future competitors may be able to:

- develop superior products or services, gain greater market acceptance and expand their offerings more efficiently or more rapidly;
- adapt to new or emerging technologies and changes in customer requirements more quickly;
- take advantage of acquisition and other opportunities more readily;
- adopt more aggressive pricing policies and devote greater resources to the promotion of their brand and marketing and sales of their products and services; and
- devote greater resources to the research and development of their products and services.

If we are not able to compete effectively, our operating results will be harmed.

We integrate our software-enabled value-added services with competitive ERP applications for some of our customers. We also provide services to assist in the implementation, training, support and hosting with respect to the integration of some of our competitors applications with our solutions. We sometimes rely on the cooperation of our competitors to implement solutions for our customers. However, frequently our reliance on the cooperation of our competitors can result in delays in integration. There is no assurance that our competitors, even if contractually obligated to do so, will continue to cooperate with us or will not prospectively alter their obligations to do so. We also occasionally develop interfaces between our software-enabled value-added services and competitor ERP systems without their cooperation or consent. There is no assurance that our competitors will not alter their applications in ways that inhibit integration or assert that their intellectual property rights restrict our ability to integrate our solutions with their applications. If our competitors do not continue to cooperate with us or if they alter their applications in ways that inhibit or restrict the integration of our solutions and we are not able to find alternative ways to integrate our solutions with our competitors applications, our business will be harmed.

Variability in our sales and activation cycles could result in fluctuations in our quarterly results of operations and cause our stock price to decline.

The sales and activation cycles for our solutions, from initial contact with a potential customer to contract execution and activation, vary widely by customer and solution. We do not recognize revenue until the solution is

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activated. While most of our activations follow a set of standard procedures, a customer s priorities may delay activation and our ability to recognize revenue, which could result in fluctuations in our quarterly operating results.

Many of our customers are price sensitive, and if market dynamics require us to change our pricing model or reduce prices, our operating results will be harmed.

Many of our existing and potential customers are price sensitive, and recent adverse global economic conditions have contributed to increased price sensitivity in the multi-family housing market and the other markets that we serve. As market dynamics change, or as new and existing competitors introduce more competitive pricing or pricing models, we may be unable to renew our agreements with existing customers or customers of the businesses we acquire or attract new customers at the same price or based on the same pricing model as previously used. As a result, it is possible that we may be required to change our pricing model, offer price incentives or reduce our prices, which could harm our revenue, profitability and operating results.

If we do not effectively expand and train our sales force, we may be unable to add new customers or increase sales to our existing customers and our business will be harmed.

We continue to be substantially dependent on our sales force to obtain new customers and to sell additional solutions to our existing customers. We believe that there is significant competition for sales personnel with the skills and technical knowledge that we require. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training and retaining sufficient numbers of sales personnel to support our growth. New hires require significant training and, in most cases, take significant time before they achieve full productivity. Our recent hires and planned hires may not become as productive as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. If we are unable to hire and train sufficient numbers of effective sales personnel, or the sales personnel are not successful in obtaining new customers or increasing sales to our existing customer base, our business will be harmed.

Material defects or errors in the software we use to deliver our solutions could harm our reputation, result in significant costs to us and impair our ability to sell our solutions.

The software applications underlying our solutions are inherently complex and may contain material defects or errors, particularly when first introduced or when new versions or enhancements are released. We have from time to time found defects in the software applications underlying our solutions and new errors in our existing solutions may be detected in the future. Any errors or defects that cause performance problems or service interruptions could result in:

- a reduction in new sales or subscription renewal rates;
- unexpected sales credits or refunds to our customers, loss of customers and other potential liabilities;
- delays in customer payments, increasing our collection reserve and collection cycle;
- diversion of development resources and associated costs;
- harm to our reputation and brand; and
- unanticipated litigation costs.

Additionally, the costs incurred in correcting defects or errors could be substantial and could adversely affect our operating results.

Failure to effectively manage the development of our solutions and data processing efforts outside the United States could harm our business.

Our success depends, in part, on our ability to process high volumes of customer data and enhance existing solutions and develop new solutions rapidly and cost effectively. We currently maintain an office in

Hyderabad, India where we employ development and data processing personnel. We believe that performing these activities in Hyderabad increases the efficiency and decreases the costs of our development and data processing efforts. Managing and staffing international operations requires management s attention and financial resources. The level of cost-savings achieved by our international operations may not exceed the amount of investment and additional resources required to manage and operate these international operations. Additionally, if we experience problems with our workforce or facilities in Hyderabad, our business could be harmed due to delays in product release schedules or data processing services.

We rely on third-party technologies and services that may be difficult to replace or that could cause errors, failures or disruptions of our service, any of which could harm our business.

We rely on a number of third-party providers, including, but not limited to, computer hardware and software vendors and database providers, to deliver our solutions. We currently utilize equipment, software and services from Avaya Inc., Cisco Systems, Inc., Dell Inc., EMC Corporation, Microsoft Corporation, Oracle Corporation and salesforce.com, inc., as well as many other smaller providers. Our OneSite Accounting service relies on a SaaS-based accounting system developed and maintained by a third-party service provider. We host this application in our data centers and provide supplemental development resources to extend this accounting system to meet the unique requirements of the rental housing industry. Our shared cloud portfolio reporting service will utilize software licensed from IBM. We expect to utilize additional service providers as we expand our platform. Although the third-party technologies and services that we currently require are commercially available, such technologies and services may not continue to be available on commercially reasonable terms, or at all. Any loss of the right to use any of these technologies or services could result in delays in the provisioning of our solutions until alternative technology is either developed by us, or, if available, is identified, obtained and integrated, and such delays could harm our business. It also may be time consuming and costly to enter into new relationships. Additionally, any errors or defects in the third-party technologies we utilize or delays or interruptions in the third-party services we rely on could result in errors, failures or disruptions of our services, which also could harm our business.

We depend upon third-party service providers for important payment processing functions. If these third-party service providers do not fulfill their contractual obligations or choose to discontinue their services, our business and operations could be disrupted and our operating results would be harmed.

We rely on several large payment processing organizations to enable us to provide payment processing services to our customers, including electronic funds transfers, or EFT, check services, bank card authorization, data capture, settlement and merchant accounting services and access to various reporting tools. These organizations include Paymentech, LLC, Jack Henry & Associates, Inc., JPMorgan Chase Bank, N.A. and Wells Fargo, N.A. We also rely on third-party hardware manufacturers to manufacture the check scanning hardware our customers utilize to process transactions. Some of these organizations and service providers are competitors who also directly or indirectly sell payment processing services to customers in competition with us. With respect to these organizations and service providers, we have significantly less control over the systems and processes than if we were to maintain and operate them ourselves. In some cases, functions necessary to our business are performed on proprietary third-party systems and software to which we have no access. We also generally do not have long-term contracts with these organizations and service providers. Accordingly, the failure of these organizations and service providers to renew their contracts with us or fulfill their contractual obligations and perform satisfactorily could result in significant disruptions to our operations and adversely affect operating results. In addition, businesses that we have acquired, or may acquire in the future, typically rely on other payment processing service providers. We may encounter difficulty converting payment processing services from these service providers to our payment processing platform. If we are required to find an alternative source for performing these functions, we may have to expend significant money, time and other resources to develop or obtain an alternative, and if developing or obtaining an alternative is not accomplished in a timely manner and without significant disruption to our business, we may be unable to fulfill our responsibilities to customers or meet their expectations, with the attendant potential for liability claims, damage to our reputation, loss of ability to attract or maintain customers and reduction of our revenue or profits.

We face a number of risks in our payment processing business that could result in a reduction in our revenues and profits.

In connection with our payment processing services, we collect resident funds and subsequently remit these resident funds to our customers after varying holding periods. These funds are settled through our sponsor bank, and in the case of EFT, our Originating Depository Financial Institution, or ODFI. Currently, we rely on Wells Fargo, N.A. and JPMorgan Chase Bank, N.A. as our sponsor banks. In 2010, we expect to enter into similar sponsor bank relationships with one or more other national banking institutions. The custodial balances that we hold for our customers at our sponsor bank are identified in our consolidated balance sheets as restricted cash and the corresponding liability for these custodial balances is identified as customer deposits. Our payment processing business and related maintenance of custodial accounts subjects us to a number of risks, including, but not limited to:

- liability for customer costs related to disputed or fraudulent merchant transactions if those amounts exceed the amount of the customer reserves we have established to make such payments;
- limits on the amount of custodial balances that any single ODFI will underwrite;
- reliance on bank sponsors and card payment processors and other service providers to process bank card transactions;
- failure by us or our bank sponsors to adhere to applicable laws and regulatory requirements or the standards of the Visa and MasterCard credit card associations;
- incidences of fraud or a security breach or our failure to comply with required external audit standards; and
- our inability to increase our fees at times when Visa and MasterCard increase their merchant transaction processing fees.

If any of these risks related to our payment processing business were to occur, our business or financial results could be negatively affected. Additionally, with respect to the processing of EFTs, we are exposed to financial risk. EFTs between a resident and our customer may be returned for insufficient funds, or NSFs, or rejected. These NSFs and rejects are charged back to the customer by us. However, if we or our sponsor banks are unable to collect such amounts from the customer s account or if the customer refuses or is unable to reimburse us for the chargeback, we bear the risk of loss for the amount of the transfer. While we have not experienced material losses resulting from chargebacks in the past, there can be no assurance that we will not experience significant losses from chargebacks in the future. Any increase in chargebacks not paid by our customers may adversely affect our financial condition and results of operations.

If our security measures are breached and unauthorized access is obtained to our customers or their residents data, we may incur significant liabilities, our solutions may be perceived as not being secure and customers may curtail or stop using our solutions.

The solutions we provide involve the collection, storage and transmission of confidential personal and proprietary information regarding our customers and our customers current and prospective residents. Specifically, we collect, store and transmit a variety of customer data including, but not limited to, the demographic information and payment histories of our customers prospective and current residents. Additionally, we collect and transmit sensitive financial data such as credit card and bank account information. If our security measures are breached as a result of third-party actions or any employees or contractors errors or malfeasance or otherwise, and someone obtains unauthorized access to this information, we could incur significant liability to our customers and to their prospective or current residents or significant fines and sanctions by processing networks or governmental bodies, any of which could result in harm to our business and damage to our reputation.

We also rely upon our customers as users of our system to promote security of the system and the data within it, such as administration of customer-side access credentialing and control of customer-side display of

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data. On occasion, our customers have failed to perform these activities in such a manner as to prevent unauthorized access to data. To date, these breaches have not resulted in claims against us or in material harm to our business, but we cannot be certain that the failure of our customers in future periods to perform these activities will not result in claims against us, which could expose us to potential litigation and harm to our reputation.

There can be no certainty that the measures we have taken to protect the privacy and integrity of our customers and their current or prospective residents data are adequate to prevent or remedy unauthorized access to our system. Because techniques used to obtain unauthorized access to, or to sabotage, systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventive measures. Experienced computer programmers seeking to intrude or cause harm, or hackers, may attempt to penetrate our service infrastructure from time to time. Although we have not experienced any material security breaches to date, a hacker who is able to penetrate our service infrastructure could misappropriate proprietary or confidential information or cause interruptions in our services. We might be required to expend significant capital and resources to protect against, or to alleviate, problems caused by hackers, and we may not have a timely remedy against a hacker who is able to penetrate our service infrastructure. In addition to purposeful breaches, the inadvertent transmission of computer viruses could expose us to security risks. If an actual or perceived breach of our security occurs or if our customers and potential customers perceive vulnerabilities, the market perception of the effectiveness of our security measures could be harmed and we could lose sales and customers.

If we are unable to cost-effectively scale or adapt our existing architecture to accommodate increased traffic, technological advances or changing customer requirements, our operating results could be harmed.

As we continue to increase our customer base, the number of users accessing our on demand software solutions over the Internet will continue to increase. Increased traffic could result in slow access speeds. Since our customer agreements typically include service availability commitments, slow access speeds or our failure to accommodate increased traffic could result in breaches of our customer agreements. In addition, the market for our solutions is characterized by rapid technological advances and changes in customer requirements. In order to accommodate increased traffic and respond to technological advances and evolving customer requirements, we expect that we will be required to make future investments in our network architecture. If we do not implement future upgrades to our network architecture cost-effectively, or if we experience prolonged delays or unforeseen difficulties in connection with upgrading our network architecture, our service quality may suffer and our operating results could be harmed.

Because certain solutions we provide depend on access to customer data, decreased access to this data or the failure to comply with applicable privacy laws and regulations or address privacy concerns applicable to such data could harm our business.

Certain of our solutions depend on our continued access to our customers data regarding their prospective and current residents, including data compiled by other third-party service providers who collect and store data on behalf of our customers. Federal and state governments and agencies have adopted, or are considering adopting, laws and regulations regarding the collection, use and disclosure of such data. Any decrease in the availability of such data from our customers, or other third parties that collect and store such data on behalf of our customers, and the costs of compliance with, and other burdens imposed by, applicable legislative and regulatory initiatives may limit our ability to collect, aggregate or use this data. Any limitations on our ability to collect, aggregate or use such data could reduce demand for certain of our solutions. Additionally, any inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy laws, regulations and policies, could result in liability to us or damage to our reputation and could inhibit sales and market acceptance of our solutions and harm our business.

The market for on demand software solutions in the rental housing industry is new and continues to develop, and if it does not develop further or develops more slowly than we expect, our business will be harmed.

The market for on demand software solutions in the rental housing industry delivered via the Internet through a web browser is rapidly growing but still relatively immature compared to the market for traditional on premise software installed on a customer s local personal computer or server. It is uncertain whether the on demand delivery model will achieve and sustain high levels of demand and market acceptance, making our business and future prospects difficult to evaluate and predict. While our existing customer base has widely accepted this new model, our future success will depend, to a large extent, on the willingness of our potential customers to choose on demand software solutions for business processes that they view as critical. Many of our potential customers have invested substantial effort and financial resources to integrate traditional enterprise software into their businesses and may be reluctant or unwilling to switch to on demand software solutions. Some businesses may be reluctant or unwilling to use on demand software solutions because they have concerns regarding the risks associated with security capabilities, reliability and availability, among other things, of the on demand delivery model. If potential customers do not consider on demand software solutions to be beneficial, then the market for these solutions may not further develop, or it may develop more slowly than we expect, either of which would adversely affect our operating results.

Economic trends that affect the rental housing market may have a negative effect on our business.

Our customers include a range of organizations whose success is intrinsically linked to the rental housing market. Economic trends that negatively affect the rental housing market may adversely affect our business. The recent downturn in the global economy has caused volatility in the real estate markets, generally, including the rental housing market, and increases in the rates of mortgage defaults and bankruptcy. Continued instability or downturns affecting the rental housing market may have a material adverse effect on our business, prospects, financial condition and results of operations by:

- reducing the number of occupied sites and units on which we earn revenue;
- preventing our customers from expanding their businesses and managing new properties;
- causing our customers to reduce spending on our solutions;
- subjecting us to increased pricing pressure in order to add new customers and retain existing customers;
- causing our customers to switch to lower-priced solutions provided by our competitors or internally developed solutions;
- delaying or preventing our collection of outstanding accounts receivable; and
- causing payment processing losses related to an increase in customer insolvency.

We may require additional capital to support business growth, and this capital might not be available.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges or opportunities, including the need to develop new solutions or enhance our existing solutions, enhance our operating infrastructure or acquire businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock.

Debt financing secured by us in the future could involve additional restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on

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terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges or opportunities could be significantly limited.

Our debt obligations contain restrictions that impact our business and expose us to risks that could adversely affect our liquidity and financial condition.

On September 3, 2009, we entered into a credit facility with Wells Fargo Capital Finance, LLC (formerly Wells Fargo Foothill, LLC) and Comerica Bank. As amended on June 22, 2010, the credit facility provides for borrowings of up to $81.9 million, subject to a borrowing formula, including a revolving facility of up to $10.0 million, with a sublimit of $5.0 million for the issuance of letters of credit on our behalf, and a term loan facility of up to $71.9 million. At June 30, 2010, we had $5.7 million outstanding indebtedness under the revolving facility and approximately $40.3 million of outstanding indebtedness under the term loan facility. Our interest expense in 2009 and the six months ended June 30, 2010 for the credit facility was approximately $0.9 million and $1.5 million, respectively.

Advances under the credit facility may be voluntarily prepaid, and must be prepaid with the proceeds of certain dispositions, extraordinary receipts, indebtedness and equity, with excess cash flow and in full upon a change in control, other than in connection with an initial public offering, so long as we complete this offering by December 31, 2010. Reductions of the revolver, voluntary prepayments and mandatory prepayments from the proceeds of indebtedness and equity are each subject to a prepayment premium of 1.0% prior to June 22, 2011, 0.5% on or after June 22, 2011 and prior to June 22, 2012 and 0% thereafter. Such prepayments will be applied first to reduce the term loan, and then to reduce availability under the revolver.

All of our obligations under the loan facility are secured by substantially all of our property. All of our existing and future domestic subsidiaries are required to guaranty our obligations under the credit facility, other than certain immaterial subsidiaries and our payment processing subsidiary, RealPage Payment Processing Services, Inc. Our foreign subsidiaries may, under certain circumstances, be required to guaranty our obligations under the credit facility. Such guarantees by existing and future subsidiaries are and will be secured by substantially all of the property of such subsidiaries.

Our credit facility contains customary covenants, which limit our and certain of our subsidiaries ability to, among other things:

- incur additional indebtedness or guarantee indebtedness of others;
- create liens on our assets;
- enter into mergers or consolidations;
- dispose of assets;
- prepay indebtedness or make changes to our governing documents and certain of our agreements;
- pay dividends and make other distributions on our capital stock, and redeem and repurchase our capital stock;
- make investments, including acquisitions;
- enter into transactions with affiliates; and
- make capital expenditures.

Our credit facility also contains customary affirmative covenants, including, among other things, requirements to: take certain actions in the event we form or acquire new subsidiaries; hold annual meetings with our lenders; provide copies of material contracts and amendments to our lenders; locate our collateral only at specified locations; and use commercially reasonable efforts to ensure that certain material contracts permit the assignment of the contract to our lenders; subject in each case to customary exceptions and qualifications. We are also required to comply with a fixed charge coverage ratio, which is a ratio of our

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EBITDA to our fixed charges as determined in accordance with the credit facility, of 1.15:1.00 for the period ended June 30, 2010, 1.225:1.00 for each subsequent period until September 30, 2010, and 1.25:1:00 thereafter, and a senior leverage ratio, which is a ratio of the outstanding principal balance of our term loan plus our outstanding revolver usage to our EBITDA as determined in accordance with the credit facility, of 2.25:1.00 for each period until December 31, 2009, with step-downs until September 30, 2011, when the ratio is set at 1.35:1.00 for such period and thereafter.

The credit facility contains customary events of default, subject to customary cure periods for certain defaults, that include, among others, non-payment defaults, covenant defaults, material judgment defaults, bankruptcy and insolvency defaults, cross-defaults to certain other material indebtedness, inaccuracy of representations and warranties and a failure to extend the maturity date of certain subordinated debt on or before December 31, 2010 or to repay such debt on terms satisfactory to our lenders.

If we experience a decline in cash flow due to any of the factors described in this Risk Factors section or otherwise, we could have difficulty paying interest and principal amounts due on our indebtedness and meeting the financial covenants set forth in our credit facility. If we are unable to generate sufficient cash flow or otherwise obtain the funds necessary to make required payments under our credit facility, or if we fail to comply with the requirements of our indebtedness, we could default under our credit facility. In addition, to date we have obtained waivers under our credit facility, but such waivers were not related to a decline in our cash flow. As a result of our ongoing communications with the lenders under our credit facility, our lenders were aware of the transactions and circumstances leading up to these waivers and we expected to receive their approval with regard to such transactions and circumstances, whether in the form of a consent, waiver, amendment or otherwise. The waivers under the credit facility were in connection with procedural requirements under our credit agreement related to: two acquisition transactions we entered into in September 2009; an update to the credit agreement schedules to include certain arrangements we have in place, and had in place at the time of closing of the credit facility, with our subsidiary that serves as a special purpose vehicle for processing payments, including a guaranty made by us for the benefit of our subsidiary in favor of Wells Fargo Bank; the payment of cash dividends of approximately $16,000 more than the amount agreed to by the lenders; and with respect to our fixed charge coverage ratio as a result of payments approved by our board of directors and discussed with our lenders for a cash dividend paid in December 2009 and for payments on promissory notes held by holders of our preferred stock in connection with a prior declared dividend. While we view each of these as one-time events, and while we were able to successfully negotiate waivers for such defaults and amendments to our credit facility to ensure such events would be in compliance with the terms of the credit facility consistent with our ongoing discussions with our lenders about these events, we may in the future fail to comply with the terms of our credit facility and be unable to negotiate a waiver of any such defaults with our lenders. Any default that is not cured or waived could result in the acceleration of the obligations under the credit facility, an increase in the applicable interest rate under the credit facility and a requirement that our subsidiaries that have guaranteed the credit facility pay the obligations in full, and would permit our lender to exercise remedies with respect to all of the collateral that is securing the credit facility, including substantially all of our and our subsidiary guarantors assets. Any such default could have a material adverse effect on our liquidity and financial condition.

Even if we comply with all of the applicable covenants, the restrictions on the conduct of our business could adversely affect our business by, among other things, limiting our ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that may be beneficial to the business. Even if the credit facility were terminated, additional debt we could incur in the future may subject us to similar or additional covenants.

We also have substantial equipment lease obligations, which totaled approximately $1.5 million as of June 30, 2010. If we are unable to generate sufficient cash flow from our operations or cash from other sources in order to meet the payment obligations under these equipment leases, we may lose the right to possess and operate the equipment used in our business, which would substantially impair our ability to provide our solutions and could have a material adverse effect on our liquidity or results of operations.

Assertions by a third party that we infringe its intellectual property, whether successful or not, could subject us to costly and time-consuming litigation or expensive licenses.

The software and technology industries are characterized by the existence of a large number of patents, copyrights, trademarks and trade secrets and by frequent litigation based on allegations of infringement, misappropriation, misuse and other violations of intellectual property rights. We have received in the past, and may receive in the future, communications from third parties claiming that we have infringed or otherwise misappropriated the intellectual property rights of others. Our technologies may not be able to withstand any third-party claims against their use. Since we currently have no patents, we may not use patent infringement as a defensive strategy in such litigation. Additionally, although we have licensed from other parties proprietary technology covered by patents, we cannot be certain that any such patents will not be challenged, invalidated or circumvented. If such patents are invalidated or circumvented, this may allow existing and potential competitors to develop products and services that are competitive with, or superior to, our solutions.

Many of our customer agreements require us to indemnify our customers for certain third-party intellectual property infringement claims, which could increase our costs as a result of defending such claims and may require that we pay damages if there were an adverse ruling or settlement related to any such claims. These types of claims could harm our relationships with our customers, may deter future customers from purchasing our solutions or could expose us to litigation for these claims. Even if we are not a party to any litigation between a customer and a third party, an adverse outcome in any such litigation could make it more difficult for us to defend our intellectual property in any subsequent litigation in which we are a named party.

Any intellectual property rights claim against us or our customers, with or without merit, could be time-consuming, expensive to litigate or settle and could divert management s attention and our financial resources. Any such litigation could force us to stop selling, incorporating or using our solutions that include the challenged intellectual property or redesign those solutions that use the technology. In addition, we may have to pay damages if we are found to be in violation of a third party s rights. We may have to procure a license for the technology, which may not be available on reasonable terms, if at all, may significantly increase our operating expenses or may require us to restrict our business activities in one or more respects. As a result, we may also be required to develop alternative non-infringing technology, which could require significant effort and expense. We cannot assure you we would be able to develop alternative solutions or, if alternative solutions were developed, that they would perform as required or be accepted in the relevant markets. In some instances, if we are unable to offer non-infringing technology, or obtain a license for such technology, we will be required to refund some or the entire license fee paid for the infringing technology to our customers.

Our exposure to risks associated with the use of intellectual property may be increased as a result of acquisitions, as we have a lower level of visibility into the development process with respect to acquired technology or the care taken to safeguard against infringement risks. Third parties may make infringement and similar or related claims after we have acquired technology that had not been asserted prior to our acquisition.

Any failure to protect and successfully enforce our intellectual property rights could compromise our proprietary technology and impair our brands.

Our success depends significantly on our ability to protect our proprietary rights to the technologies we use in our solutions. If we are unable to protect our proprietary rights adequately, our competitors could use the intellectual property we have developed to enhance their own products and services, which could harm our business. We rely on a combination of copyright, service mark, trademark and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our proprietary rights, all of which provide only limited protection. We currently have no issued patents or pending patent applications and may be unable to obtain patent protection in the future. In addition, if any patents are issued in the future, they may not provide us with any competitive advantages, may not be issued in a manner that gives us the protection that we seek and may be successfully challenged by third parties. Unauthorized parties may attempt to copy or otherwise obtain and use the technologies underlying our solutions. Monitoring unauthorized use of our technologies is difficult, and we do not know whether the steps we have taken will prevent unauthorized use of our technology. If we are unable to protect our proprietary rights, we may find ourselves at a competitive disadvantage to others who have not incurred the substantial expense, time and effort required to create similar innovative products.

We cannot assure you that any future service mark or trademark registrations will be issued for pending or future applications or that any registered service marks or trademarks will be enforceable or provide adequate protection of our proprietary rights. If we are unable to secure new marks, maintain already existing marks and enforce the rights to use such marks against unauthorized third-party use, our ability to brand, identify and promote our solutions in the marketplace could be impaired, which could harm our business.

We customarily enter into agreements with our employees, contractors and parties with whom we do business to limit access to and disclosure of our proprietary information. The steps we have taken, however, may not prevent unauthorized use or the reverse engineering of our technology. Moreover, we may be required to release the source code of our software to third parties under certain circumstances. For example, some of our customer agreements provide that if we cease to maintain or support a certain solution without replacing it with a successor solution, then we may be required to release the source code of the software underlying such solution. In addition, others may independently develop technologies that are competitive to ours or infringe our intellectual property. Enforcement of our intellectual property rights also depends on our legal actions being successful against these infringers, but these actions may not be successful, even when our rights have been infringed. Furthermore, the legal standards relating to the validity, enforceability and scope of protection of intellectual property rights in Internet-related industries are uncertain and still evolving.

Additionally, if we sell our solutions internationally in the future, effective patent, trademark, service mark, copyright and trade secret protection may not be available or as robust in every country in which our solutions are available. As a result, we may not be able to effectively prevent competitors outside the United States from infringing or otherwise misappropriating our intellectual property rights, which could reduce our competitive advantage and ability to compete or otherwise harm our business.

Current and future litigation against us could be costly and time consuming to defend.

We are from time to time subject to legal proceedings and claims that arise in the ordinary course of business, including claims brought by our customers in connection with commercial disputes, claims brought by our customers current or prospective residents, including potential class action lawsuits based on asserted statutory or regulatory violations, and employment claims made by our current or former employees. Litigation, regardless of its outcome, may result in substantial costs and may divert management s attention and our resources, which may harm our business, overall financial condition and operating results. In addition, legal claims that have not yet been asserted against us may be asserted in the future. Insurance may not cover such claims, may not be sufficient for one or more such claims and may not continue to be available on terms acceptable to us, or at all. A claim brought against us that is uninsured or underinsured could result in unanticipated costs, thereby harming our operating results.

On June 15, 2009, a prospective resident of one of our customers filed a class action lawsuit styled *Minor v. RealPage, Inc.* against us in the U.S. District Court for the Central District of California, which was transferred to the United States District Court for the Eastern District of Texas (No. 4:09CV-00439). The plaintiff has alleged two individual claims and three class-based causes of action against us. Individually, the plaintiff alleges that we (i) willfully failed to employ reasonable procedures to ensure the maximum accuracy of our resident screening reports as required by 15 U.S.C. § 1681e(b) and, in the alternative, (ii) negligently (within the meaning of 15 U.S.C. § 1681o(a)) failed to employ reasonable procedures to ensure the maximum accuracy of our resident screening reports, as required by 15 U.S.C. § 1681e(b), in each case stemming from our provision of a report that allegedly included inaccurate criminal conviction information. The plaintiff seeks actual, statutory and punitive damages on her individual claims. In her capacity as the putative class representative, the plaintiff also alleges that we: (i) willfully failed to provide legally mandated disclosures upon a consumer s request inconsistent with 15 U.S.C. § 1681g; (ii) willfully failed to provide prompt notice of consumers disputes to the data furnishers who provided us with the information whose accuracy was in question, as required by 15 U.S.C. § 1681i(a)(2); and (iii) willfully failed to provide prompt notice of consumers disputes to the consumer reporting agencies providing us with the information whose accuracy was in question, as required by 15 U.S.C. § 1681i(f). She seeks statutory and punitive damages, a declaration that our practices and procedures are in violation of the Fair Credit Reporting Act and attorneys fees and costs. Because this lawsuit is at an early stage, it is not possible to predict its outcome. We believe that we have meritorious defenses to the claims in this case and intend to defend it vigorously. See Business Legal Proceedings for further information regarding this claim.

On March 4, 2008, we were named as a defendant in a class action lawsuit styled *Taylor, et al. v. Acxiom Corp., et al.* filed in the U.S. District Court for the Eastern District of Texas (No. 2:07-CV-00001). Plaintiffs alleged that we obtained and held motor vehicle records in bulk from the State of Texas, an allegedly improper purpose in violation of the federal Driver s Privacy Protection Act, or the DPPA. In addition, the plaintiffs alleged that we obtained these records for the purpose of re-selling them, another allegedly improper purpose in violation of the DPPA. Plaintiffs further purported to represent a putative class of approximately 20.0 million individuals affected by the defendants alleged DPPA violations. They sought statutory damages of $2,500 per each violation of the DPPA, punitive damages and an order requiring defendants to destroy information obtained in violation of the DPPA. In September 2008, the U.S. District Court dismissed plaintiffs complaint for failure to state a claim. The plaintiffs subsequently appealed the dismissal to the U.S. Court of Appeals for the Fifth Circuit. In November 2009, the Fifth Circuit heard oral argument on the appeal. In July 2010, the Fifth Circuit affirmed the U.S. District Court s dismissal. See Business Legal Proceedings for further information regarding this claim.

In March 2010, the District Attorney of Ventura County, California issued an administrative subpoena to us seeking certain information related to our provision of utility billing services in the State of California. A representative of the District Attorney has informed us that the subpoena was issued in connection with a general investigation of industry practices with respect to utility billing in California. Utility billing in California is subject to regulation by state law and various state administrative agencies, including the California Public Utility Commission, or the CPUC, and the Division of Weights and Measures, or the DWM. We have provided the District Attorney with the information requested in the subpoena. As of August 11, 2010, the District Attorney s office has not initiated an administrative or other enforcement action against us, nor have they asserted any violations of the applicable regulations by us. Given the early stage of this investigation, it is difficult to predict its outcome and whether the District Attorney will pursue an administrative or other enforcement action against us in the State of California and what the result of any such action would be. However, penalties or assessments of violations of regulations promulgated by the CPUC or DWM may be calculated on a per occurrence basis. Due to the large number of billing transactions we process for our customers in California, our potential liability in an enforcement action could be significant. If the District Attorney ultimately pursues an administrative or other enforcement action against us, we believe that we have meritorious defenses to the potential claims and would defend them vigorously. However, even if we were successful in defending against such claims, the proceedings could result in significant costs and divert management s attention. See Business Legal Proceedings for further information regarding this claim.

We could be sued for contract or product liability claims, and such lawsuits may disrupt our business, divert management s attention and our financial resources or have an adverse effect on our financial results.

We provide warranties to customers of certain of our solutions relating primarily to product functionality, network uptime, critical infrastructure availability and hardware replacement. General errors, defects, inaccuracies or other performance problems in the software applications underlying our solutions or inaccuracies in the data we provide to our customers could result in financial or other damages to our customers. There can be no assurance that any limitations of liability set forth in our contracts would be enforceable or would otherwise protect us from liability for damages. We maintain general liability insurance coverage, including coverage for errors and omissions, in amounts and under terms that we believe are appropriate. There can be no assurance that this coverage will continue to be available on terms acceptable to us, or at all, or in sufficient amounts to cover one or more large product liability claims, or that the insurer will not deny coverage for any future claim. The successful assertion of one or more large product liability claims against us that exceeds available insurance coverage, could have a material adverse effect on our business, prospects, financial condition and results of operations.

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If we fail to develop our brands cost-effectively, our financial condition and operating results could be harmed.

We market our solutions under discrete brand names. We believe that developing and maintaining awareness of our brands is critical to achieving widespread acceptance of our existing and future solutions and is an important element in attracting new customers and retaining our existing customers. Additionally, we believe that developing these brands in a cost-effective manner is critical in meeting our expected margins. In the past, our efforts to build our brands have involved significant expenses and we intend to continue to make expenditures on brand promotion. Brand promotion activities may not yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incurred in building our brands. If we fail to cost-effectively build and maintain our brands, we may fail to attract new customers or retain our existing customers, and our financial condition and results of operations could be harmed.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and investors views of us.

Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. 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 in accordance with GAAP. We are in the process of documenting, reviewing and improving our internal controls and procedures for compliance with Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, which requires annual management assessment of the effectiveness of our internal control over financial reporting and a report by our independent auditors. Both we and our independent auditors will be testing our internal controls in connection with the audit of our financial statements for the year ending December 31, 2011 and, as part of that testing, may identify areas for further attention and improvement. If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, harm our ability to operate our business and reduce the trading price of our stock.

Changes in, or errors in our interpretations and applications of, financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our reported results of operations.

A change in accounting standards or practices can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices or errors in our interpretations and applications of financial accounting standards or practices may adversely affect our reported financial results or the way in which we conduct our business.

We will incur increased costs and demands upon management as a result of complying with the laws and regulations affecting public companies, which could harm our operating results.

As a public company, we will incur significant legal, accounting, investor relations and other expenses that we did not incur as a private company, including costs associated with public company reporting requirements. We also have incurred and will incur costs associated with current corporate governance requirements, including requirements under Section 404 and other provisions of the Sarbanes-Oxley Act, as well as rules implemented by the Securities Exchange Commission and The NASDAQ Stock Market LLC. We expect these rules and regulations to increase our legal and financial compliance costs substantially and to make some activities more time-consuming and costly. We also expect that, as a public company, it will be more expensive for us to obtain director and officer liability insurance and that it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as our executive officers.

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Government regulation of the rental housing industry, including background screening services and utility billing, the Internet and e-commerce is evolving, and changes in regulations or our failure to comply with regulations could harm our operating results.

The rental housing industry is subject to extensive and complex federal, state and local regulations. Our services and solutions must work within the extensive and evolving regulatory requirements applicable to our customers and third-party service providers, including, but not limited to, those under the Fair Credit Reporting Act, the Fair Housing Act, the Deceptive Trade Practices Act, the DPPA, the Gramm-Leach-Bliley Act, the Fair and Accurate Credit Transactions Act, the Privacy Rules, Safeguards Rule and Consumer Report Information Disposal Rule promulgated by the Federal Trade Commission, or FTC, the regulations of the United States Department of Housing and Urban Development, or HUD, and complex and divergent state and local laws and regulations related to data privacy and security, credit and consumer reporting, deceptive trade practices, discrimination in housing, utility billing and energy and gas consumption. These regulations are complex, change frequently and may become more stringent over time. Although we attempt to structure and adapt our solutions and service offerings to comply with these complex and evolving laws and regulations, we may be found to be in violation. If we are found to be in violation of any applicable laws or regulations, we could be subject to administrative and other enforcement actions as well as class action lawsuits. Additionally, many applicable laws and regulations provide for penalties or assessments on a per occurrence basis. Due to the nature of our business, the type of services we provide and the large number of transactions processed by our solutions, our potential liability in an enforcement action or class action lawsuit could be significant. In addition, entities such as HUD and the FTC have the authority to promulgate rules and regulations that may impact our customers and our business. We believe increased regulation is likely in the area of data privacy, and laws and regulations applying to the solicitation, collection, processing or use of personally identifiable information or consumer information could affect our customers ability to use and share data, potentially reducing demand for our on demand software solutions.

We deliver our on demand software solutions over the Internet and sell and market certain of our solutions over the Internet. As Internet commerce continues to evolve, increasing regulation by federal, state or foreign agencies becomes more likely. Taxation of products or services provided over the Internet or other charges imposed by government agencies or by private organizations for accessing the Internet may also be imposed. Any regulation imposing greater fees for Internet use or restricting information exchange over the Internet could result in a decline in the use of the Internet and the viability of on demand software solutions, which could harm our business and operating results.

Our LeasingDesk insurance business is subject to governmental regulation which could reduce our profitability or limit our growth.

We hold insurance agent licenses from a number of individual state departments of insurance and are subject to state governmental regulation and supervision in connection with the operation of our LeasingDesk insurance business. This state governmental supervision could reduce our profitability or limit the growth of our LeasingDesk insurance business by increasing the costs of regulatory compliance, limiting or restricting the solutions we provide or the methods by which we provide them or subjecting us to the possibility of regulatory actions or proceedings. Our continued ability to maintain these insurance agent licenses in the jurisdictions in which we are licensed depends on our compliance with the rules and regulations promulgated from time to time by the regulatory authorities in each of these jurisdictions. Furthermore, state insurance departments conduct periodic examinations, audits and investigations of the affairs of insurance agents.

In all jurisdictions, the applicable laws and regulations are subject to amendment or interpretation by regulatory authorities. Generally, such authorities are vested with relatively broad discretion to grant, renew and revoke licenses and approvals and to implement regulations. Accordingly, we may be precluded or temporarily suspended from carrying on some or all of the activities of our LeasingDesk insurance business or otherwise be fined or penalized in a given jurisdiction. No assurances can be given that our LeasingDesk insurance business can continue to be conducted in any given jurisdiction as it has been conducted in the past.

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We generate commission revenue from the insurance policies we sell as a registered insurance agent and if insurance premiums decline or if the insureds experience greater than expected losses, our revenues could decline and our operating results could be harmed.

Through our wholly owned subsidiary, Multifamily Internet Ventures LLC, a managing general insurance agency, we generate commission revenue from offering liability and renter s insurance. Additionally, Multifamily Internet Ventures LLC has recently commenced the sale of additional insurance products, including auto and other personal lines insurance, to residents that buy renter s insurance from us. These policies are ultimately underwritten by various insurance carriers. Some of the property owners and managers that subscribe to our solution opt to require residents to purchase rental insurance policies and agree to allow Multifamily Internet Ventures LLC to act as the exclusive insurance broker to their property. If demand for residential rental housing declines, property owners and managers may be forced to reduce their rental rates and to stop requiring the purchase of rental insurance in order to reduce the overall cost of renting. If property owners or managers cease to require renter s insurance, elect to offer policies from competing providers or insurance premiums decline, our revenues from selling insurance policies will be adversely affected.

Additionally, one type of commission paid by insurance carriers to Multifamily Internet Ventures LLC is contingent commission, which is based on claims experienced at the properties for which the residents purchase insurance. In the event that claims by the insureds increase unexpectedly, the contingent commission we typically earn will be adversely affected. As a result, our quarterly operating results could fall below the expectations of analysts or investors, in which event our stock price may decline.

Our ability to use net operating losses to offset future taxable income may be subject to certain limitations.

In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, a corporation that undergoes an ownership change is subject to limitations on its ability to utilize its pre-change net operating losses, or NOLs, to offset future taxable income. Our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Internal Revenue Code. For these reasons, we may not be able to utilize a material portion of the NOLs reflected on our balance sheet, even if we maintain profitability.

If we are required to collect sales and use taxes on the solutions we sell in additional taxing jurisdictions, we may be subject to liability for past sales and our future sales may decrease.

States and some local taxing jurisdictions have differing rules and regulations governing sales and use taxes, and these rules and regulations are subject to varying interpretations that may change over time. We review these rules and regulations periodically and currently collect and remit sales taxes in taxing jurisdictions where we believe we are required to do so. However, additional state and/or local taxing jurisdictions may seek to impose sales or other tax collection obligations on us, including for past sales. A successful assertion that we should be collecting additional sales or other taxes on our solutions could result in substantial tax liabilities for past sales, discourage customers from purchasing our solutions or may otherwise harm our business and operating results. This risk is greater with regard to solutions acquired through acquisitions.

We may also become subject to tax audits or similar procedures in jurisdictions where we already collect and remit sales taxes. A successful assertion that we have not collected and remitted taxes at the appropriate levels may also result in substantial tax liabilities for past sales. Liability for past taxes may also include very substantial interest and penalty charges. Our customer contracts provide that our customers must pay all applicable sales and similar taxes. Nevertheless, customers may be reluctant to pay back taxes and may refuse responsibility for interest or penalties associated with those taxes. If we are required to collect and pay back taxes and the associated interest and penalties, and if our customers fail or refuse to reimburse us for all or a portion of these amounts, we will incur unplanned expenses that may be substantial. Moreover, imposition of such taxes on our solutions going forward will effectively increase the cost of such solutions to our customers and may adversely affect our ability to retain existing customers or to gain new customers in the areas in which such taxes are imposed.

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Changes in our effective tax rate could harm our future operating results.

We are subject to federal and state income taxes in the United States and various foreign jurisdictions, and our domestic and international tax liabilities are subject to the allocation of expenses in differing jurisdictions. Our tax rate is affected by changes in the mix of earnings and losses in jurisdictions with differing statutory tax rates, including jurisdictions in which we have completed or may complete acquisitions, certain non-deductible expenses arising from the requirement to expense stock options and the valuation of deferred tax assets and liabilities, including our ability to utilize our net operating losses. Increases in our effective tax rate could harm our operating results.

We rely on our management team and need additional personnel to grow our business, and the loss of one or more key employees or our inability to attract and retain qualified personnel could harm our business.

Our success and future growth depend on the skills, working relationships and continued services of our management team. The loss of our Chief Executive Officer or other senior executives could adversely affect our business. Our future success also will depend on our ability to attract, retain and motivate highly skilled software developers, marketing and sales personnel, technical support and product development personnel in the United States and internationally. All of our employees work for us on an at-will basis. Competition for these types of personnel is intense, particularly in the software industry. As a result, we may be unable to attract or retain qualified personnel. Our inability to attract and retain the necessary personnel could adversely affect our business.

Our corporate culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovation, creativity and teamwork fostered by our culture, and our business may be harmed.

We believe that a strong corporate culture that nurtures core values and philosophies is essential to our long-term success. We call these values and philosophies the RealPage Promise and we seek to practice the RealPage Promise in our actions every day. The RealPage Promise embodies our corporate values with respect to customer service, investor communications, employee respect and professional development and management decision-making and leadership. As our organization grows and we are required to implement more complex organizational structures, we may find it increasingly difficult to maintain the beneficial aspects of our corporate culture which could negatively impact our future success.

Risks Related to this Offering and Ownership of our Common Stock

The concentration of our capital stock owned by insiders upon the completion of this offering will limit your ability to influence corporate matters.

We anticipate that our executive officers, directors, current 5% or greater stockholders and entities affiliated with them will together beneficially own approximately 75.5% of our common stock following this offering, or 72.5% if the underwriters exercise their over-allotment option in full. Further, Stephen T. Winn, our Chief Executive Officer and Chairman of the Board, and entities beneficially owned by Mr. Winn will hold an aggregate of approximately 46.0% of our common stock following this offering, or 46.0% if the underwriters exercise their over-allotment option in full. This significant concentration of ownership may adversely affect the trading price for our common stock because investors often perceive disadvantages in owning stock in companies with controlling stockholders. Mr. Winn and entities beneficially owned by Mr. Winn may control our management and affairs and matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions, such as mergers, consolidations or the sale of substantially all of our assets. Consequently, this concentration of ownership may have the effect of delaying or preventing a change of control, including a merger, consolidation or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change of control would benefit our other stockholders.

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An active, liquid and orderly trading market for our common stock may not develop, the price of our stock may be volatile and you could lose all or part of your investment.

Before this offering, there has been no public market for shares of our common stock. We cannot predict the extent to which investor interest in our company will lead to the development of a trading market or how liquid that market might become. The initial public offering price for the shares of our common stock was determined by negotiations among us, the selling stockholders and the underwriters, and may not be indicative of the price that will prevail in the trading market following this offering. In addition, the trading price of our common stock following this offering is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, including, but not limited to, those described in this Risk Factors section, some of which are beyond our control. Factors affecting the trading price of our common stock will include:

- variations in our operating results or in expectations regarding our operating results;
- variations in operating results of similar companies;
- announcements of technological innovations, new solutions or enhancements, strategic alliances or agreements by us or by our competitors;
- announcements by competitors regarding their entry into new markets, and new product, service and pricing strategies;
- marketing and advertising initiatives by us or our competitors;
- the gain or loss of customers;
- threatened or actual litigation;
- major changes in our board of directors or management;
- recruitment or departure of key personnel;
- changes in the estimates of our operating results or changes in recommendations by any research analysts that elect to follow our common stock;
- market conditions in our industry and the economy as a whole;
- the overall performance of the equity markets;
- sales of our shares of common stock by existing stockholders;
- volatility in our stock price, which may lead to higher stock-based compensation expense under applicable accounting standards; and
- adoption or modification of regulations, policies, procedures or programs applicable to our business.

In addition, the stock market in general, and the market for technology and specifically Internet-related companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may harm the market price of our common stock regardless of our actual operating performance. These fluctuations may be even more pronounced in the trading market for our stock shortly following this offering. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company s securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management s attention and our resources, whether or not we are successful in such litigation.

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Our stock price could decline due to the large number of outstanding shares of our common stock eligible for future sale.

Sales of substantial amounts of our common stock in the public market following this offering, or the perception that these sales could occur, could cause the market price of our common stock to decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

Upon completion of this offering, we will have 62,305,404 shares of common stock outstanding, assuming no exercise of outstanding options after June 30, 2010. The shares sold in this offering will be immediately tradable without restriction. Of the remaining shares:

- 101,000 shares will be eligible for sale immediately upon completion of this offering; and

- 49,904,404 shares will be eligible for sale upon the expiration of lock-up agreements, subject in some cases to volume and other restrictions of Rule 144 and Rule 701 under the Securities Act of 1933, as amended, or the Securities Act.

The lock-up agreements expire 180 days after the date of this prospectus, except that the 180-day period may be extended in certain cases for up to 34 additional days under certain circumstances where we announce or pre-announce earnings or a material event occurs within approximately 17 days prior to, or approximately 16 days after, the termination of the 180-day period. The representatives of the underwriters may, in their sole discretion and at any time without notice, release all or any portion of the securities subject to lock-up agreements.

Following this offering, holders of 75.6% of our common stock not sold in this offering will be entitled to rights with respect to the registration of these shares under the Securities Act. See Description of Capital Stock Registration Rights. If we register their shares of common stock following the expiration of the lock-up agreements, these stockholders could sell those shares in the public market without being subject to the volume and other restrictions of Rule 144 and Rule 701.

After the closing of this offering, we intend to register approximately 12,703,825 shares of common stock that have been issued or reserved for future issuance under our stock incentive plans. Of these shares, 5,913,524 shares will be eligible for sale upon the exercise of vested options after the expiration of the lock-up agreements.

Because our initial public offering price is substantially higher than the pro forma as adjusted net tangible book value per share of our outstanding common stock, new investors will incur immediate and substantial dilution.

The initial public offering price of our common stock is substantially higher than the pro forma as adjusted net tangible book value per share of our common stock based on the total value of our tangible assets less our total liabilities immediately following this offering. Therefore, if you purchase common stock in this offering, you will experience immediate and substantial dilution of approximately $10.95 per share, the difference between the price you pay for our common stock and its pro forma as adjusted net tangible book value after the completion of this offering. Furthermore, investors purchasing common stock from us in this offering will own only approximately 9.6% of our shares outstanding after the completion of this offering even though they will have contributed 40.2% of the total consideration received by us in connection with our sales of common stock. After this offering, we will have an aggregate of 49,983,290 shares of common stock authorized but unissued and not reserved for issuance under our stock option plans or otherwise. We intend to continue to actively pursue strategic acquisitions. We may pay for such acquisitions, partly or in full, through the issuance of additional equity. Following the completion of this offering, we may issue 62,694,596 shares of our common stock without any action or approval by our stockholders. Any issuance of shares in connection with our acquisitions, the exercise of stock options or otherwise would dilute the percentage ownership held by the investors who purchase our shares in this offering.

Our management will have broad discretion over the use of the proceeds we receive in this offering and might not apply the proceeds in ways that increase the value of your investment.

Our management will have broad discretion in the application of the net proceeds of this offering. We intend to use net proceeds of this offering to pay accumulated and unpaid dividends on our outstanding shares of Series A, Series A1 and Series B convertible preferred stock that have accrued at a rate of 8% per annum of the original issue price of each such share of preferred stock, compounded quarterly, of which the amount expected to be paid in cash is $0.4 million as of June 30, 2010, and to repay approximately $17.2 million of our indebtedness outstanding as of June 30, 2010. Although we currently expect to apply the net proceeds from this offering primarily for working capital and general corporate purposes, which may include future investments in, or acquisitions of, complementary businesses, products or technologies, we cannot specify with certainty how we will apply these net proceeds and our use of the net proceeds of this offering may not increase the value of your investment.

Our charter documents and Delaware law could prevent a takeover that stockholders consider favorable and could also reduce the market price of our stock.

Our amended and restated certificate of incorporation and our amended and restated bylaws, to be effective upon the completion of this offering, will contain provisions that could delay or prevent a change in control of our company. These provisions could also make it more difficult for stockholders to elect directors and take other corporate actions. These provisions include:

- creating a classified board of directors whose members serve staggered three-year terms;
- not providing for cumulative voting in the election of directors;
- authorizing our board of directors to issue, without stockholder approval, preferred stock with rights senior to those of our common stock;
- prohibiting stockholder action by written consent; and
- requiring advance notification of stockholder nominations and proposals.

These and other provisions to be included in our amended and restated certificate of incorporation and our amended and restated bylaws, to be effective upon the completion of this offering, and under Delaware law could discourage potential takeover attempts, reduce the price that investors might be willing to pay in the future for shares of our common stock and result in the market price of our common stock being lower than it would be without these provisions. See Description of Capital Stock Preferred Stock and Description of Capital Stock Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws.

If securities analysts do not publish research or reports about our business or if they publish negative evaluations of our stock, the price of our stock could decline.

We expect that the trading price for our common stock may be affected by research or reports that industry or financial analysts publish about us or our business. If one or more of the analysts who cover us downgrade their evaluations of our stock, the price of our stock could decline. If one or more of these analysts cease coverage of our company, we could lose visibility in the market for our stock, which in turn could cause our stock price to decline.

We do not anticipate paying any dividends on our common stock.

We do not anticipate paying any cash dividends on our common stock in the foreseeable future. If we do not pay cash dividends, you could receive a return on your investment in our common stock only if the market price of our common stock has increased when you sell your shares. In addition, the terms of our credit facilities currently restrict our ability to pay dividends.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus contains forward-looking statements that are based on our management s beliefs and assumptions and on information currently available to our management. The forward-looking statements are contained principally in Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations, Business and Executive Compensation. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, potential market opportunities and the effects of competition. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as anticipates, believes, could, seeks, estimates, expects, intends, may, plans, potential, predicts, would or similar expressions and the negatives of those terms.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss these risks in greater detail in Risk Factors and elsewhere in this prospectus. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management s beliefs and assumptions only as of the date of this prospectus. You should read this prospectus and the documents that we have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

This prospectus also contains estimates and other information concerning our industry, including market opportunity, size and growth rates, that are based on industry and government publications, reports, surveys and forecasts, including those generated by the United States Census Bureau and the National Multi Housing Council, and on assumptions that we have made that are based on that data, our review of the purchasing patterns of our existing customers with respect to our current on demand software solutions, the on demand software solutions currently utilized by our existing customers, the number of units our customers manage with these solutions and customer demand for our solutions. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates. With respect to information contained in industry and government publications, surveys and forecasts, we have assessed the information in the publications and found it to be reasonable and believe the publications are reliable. While we believe the market opportunity and market size information included in this prospectus is based on reasonable assumptions, such information is inherently imprecise. In addition, projections, assumptions and estimates of the future performance of the industry in which we operate and the markets we serve are necessarily subject to a high degree of uncertainty and risk, including those described in Risk Factors.

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USE OF PROCEEDS

We estimate that the net proceeds from our sale of 6,000,000 shares of common stock in this offering, after deducting underwriting discounts and commissions and estimated offering expenses, will be approximately $58.4 million. We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders.

We intend to use the net proceeds from this offering to pay accumulated and unpaid dividends on our outstanding shares of Series A, Series A1 and Series B convertible preferred stock that have accrued at a rate of 8% per annum of the original issue price of each such share of preferred stock, compounded quarterly, of which the amount expected to be paid in cash is $0.4 million as of June 30, 2010, and to repay approximately $17.2 million of our indebtedness outstanding as of June 30, 2010. As a result of the anticipated payment of accumulated and unpaid dividends on our Series A, Series A1 and Series B convertible preferred stock, certain of our affiliates who are holders of our Series A, Series A1 and Series B convertible preferred stock will receive a portion of the net proceeds from this offering.

The outstanding indebtedness under our unsecured subordinated promissory notes held by certain holders of our preferred stock has a stated maturity of the earlier of either October 1, 2013 for notes issued December 31, 2008 or April 1, 2014 for notes issued April 23, 2010, immediately prior to this offering or immediately prior to our acquisition by another person or the sale of all or substantially all of our assets. At June 30, 2010, we had $7.2 million of outstanding indebtedness under the unsecured subordinated promissory notes. These outstanding amounts bear interest at a per annum rate equal to 8.0%. Pursuant to the terms of our unsecured subordinated promissory notes, we will be required to repay the outstanding principal amount and all accrued and unpaid interest under our unsecured subordinated promissory notes from the net proceeds from this offering. We expect this repayment to be approximately $7.2 million.

The outstanding indebtedness under our secured promissory notes held by HV Capital Investors, L.L.C. has a stated maturity of August 1, 2013. At June 30, 2010, we had $10.0 million of outstanding indebtedness under two secured promissory notes in principal amount of $5.0 million each. These outstanding amounts bear interest at a per annum rate equal to 13.75%, payable quarterly in arrears. We intend to use net proceeds of this offering to repay all indebtedness outstanding under one or both of our secured promissory notes. We expect this repayment to be approximately $10.0 million.

We currently do not intend to prepay with the proceeds from this offering any additional outstanding indebtedness.

The principal reasons for this offering are to establish a public market for our common stock, provide liquidity for our stockholders and facilitate our future access to public markets. Other than as described above, we do not have current specific plans for the use of a significant portion of the net proceeds from this offering. However, we generally intend to use our remaining net proceeds from this offering for working capital and general corporate purposes. We may also use a portion of the net proceeds received by us from this offering for the future acquisition of, or investment in, businesses, products or technologies that enhance or add new services or additional functionality to our solutions, further solidify our market position or allow us to offer complementary products, services or technologies which we believe will further enhance our competitive position. Accordingly, our management will have broad discretion in the application of these proceeds and investors will be relying on the judgment of our management regarding their application.

Pending use of the proceeds from this offering, we intend to invest the remaining proceeds in short-term, interest-bearing investment grade securities.

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DIVIDEND POLICY

We do not expect to pay dividends on our common stock for the foreseeable future. Instead, we anticipate that all of our earnings will be used for the operation and growth of our business. Any future determination to declare cash dividends would be subject to the discretion of our board of directors and would depend upon various factors, including our results of operations, financial condition and liquidity requirements, restrictions that may be imposed by applicable law and our contracts and other factors deemed relevant by our board of directors. In addition, the terms of our credit facilities currently restrict our ability to pay dividends.

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and capitalization as of June 30, 2010 on:

an actual basis;

a pro forma basis to reflect the conversion of all outstanding shares of our convertible preferred stock into 29,043,748 shares of our common stock upon the closing of this offering; and

a pro forma as adjusted basis to reflect (i) our receipt of the net proceeds from our sale of shares of common stock in this offering, after deducting underwriting discounts and commissions and estimated offering expenses and (ii) the application of the net proceeds from this offering as described under Use of Proceeds.

The information in this table also reflects the 1-for-2 reverse stock split of our common stock and convertible preferred stock effected in July 2010 and the issuance of 343,188 shares of our common stock in payment of accumulated and unpaid dividends on our Series A, Series A1 and Series B convertible preferred stock accrued as of June 30, 2010.

The information below is illustrative only and our capitalization following the completion of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table in conjunction with Selected Consolidated Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of June 30, 2010		
	Actual	Pro Forma (unaudited)	Pro Forma As Adjusted (unaudited)
		(in thousands)	
Cash and cash equivalents	$ 5,132	$ 5,132	$ 45,820
Revolving credit facility	$ 5,673	$ 5,673	$ 5,673
Current and long term-debt[(1)]	59,070	59,070	41,823
Convertible preferred stock:			
Redeemable convertible preferred stock Series A and A1, $0.001 par value: 25,906,250 shares authorized, issued and outstanding, actual; 25,906,250 shares authorized, no shares issued or outstanding, pro forma; no shares authorized, issued and outstanding, pro forma as adjusted	52,838		
Redeemable convertible preferred stock Series B, $0.001 par value: 1,625,000 shares authorized, issued and outstanding, actual;	6,626		
1,625,000 shares authorized, no shares issued or outstanding, pro forma; no shares authorized, issued and outstanding, pro forma as			

adjusted			
Redeemable convertible preferred stock Series C, $0.001 par value: 1,512,498 authorized, issued and outstanding, actual; 1,512,498 shares authorized, no shares issued or outstanding, pro forma; no shares authorized issued and outstanding, pro forma as adjusted	13,583		
Total redeemable convertible preferred stock	$ 73,047	$	$

(1) Includes capital lease obligations.

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	As of June 30, 2010		
	Actual	**Pro Forma (unaudited) (in thousands)**	**Pro Forma As Adjusted (unaudited)**
Stockholders (deficit) equity:			
Common stock, $0.001 par value per share 67,500,000 shares authorized; 27,125,629 issued and 26,918,468 outstanding, actual; 67,500,000 shares authorized, 56,512,565 issued and 56,305,404 outstanding, pro forma; 125,000,000 shares authorized, 62,512,565 issued and 62,305,404 outstanding, pro forma as adjusted	$ 27	$ 56	$ 62
Preferred stock, $0.001 par value; no shares authorized, issued or outstanding, actual or pro forma; 10,000,000 shares authorized, no shares issued or outstanding, pro forma as adjusted			
Additional paid in capital	25,185	98,203	156,132
Treasury stock	(942)	(942)	(942)
Accumulated deficit	(89,836)	(89,836)	(89,836)
Accumulated other comprehensive income	(13)	(13)	(13)
Total stockholders (deficit) equity	(65,579)	7,468	65,403
Total capitalization	$ 72,211	$ 72,211	$ 112,899

The number of pro forma and pro forma as adjusted shares of common stock shown as issued and outstanding in the table are based on the number of shares of our common stock outstanding as of June 30, 2010 and excludes:

9,126,284 shares of common stock issuable upon the exercise of options outstanding as of June 30, 2010 (including 155,000 shares of our common stock that we expect to be sold in this offering by certain selling stockholders upon the exercise of vested options at the closing of this offering) under our 1998 Stock Incentive Plan, with a weighted average exercise price of $4.86 per share;

85,000 shares of common stock issuable upon exercise of options outstanding as of June 30, 2010 issued to directors pursuant to stock option agreements outside of our 1998 Stock Incentive Plan, with a weighted average exercise price of $7.06 per share;

499,999 shares of our common stock issued on July 1, 2010 in connection with our acquisition of eReal Estate Integration, Inc.;

3,500,022 shares of common stock reserved for future issuance under our 2010 Equity Incentive Plan, which will become effective in connection with this offering (including 1,000,022 shares of common stock reserved, as of June 30, 2010, for future issuance under our 1998 Stock Incentive Plan, which shares will be added to the shares reserved under our 2010 Equity Incentive Plan, upon its effectiveness); and

181,016 shares of our common stock issuable in payment of accumulated and unpaid dividends on our Series A, Series A1 and Series B convertible preferred stock accrued after June 30, 2010.

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DILUTION

As of June 30, 2010, our pro forma net tangible book value (deficit) was approximately $(55.1) million, or $(0.98) per share of common stock. Our pro forma net tangible book value (deficit) per share represents the amount of our total tangible assets less our liabilities, divided by the shares of common stock outstanding at June 30, 2010 after giving effect to the 1-for-2 reverse stock split of our common stock and convertible preferred stock effected in July 2010, the conversion of all outstanding shares of our convertible preferred stock into 29,043,748 shares of common stock effective upon the completion of this offering and the issuance of 343,188 shares of our common stock in payment of accumulated and unpaid dividends on our Series A, Series A1 and Series B convertible preferred stock accrued as of June 30, 2010. Our pro forma as adjusted net tangible book value at June 30, 2010 would have been $2.9 million, or $0.05 per share of common stock after giving effect to our sale of 6,000,000 shares of common stock in this offering. Our pro forma as adjusted net tangible book value also assumes the deduction of (i) estimated underwriting discounts and commissions and offering expenses, (ii) the application of a portion of the proceeds of this offering to pay accumulated and unpaid dividends on our outstanding shares of Series A, Series A1 and Series B convertible preferred stock that have accrued at a rate of 8%, per annum of the original issue price of each such share of preferred stock, compounded quarterly, of which the amount expected to be paid in cash is $0.4 million as of June 30, 2010, and (iii) the application of a portion of the proceeds of this offering to repay approximately $17.2 million of our indebtedness outstanding as of June 30, 2010.

This represents an immediate increase in net tangible book value of $1.03 per share to existing stockholders and an immediate dilution in net tangible book value of $10.95 per share to purchasers of common stock in this offering.

The following table illustrates this dilution:

Initial offering price per share			$	11.00
Pro forma net tangible book value per share as of June 30, 2010	$	(0.98)		
Increase per share attributable to this offering		1.03		
Pro forma as adjusted net tangible book value per share after this offering				0.05
Net tangible book value dilution per share to new investors in this offering			$	10.95

If all our outstanding options had been exercised and assuming our receipt of the full exercise price in cash, our pro forma net tangible book value (deficit) as of June 30, 2010 would have been $(10.1) million, or $(0.15) per share, and the pro forma as adjusted net tangible book value after this offering would have been $47.8 million, or $0.67 per share, causing dilution to new investors of $10.33 per share.

The following table summarizes, on a pro forma as adjusted basis as of June 30, 2010, the total number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid to us by existing stockholders and by new investors purchasing shares in this offering before deducting estimated underwriting discounts and commissions and estimated offering expenses:

	Shares Purchased	Total	Average Price Per

	Number	Percent		Amount		Percent		Share
Existing stockholders	56,305,404	90.4%	$	98,259,305		59.8%	$	1.75
New investors	6,000,000	9.6		66,000,000		40.2		11.00
Total	62,305,404	100.0%	$	164,259,305	$	100.0%	$	2.64

The calculations in the foregoing table are based on 55,962,216 shares of our common stock as of June 30, 2010 plus 343,188 shares of our common stock issuable in payment of accumulated and unpaid

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dividends on our Series A, Series A1 and Series B convertible preferred stock accrued as of June 30, 2010 and exclude:

- 9,126,284 shares of common stock issuable upon the exercise of options outstanding as of June 30, 2010 (including 155,000 shares of our common stock that we expect to be sold in this offering by certain selling stockholders upon the exercise of vested options at the closing of this offering) under our 1998 Stock Incentive Plan, with a weighted average exercise price of $4.86 per share;

- 85,000 shares of common stock issuable upon exercise of options outstanding as of June 30, 2010 issued to directors pursuant to stock option agreements outside of our 1998 Stock Incentive Plan, with a weighted average exercise price of $7.06 per share;

- 499,999 shares of our common stock issued on July 1, 2010 in connection with our acquisition of eReal Estate Integration, Inc.;

- 3,500,022 shares of common stock reserved for future issuance under our 2010 Equity Incentive Plan, which will become effective in connection with this offering (including 1,000,022 shares of common stock reserved, as of June 30, 2010, for future issuance under our 1998 Stock Incentive Plan, which shares will be added to the shares reserved under our 2010 Equity Incentive Plan, upon its effectiveness); and

- 181,016 shares of our common stock issuable in payment of accumulated and unpaid dividends on our Series A, Series A1 and Series B convertible preferred stock accrued after June 30, 2010.

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SELECTED CONSOLIDATED FINANCIAL DATA

We have derived the consolidated statements of operations data for the years ended December 31, 2007, 2008 and 2009 and the consolidated balance sheet data as of December 31, 2008 and 2009 from our audited consolidated financial statements, which have been audited by Ernst & Young LLP, independent registered public accounting firm, and are included elsewhere in this prospectus. We have derived the consolidated statement of operations data for the years ended December 31, 2005 and 2006 and the consolidated balance sheet data as of December 31, 2005 and 2006 from our unaudited consolidated financial statements that are not included in this prospectus. We have derived the consolidated statement of operations data for the six months ended June 30, 2009 and 2010 and the consolidated balance sheet data as of June 30, 2010 from our unaudited consolidated financial statements included elsewhere in this prospectus. We have derived the consolidated balance sheet data as of December 31, 2007 from our audited consolidated financial statements, which have been audited by Ernst & Young LLP, but are not included in this prospectus. You should read the following selected consolidated financial data in conjunction with our consolidated financial statements and related notes, the information in Management s Discussion and Analysis of Financial Condition and Results of Operations and the other financial information included elsewhere in this prospectus. Our historical results are not necessarily indicative of our future results.

	Year Ended December 31,					Six Months Ended June 30,	
	2005 (unaudited)	2006 (unaudited)	2007	2008	2009	2009 (unaudited)	2010 (unaudited)
	(in thousands, except per share data)						
Consolidated Statements of Operations Data:							
Revenue:							
On demand	$ 21,049	$ 36,525	$ 62,592	$ 95,192	$ 128,377	$ 60,116	$ 76,866
On premise	17,277	15,183	11,560	7,582	3,860	2,878	4,292
Professional and other	4,801	6,937	9,429	9,794	8,665	4,117	5,029
Total revenue	43,127	58,645	83,581	112,568	140,902	67,111	86,187
Cost of revenue	29,168	29,596	35,703	46,058	58,513	27,603	36,392
Gross profit	13,959	29,049	47,878	66,510	82,389	39,508	49,795
Operating expense:							
Product development	15,075	16,959	21,708	28,806	27,446	13,598	17,304
Sales and marketing	7,142	10,487	18,047	23,923	27,804	13,013	16,365
General and administrative	5,782	6,267	9,756	14,135	20,210	8,723	13,261
Total operating expense	27,999	33,713	49,511	66,864	75,460	35,334	46,930
Operating (loss) income	(14,040)	(4,664)	(1,633)	(354)	6,929	4,174	2,865

Interest expense and other, net		(381)		(508)		(1,510)		(2,152)		(4,528)		(1,983)		(2,927)
Net (loss) income before taxes		(14,421)		(5,172)		(3,143)		(2,506)		2,401		2,191		(62)
Income tax expense (benefit)								703		(26,028)		154		(23)
Net (loss) income	$	(14,421)	$	(5,172)	$	(3,143)	$	(3,209)	$	28,429	$	2,037	$	(39)
Net (loss) income attributable to common stockholders:														
Basic	$	(19,426)	$	(10,590)	$	(9,143)	$	(10,658)	$	10,611	$	(845)	$	(2,363)
Diluted	$	(19,426)	$	(10,590)	$	(9,143)	$	(10,658)	$	10,611	$	(845)	$	(2,363)
Net (loss) income per share attributable to common stockholders:														
Basic	$	(2.03)	$	(1.06)	$	(0.89)	$	(0.77)	$	0.44	$	(0.04)	$	(0.09)
Diluted	$	(2.03)	$	(1.06)	$	(0.89)	$	(0.77)	$	0.42	$	(0.04)	$	(0.09)

	Year Ended December 31,					Six Months Ended June 30,	
	2005 (unaudited)	2006 (unaudited)	2007	2008	2009	2009 (unaudited)	2010 (unaudited)
	(in thousands, except per share data)						
Weighted average shares used in computing net (loss) income per share attributable to common stockholders:							
Basic	9,544	10,011	10,223	13,886	23,934	23,831	25,901
Diluted	9,544	10,011	10,223	13,886	25,511	23,831	25,901
Pro forma net income per share attributable to common stockholders (unaudited)(1):							
Basic					$ 0.55		$ 0.02
Diluted					$ 0.54		$ 0.02
Pro forma weighted average shares outstanding used in computing net income per share attributable to common stockholders (unaudited)(2):							
Basic					55,436		57,232
Diluted					57,013		58,070
Pro forma as adjusted net income per share attributable to common stockholders (unaudited)(1):							
Basic					$ 0.51		$ 0.02
Diluted					$ 0.50		$ 0.02
Pro forma as adjusted weighted average shares outstanding used in computing net income per share attributable to common stockholders (unaudited)(3):							
Basic					59,664		61,459
Diluted					61,241		62,298

	As of December 31,					As of June 30,
	2005 (unaudited)	2006 (unaudited)	2007	2008	2009	2010 (unaudited)
	(in thousands)					
Consolidated Balance Sheet Data:						

Cash and cash equivalents[4]	$ 5,341	$ 2,493	$ 2,731	$ 4,248	$ 4,427	$ 5,132
Total current assets	16,951	18,843	30,414	49,119	51,003	54,969
Total assets	27,292	32,511	59,518	102,340	142,113	160,517
Total current liabilities	34,025	44,178	54,969	75,705	78,050	86,385
Total deferred revenue	33,114	36,283	41,052	47,232	49,428	50,854
Current and long-term debt[5]	3,849	6,682	23,809	48,943	53,990	64,743
Total liabilities	49,275	59,485	87,954	129,622	136,757	153,049
Preferred stock	66,514	72,300	78,534	71,675	71,832	73,047
Total stockholders deficit	(88,497)	(99,274)	(106,969)	(98,957)	(66,476)	(65,579)
Other Financial Data:						
Adjusted EBITDA[6]	$ (8,162)	$ (692)	$ 5,984	$ 13,064	$ 25,593	$ 15,199
Operating cash flow	(2,614)	969	4,441	7,962	24,758	8,197
Capital expenditures	3,970	5,597	7,122	10,263	9,509	4,718

	As of December 31,					As of June 30,
	2005	**2006**	**2007**	**2008**	**2009**	**2010**
Selected Operating Data:						
Number of on demand customers at period end	1,025	1,469	2,199	2,669	5,032	6,186
Number of on demand units at period end (in thousands)	1,181	1,708	2,800	3,833	4,551	5,206
Total number of employees at period end	478	532	654	922	1,141	1,260

(1) Pro forma net income per share and pro forma as adjusted net income per share represent net income divided by the pro forma weighted average shares outstanding and pro forma as adjusted weighted average shares outstanding, respectively, as though the conversion of our redeemable convertible preferred stock into common stock occurred on the original issuance dates. We plan to use $17.2 million of the proceeds of this offering for reduction of our indebtedness. Pro forma net income per share and pro forma as adjusted net income per share reflect the effect of our use of proceeds from the offering to repay debt. The pro forma net income per share calculation reflects our sale of 1,772,518 shares of common stock in this offering used for this debt reduction, after deducting underwriting discounts and commissions and our estimated offering costs payable. Pro forma net income per share and pro forma as adjusted net income per share were computed as follows: actual net income of $28.4 million and net (loss) of $39 thousand was increased by approximately $2.1 million and $1.0 million for the year ended December 31, 2009 and the six months ended June 30, 2010, respectively, representing the pro forma reduction in interest expense, net of tax, resulting from the use of net offering proceeds to reduce indebtedness.

(2) Pro forma weighted average shares outstanding reflects the conversion of our redeemable convertible preferred stock (using the if-converted method) into common stock as though the conversion had occurred on the original dates of issuance. The pro forma weighted average shares outstanding reflects our sale of 1,772,518 shares of common stock in this offering used for the debt reduction noted in (1) above. In addition, pro forma weighted average common shares outstanding, as of December 31, 2009 and June 30, 2010, considers (a) the issuance of 1,418,669 shares of our common stock in payment of a portion of dividends accrued on our Series A, Series A1 and Series B convertible preferred stock through December 31, 2009 and declared on December 31, 2009, (b) the issuance of 342,696 shares of common stock in payment of a portion of dividends accrued on our Series A, Series A1 and Series B convertible preferred stock through March 31, 2010 and declared on April 23, 2010 and (c) the issuance of 343,188 shares of our common stock in payment of a portion of accumulated and unpaid dividends on our Series A, Series A1 and Series B convertible preferred stock as of June 30, 2010, each as if such shares had been issued on January 1, 2009.

(3) Pro forma as adjusted weighted average shares outstanding reflects the conversion of our redeemable convertible preferred stock (using the if-converted method) into common stock as though the conversion had occurred on the original dates of issuance. The pro forma as adjusted weighted average shares outstanding reflects our sale of 6,000,000 shares of common stock in this offering including 1,772,518 shares used for the debt reduction noted in (1) above. In addition, pro forma as adjusted weighted average common shares outstanding, as of December 31, 2009 and June 30, 2010, considers (a) the issuance of 1,418,669 shares of our common stock in payment of a portion of dividends accrued on our Series A, Series A1 and Series B convertible preferred stock through December 31, 2009 and declared on December 31, 2009, (b) the issuance of 342,696 shares of common

stock in payment of a portion of dividends accrued on our Series A, Series A1 and Series B convertible preferred stock through March 31, 2010 and declared on April 23, 2010 and (c) the issuance of 343,188 shares of our common stock in payment of a portion of accumulated and unpaid dividends on our Series A, Series A1 and Series B convertible preferred stock as of June 30, 2010, each as if such shares had been issued on January 1, 2009.

(4) Excludes restricted cash.

(5) Includes capital lease obligations.

(6) We define Adjusted EBITDA as net (loss) income plus depreciation and asset impairment, amortization of intangible assets, interest expense, net, income tax expense (benefit), stock-based compensation expense and acquisition-related expense.

We believe that the use of Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating our operating performance because it provides them with an additional tool to compare business performance across companies and across periods. We believe that:

Adjusted EBITDA provides investors and other users of our financial information consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations and facilitates comparisons with our peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results; and

it is useful to exclude certain non-cash charges, such as depreciation and asset impairment, amortization of intangible assets and stock-based compensation and non-core operational charges, such as acquisition-related expense, from Adjusted EBITDA because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations and these expenses can vary significantly between periods as a result of new acquisitions, full amortization of previously acquired tangible and intangible assets or the timing of new stock-based awards, as the case may be.

We use Adjusted EBITDA in conjunction with traditional GAAP operating performance measures as part of our overall assessment of our performance, for planning purposes, including the preparation of our annual operating budget, to evaluate the effectiveness of our business strategies and to communicate with our board of directors concerning our financial performance.

We do not place undue reliance on Adjusted EBITDA as our only measure of operating performance. Adjusted EBITDA should not be considered as a substitute for other measures of liquidity or financial performance reported in accordance with GAAP. There are limitations to using non-GAAP financial measures, including that other companies may calculate these measures differently than we do, that they do not reflect our capital expenditures or future requirements for capital expenditures and that they do not reflect changes in, or cash requirements for, our working capital. We compensate for the inherent limitations associated with using Adjusted EBITDA measures through disclosure of these limitations, presentation of our financial statements in accordance with GAAP and reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure, net (loss) income.

The following table presents a reconciliation of net (loss) income to Adjusted EBITDA (unaudited):

	Year Ended December 31,					Six Months Ended June 30,	
	2005	2006	2007	2008	2009	2009	2010
	(in thousands)						
Net (loss) income	$ (14,421)	$ (5,172)	$ (3,143)	$ (3,209)	$ 28,429	$ 2,037	$ (39)
Depreciation and asset impairment	2,010	3,269	4,854	9,847	9,231	4,513	5,051
Amortization of intangible assets	3,868	670	2,273	2,095	5,784	2,684	4,496
Interest expense, net	381	508	1,510	2,152	4,528	1,983	2,936
Income tax expense (benefit)				703	(26,028)	154	(23)
Stock-based compensation expense		33	490	1,476	2,805	1,178	2,386
Acquisition-related expense					844		392
Adjusted EBITDA	$ (8,162)	$ (692)	$ 5,984	$ 13,064	$ 25,593	$ 12,549	$ 15,199

The following table presents stock-based compensation included in each expense category:

	Year Ended December 31,					Six Months Ended June 30,	
	2005	2006	2007	2008	2009	2009 (unaudited)	2010 (unaudited)
	(in thousands)						
Cost of revenue	$	$	$ 48	$ 104	$ 367	$ 152	$ 267
Product development			251	727	1,175	499	1,037
Sales and marketing			110	277	498	215	340
General and administrative		33	81	368	765	312	742
Total stock-based compensation expense	$	$ 33	$ 490	$ 1,476	$ 2,805	$ 1,178	$ 2,386

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with Selected Consolidated Financial Data and our financial statements and accompanying notes included elsewhere in this prospectus. This discussion contains forward-looking statements, based on current expectations and related to our plans, estimates, beliefs and anticipated future financial performance. These statements involve risks and uncertainties and our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those set forth under Risk Factors, Special Note Regarding Forward-Looking Statements and Industry Data and elsewhere in this prospectus.

Overview

We are a leading provider of on demand software solutions for the rental housing industry. Our broad range of property management solutions enable owners and managers of single-family and a wide variety of multi-family rental property types to manage their marketing, pricing, screening, leasing, accounting, purchasing and other property operations. We deliver our on demand software solutions via the Internet through an integrated software platform that provides a single point of access and a shared repository of prospect, resident and property data.

We derive a substantial majority of our revenue from sales of our on demand software solutions. We also derive revenue from our professional and other services. A small percentage of our revenue is derived from sales of our on premise software solutions to our existing on premise customers. Our on demand software solutions are sold pursuant to subscription license agreements, and our on premise software solutions are sold pursuant to term or perpetual license agreements and associated maintenance agreements. Typically, we price our solutions based primarily on the number of units the customer manages with our solutions. For our insurance and transaction-based solutions, we price based on a fixed commission rate of earned premiums or a fixed rate per transaction, respectively. We sell our solutions through our direct sales organization and derive substantially all of our revenue from sales in the United States. Our revenue has increased from $83.6 million in 2007 to $140.9 million in 2009 and was $86.2 million in the six months ended June 30, 2010. The increase in revenue has primarily been driven by increased sales of our on demand software solutions, a substantial amount of which has been derived from purchases of additional on demand software solutions by our existing customers. In 2009 and in the six months ended June 30, 2010, our on demand revenue represented 91.1% and 89.2% of our total revenue, respectively.

While the adoption of on demand software solutions in the rental housing industry is growing rapidly, it remains at a relatively early stage of development. Additionally, there is a low level of penetration of our on demand software solutions in our existing customer base. We believe these factors present us with significant opportunities to generate revenue through sales of additional on demand software solutions. Our existing and potential customers base their decisions to invest in our solutions on a number of factors, including general economic conditions. Accordingly, macroeconomic conditions negatively impacted our business in 2009 and in the six months ended June 30, 2010 and may continue to negatively impact our business.

Our company was formed in 1998 to acquire Rent Roll, Inc., which marketed and sold on premise property management systems for the conventional and affordable multi-family rental housing markets. In June 2001, we released OneSite, our first on demand property management system. Since 2002, we have expanded our on demand software solutions to include a number of software-enabled value-added services that provide complementary sales and marketing, asset optimization, risk mitigation, billing and utility management and spend management capabilities. In connection with this expansion, we have allocated greater resources to the development and infrastructure needs of developing and increasing sales of our suite of on demand software solutions. In addition, since July 2002, we have completed 14 acquisitions of complementary technologies and businesses (including our recent February 2010 and July 2010 acquisitions) to supplement our internal product development and sales and marketing efforts, enabling us to expand the scope of our solutions, the types of rental housing properties served by our solutions and our customer base.

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Key Business Metrics

In addition to traditional financial measures, we monitor our operating performance using a number of financially and non-financially derived metrics that are not included in our consolidated financial statements. We monitor the key performance indicators reflected in the following table:

	Year Ended December 31,			Six Months Ended June 30,	
	2007	2008	2009	2009 (unaudited)	2010 (unaudited)
	(in thousands, except dollar per unit data)				
Revenue:					
Total revenue	$ 83,581	$ 112,568	$ 140,902	$ 67,111	$ 86,187
On demand revenue	$ 62,592	$ 95,192	$ 128,377	$ 60,116	$ 76,866
On demand revenue as a percentage of total revenue	74.9%	84.6%	91.1%	89.6%	89.2%
Ending on demand units	2,800	3,833	4,551	4,108	5,206
Average on demand units	2,293	3,138	4,128	3,959	4,895
Annualized on demand revenue per average on demand unit	$ 27.30	$ 30.34	$ 31.10	$ 30.37	$ 31.41
Adjusted EBITDA	$ 5,984	$ 13,064	$ 25,593	$ 12,549	$ 15,199
Adjusted EBITDA as a percentage of total revenue	7.2%	11.6%	18.2%	18.7%	17.6%

On demand revenue. This metric represents the license and subscription fees for accessing our on demand software solutions, typically licensed for one year terms, commission income from sales of renter s insurance policies and transaction fees for certain of our on demand software solutions. We consider on demand revenue to be a key business metric because we believe the market for our on demand software solutions represents the largest growth opportunity for our business.

On demand revenue as a percentage of total revenue. This metric represents on demand revenue for the period presented divided by total revenue for the same period. We use on demand revenue as a percentage of total revenue to measure our success in executing our strategy to increase the penetration of our on demand software solutions and expand our recurring revenue streams attributable to these solutions. We expect our on demand revenue to remain a significant percentage of our total revenue although the actual percentage may vary from period to period due to a number of factors, including the timing of acquisitions, professional and other revenue and on premise perpetual license sales and maintenance fees resulting from our February 2010 acquisition.

Ending on demand units. This metric represents the number of rental housing units managed by our customers with one or more of our on demand software solutions at the end of the period. We use ending on demand units to measure the success of our strategy of increasing the number of rental housing units managed with our on demand software solutions. Property unit counts are provided to us by our customers as new sales orders are processed. Property unit counts may be adjusted periodically as information related to our customers properties is updated or supplemented, which could result in adjusting the number of units previously reported. We expect ending on demand units will continue to increase in 2010 and 2011.

On demand revenue per average on demand unit. This metric represents on demand revenue for the period presented divided by average on demand units for the same period. For interim periods, the calculation is performed on an annualized basis. We calculate average on demand units as the average of the beginning and ending on demand units for each quarter in the period presented. We monitor this metric to measure our success in increasing the number of on demand software solutions utilized by our customers to manage their rental housing units, our overall revenue and profitability. On demand revenue per average on demand unit for the six months ended June 30, 2009 and June 30, 2010 are annualized.

Adjusted EBITDA. We define this metric as net (loss) income plus depreciation and asset impairment; amortization of intangible assets; interest expense, net; income tax expense (benefit); stock-based compensation expense and acquisition-related expense. We believe that the use of Adjusted EBITDA is useful in evaluating our operating performance because it excludes certain non-cash expenses, including depreciation, amortization and stock-based compensation. Adjusted EBITDA is not determined in accordance with accounting principles generally accepted in the United States, or GAAP, and should not be considered as a substitute for or superior to financial measures determined in accordance with GAAP. For further discussion regarding Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income, refer to the table below. Our Adjusted EBITDA grew from approximately $6.0 million in 2007 to approximately $25.6 million in 2009 and approximately $15.2 million in the six months ended June 30, 2010, as a result of our efforts to expand market share and increase revenue.

The following provides a reconciliation of net (loss) income to Adjusted EBITDA:

	Year Ended December 31,			Six Months Ended June 30,	
	2007	2008	2009	2009	2010
			(in thousands)		
Net (loss) income	$ (3,143)	$ (3,209)	$ 28,429	$ 2,037	$ (39)
Depreciation and asset impairment	4,854	9,847	9,231	4,513	5,051
Amortization of intangible assets	2,273	2,095	5,784	2,684	4,496
Interest expense, net	1,510	2,152	4,528	1,983	2,936
Income tax expense (benefit)		703	(26,028)	154	(23)
Stock-based compensation expense	490	1,476	2,805	1,178	2,386
Acquisition-related expense			844		392
Adjusted EBITDA	$ 5,984	$ 13,064	$ 25,593	$ 12,549	$ 15,199

Key Components of our Results of Operations

Revenue

We derive our revenue from three primary sources: our on demand software solutions; our on premise software solutions; and our professional and other services. In 2007, 2008, 2009 and the six months ended June 30, 2010, we generated revenue of $83.6 million, $112.6 million, $140.9 million and $86.2 million, respectively.

On Demand Revenue

Revenue from our on demand software solutions is comprised of license and subscription fees for accessing our on demand software solutions, typically licensed for one year terms, commission income from sales of renter s insurance policies, and transaction fees for certain on demand software solutions, such as payment processing, spend management and billing services. Typically, we price our on demand software solutions based primarily on the number of units the customer manages with our solutions. For our insurance and transaction-based solutions, we price based on a fixed commission rate of earned premiums or a fixed rate per transaction, respectively.

In 2007, 2008, 2009 and the six months ended June 30, 2010, revenue from our on demand software solutions was approximately $62.6 million, $95.2 million, $128.4 million and $76.9 million, respectively, representing approximately 74.9%, 84.6%, 91.1% and 89.2% of our total revenue for the same periods. Revenue from our on demand software solutions has continued to increase in absolute dollars and as a percentage of our total revenue as we have ceased actively marketing our on premise software solutions to new customers and as many of our existing on premise customers have transitioned to our on demand software solutions. We expect our on demand revenue to continue to increase in absolute dollars and as a percentage of revenue in 2010, although the actual percentage of revenue may vary from period to period due to a number of factors, including the impact of acquisitions and revenue derived from our professional and other services related to our on demand software solutions.

On Premise Revenue

Our on premise software solutions are distributed to our customers and maintained locally on the customers hardware. Revenue from our on premise software solutions is comprised of license fees under term and perpetual license agreements. Typically, we have licensed our on premise software solutions pursuant to term license agreements with an initial term of one year that include maintenance and support. Customers can renew their term license agreement for additional one-year terms at renewal price levels. In February 2010, we completed a strategic acquisition of assets that included on premise software solutions that were historically marketed and sold pursuant to perpetual license agreements and related maintenance agreements.

We no longer actively market our on premise software solutions to new customers, and only license our on premise software solutions to a small portion of our existing on premise customers as they expand their portfolio of rental housing properties. While we intend to continue to support our recently acquired on premise software solutions, we expect that many of the customers who license these solutions will transition to our on demand software solutions over time.

In 2007, 2008, 2009 and the six months ended June 30, 2010, revenue from our on premise software solutions was approximately $11.6 million, $7.6 million, $3.9 million and $4.3 million, respectively, representing approximately 13.8%, 6.7%, 2.7% and 5.0% of our total revenue for the same periods, respectively. Revenue from our on premise software solutions has continued to decrease in absolute dollars as we have ceased actively marketing our on premise software solutions to new customers and as many of our existing on premise customers have transitioned to our on demand software solutions. We expect our on premise revenue to decrease over time in absolute dollars and as a percentage of our total revenue; however, our February 2010 acquisition could result in a near-term increase in on premise revenue in terms of both absolute dollars and as a percentage of our total revenue until we transition these customers to our on demand software solutions. In addition, the actual percentage of revenue may vary from period to period due to a number of factors, including the impact of our recent and potential future acquisition of on premise software solutions.

Professional and Other Revenue

Revenue from professional and other services consists of consulting and implementation services, training and other ancillary services. Professional and other services engagements are typically time and material.

We complement our solutions with professional and other services. In 2007, 2008, 2009 and the six months ended June 30, 2010, revenue from professional and other services was approximately $9.4 million, $9.8 million, $8.7 million and $5.0 million, respectively, representing approximately 11.3%, 8.7%, 6.2% and 5.8% of our total revenue for the same periods, respectively. We expect professional and other services will represent 10.0% or less of our total revenue in 2010 consistent with 2008 and 2009 performance.

Cost of Revenue

Cost of revenue consists primarily of personnel costs related to our operations, support services, training and implementation services, expenses related to the operation of our data center and fees paid to third-party service providers. Personnel costs include salaries, bonuses, stock-based compensation and employee benefits. Cost of revenue also includes an allocation of facilities costs, overhead costs and depreciation, as well as amortization of acquired technology related to strategic acquisitions and amortization of capitalized development costs. We allocate facilities costs, overhead costs and depreciation based on headcount. We expect our cost of revenue in 2010 to increase in absolute dollars.

Operating Expenses

We classify our operating expenses into three categories: product development, sales and marketing, and general and administrative. Our operating expenses primarily consist of personnel costs, which includes compensation, employee benefits and payroll taxes, costs for third-party contracted development, marketing, legal, accounting and consulting services and other professional service fees. Personnel costs for each category of operating expenses include salaries, bonuses, stock-based compensation and employee benefits for employees in that category. In addition, our operating expenses include an allocation of our facilities costs, overhead costs and depreciation based on headcount for that category, as well as amortization of purchased intangible assets resulting from our acquisitions.

Our operating expenses increased in absolute dollars in each of 2008 and 2009 as we have built infrastructure and added employees across all categories in order to accelerate and support our growth and to expand our markets. We expect our operating expenses in 2010 to continue to increase in absolute dollars as compared to 2009, as the capacity we have added in prior years is more fully utilized and we continue to create operating leverage.

Product development. Product development expense consists primarily of personnel costs for our product development employees and executives and fees to contract development vendors. Our product development efforts are focused primarily on increasing the functionality and enhancing the ease of use of our on demand software solutions and expanding our suite of on demand software solutions. In 2008, we established a product development and service center in Hyderabad, India to take advantage of strong technical talent at lower personnel costs compared to the United States. We expect our product development expenses in 2010 to increase in absolute dollars.

Sales and marketing. Sales and marketing expense consists primarily of personnel costs for our sales, marketing and business development employees and executives, travel and entertainment and marketing programs. Marketing programs consist of advertising, tradeshows, user conferences, public relations, industry sponsorships and affiliations and product marketing. In addition, sales and marketing expense includes amortization of certain purchased intangible assets, including customer relationships and key vendor and supplier relationships obtained in connection with our acquisitions. We expect our sales and marketing expense in 2010 to increase in absolute dollars.

General and administrative. General and administrative expense consists of personnel costs for our executive, finance and accounting, human resources, management information systems and legal personnel, as well as legal, accounting and other professional service fees and other corporate expenses. We expect our general and administrative expense in 2010 to increase in absolute dollars as compared to 2009 primarily due to the increased costs of operating as a public company.

Interest Expense, Net

Interest expense, net, consists primarily of interest income and interest expense. Interest income represents earnings from our cash, cash equivalents and short-term investments. Interest expense is associated with our term loan, revolver, secured promissory note, promissory note issued to preferred stockholders, capital lease obligations and certain acquisition-related liabilities. Total amounts outstanding under our interest-bearing obligations at December 31, 2007, 2008 and 2009 and June 30, 2010 include:

	As of December 31,			As of June 30, 2010
	2007	**2008**	**2009**	**(unaudited)**
	(in thousands)			
Term loan	$ 9,583	$ 12,650	$ 33,688	$ 40,305
Revolver	8,584	10,000		5,673
Secured promissory note		10,000	10,000	10,000
Promissory notes issued to preferred stockholders		11,064	8,173	7,247
Capital lease obligations	5,642	5,229	2,129	1,519

Interest bearing acquisition-related liabilities	3,455	2,966	2,470	2,215

We expect interest expense to decrease in absolute dollars and as a percentage of our total revenue in the periods following this public offering as we anticipate repaying a portion of our outstanding term loan and repaying all of our secured promissory note and promissory notes issued to preferred stockholders.

Income Taxes

Historically, we have incurred annual operating losses and have not benefited from these losses and have only provided for state and foreign income taxes. As of December 31, 2009, we had net operating loss carry forwards for federal and state income tax purposes of approximately $67.2 million. In December 2009, based on current year income and projected future year income, we concluded that it is more likely than not that the net deferred tax assets recorded will be realized. As such, we deemed it appropriate to decrease this valuation allowance by $27.0 million during 2009. If not utilized, our federal net operating loss and tax credit carry forwards will begin to expire in 2018. While not currently subject to an annual limitation, the utilization of these carry forwards may become subject to an annual limitation because of provisions in the Internal Revenue Code that are applicable if we experience an ownership change, which may occur, for example, as a result of this offering or other issuances of stock.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with GAAP. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management s judgment in its application, while in other cases, management s judgment is required in selecting among available alternative accounting standards that allow different accounting treatment for similar transactions. The preparation of our consolidated financial statements and related disclosures require us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates and assumptions on historical experience and other factors that we believe to be reasonable under the circumstances. In some instances, we could reasonably use different accounting estimates, and in some instances results could differ significantly from our estimates. We evaluate our estimates and assumptions on an ongoing basis. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

We believe that the assumptions and estimates associated with revenue recognition, accounts receivable, business combinations, goodwill and other intangible assets with indefinite lives, impairment of long-lived assets, intangible assets, stock-based compensation, income taxes and capitalized product development costs have the greatest potential impact on our consolidated financial statements. Therefore, we believe the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving our management s judgments, assumptions and estimates.

Revenue Recognition

We derive our revenue from three primary sources: our on demand software solutions; our on premise software solutions; and professional and other services. We commence revenue recognition when all of the following conditions are met:

- there is persuasive evidence of an arrangement;
- the solution and/or service has been provided to the customer;
- the collection of the fees is probable; and
- the amount of fees to be paid by the customer is fixed or determinable.

For multi-element arrangements that include multiple solutions and/or services, we allocate arrangement consideration to all deliverables that have stand-alone value based on their relative selling prices. In such circumstances, we utilize the following hierarchy to determine the selling price to be used for allocating revenue to deliverables as follows:

Vendor specific objective evidence (VSOE), if available. The price at which we sell the element in a separate stand-alone transaction;

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Third-party evidence of selling price (TPE), if VSOE of selling price is not available. Evidence from us or other companies of the value of a largely interchangeable element in a transaction; and

Estimated selling price (ESP), if neither VSOE nor TPE of selling price is available. Our best estimate of the stand-alone selling price of an element in a transaction.

Our process for determining ESP for deliverables without VSOE or TPE considers multiple factors that may vary depending upon the unique facts and circumstances related to each deliverable. Key factors primarily considered in developing ESP include prices charged by us for similar offerings when sold separately, pricing policies and approvals from standard pricing and other business objectives.

From time to time, we sell on demand software solutions with professional services. In such cases, we allocate arrangement consideration based on our estimated selling price of the on demand software solution and VSOE of the selling price of the professional services.

On Demand Revenue

Our on demand revenue consists of license and subscription fees, transaction fees related to certain of our software-enabled value-added services and commissions derived from us selling certain risk mitigation services.

License and subscription fees are comprised of a charge billed at the initial order date and monthly or annual subscription fees for accessing our on demand software solutions.

The license fee billed at the initial order date is recognized as revenue on a straight-line basis over the longer of the contractual term or the period in which the customer is expected to benefit, which we consider to be four years. Recognition starts once the product has been activated. Revenue from monthly and annual subscription fees is recognized on a straight-line basis over the access period.

As part of our risk mitigation services to the rental housing industry, we act as an insurance agent and derive commission revenue from the sale of insurance products to individuals. The commissions are based upon a percentage of the premium that the insurance company charges to the policyholder and are subject to forfeiture in instances where a policyholder cancels prior to the end of the policy. If the policy is cancelled, our commissions are forfeited as a percent of the unearned premium. As a result, we recognize the commissions related to these services ratably over the policy term as the associated premiums are earned.

We recognize revenue from transaction fees derived from certain of our software-enabled value-added services as the related services are performed.

On Premise Revenue

Revenue from our on premise software solutions is comprised of an annual term license, which includes maintenance and support. Customers can renew their annual term license for additional one-year terms at renewal price levels. We recognize the annual term license on a straight-line basis over the license term.

In addition, we have arrangements that include perpetual licenses with maintenance and other services to be provided over a fixed term. We allocate and defer revenue equivalent to the VSOE of fair value for the undelivered elements and recognize the difference between the total arrangement fee and the amount deferred for the undelivered elements as revenue. We have determined that we do not have VSOE of fair value for our customer support and professional services in these specific arrangements. As a result, the elements within our multiple-element sales agreements do not qualify for treatment as separate units of accounting. Accordingly, we account for fees received under multiple-element arrangements with customer support or other professional services as a single unit of accounting and recognize the entire arrangement ratably over the longer of the customer support period or the period during which professional services are rendered.

Professional and Other Revenue

Professional and other revenue is recognized as the services are rendered for time and material contracts. Training revenues are recognized after the services are performed.

Accounts Receivable

For several of our solutions, we invoice our customers prior to the period in which service is provided. Accounts receivable represent trade receivables from customers when we have invoiced for software solutions and/or services and we have not yet received payment. We present accounts receivable net of an allowance for doubtful accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments, or the customer cancelling prior to the service being rendered. In doing so, we consider the current financial condition of the customer, the specific details of the customer account, the age of the outstanding balance, the current economic environment and historical credit trends. As a result of a portion of our allowance being for services not yet rendered, a portion of our allowance is charged as an offset to deferred revenue, which does not have an effect on the statement of operations. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for doubtful accounts being recognized in the period in which the change occurs.

Business Combinations

When we acquire businesses, we allocate the total consideration to the fair value of tangible assets and liabilities and identifiable intangible assets acquired. Any residual purchase price is recorded as goodwill. The allocation of the purchase price requires management to make significant estimates in determining the fair values of assets acquired and liabilities assumed, especially with respect to intangible assets. These estimates are based on the application of valuation models using historical experience and information obtained from the management of the acquired companies. These estimates can include, but are not limited to, the cash flows that an asset is expected to generate in the future, the appropriate weighted average cost of capital and the cost savings expected to be derived from acquiring an asset. These estimates are inherently uncertain and unpredictable. In addition, unanticipated events and circumstances may occur which may affect the accuracy or validity of these estimates. Beginning in 2009, we began including the fair value of contingent consideration to be paid within the total consideration allocated to the fair value of the assets acquired and the liabilities assumed.

Goodwill and Other Intangible Assets with Indefinite Lives

We test goodwill and other intangible assets with indefinite lives for impairment separately on an annual basis in the fourth quarter of each year. Additionally, we test goodwill and other intangible assets with indefinite lives in the interim if events and circumstances indicate that goodwill and other intangible assets with indefinite lives may be impaired. The events and circumstances that we consider include the significant under-performance relative to projected future operating results and significant changes in our overall business and/or product strategies. We evaluate impairment of goodwill using a two-step process. The first step involves a comparison of the fair value of a reporting unit with its carrying amount. If the carrying amount of the reporting unit exceeds its fair value, the second step of the process involves a comparison of the fair value and carrying amount of the goodwill of that reporting unit and determination of the impairment charge, if any. We evaluate other intangible assets with indefinite lives by estimating the fair value of those assets based on estimated future earnings derived from the assets using an income approach model. If the carrying amount of the other intangible assets with indefinite lives exceeds the fair value, we recognize an impairment loss equal to the amount by which the carrying amount exceeds the fair market value of the asset. If an event occurs that causes us to revise our estimates and assumptions used in analyzing the value of our goodwill and other intangible assets with indefinite lives, the revision could result in a non-cash impairment charge that could have a material impact on our financial results.

We recorded goodwill and other intangible assets with indefinite lives in conjunction with all seven of our business acquisitions completed since the beginning of 2007. We test goodwill for impairment based on a single reporting unit. We believe we operate in a single reporting unit because our chief operating decision maker does not regularly review our operating results other than at a consolidated level for purposes of decision making regarding resource allocation and operating performance.

Impairment of Long-lived Assets

We perform an impairment review of long-lived assets held and used whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important that could trigger an impairment review include, but are not limited to, significant under-performance relative to projected future operating results, significant changes in the manner of our use of the acquired assets or our overall business and/or product strategies and significant industry or economic trends. When we determine that the carrying value of a long-lived asset may not be recoverable based upon the existence of one or more of these indicators, we determine the recoverability by comparing the carrying amount of the asset to net future undiscounted cash flows that the asset is expected to generate. We would then recognize an impairment charge equal to the amount by which the carrying amount exceeds the fair market value of the asset.

Intangible Assets

Intangible assets consist of acquired developed product technologies, acquired customer relationships, vendor relationships, non-competition agreements and trade names. We record intangible assets at fair value and amortize those with finite lives over the shorter of the contractual life or the estimated useful life. We estimate the useful lives of acquired developed product technologies and customer relationships based on factors that include the planned use of each developed product technology and the expected pattern of future cash flows to be derived from each developed product technology and existing customer relationships. We include amortization of acquired developed product technologies in cost of revenue, amortization of acquired customer relationships in sales and marketing expenses and amortization of vendor relationships and non-competition agreements in general and administrative expenses in our consolidated statements of operations.

Stock-Based Compensation

Prior to January 1, 2006, we accounted for share-based awards, including stock options, to employees using the intrinsic value method. Under the intrinsic value method, compensation expense was measured on the date of award as the difference, if any, between the deemed fair value of our common stock and the option exercise price, multiplied by the number of options granted. The option exercise prices and fair value of our common stock are determined by our board of directors based on a review of various objective and subjective factors. No compensation expense was recorded for stock options issued to employees prior to January 1, 2006 because all options were granted in fixed amounts and with fixed exercise prices at least equal to the fair value of our common stock at the date of grant.

Effective January 1, 2006, we changed our accounting treatment to recognize compensation expense based on the fair value of all share-based awards granted, modified, repurchased or cancelled on or after that date.

Our stock-based compensation is measured on the grant date based on the fair value of the award and is recognized as an expense over the requisite service period, which is generally the vesting period, on a straight-line basis.

The fair value of share-based awards is calculated through the use of option pricing models. These models require subjective assumptions regarding future share price volatility and the expected life of each option grant.

The fair value of employee stock options granted since January 1, 2006 was estimated at the grant date using the Black-Scholes option pricing model by applying the following weighted average assumptions:

Risk-free interest rates	1.5-4.8%
Expected option life (in years)	6

Dividend yield	0%
Expected volatility	50-60%

At each stock option grant date, we utilized peer group data to calculate our expected volatility. Expected volatility was based on historical and expected volatility rates of comparable publicly traded peers. The expected life of each option grant is based on existing employee exercise patterns and our historical pre-vested

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forfeiture experience. The risk-free interest rate was based on the treasury yield rate with a maturity corresponding to the expected option life assumed at the grant date.

Changes to the underlying assumptions may have a significant impact on the underlying value of the stock options, which could have a material impact on our consolidated financial statements.

We have granted stock options at exercise prices above the fair value of our common stock as of the grant date, as determined by our compensation committee on a contemporaneous basis. Given the absence of any active market for our common stock, the fair value of the common stock underlying stock options granted was determined by our compensation committee, with input from our management. In arriving at these valuations, our compensation committee and management also considered contemporaneous third-party valuations.

Valuation of Common Stock

In 2009 and through July 2010, we granted options to purchase shares of our common stock as follows:

Grant Date	Options Granted	Exercise Price Per Share	Fair Value Per Share
February 2009	718,750	$ 6.00	$ 5.44
June 2009	285,500	6.00	5.76
September 2009	881,000	6.00	5.04
October 2009	112,500	6.00	5.04
November 2009	236,250	6.00	5.04
December 2009	50,000	6.00	5.66
February 2010	920,500	7.50	6.74
April 2010	12,500	7.50	6.74
May 2010	465,250	8.00	7.96
June 2010	150,000	8.00	7.96
July 2010	569,250	9.00	8.78

Significant Factors in Determining Fair Value

For all grant dates in 2009 and 2010, we granted employees options at exercise prices greater than the fair value of the underlying common stock at the time of grant, as determined by our compensation committee on a contemporaneous basis. To determine the fair value of our common stock, we consider many factors, including:

our current and historical operating performance;

our expected future operating performance;

our financial condition at the grant date;

the liquidation rights and other preferences of our preferred stock;

any recent privately negotiated sales of our securities to independent third parties;

input from management;

the lack of marketability of our common stock;

the potential future marketability of our common stock;

the business risks inherent in our business and in technology companies, generally;

the market performance of comparable publicly traded companies; and

the U.S. and global capital market conditions.

Valuation Methodologies Used in Determining Fair Value

In valuing our common stock, we utilize a probability weighted expected return method to estimate the value of our common stock based upon an analysis of expected future cash flows considering possible future liquidity events, as well as the liquidation rights and other preferences of our preferred stock. In determining the value of our common stock on each grant date in 2009 and 2010, we considered two possible scenarios: the completion of an initial public offering, or the IPO Scenario, and remaining private, or the Private Scenario. For purposes of determining the fair market value of our common stock on each grant date in 2009 and 2010, we estimated the probability of the future liquidity event being our initial public offering at 75% and remaining a private company at 25%.

In valuing our common stock in the IPO Scenario, we utilize a market approach that estimates the fair value of a company by applying to that company the market multiples of comparable publicly traded companies. Based on the range of these observed multiples, we apply judgment in determining an appropriate multiple to apply to our metrics in order to derive an indication of value. In connection with valuing our common stock under the IPO Scenario for grants in February, June and September 2009, we determined fair value based on the probability of going public in 2009, 2010 or 2011. In connection with valuing our common stock under the IPO Scenario for grants in December 2009 and February and May 2010, we determined the probability of going public in 2010 or 2011. For each of the grants in 2009 and 2010, we concluded that the market value of invested capital to revenue multiple would yield the most appropriate indication of value for us based on our projections.

In valuing our common stock in the Private Scenario, we apply the income and market approaches utilizing a terminal period value and a residual revenue growth rate of 5.5% in the terminal year based on our expectation of long-term growth. In connection with valuing our common stock under the Private Scenario, we apply the income approach utilizing discounted cash flows. We concluded that this was the best indication of value because, beginning in the fourth quarter of 2008, we had moved towards a long-term expectation of earnings.

Fair Value of Stock Option Grants in 2009 and 2010

February 2009. In connection with our stock option grants in February 2009, we considered the factors described above as well as a contemporaneous valuation report dated February 27, 2009. The valuation used a risk-adjusted discount of 24.75% and an estimated time to an initial public offering between one and three years, as well as a scenario in which the company would continue as a private entity. As we considered scenarios of liquidity through an initial public offering during 2009, 2010, 2011, or remaining private, a non-marketability discount was estimated at 20.0%, 28.0%, 33.0% and 40.0% for each of the scenarios, respectively. The expected outcomes were weighted 25.0% toward an initial public offering during 2009, 25.0% toward an initial public offering during 2010, 25.0% toward an initial public offering during 2011 and 25.0% toward continuation as a private company. This valuation indicated a fair value of $5.44 per share for our common stock and we granted options at an exercise price of $6.00 per share.

June 2009. In connection with our stock option grants in June 2009, we considered the factors described above, including the slight recovery of the U.S. and global capital markets and its impact on our short term projected revenue growth and comparable publicly traded peers since the grants in February 2009, as well as a contemporaneous valuation report dated June 4, 2009. The valuation used a risk-adjusted discount of 24.75% and an estimated time to an initial public offering between one and three years, as well as a scenario in which the company would continue as a private entity. As we considered scenarios of liquidity through an initial public offering during 2009, 2010, 2011, or remaining private, a non-marketability discount was estimated at 18.0%, 29.0%, 35.0% and 43.0% for each of the scenarios, respectively. The expected outcomes were weighted 25.0% toward an initial public offering during 2009, 25.0% toward an initial public offering during 2010, 25.0% toward an initial public offering during 2011 and 25.0% toward continuation as a private company. This valuation indicated a fair value of $5.76 per share for our common stock and we granted options at an exercise price of $6.00 per share.

September 2009. In connection with our stock option grants in September 2009, we considered the factors described above, including the continued recovery of the U.S. and global capital markets offset by the reduction in our projected revenue growth due to mixed expectations of projected macroeconomic conditions since the grants in June 2009, as well as a contemporaneous valuation report dated September 18, 2009. The valuation used a risk-adjusted discount of 22.0% and an estimated time to an initial public offering between one and three years, as well as a scenario in which the company would continue as a private entity. As we considered scenarios of liquidity through an initial public offering during 2009, 2010, 2011, or remaining private, a non-marketability discount was estimated at 13.0%, 26.0%, 33.0% and 41.0% for each of the scenarios, respectively. The expected outcomes were weighted 25.0% toward an initial public offering during 2009, 25.0% toward an initial public offering during 2010, 25.0% toward an initial public offering during 2011 and 25.0% toward continuation as a private company. This valuation indicated a fair value of $5.04 per share for our common stock and we granted options at an exercise price of $6.00 per share.

October and November 2009. In connection with our stock options grants in October and November, we continued to use the $5.04 per share valuation analyzed in September. Our board of directors reviewed the events since the grant of options in September 2009 and the continued recovery of the U.S. capital markets and concluded that there had been no significant change in our performance to cause an increase or decrease in the per share valuation of our common stock and granted options at an exercise price of $6.00 per share.

December 2009. In connection with our stock option grants in December 2009, we considered the factors described above, including our improved sales performance and outlook and the improved market performance of our comparable public company peers since the September 2009 grants, as well as a contemporaneous valuation report dated December 15, 2009. The valuation used a risk-adjusted discount of 19.5% and an estimated time to an initial public offering between one and two years, as well as a scenario in which the company would continue as a private entity. As we considered scenarios of liquidity through an initial public offering during 2010, 2011, or remaining private, a non-marketability discount was estimated at 24.0%, 32.0% and 42.0% for each of the scenarios, respectively. The expected outcomes were weighted 50.0% toward an initial public offering during 2010, 25.0% toward an initial public offering during 2011 and 25.0% toward continuation as a private company. This valuation indicated a fair value of $5.66 per share for our common stock and we granted options at an exercise price of $6.00 per share.

February 2010. In connection with our stock option grants in February 2010, we considered the factors described above, including our improved sales performance and outlook and the improved market performance of our comparable public company peers since the December 2009 grants, as well as a contemporaneous valuation report dated February 25, 2010. The valuation used a risk-adjusted discount of 20.0% and an estimated time to an initial public offering between one and two years, as well as a scenario in which the company would continue as a private entity. As we considered scenarios of liquidity through an initial public offering during 2010, 2011, or remaining private, a non-marketability discount was estimated at 22.0%, 31.0% and 41.0% for each of the scenarios, respectively. The change in the non-marketability discount from the previous grants relates to an increase in the likelihood of our initial public offering occurring in the more current term. The expected outcomes were weighted 75% toward an initial public offering (75% toward an offering in 2010 and 25% toward an offering in 2011) and 25% toward continuation as a private company. This valuation indicated a fair value of $6.74 per share for our common stock and we granted options at an exercise price of $7.50 per share.

April 2010. In connection with our stock option grants in April 2010, we continued to use the $6.74 per share valuation analyzed in February. Our board of directors reviewed the events since the grant of options in February 2010 and concluded that there had been no significant change in our performance to cause an increase or decrease in the per share valuation of our common stock and granted options at an exercise price of $7.50 per share.

May 2010. In connection with our stock option grants in May 2010, we considered the factors described above, including our improved sales performance and outlook and the improved market performance of our comparable public company peers, as well as a contemporaneous valuation report dated May 12, 2010 for the May 2010 grants. The valuation used a risk-adjusted discount of 18.0% and an estimated time to an initial public offering between one and two years, as well as a scenario in which the company would continue as a private entity. As we considered scenarios of liquidity through an initial public offering during 2010, 2011, or remaining private, a non-marketability discount was estimated at 16.0%, 24.0% and 34.0% for each of the scenarios, respectively. The change in the non-marketability discount from the previous grants relates to an increase in the likelihood of our initial public offering occurring in the more current term. The expected outcomes were weighted 75% toward an initial public offering (75% toward an offering in 2010 and 25% toward an offering in 2011) and 25% toward continuation as a private company. This valuation indicated a fair value of $7.96 per share for our common stock and we granted options at an exercise price of $8.00 per share.

June 2010. In connection with our stock option grants in June 2010, we continued to use the $7.96 per share valuation analyzed in May. Our board of directors reviewed the events since the grant of options in May 2010 and concluded that there had been no significant change in our performance to cause an increase or decrease in the per share valuation of our common stock and granted options at an exercise price of $8.00 per share.

July 2010. In connection with our stock option grants in July 2010, we considered the factors described above, including our improved sales performance and outlook and the improved market performance of our comparable public company peers since the June 2010 grants, as well as a contemporaneous valuation report dated July 14, 2010. The valuation used a risk-adjusted discount of 17.3% and an estimated time to an initial public offering between one and two years, as well as a scenario in which the company would continue as a private entity. As we considered scenarios of liquidity through an initial public offering during 2010, 2011, or remaining private, a non-marketability discount was estimated at 9.0%, 23.0% and 36.0% for each of the scenarios, respectively. The change in non-marketability discount from the previous grants relates to an increase in the likelihood of our initial public offering occurring in the more current term. The expected outcomes were weighted 80% toward an initial public offering (87.5% toward an offering in 2010, 12.5% toward an offering in 2011) and 20.0% toward continuation as a private company. This valuation indicated a fair value of $8.78 per share for our common stock and we granted options at an exercise price of $9.00 per share.

We believe the increase in the fair value of our common stock from July 14, 2010 as determined by our compensation committee to the price range set forth on the cover of this prospectus results primarily from the following factors.

Substantially Enhanced Balance Sheet and Financial Condition. The proceeds of a successful public offering would strengthen substantially our balance sheet by increasing our cash and reducing our outstanding indebtedness. Additionally, the completion of a public offering would provide us with access to the public company debt and equity markets.

Substantially Enhanced Liquidity and Marketability of Our Stock. The valuation of our common stock by our compensation committee on July 14, 2010 reflected the fact that the common stock on that date was illiquid and the risk that, in view of difficult public offering market conditions, a public offering remained uncertain. The valuation reflected in the price range set forth on the cover of this preliminary prospectus assumes a successful offering and represents an estimate of the fair value of the unrestricted, freely tradeable stock that would be sold in the public offering market without liquidity and marketability discounts.

IPO Scenario Probability. The valuation of our common stock by our compensation committee on July 14, 2010 assumed a 20% probability that we would remain a private company through 2010 and reflected the execution and timing risks associated with the completion of our public offering. However, the price range set forth on the cover of this prospectus assumes the successful completion of our public offering, resulting in an increased common stock valuation as compared to our prior valuations.

Conversion of Preferred Stock. Our redeemable convertible preferred stock currently enjoys substantial economic rights and preferences over our common stock, including fair value redemption rights and cumulative dividends. The price range set forth on the cover of this prospectus assumes the conversion of our redeemable convertible preferred stock upon the completion of our initial public offering and the corresponding elimination of these preferences resulting in an increased common stock valuation.

The prospects of a successful offering by us remained uncertain as of July 14, 2010. The public capital markets have experienced extreme volatility and uncertainty in the months that have passed since we initially filed the registration statement. As a result, several proposed initial public offerings during this period, including initial public offerings by technology companies, have been abandoned, delayed or priced below their proposed price range.

Due to our additional option grants since June 30, 2010, we expect to recognize $0.3 million in incremental stock-based compensation expense during the year ending December 31, 2010. In future periods, our stock-based compensation expense is expected to increase as a result of our existing unrecognized stock-based compensation and as we issue additional stock-based awards to continue to attract and retain employees and independent directors.

After giving effect to the sale of shares of our common stock in this offering, the aggregate intrinsic values of vested and unvested options to purchase shares of our common stock outstanding as of June 30, 2010 will be $37.1 million and $19.3 million, respectively. Although it is possible that the completion of this offering will add value to the shares of our common stock because they will have increased liquidity and marketability, the amount of any additional value cannot be measured with precision or certainty.

Income Taxes

Income taxes are provided based on the liability method, which results in income tax assets and liabilities arising from temporary differences. Temporary differences are differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. The liability method requires the effect of tax rate changes on current and accumulated deferred income taxes to be reflected in the period in which the rate change was enacted. The liability method also requires that deferred tax assets be reduced by a valuation allowance unless it is more likely than not that the assets will be realized.

We may recognize the tax benefit from uncertain tax positions only if it is at least more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the taxing authorities. Upon our adoption of the related standard, there was no liability for uncertain tax positions due to the fact that there were no material identified tax benefits that were considered uncertain positions.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. We consider whether a valuation allowance is needed on our deferred tax assets by evaluating all positive and negative evidence relative to its ability to recover deferred tax assets, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results, if any, and incorporate assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies, if any. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses. Given the nature of our recurring revenue streams, we believe we have a reasonable basis to estimate future taxable income. Prior to the year ended December 31, 2009, we had incurred losses and it was difficult to assert that deferred tax assets were recoverable with this negative evidence. In calendar year 2009, we generated profits on an annual basis. Additionally, we believe it is more likely than not that our temporary differences will reverse and provide taxable income prior to the expiration of our net operating losses. Based on consideration of the weight of positive and negative evidence, including forecasted operating results, we concluded that there was sufficient positive evidence that a portion of our deferred tax assets are more likely than not recoverable as of December 31, 2009. Accordingly, we reversed $27.0 million of our valuation allowance at year-end.

Our effective tax rates are primarily affected by the amount of our taxable income or losses in the various taxing jurisdictions in which we operate, the amount of federal and state net operating losses and tax credits, the extent to which we can utilize these net operating loss carryforwards and tax credits and certain benefits related to stock option activity.

Capitalized Product Development Costs

We capitalize specific product development costs, including costs to develop software products or the software components of our solutions to be marketed to our customers, as well as software programs to be used solely to meet our internal needs. The costs incurred in the preliminary stages of development related to research, project planning, training, maintenance and general and administrative activities, and overhead costs are expensed as incurred. The costs of relatively minor upgrades and enhancements to the software are also expensed as incurred. Once an application has reached the development stage, internal and external costs incurred in the performance of application development stage activities, including materials, services and payroll-related costs for employees are capitalized, if direct and incremental, until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. We also capitalize costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. Capitalized costs are recorded as part of property and equipment. Internal use software is amortized on a straight-line basis over its estimated useful life, generally three years. We capitalized $1.5 million, $1.4 million and $0.8 million of product development costs during the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010, respectively, and recognized amortization expense of $0.8 million, $0.9 million, $1.3 million, $0.6 million and $0.6 million during the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2009 and 2010, respectively, included as a component of cost of revenue. Unamortized product development cost was $2.9 million, $3.1 million and $3.2 million at December 31, 2008 and 2009 and the six months ended June 30, 2010, respectively. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. There were no impairments to internal use software during the years ended December 31, 2007, 2008 or 2009 and the six months ended June 30, 2010.

Results of Operations

The following tables set forth our results of operations for the specified periods. The period-to-period comparison of financial results is not necessarily indicative of future results.

Consolidated Statements of Operations Data

	Year Ended December 31,			Six Months Ended June 30,	
	2007	2008	2009	2009 (unaudited)	2010 (unaudited)
			(in thousands)		
Revenue:					
On demand	$ 62,592	$ 95,192	$ 128,377	$ 60,116	$ 76,866
On premise	11,560	7,582	3,860	2,878	4,292
Professional and other	9,429	9,794	8,665	4,117	5,029
Total revenue	83,581	112,568	140,902	67,111	86,187
Cost of revenue[(1)]	35,703	46,058	58,513	27,603	36,392
Gross profit	47,878	66,510	82,389	39,508	49,795
Operating expense:					
Product development[(1)]	21,708	28,806	27,446	13,598	17,304

Sales and marketing[1]	18,047	23,923	27,804	13,013	16,365
General and administrative[1]	9,756	14,135	20,210	8,723	13,261
Total operating expense	49,511	66,864	75,460	35,334	46,930
Operating (loss) income	(1,633)	(354)	6,929	4,174	2,865
Interest expense and other, net	(1,510)	(2,152)	(4,528)	(1,983)	(2,927)
Net (loss) income before taxes	(3,143)	(2,506)	2,401	2,191	(62)
Income tax expense (benefit)		703	(26,028)	154	(23)
Net (loss) income	$ (3,143)	$ (3,209)	$ 28,429	$ 2,037	$ (39)

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(1) Includes stock-based compensation expense as follows:

	Year Ended December 31, 2007	2008	2009	Six Months Ended June 30, 2009 (unaudited)	2010 (unaudited)
	(in thousands)				
Cost of revenue	$ 48	$ 104	$ 367	$ 152	$ 267
Product development	251	727	1,175	499	1,037
Sales and marketing	110	277	498	215	340
General and administrative	81	368	765	312	742

The following table sets forth our results of operations for the specified periods as a percentage of our revenue for those periods. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Year Ended December 31, 2007	2008	2009	Six Months Ended June 30, 2009	2010
	(as a percentage of total revenue)				
Revenue:					
On demand	74.9%	84.6%	91.1%	89.6%	89.2%
On premise	13.8	6.7	2.7	4.3	5.0
Professional and other	11.3	8.7	6.1	6.1	5.8
Total revenue	100.0	100.0	100.0	100.0	100.0
Cost of revenue	42.7	40.9	41.5	41.1	42.2
Gross profit	57.3	59.1	58.5	58.9	57.8
Operating expense:					
Product development	26.0	25.6	19.5	20.3	20.1
Sales and marketing	21.6	21.3	19.7	19.4	19.0
General and administrative	11.7	12.6	14.3	13.0	15.4
Total operating expenses	59.3	59.5	53.5	52.7	54.5
Operating (loss) income	(2.0)	(0.3)	4.9	6.2	3.3
Interest expense and other, net	(1.8)	(1.9)	(3.2)	(3.0)	(3.4)
Net (loss) income before taxes	(3.8)	(2.2)	1.7	3.2	(0.1)
Income tax expense (benefit)	0.0	0.6	(18.5)	0.2	0.0
Net (loss) income	(3.8)	(2.9)	20.2	3.0	(0.1)

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Six Months Ended June 30, 2009 and 2010

Revenue

	Six Months Ended June 30,			
	2009	2010	Change	% Change
	(in thousands, except dollar per unit data)			
Revenue:				
On demand	$ 60,116	$ 76,866	$ 16,750	27.9%
On premise	2,878	4,292	1,414	49.1
Professional and other	4,117	5,029	912	22.2
Total revenue	67,111	86,187	19,076	28.4
On demand unit metrics:				
Ending on demand units	4,108	5,206	1,098	26.7
Average on demand units	3,959	4,895	936	23.6
Annualized on demand revenue per average on demand unit	$ 30.37	$ 31.41	$ 1.04	3.4

On demand revenue. Our on demand revenue increased $16.8 million, or 27.9%, for the six months ended June 30, 2010 as compared to same period in 2009, primarily due to an increase in rental property units managed with our on demand solutions and an increase in the number of our on demand solutions utilized by our existing customer base.

On premise revenue. On premise revenue increased $1.4 million, or 49.1%, for the six months ended June 30, 2010 as compared to the same period in 2009, primarily as a result of our February 2010 acquisition. During February 2010, we completed a strategic acquisition of assets that included on premise software solutions that have been historically marketed and sold pursuant to perpetual license agreements and related maintenance agreements. During the first half of 2010, the February 2010 acquisition contributed $1.2 million of revenue related to maintenance agreements and perpetual license sales. The revenue increase from the February 2010 acquisition was partially offset by our decision to cease actively marketing our legacy on premise solutions in 2003 and our efforts to migrate customers of our on premise solutions to our on demand solutions. While we intend to continue to support our recently acquired on premise software solutions, we expect that many of the customers who license these solutions will over time transition to our on demand software solutions.

Professional and other revenue. Professional and other services revenue increased $0.9 million, or 22.2%, for the six months ended June 30, 2010 as compared to the same period in 2009, primarily due to an increase in revenue from consulting services.

Total revenue. Our total revenue increased $19.1 million, or 28.4%, for the six months ended June 30, 2010 as compared to the same period in 2009, primarily due to an increase in rental property units managed with our on demand solutions and improved penetration of our on demand solutions into our customer base.

On demand unit metrics. As of June 30, 2010, one or more of our on demand solutions was utilized in the management of 5.2 million rental property units, representing an increase of 1.1 million units, or 26.7% as compared to June 30, 2009. The increase in the number of rental property units managed by one or more of our on demand solutions was due to new customer sales and marketing efforts and our 2009 and 2010 acquisitions in the second half of 2009 and the first half of 2010 contributing approximately 9.1% of ending on demand units as of June 30, 2010. In the first six months of 2010, our annualized on demand revenue per average on demand unit was $31.41, representing an increase of $1.04, or 3.4%, as compared to the first six months of 2009, primarily due to improved penetration of our on demand solutions into our customer base.

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Cost of Revenue

	Six Months Ended June 30,			
	2009	2010	Change	% Change
	(in thousands)			
Cost of revenue	$ 24,313	$ 30,788	$ 6,475	26.6%
Depreciation and amortization	3,290	5,604	2,314	70.3
Total cost of revenue	$ 27,603	$ 36,392	$ 8,789	31.8

Cost of revenue. Cost of revenue increased $8.8 million, or 31.8%, for the six months ended June 30, 2010 as compared to the same period in 2009. The increase in cost of revenue was primarily due to: a $6.4 million increase from costs related to the increased sales of our solutions, which includes investments in infrastructure and other support services, $1.9 million increase in non-cash amortization of acquired technology as a result of our 2009 and 2010 acquisitions; a $0.4 million increase in property and equipment depreciation expense resulting from expanding our infrastructure to support revenue delivery activities; and $0.1 million increase in stock-based compensation related to our professional services and data center operations personnel. Cost of revenue as a percentage of total revenue was 42.2% for the six months ended June 30, 2010 as compared to 41.1% for the same period in 2009. The increase as a percentage of total revenue was primarily due to an increase in non-cash amortization of acquired technology as a result of our 2009 and 2010 acquisitions.

Operating Expenses

	Six Months Ended June 30,			
	2009	2010	Change	% Change
	(in thousands)			
Product development	$ 12,554	$ 16,186	$ 3,632	28.9%
Depreciation and amortization	1,044	1,118	74	7.1
Total product development expense	$ 13,598	$ 17,304	$ 3,706	27.3

Product development. Product development expense increased $3.7 million, or 27.3%, for the six months ended June 30, 2010 as compared to the same period in 2009. The increase in product development expense was primarily due to: a $3.1 million increase in personnel expense primarily related to the associated costs to support our growth initiatives and the addition of new solutions and a $0.5 million increase in stock-based compensation related to product development personnel.

	Six Months Ended June 30,			
	2009	2010	Change	% Change
	(in thousands)			

Sales and marketing	$ 10,958	$ 14,279	$ 3,321	30.3%
Depreciation and amortization	2,055	2,086	31	1.5
Total sales and marketing expense	$ 13,013	$ 16,365	$ 3,352	25.8

Sales and marketing. Sales and marketing expense increased $3.4 million, or 25.8%, for the six months ended June 30, 2010 as compared to the same period in 2009. The increase in sales and marketing expense was primarily due to: a $1.5 million increase in personnel expense; a $1.0 million increase in marketing program expense in the first quarter of 2010 as part of our strategy to expand our market share and further penetrate our existing customer base with sales of additional on demand solutions; a $0.8 million increase in general sales and marketing activities such as travel and consulting related fees; and a $0.1 million increase in stock-based compensation related to sales and marketing personnel.

	Six Months Ended June 30,			
	2009	2010	Change	% Change
	(in thousands)			
General and administrative	$ 8,109	$ 12,525	$ 4,416	54.4%
Depreciation and amortization	614	736	122	19.9
Total general and administrative expense	$ 8,723	$ 13,261	$ 4,538	52.0

General and administrative. General and administrative expense increased $4.5 million, or 52.0%, for the six months ended June 30, 2010 as compared to the same period in 2009. The increase in general and administrative expense was primarily due to: a $2.1 million increase in personnel expense related to accounting, management information systems, legal, human resources and business development staff to support the growth in our business; a $0.3 million increase in professional fees primarily related to pursuing acquisition opportunities; a $0.4 million increase in stock-based compensation; and a $1.1 million increase other general and administrative activities such as travel, consulting and facility and information technology related expense driven by the investments in our administrative support functions.

Interest Expense and Other, Net

Interest expense, net, increased $0.9 million, or 47.6%, for the six months ended June 30, 2010 as compared to the same period in 2009. The increase in interest expense, net, was primarily due to higher average debt balances related to the financing of our 2009 and 2010 acquisitions.

Provision for Taxes

Our effective tax rate was approximately 37.0% for the six months ended June 30, 2010. In the six months ended June 30, 2010, we incurred a tax benefit of $23,000 resulting from our net loss before taxes. In the six months ended June 30, 2009, we incurred tax expense of $0.2 million primarily as a result of state income tax expense, and we did not benefit our losses until December 2009.

Year Ended December 31, 2008 and 2009

Revenue

	Year Ended December 31,			
	2008	2009	Change	% Change
	(in thousands, except dollar per unit data)			
Revenue:				
On demand	$ 95,192	$ 128,377	$ 33,185	34.9%
On premise	7,582	3,860	(3,722)	(49.1)
Professional and other	9,794	8,665	(1,129)	(11.5)
Total revenue	$ 112,568	$ 140,902	$ 28,334	25.2

On demand unit metrics:							
Ending on demand units		3,833		4,551		718	18.7
Average on demand units		3,138		4,128		990	31.5
On demand revenue per average on demand unit	$	30.34	$	31.10	$	0.76	2.5

On demand revenue. Our on demand revenue increased $33.2 million, or 34.9%, in 2009 as compared to 2008, primarily due to a 31.5% increase in the average on demand units managed with our on demand software solutions and an increase in the number of our on demand software solutions utilized by our existing customer base.

On premise revenue. On premise revenue decreased $3.7 million, or (49.1)%, in 2009 as compared to 2008, primarily due to the impact of our decision to cease actively marketing our on premise software solutions and our efforts to migrate customers of our on premise software solutions to our on demand software solutions. In addition, our on premise software solution for conventional multi-family properties, RentRoll, was discontinued and was no longer supported after July 2009.

Professional and other revenue. Professional and other services revenue decreased $1.1 million, or (11.5)%, in 2009 as compared to 2008, primarily due to a decrease in revenue from training and consulting services and a decrease in revenue from sub-meter installations.

Total revenue. Our total revenue increased $28.3 million, or 25.2%, in 2009 as compared to 2008, primarily due to an increase in rental property units managed with our on demand software solutions and improved penetration of our on demand software solutions into our customer base.

On demand unit metrics. As of December 31, 2009, one or more of our on demand software solutions was utilized in the management of 4.6 million rental housing units, representing an increase of approximately 718,000 units, or 18.7%, as compared to 2008. The increase in the number of rental units managed by one or more of our on demand software solutions was primarily due to new customer sales and marketing efforts, our 2009 acquisitions, which contributed approximately 3.8% of ending on demand units, and to a lesser degree, migration of our current customers from our on premise software solutions to our on demand software solutions. In 2009, our on demand revenue per average on demand unit was $31.10, representing an increase of $0.76, or 2.5%, as compared to 2008, primarily due to improved penetration of our on demand software solutions into our customer base.

Cost of Revenue

	Year Ended December 31,			
	2008	2009	Change	% Change
	(in thousands)			
Cost of revenue	$ 40,783	$ 51,260	$ 10,477	25.7%
Depreciation and amortization	5,275	7,253	1,978	37.5
Total cost of revenue	$ 46,058	$ 58,513	$ 12,455	27.0

Cost of revenue. Cost of revenue increased $12.5 million, or 27.0%, in 2009 as compared to 2008. The increase in cost of revenue was primarily due to: a $10.2 million increase from costs related to the increased sales of our solutions; a $1.1 million increase in non-cash amortization of acquired technology as a result of our 2008 and 2009 acquisitions; a $0.9 million increase in property and equipment depreciation expense resulting from expanding our infrastructure to support revenue delivery activities; and $0.3 million increase in stock-based compensation related to our professional services and data center operations personnel.

Operating Expenses

	Year Ended December 31,			
	2008	2009	Change	% Change
	(in thousands)			

Product development	$ 26,514	$ 25,277	$ (1,237)	(4.7)%
Depreciation and amortization	2,292	2,169	(123)	(5.4)
Total product development expense	$ 28,806	$ 27,446	$ (1,360)	(4.7)

Product development. Product development expense decreased $1.4 million, or (4.7)%, in 2009 as compared to 2008. The decrease in product development expense was primarily due to: the absence of non-recurring charges related to the discontinuance of a business development project in 2008; a decrease in third-party development costs; and a decrease in depreciation of property and equipment. The decrease was partially offset by an increase in stock-based compensation in 2009 related to our product development personnel.

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	Year Ended December 31,			
	2008	2009	Change	% Change
	(in thousands)			
Sales and marketing	$ 21,649	$ 23,744	$ 2,095	9.7%
Depreciation and amortization	2,274	4,060	1,786	78.5
Total sales and marketing expense	$ 23,923	$ 27,804	$ 3,881	16.2

Sales and marketing. Sales and marketing expense increased $3.9 million, or 16.2%, in 2009 as compared to 2008. The increase in sales and marketing expense was primarily due to: a $1.7 million increase in non-cash intangible amortization related to our 2008 and 2009 acquisitions, which included acquired customer relationships and key supplier and vendor relationships; a $1.5 million increase in personnel expense and a $1.0 million increase in marketing program expense in 2009 as part of our strategy to expand our market share and further penetrate our existing customer base with sales of additional on demand software solutions; and a $0.2 million increase in stock-based compensation related to our sales and marketing personnel.

	Year Ended December 31,			
	2008	2009	Change	% Change
	(in thousands)			
General and administrative	$ 12,979	$ 18,923	$ 5,944	45.8%
Depreciation and amortization	1,156	1,287	131	11.3
Total general and administrative expense	$ 14,135	$ 20,210	$ 6,075	43.0

General and administrative. General and administrative expense increased $6.1 million, or 43.0%, in 2009 as compared to 2008. The increase in general and administrative expense was primarily due to: a $2.8 million increase in personnel expense and expense related to accounting, management information systems, legal, human resources and business development staff to support the growth in our business; a $0.7 million increase in legal fees primarily related to pursuing and closing acquisition opportunities; a $0.4 million increase in stock-based compensation; and an increase in various other general and administrative expenses driven by the investments in our administrative functions.

Interest Expense and Other, Net

Interest expense and other, net, increased $2.4 million, or 110.4%, in 2009 as compared to 2008. The increase in interest expense, net, was primarily due to higher average debt balances related to the financing of our acquisitions and the issuance of notes payable to holders of our preferred stock in December 2008 in payment of accrued dividends. See Note 7 to Notes to Consolidated Financial Statements for the year ended December 31, 2009.

Provision for Taxes

We have not incurred federal income taxes due to the carry forward of net operating losses. At December 31, 2009, we had a net operating loss carry forward for federal income tax purposes of approximately $67.2 million that will begin to expire in 2018. We have historically offset all of our net deferred tax assets by a valuation allowance. However, in December 2009, based on current year income and our projections of future income, we concluded it was more likely than not that certain of our deferred tax assets would be realizable, and therefore the valuation allowance was reduced by $27.0 million.

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Year Ended December 31, 2007 and 2008

Revenue

	Year Ended December 31,			
	2007	2008	Change	% Change
	(in thousands, except dollar per unit data)			
Revenue:				
On demand	$ 62,592	$ 95,192	$ 32,600	52.1%
On premise	11,560	7,582	(3,978)	(34.4)
Professional and other	9,429	9,794	365	3.9
Total revenue	$ 83,581	$ 112,568	$ 28,987	34.7
On demand unit metrics:				
Ending on demand units	2,800	3,833	1,033	36.9
Average on demand units	2,293	3,138	845	36.9
On demand revenue per average on demand unit	$ 27.30	$ 30.34	$ 3.04	11.1

On demand revenue. On demand revenue increased $32.6 million, or 52.1%, in 2008 as compared to 2007, primarily due to an increase in rental property units managed with our on demand software solutions and an increase in the number of our on demand software solutions utilized by our existing customer base.

On premise revenue. On premise revenue decreased $4.0 million, or (34.4)%, in 2008 as compared to 2007. The revenue decrease was primarily due to: our higher focus on sales of our on demand software solutions; a decrease in the number of rental property units utilizing our on premise software solutions, which was a result of customers converting to our on demand software solutions, not renewing their on premise software license or customers property sites turning over due to their sale or change in property management company.

Professional and other revenue. Professional and other revenue increased $0.4 million, or 3.9%, in 2008 as compared to 2007, primarily due to increased consulting and implementation activity associated with new sales of our on demand software solutions, which was partially offset by lower training and seminar revenue.

Total revenue. Our total revenue increased $29.0 million, or 34.7%, in 2008 as compared to 2007, primarily due to an increase in rental property units managed with our on demand software solutions and improved penetration of our on demand software solutions into our customer base.

On demand unit metrics. As of December 31, 2008, one or more of our on demand software solutions was utilized in the management of 3.8 million rental property units, an increase of approximately 1.0 million units, or 36.9%, as compared to 2007. The increase in the number of rental property units managed by one or more of our on demand software solutions was primarily due to new customer sales and marketing efforts, our 2008 acquisitions, which contributed approximately 10.5% of ending on demand units, and, to a lesser degree, migration of our current customers from our on premise software solutions. In 2008, our on demand revenue per average on demand unit was $30.34, representing an increase of $3.04, or 11.1%, as compared to 2007, primarily due to improved penetration of our on demand software solutions into our customer base.

Cost of Revenue

	Year Ended December 31,			
	2007	2008	Change	% Change
	(in thousands)			
Cost of revenue	$ 32,056	$ 40,783	$ 8,727	27.2%
Depreciation and amortization	3,647	5,275	1,628	44.6
Total cost of revenue	$ 35,703	$ 46,058	$ 10,355	29.0

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Cost of revenue. Cost of revenue increased $10.4 million, or 29.0%, in 2008 as compared to 2007. The increase in cost of revenue was primarily due to: a $8.6 million increase from costs related to the increased sales of our solutions; a $1.3 million increase in property and equipment depreciation expense resulting from expanding our infrastructure to support revenue delivery activities; and a $0.3 million increase in non-cash amortization of acquired technology as a result of our 2008 acquisitions.

Operating Expenses

	Year Ended December 31,			
	2007	**2008**	**Change**	**% Change**
		(in thousands)		
Product development	$ 20,459	$ 26,514	$ 6,055	29.6%
Depreciation and amortization	1,249	2,292	1,043	83.5
Total product development	$ 21,708	$ 28,806	$ 7,098	32.7

Product development. Product development expense increased $7.1 million, or 32.7%, in 2008 as compared to 2007. The increase in product development expense was primarily due to: a $3.8 million increase in personnel expense primarily related to the associated costs to support our growth initiatives and the addition of new solutions; a $1.0 million increase in depreciation of property and equipment from expanding our infrastructure to support our revenue growth; a $0.8 million non-cash asset disposal resulting from the discontinuance of a business development project in 2008; and a $0.5 million increase in stock-based compensation related to our product development personnel.

	Year Ended December 31,			
	2007	**2008**	**Change**	**% Change**
		(in thousands)		
Sales and marketing	$ 16,215	$ 21,649	$ 5,434	33.5%
Depreciation and amortization	1,832	2,274	442	24.1
Total sales and marketing expense	$ 18,047	$ 23,923	$ 5,876	32.6

Sales and marketing. Sales and marketing expense increased $5.9 million, or 32.6%, in 2008 as compared to 2007. The increase in sales and marketing expense was primarily due to: a $3.2 million increase in personnel expense related to expanding our sales and marketing workforce as part of our strategy to increase our market share and further penetrate our existing customer base with additional on demand software solutions; a $1.5 million increase in marketing program expense in support of our growth strategy; a $0.4 million increase in property and equipment depreciation expense; and a $0.2 million increase in stock-based compensation related to our sales and marketing personnel.

	Year Ended December 31,			
	2007	2008	Change	% Change
	(in thousands)			
General and administrative	$ 9,357	$ 12,979	$ 3,622	38.7%
Depreciation and amortization	399	1,156	757	189.7
Total general and administrative expense	$ 9,756	$ 14,135	$ 4,379	44.9

General and administrative. General and administrative expense increased $4.4 million, or 44.9%, in 2008 as compared to 2007. The increase in general and administrative expense was primarily due to: a $2.4 million increase in personnel expense related to an increase in accounting, management information systems, legal and human resources personnel to support the growth in our business; a $0.8 million increase in depreciation of property and equipment in 2008 driven by the investments in our administrative support functions; a $0.3 million increase in stock-based compensation related to our general and administrative personnel; and an increase various other general and administrative expenses driven by the investment in our administrative functions necessary to support our growth.

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Interest Expense and Other, Net

Interest expense and other, net, increased $0.6 million, or 42.5%, in 2008 as compared to 2007. The increase in interest expense, net, was primarily due to higher average debt balances related to the financing of our acquisition activities.

Provision for Taxes

We have recorded a valuation allowance related to income taxes to reflect uncertainties associated with the realization of deferred tax assets. As a result, the benefit from income taxes is zero in 2007.

Quarterly Results of Operations

The following table presents our unaudited consolidated quarterly results of operations for the nine fiscal quarters ended June 30, 2010. This information is derived from our unaudited consolidated financial statements, and includes all adjustments, consisting only of normal recurring adjustments, that we consider necessary for fair statement of our financial position and operating results for the quarters presented. Operating results for these periods are not necessarily indicative of the operating results for a full year. Historical results are not necessarily indicative of the results to be expected in future periods. You should read this data together with our consolidated financial statements and the related notes to these financial statements included elsewhere in this prospectus.

	Three Months Ended, (in thousands)								
	June 30, 2008	September 30, 2008	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 3 2010
venue:									
demand	$ 22,486	$ 24,520	$ 27,462	$ 29,264	$ 30,852	$ 33,069	$ 35,192	$ 37,207	$ 39,65
premise	1,902	1,766	1,774	1,437	1,441	468	514	1,868	2,42
fessional and other	2,351	2,982	2,525	1,942	2,175	2,117	2,431	2,303	2,72
al revenue	26,739	29,268	31,761	32,643	34,468	35,654	38,137	41,378	44,80
t of revenue(1)	10,811	12,074	13,113	13,035	14,568	15,201	15,709	17,858	18,53
ss profit	15,928	17,194	18,648	19,608	19,900	20,453	22,428	23,520	26,27
erating expense:									
duct development(1)	7,074	6,932	8,132	6,711	6,887	6,675	7,173	8,315	8,98
es and marketing(1)	5,600	6,325	6,690	6,180	6,833	7,363	7,428	7,540	8,82
neral and ninistrative(1)	3,456	3,648	3,858	4,536	4,187	4,552	6,935	6,522	6,73
al operating expense	16,130	16,905	18,680	17,427	17,907	18,590	21,536	22,377	24,55
erating (loss) income	(202)	289	(32)	2,181	1,993	1,863	892	1,143	1,72
erest expense and er, net	(418)	(493)	(781)	(985)	(998)	(1,123)	(1,422)	(1,464)	(1,46
	(620)	(204)	(813)	1,196	995	740	(530)	(321)	25

(loss) income ore taxes ome tax expense nefit)	65		638	69	85	64	(26,246)	(118)	9
(loss) income	$ (685)	$ (204)	$ (1,451)	$ 1,127	$ 910	$ 676	$ 25,716	$ (203)	$ 16

(1) Includes stock-based compensation expense as follows:

	Three Months Ended,								
	June 30, 2008	**September 30, 2008**	**December 31, 2008**	**March 31, 2009**	**June 30, 2009**	**September 30, 2009**	**December 31, 2009**	**March 31, 2010**	**June 30, 2010**
	(in thousands)								
Cost of revenue	$ 23	$ 21	$ 41	$ 67	$ 85	$ 103	$ 112	$ 123	$ 144
Product development	158	170	218	246	252	277	400	507	530
Sales and marketing	76	76	86	98	117	135	148	164	176
General and administrative	98	101	112	154	159	211	241	300	442
Total stock-based compensation expense	$ 355	$ 368	$ 457	$ 565	$ 613	$ 726	$ 901	$ 1,094	$ 1,292

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The following table sets forth our results of operations for the specified periods as a percentage of our revenue for those periods. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Three Months Ended,								
	June 30, 2008	September 30, 2008	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010
	(as a percentage of total revenue)								
Revenue:									
On demand	84.1%	83.8%	86.5%	89.6%	89.5%	92.7%	92.3%	89.9%	88.5%
On premise	7.1	6.0	5.6	4.4	4.2	1.3	1.3	4.5	5.4
Professional and other	8.8	10.2	8.0	5.9	6.3	5.9	6.4	5.6	6.1
Total revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of revenue:									
Software and services	40.4	41.3	41.3	39.9	42.3	42.6	41.2	43.2	41.4
Gross profit	59.6	58.7	58.7	60.1	57.7	57.4	58.8	56.8	58.6
Operating expense:									
Product development	26.5	23.7	25.6	20.6	20.0	18.7	18.8	20.1	20.1
Sales and marketing	20.9	21.6	21.1	18.9	19.8	20.7	19.5	18.2	19.7
General and administrative	12.9	12.5	12.1	13.9	12.1	12.8	18.2	15.8	15.0
Total operating expenses	60.3	57.8	58.8	53.4	52.0	52.1	56.5	54.1	54.8
Operating (loss) income	(0.8)	1.0	(0.1)	6.7	5.8	5.2	2.3	2.8	3.9
Interest expense and other, net	(1.6)	(1.7)	(2.5)	(3.0)	(2.9)	(3.1)	(3.7)	(3.5)	(3.3)
Net (loss) income before taxes	(2.3)	(0.7)	(2.6)	3.7	2.9	2.1	(1.4)	(0.8)	0.6
Income tax expense (benefit)	0.2	0.0	2.0	0.2	0.2	0.2	(68.8)	(0.3)	0.2
Net (loss) income	(2.6)	(0.7)	(4.6)	3.5	2.6	1.9	67.4	(0.5)	0.4

Our revenue increased in each of the quarters presented above primarily as a result of increases in rental property units managed with our on demand software solutions, successful efforts to increase the number of on demand software solutions utilized by our customer base and our 2008, 2009 and 2010 acquisitions. To date, we have not experienced any significant impact on our results of operations due to seasonality.

Cost of revenue increased over the course of the quarters presented above primarily due to increase in operating costs related to the increased sales of our solutions; higher technology support costs in order to support our growth; the cost of revenue added by our acquisitions; and higher non-cash amortization of technology acquired through our acquisitions. While cost of revenue increased in absolute dollars, gross margin has remained relatively consistent in each of the quarters presented, except for the six months ended June 30, 2010. Cost of revenue as a percentage of total revenue increased during the six months ended June 30, 2010 as compared to previous quarters primarily due to an increase in non-cash amortization of acquired technology as a result of our acquisitions and our investment in infrastructure and other support services.

Operating expense has steadily increased in absolute dollars over the course of the quarters presented above primarily due to increased personnel related expenses in support of our growth initiatives in addition to incremental expenses associated with acquired companies. Operating expense may vary as a result of the timing of sales and marketing activities, the timing of acquisitions or the discontinuance of projects, among other factors. For example, operating expense decreased from the fourth quarter of 2008 to the first quarter of 2009 primarily due to a decline in product development expense attributable to the discontinuance of a business development project during the fourth quarter of 2008. Additionally, during the fourth quarter of 2009, operating expense increased as a percentage of revenue when compared to the prior three quarters primarily as a result of an increase in general and administrative expense associated with higher professional fees and other costs related to pursuing acquisition opportunities combined with incremental general and administrative expense associated with the acquisitions we completed during the third and fourth quarters of 2009. Since our inception, we have made significant investments in developing new solutions, enhancing existing solutions, and expanding our sales and marketing efforts in order to increase our market share and to

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further penetrate our existing customer base with additional on demand software solutions. As a result of these investments, we have experienced significant revenue growth, which has resulted in a trend of decreased operating expense as a percentage of our total revenue.

Reconciliation of Quarterly Non-GAAP Financial Measures

We anticipate that our investor and analyst presentations will include Adjusted EBITDA. We define Adjusted EBITDA as net (loss) income plus depreciation and asset impairment, amortization of intangible assets, interest expense, net, income tax expense (benefit), stock-based compensation expense and acquisition-related expense. We believe that the use of Adjusted EBITDA is useful to investors and other users of our financial statements in evaluating our operating performance because it provides them with an additional tool to compare business performance across companies and across periods. We believe that:

- Adjusted EBITDA provides investors and other users of our financial information consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations and facilitates comparisons with our peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results; and

- it is useful to exclude certain non-cash charges, such as depreciation and asset impairment, amortization of intangible assets and stock-based compensation and non-core operational charges, such as acquisition-related expense, from Adjusted EBITDA because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations and these expenses can vary significantly between periods as a result of new acquisitions, full amortization of previously acquired tangible and intangible assets or the timing of new stock-based awards, as the case may be.

We use Adjusted EBITDA in conjunction with traditional GAAP operating performance measures as part of our overall assessment of our performance, for planning purposes, including the preparation of our annual operating budget, to evaluate the effectiveness of our business strategies and to communicate with our board of directors concerning our financial performance.

We do not place undue reliance on Adjusted EBITDA as our only measure of operating performance. Adjusted EBITDA should not be considered as a substitute for other measures of liquidity or financial performance reported in accordance with GAAP. There are limitations to using non-GAAP financial measures, including that other companies may calculate these measures differently than we do, that they do not reflect our capital expenditures or future requirements for capital expenditures and that they do not reflect changes in, or cash requirements for, our working capital. We compensate for the inherent limitations associated with using the Adjusted EBITDA measures through disclosure of these limitations, presentation of our financial statements in accordance with GAAP and reconciliation of Adjusted EBITDA to the most directly comparable GAAP measure, net (loss) income.

The following table presents a reconciliation of net (loss) income to Adjusted EBITDA for the nine fiscal quarters ended June 30, 2010:

	Three Months Ended,								
	June 30, 2008	September 30, 2008	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010
	(in thousands)								
Net (loss) income	$ (685)	$ (204)	$ (1,451)	$ 1,127	$ 910	$ 676	$ 25,716	$ (203)	$ 164

Depreciation and asset impairment	2,018	2,244	3,750	2,043	2,470	2,419	2,299	2,456	2,595
Amortization of intangible assets	333	331	774	1,362	1,322	1,279	1,821	2,214	2,282
Interest expense, net	418	493	781	985	998	1,123	1,422	1,464	1,472
Income tax expense (benefit)	65		638	69	85	64	(26,246)	(118)	95
Stock-based compensation expense	355	368	457	565	613	726	901	1,094	1,292
Acquisition-related expense						20	824	324	69
Adjusted EBITDA	$ 2,504	$ 3,232	$ 4,949	$ 6,151	$ 6,398	$ 6,307	$ 6,737	$ 7,231	$ 7,968

Liquidity and Capital Resources

We have financed our operations primarily through private placements of preferred equity securities and common stock, secured credit facilities with commercial lenders, a private placement of subordinated debt securities and cash provided by operating activities. Our primary sources of liquidity as of June 30, 2010 consisted of $5.1 million of cash and cash equivalents, $4.3 million available under our revolving line of credit and $10.7 million of current assets less current liabilities (excluding $42.1 million of deferred revenue).

Our principal uses of liquidity have been to fund our operations, working capital requirements, capital expenditures and acquisitions and to service our debt obligations. We expect that working capital requirements, capital expenditures and acquisitions will continue to be our principal needs for liquidity over the near term. Our planned capital expenditures for 2010 are not expected to exceed $12.0 million. In addition, we have made several acquisitions in which a portion of the cash purchase price is payable at various times through 2014. We expect to fund these obligations from cash provided by operating activities.

We believe that our existing cash and cash equivalents, working capital (excluding deferred revenue) and our cash flow from operations, together with the proceeds of this offering, will be sufficient to fund our operations and planned capital expenditures and service our debt obligations for at least the next 12 months. Our future capital requirements will depend on many factors, including our rate of revenue growth, the timing and size of acquisitions, the expansion of our sales and marketing activities, the timing and extent of spending to support product development efforts, the timing of introductions of new solutions and enhancements to existing solutions and the continuing market acceptance of our solutions. We may enter into acquisitions of, complementary businesses, applications or technologies, in the future, which could require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us, or at all.

The following table sets forth cash flow data for the periods indicated therein:

	Year Ended December 31,			Six Months Ended June 30,	
	2007	2008	2009	2009	2010
			(in thousands)		
Net cash provided by operating activities	$ 4,441	$ 7,962	$ 24,758	$ 14,030	$ 8,197
Net cash (used) in investing activities	(16,155)	(32,320)	(24,676)	(4,876)	(18,010)
Net cash provided by (used in) financing activities	11,952	25,875	97	(5,506)	10,531

Net Cash Provided by Operating Activities

In the six months ended June 30, 2010, we generated $8.2 million of net cash from operating activities, which consisted of our net loss of $39 thousand and changes in working capital of $3.6 million, offset by net non-cash income of $11.8 million representing a decrease of $5.8 million or 41.6%, as compared to the same period in 2009. Net non-cash charges to income primarily consisted of depreciation, amortization and stock-based compensation expense. The $3.6 million use of operating cash flow primarily resulting from the change in working capital was primarily due to collection of our accounts receivable and general timing differences in other current assets, offset by the change in deferred revenue and capitalization of deferred costs associated with our pending public offering. Excluding deferred revenue acquired from our February 2010 acquisition, deferred revenue decreased for the six months ended June 30, 2010 as a result of the amortization of annual license fees for on demand and on premise solutions.

In 2009, we generated $24.8 million of net cash from operating activities, which consisted of our net income of $28.4 million, offset by net non-cash income of $8.5 million, representing an increase of $16.8 million, or 211.0%, as compared to 2008. Net non-cash charges primarily consisted of a non-cash deferred tax benefit offset by depreciation, amortization and stock-based compensation expense. The increase in our net cash from operating activities in 2009 was primarily due to our net income, cash inflows from changes in working capital and greater collection of accounts receivable, which resulted in an improvement in the number of days that sales were outstanding from 68 days in 2008 to 57 days in 2009. This decrease in accounts receivable occurred despite an increase in revenues during the fourth quarter.

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In 2008, we generated $8.0 million of net cash from operating activities, which consisted of our net loss of $3.2 million, offset by net non-cash charges of $13.9 million, representing an increase of $3.5 million, or 79.3%, as compared to 2007. Net non-cash charges to income primarily consisted of depreciation, amortization and stock-based compensation expense. The increase in our net cash from operating activities in 2008 was primarily due to cash outflows from changes in working capital including an increase in accounts receivable of $7.6 million from increased sales during the fourth quarter, partially offset by an increase in deferred revenues of $5.6 million. The increase in our net cash from operating activities in 2008 was primarily due to a reduction in our net loss, an increase of $6.3 million in non-cash charges and an increase in deferred revenue from increased sales during the fourth quarter, partially offset by increases in accounts receivable.

In 2007, we generated $4.4 million of net cash from operating activities, which consisted of our net loss of $3.1 million, offset by net non-cash charges of $7.6 million. Net non-cash charges to income primarily consisted of depreciation, amortization and stock-based compensation expense. Additionally, cash outflows from changes in working capital included an increase in accounts receivable of $5.2 million from increased sales near the end of the year, partially offset by an increase in deferred revenues of $4.4 million.

Net Cash Used in Investing Activities

In the six months ended June 30, 2010, our investing activities used $18.0 million. Investing activities consisted of acquisition consideration of $12.9 million net of cash acquired for our 2010 acquisition, acquisition-related payments of $0.4 million for commitments related to prior years acquisitions and $4.7 million of capital expenditures. The increase in cash used in investing activities from 2009 relates to the consideration paid net of cash acquired for our 2010 acquisition combined with an increase in capital spending.

In 2009, our investing activities used $24.7 million. Investing activities consisted of acquisition consideration of $11.6 million net of cash acquired for our 2009 acquisitions, acquisition-related payments of $3.6 million for commitments related to prior years acquisitions and $9.5 million of capital expenditures. The decrease in cash used in investing activities from 2008 relates to a decrease in capital spending of $0.8 million combined with a decrease in acquisition-related payments of $6.9 million.

In 2008, our investing activities used $32.3 million. Investing activities consisted of $20.1 million for our 2008 acquisitions, acquisition-related payments of $1.9 million for commitments related to prior years acquisitions and capital expenditures of $10.3 million. The increase in cash used in investing activities from 2007 relates to an increase in capital spending of $3.1 million and an increase in acquisition-related payments of $13.0 million.

In 2007, our investing activities used $16.2 million. Investing activities consisted of $7.0 million for our 2007 acquisition, acquisition-related payments of $2.1 million for commitments related to prior years acquisitions and capital expenditures of $7.1 million.

Capital expenditures in the six months ended June 30, 2010 and in 2009, 2008 and 2007 were primarily related to investments in technology infrastructure to support our growth initiatives.

Net Cash Provided by Financing Activities

Our financing activities provided $10.5 million in the six months ended June 30, 2010, representing an increase of $16.0 million, as compared to the same period of 2009. Cash provided by financing activities in 2010 was primarily related to net proceeds from borrowings under our credit facility, offset by payments for scheduled term debt maturities, capital lease obligations and preferred stockholder notes payable. During the same period of 2009, we did not borrow funds under our credit facility and made payments for scheduled term debt maturities, capital lease obligations and preferred stockholder notes payable.

Our financing activities provided $0.1 million in 2009, representing a decrease of $25.8 million, or 99.6%, as compared to 2008. Cash provided by financing activities in 2009 was primarily related to net proceeds from refinancing our credit facility, offset by payments for scheduled term debt maturities, capital lease obligations and preferred stockholder notes payable.

Our financing activities provided $25.9 million in 2008, representing an increase of $13.9 million, or 116.5%, as compared to 2007. On February 22, 2008, in order to secure capital for future growth and business development activities, we entered into a securities purchase agreement whereby investors purchased an aggregate of 1,512,498 shares of Series C convertible preferred stock at a purchase price of $9.00 per share resulting in $13.4 million of net proceeds. Additionally, we had net proceeds of $4.5 million from our credit facility, $10.0 million of proceeds from a private placement of a note purchase agreement and common stock issuances of $0.6 million resulting from employees and third parties exercise of stock options and warrants. These proceeds were offset by $2.6 million of scheduled payments of capital lease obligations.

Our financing activities provided $12.0 million in 2007. Cash provided by financing activities in 2007 was primarily related to net proceeds of $11.5 million from our credit facility and common stock issuances of $1.1 million resulting from employees and third parties exercise of stock options and warrants. These proceeds were offset by $0.7 million of scheduled payments of capital lease obligations.

Cash provided by financing activities during the six months ended June 30, 2010 and during 2009, 2008 and 2007 was used to support our operations until we achieved positive operating cash flow, as a funding source for acquisitions and for capital expenditures related to the expansion of our technology infrastructure.

Contractual Obligations, Commitments and Contingencies

The following table summarizes, as of December 31, 2009 and as adjusted for our June 2010 debt amendment, our minimum payments for long-term debt and other obligations for the next five years and thereafter:

	Payments Due by Period				
	Total	**Less Than 1 year**	**1-3 years**	**3-5 years**	**More Than 5 years**
			(in thousands)		
Long-term debt obligations	$ 67,316	$ 9,330	$ 17,548	$ 40,438	$
Interest payments on long-term debt obligations(1)	11,346	3,507	5,724	2,115	
Capital (finance) leases	2,273	1,670	603		
Operating lease obligations	27,051	4,922	8,197	7,591	6,341
Acquisition-related liabilities(2)	4,359	1,653	1,842	864	
	$ 112,345	$ 21,082	$ 33,914	$ 51,008	$ 6,341

(1) The amount of interest payments on long-term debt obligations represents current obligations as of December 31, 2009, but reflects the interest rates in effect per our June 2010 debt amendment. These payments are subject to change based on changes to interest rates and our planned prepayment of our currently outstanding long-term debt obligations with the net proceeds of the offering.

(2) We have made several acquisitions in which a portion of the cash purchase price is payable at various times through 2014.

Long-Term Debt Obligations

In September 2009, we entered into a credit facility which provided for a $35.0 million term loan and a $10.0 million revolving line of credit. A portion of the proceeds from the credit facility was used to repay the balance outstanding under our prior credit facility. The term loan and revolving line of credit are collateralized by substantially all our personal property. Prior to the June 2010 amendment discussed below, the term loan and revolving line of credit bore interest at rates of the greater of 7.5%, a stated rate of 5.0% plus LIBOR (or, if greater, 2.5%), or a stated rate of 5.0% plus the bank s prime rate (or, if greater, 3.5%, the federal funds rate plus 0.5% or three month LIBOR plus 1.0%).

In February 2010, we entered into an amendment to the credit facility. Under the terms of the amendment, the original term loan was increased by an additional $10.0 million. The proceeds from the amendment were primarily used to finance the February 2010 acquisition of certain assets of Domin-8 Enterprise Solutions, Inc. The related interest rates and maturity periods remained consistent with the terms of the credit facility. Until the June 2010 amendment discussed below, we made principal payments on the term loan in quarterly installments of approximately $1.8 million. In June 2010, we entered into a subsequent amendment to the credit facility. Under the terms of the June 2010 amendment, an additional $30 million in term loans was made available for borrowing until December 22, 2011. After the June 2010 amendment, the term loan and revolving line of credit bear interest at a stated rate of 3.5% plus LIBOR, or a stated rate of 0.75% plus Wells Fargo s prime rate (or, if greater, the federal funds rate plus 0.5% or three month LIBOR plus 1.0%). Interest on the term loans and the revolver is payable monthly, or for LIBOR loans, at the end of the applicable 1-, 2-, or 3-month interest period. Under the terms of the June 2010 amendment, principal payments on the term loan will be paid in quarterly installments equal to 3.75% of the principal amount of term loans, with the balance of all term loans and the revolver due on June 30, 2014. The effects of the payments related to this amendment have been included in the table above.

Our credit facility contains customary covenants which limit our and certain of our subsidiaries ability to, among other things, incur additional indebtedness or guarantee indebtedness of others; create liens on our assets; enter into mergers or consolidations; dispose of assets; prepay indebtedness or make changes to our governing documents and certain of our agreements; pay dividends and make other distributions on our capital stock, and redeem and repurchase our capital stock; make investments, including acquisitions; enter into transactions with affiliates; and make capital expenditures. Our credit facility additionally contains customary affirmative covenants, including requirements to, among other things, take certain actions in the event we form or acquire new subsidiaries; hold annual meetings with our lenders; provide copies of material contracts and amendments to our lenders; locate our collateral only at specified locations; and use commercially reasonable efforts to ensure that certain material contracts permits the assignment of the contract to our lenders; subject in each case to customary exceptions and qualifications. We are also required to comply with a fixed charge coverage ratio, which is a ratio of our EBITDA to our fixed charges as determined in accordance with the credit facility, of 1.15:1.00 for the period ended June 30, 2010, 1.225:1.00 for each subsequent period until September 30, 2010, and 1.25:1:00 thereafter, and a senior leverage ratio, which is a ratio of the outstanding principal balance of our term loan plus our outstanding revolver usage to our EBITDA as determined in accordance with the credit facility, of 2.25:1.00 for each period until December 31, 2009, with step-downs until July 31, 2011, when the ratio is set at 1.35:1.00 for such period and thereafter.

We have obtained waivers under our credit facility, which were not related to a decline in our cash flow. As a result of our ongoing communications with the lenders under our credit facility, our lenders were aware of the transactions and circumstances leading up to the waivers and we expected to receive their approval with regard to such transactions and circumstances, whether in the form of a consent, waiver, amendment or otherwise. Specifically, we have obtained waivers under our credit facility in connection with procedural requirements under our credit agreement relating to; two acquisition transactions we entered into in September 2009; an update to the credit agreement schedules to include a certain arrangement we have in place, and had in place at the time of closing of the credit facility, with our subsidiary that serves as a special purpose vehicle for processing payments, including a guaranty made by us for the benefit of our subsidiary in favor of Wells Fargo Bank; the payment of cash dividends of approximately $16,000 more than the amount agreed to by the lenders; and with respect to our fixed charge coverage ratio as a result of payments approved by our board of directors and discussed with our lenders for a cash dividend paid in December 2009 and for payments on promissory notes held by holders of our preferred stock in connection with a prior declared dividend. The fixed charge coverage ratio is a ratio of our EBITDA to our fixed charges as determined in accordance with the credit facility, and was required to be 1.225:1.00 for the three-month period ending September 30, 2009, the six-month period ended December 31, 2009 and the most recent compliance period, the twelve-month period ended June 30, 2010. Our actual fixed charge coverage ratio for such periods was 1.22 to 1.00, 1.22 to 1.00 and 1.14 to 1.00, respectively. However, excluding the impact of dividend related payments our fixed charge coverage ratio for such periods was 1.72 to 1:00, 1.44 to 1.00 and 1.38 to 1.00, respectively. In addition to the waivers we obtained from our lenders, on February 10, 2010, we entered into an amendment to the credit facility with the lenders to, among other things, amend the definition of fixed charges to specifically exclude the cash dividend payment. In the event the lenders did not waive these defaults or fail to waive any other default under our credit facility, the obligations under the credit facility could be accelerated, the applicable interest rate under the credit facility could be increased, and our subsidiaries that have guaranteed the credit facility could be required to pay the obligations in full, and our lenders would be permitted to exercise remedies with respect to all of the collateral that is securing the credit facility, including substantially all

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of our and our subsidiary guarantors assets. Any such default that is not cured or waived could have a material adverse effect on our liquidity and financial condition.

In August 2008, we entered into a note purchase agreement with a separate lender. Under the terms of the agreement, we issued secured promissory notes in the aggregate principal amount of $10.0 million with an interest rate of 13.75%, payable quarterly. These notes are to be paid in full before August 1, 2013. These notes are collateralized by all our personal property and are subordinated to the Credit Agreement. The balance of these notes at December 31, 2009 was $10.0 million.

On December 30, 2008, in connection with a declaration of dividend for all holders of our preferred stock, we issued promissory notes to the holders of our preferred stock in an aggregate principal amount of $11.1 million. The promissory notes bear interest at a rate of 8% and are payable in 16 consecutive quarterly payments of principal and interest. An additional amount equal to $0.9 million became payable in September 2009 under the terms of these promissory notes and will be paid upon maturity. The payments may be deferred at the discretion of the board of directors. The balance of these notes at December 31, 2009 was $8.2 million.

On April 23, 2010, in connection with a declaration of dividend for holders of our Series A Convertible Preferred Stock, Series A1 Convertible Preferred Stock and Series B Convertible Preferred Stock, we issued promissory notes to the holders of those series in an aggregate principal amount of $0.4 million. The promissory notes bear interest at a rate of 8% and are payable in 16 consecutive quarterly payments of principal and interest, with the first payment due on July 1, 2010. The payments may be deferred at the discretion of the board of directors.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet financing arrangements and we do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Recent Accounting Pronouncements

Accounting Standards Codification

In September 2009, we adopted the Accounting Standards Codification, or ASC, established by the Financial Accounting Standards Board, or FASB. The FASB established the ASC as the single source of authoritative non-governmental GAAP, superseding various existing authoritative accounting pronouncements. It eliminates the previous GAAP hierarchy and establishes one level of authoritative GAAP. All other literature is considered non-authoritative. The FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue an Accounting Standards Update, or ASU. The FASB will not consider ASUs as authoritative in their own right. ASUs will serve only to update the ASC, provide background information about the guidance and provide the bases for conclusions on the change(s) in the ASC.

Business Combinations

In December 2007, the FASB issued guidance regarding business combinations, which significantly changes the principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree, and the goodwill acquired. This statement is effective prospectively, except for certain retrospective adjustments to deferred tax balances, for fiscal years beginning after December 15, 2008. We applied these provisions to our 2009 acquisitions which resulted in expensing related transaction costs and valuing contingent consideration at the date of acquisition.

Fair Value Measurements

In September 2009, the FASB issued an ASU providing clarification for measuring the fair value of a liability when a quoted price in an active market for the identical liability is not available. It also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. This ASU is effective for fiscal periods beginning after August 27, 2009. The Company does not believe this update will have a material impact on its consolidated financial statements.

Subsequent Events

In May 2009, the FASB issued an ASU that established general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Although there is new terminology, the standard is based on the same principles as those that currently exist in the auditing standards. The standard, which requires Companies to evaluate the disclosure of subsequent events, is effective for interim or annual periods ending after June 15, 2009. The adoption of this update had no impact on our consolidated results of operations or financial position.

Multiple Element Arrangements

In October 2009, the FASB issued an ASU that amended the accounting rules addressing revenue recognition for multiple-deliverable revenue arrangements by eliminating the existing criteria that objective and reliable evidence of fair value for undelivered products or services exist in order to be able to separately account for deliverables. Additionally, the ASU provides for elimination of the use of the residual method of allocating arrangement consideration and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables that can be accounted for separately based on their relative selling price. A hierarchy for estimating such selling price is included in the update. This ASU will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The Company adopted these accounting standards for all periods herein.

In October 2009, the FASB issued an ASU that changes the criteria for determining when an entity should account for transactions with customers using the revenue recognition guidance applicable to the selling or licensing of software. This ASU is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The Company does not believe this update will have a material impact on its consolidated financial statements.

Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in interest rates. We do not hold or issue financial instruments for trading purposes.

We had cash and cash equivalents of $2.7 million, $4.2 million, $4.4 million and $5.1 million at December 31, 2007, 2008 and 2009 and June 30, 2010, respectively. We held these amounts primarily in cash or money market funds.

We hold cash and cash equivalents for working capital purposes. We do not have material exposure to market risk with respect to investments, as our investments consist primarily of highly liquid investments purchased with original maturities of three months or less. We do not use derivative financial instruments for speculative or trading purposes; however, we may adopt specific hedging strategies in the future. Any declines in interest rates, however, will reduce future interest income.

We had total outstanding debt of $18.2 million, $43.7 million, $51.9 million and $63.2 million at December 31, 2007, 2008 and 2009 and June 30, 2010, respectively. The interest rate on this debt is variable and adjusts periodically based on the three-month LIBOR rate. If the LIBOR rate changes by 1%, our annual interest expense would change by approximately $0.4 million.

BUSINESS

Company Overview

We are a leading provider of on demand software solutions for the rental housing industry. Our broad range of property management solutions enables owners and managers of single-family and a wide variety of multi-family rental property types to manage their marketing, pricing, screening, leasing, accounting, purchasing and other property operations. Our on demand software solutions are delivered through an integrated software platform that provides a single point of access and a shared repository of prospect, resident and property data. By integrating and streamlining a wide range of complex processes and interactions among the rental housing ecosystem of owners, managers, prospects, residents and service providers, our platform helps optimize the property management process and improves the experience for all of these constituents.

Our solutions enable property owners and managers to increase revenues and reduce operating costs through higher occupancy, improved pricing methodologies, new sources of revenue from ancillary services, improved collections and more integrated and centralized processes. As of June 30, 2010, over 6,000 customers used one or more of our on demand software solutions to help manage the operations of approximately 5.2 million rental housing units. Our customers include nine of the ten largest multi-family property management companies in the United States, ranked as of January 1, 2010 by the National Multi Housing Council, based on number of units managed.

We sell our solutions through our direct sales organization. Our total revenues were approximately $83.6 million, $112.6 million, $140.9 million and $86.2 million in 2007, 2008, 2009 and the six months ended June 30, 2010, respectively. In the same periods, we had operating (loss) income of approximately ($1.6 million), ($0.4 million), $6.9 million and $2.9 million, respectively, and net (loss) income of approximately ($3.1 million), ($3.2 million), $28.4 million and ($39 thousand), respectively. Net income for 2009 included a discrete tax benefit of approximately $26.0 million as a result of a reduction of our net deferred tax assets valuation allowance.

Industry Overview

The rental housing market is large, growing and complex.

The rental housing market is large and characterized by challenging and location-specific operating requirements, diverse industry participants, significant mobility among residents and a variety of property types, including single-family and a wide range of multi-family property types, including conventional, affordable, privatized military, student and senior housing. According to the U.S. Census Bureau American Housing Survey for the United States: 2007, there were 39.3 million rental housing units in the United States in 2007. The U.S. Census Bureau divides the rental housing market into the following categories:

Property Size	**Number of Estimated Units (in millions)**
Single-family properties	
1 unit	13.8
2-4 units	8.1
Multi-family properties	

5-9 units	5.3
10-49 units	8.6
50 or more units	3.5
Total Rental Units	39.3

Based on U.S. Census Bureau data and our own estimates, we believe that the overall size of the U.S. rental housing market, including rent, utilities and insurance, exceeds $300 billion annually. We estimate that the total addressable market for our current on demand software solutions is approximately $5.5 billion per year. This estimate assumes that each of the 39.3 million rental units in the United States has the potential to generate annually a range of approximately $100 in revenue per unit for single-family units to approximately $240 in revenue per unit for conventional multi-family units. We base this potential revenue

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assumption on our review of the purchasing patterns of our existing customers with respect to our on demand software solutions, the on demand software solutions currently utilized by our existing customers, the number of units our customers manage with these solutions and our current pricing for on demand software solutions. Furthermore, the U.S. rental housing market has recently benefited from a number of significant trends, including decreased home ownership resulting in additional renter households and tougher mortgage lending standards reducing first-time home purchases and contributing to lower rates of renter attrition as renters choose to remain in rental units.

Rental property management spans both the resident lifecycle and the operations of a property.

The resident lifecycle can be separated into four key stages: prospect, applicant, residency and post-residency. Each stage has unique requirements, and a property owner s or manager s ability to effectively address these requirements can significantly impact revenue and profitability.

Resident Lifecycle Stage	Property Owner/Manager Objectives
Prospect	increase number of leads through effective marketing optimize the advertising spending and marketing budget for each property capture every lead in a timely manner create a compelling online experience for each property identify quality prospects determine appropriate market rental rates increase prospect-to-resident conversion rates
Applicant	automate application process assess applicant credit history and ability to pay rent assess applicant criminal background determine optimal rental rates and lease terms required to maximize revenue manage risk through renter s insurance programs
Residency	foster resident retention through effective communications and responsive service manage rental payments and collections maintain property, including improvements and routine maintenance manage service provider network, including utilities and telecommunications vendors renew as high a percentage of lease expirations as possible determine optimal renewal rental rates required to maximize revenue
Post-residency	improve collection of move-out expenses, including uncovered repairs and unpaid utilities manage process to efficiently and cost-effectively prepare the unit for new residents process final account statements and security deposit refunds

In addition to managing the resident lifecycle, property owners and managers must also manage the operations of their properties. Critical components of property operations include materials and service provider procurement, insurance and risk mitigation, utility and energy management, information technology and telecommunications management, accounting, expense tracking and management, document management, security, staff hiring and training, staff performance measurement and management and marketing.

Managing the resident lifecycle and the operations of a property involves several different constituents, including property owners and managers, prospects, residents and service providers. Property owners can include single-property owners, multi-property owners, national residential apartment syndicators that may own thousands of units through a variety of investment funds and real estate investment trusts, or REITs. Property managers often are responsible for a large number of properties that can range from single-family units to large apartment communities. Property owners and managers also need to manage a variety of service providers, including utilities, insurance providers, video, voice and data providers and maintenance and capital goods suppliers. Managing these diverse relationships, combined with frequent resident turnover and regulatory and compliance requirements, can make the operations of even a small portfolio of rental properties

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complex. Challenges are compounded for owners and managers responsible for a large portfolio of geographically dispersed properties, which require overseeing potentially hundreds of thousands of individual rental processes.

Legacy information technology solutions designed to manage the rental housing property management process are inadequate.

During the 1970 s and 1980 s, the rental housing market was highly fragmented and regionally organized. During this period, the first property management systems and software solutions emerged to help property owners and managers with basic accounting and record keeping functions. These solutions provided limited functionality and scalability and often were not tailored to the specific needs of rental housing property owners and managers.

Beginning in the mid 1990 s, the rental housing market began to consolidate and large, nationally focused and publicly financed companies emerged, which aggregated significant numbers of units. The rise of national real estate portfolio managers, many of them accountable to public shareholders, created a need for more sophisticated and scalable property management systems that included a centralized database and were designed to optimize and automate multiple business processes within the resident lifecycle and property operations. Despite increasing market demands, the available solutions continued to be insufficient to fully address the complex requirements of rental housing property owners and managers, which moved beyond basic accounting and record keeping functions to also include value-added services such as Internet marketing, applicant screening, billing solutions and analytics for pricing and yield optimization.

To address their complex and evolving requirements, many rental housing property owners and managers have historically implemented a myriad of single point solutions and/or internally developed solutions to manage their properties. These solutions can be expensive to implement and maintain and often lack integrated functionality to help owners and managers increase rental revenue or reduce costs. In addition, many rental housing property owners and managers still rely on paper or spreadsheet-based approaches, which are typically time intensive and prone to human error or internal mismanagement. We believe these historical solutions are inadequate because they:

- require significant customization to implement, which frequently inhibits upgrading to new versions or platforms in a timely manner;
- require information technology, or IT, resources to support integration points between property management systems and disparate value-added services;
- require IT resources to implement and maintain data security, data integrity, performance and business continuity solutions;
- lack scalability and flexibility to account for the expansion or contraction of a property portfolio;
- lack robust marketing and tracking capabilities for converting prospects to residents;
- lack effective spend management capabilities for controlling property management costs;
- lack comprehensive analytics for pricing and yield optimization;
- lack workflow level integration;
- do not provide owners and managers with visibility into overall property performance; and

cannot be easily updated to meet new regulations and compliance requirements.

On demand software solutions are well suited to meet the rental housing market s needs.

The ubiquitous nature of the Internet, widespread broadband adoption and improved network reliability and security have enabled the deployment and delivery of business-critical applications over the Internet. The on demand delivery model is substantially more cost-effective than traditional on premise software solutions that generally have higher deployment and support costs and require the customer to purchase and maintain the associated servers, storage, networks, security and disaster recovery solutions.

The RealPage Solution

We provide a platform of on demand software solutions that integrates and streamlines rental property management business functions. Our solutions enable owners and managers of single-family and a wide variety of multi-family rental property types, including conventional, affordable, privatized military, student and senior housing, to manage their marketing, pricing, screening, leasing, accounting, purchasing and other property operations. These functions have traditionally been addressed by individual, disparate applications. Our solutions enable property owners and managers to increase revenues and reduce operating costs through higher occupancy, improved pricing methodologies, new sources of revenue from ancillary services, improved collections and more integrated and centralized business processes. Our solutions contribute to a more efficient property management process and an improved experience for all of the constituents involved in the rental housing ecosystem, including owners, managers, prospects, residents and service providers.

Benefits to Our Customers

We believe the benefits of our solutions for our customers include the following:

Increased revenues. Our solutions enable our customers to increase their revenues by improving their sales and marketing effectiveness, optimizing their pricing and occupancy and improving collection of rental payments, utility expenses, late fees and other charges.

Reduced operating costs. Our solutions help our customers reduce costs by streamlining and automating many ongoing property management functions, centralizing and controlling purchasing by on-site personnel and transferring costs from the site to more efficient centrally managed operations. Our on demand delivery model also reduces owners and managers operating costs by eliminating their need to own and support the applications or associated hardware infrastructure. In addition, our integrated solutions consolidate the initial implementation and training costs and ongoing support associated with multiple applications that each provide only components of the functionality provided by our solutions. This is particularly important for property owners and managers who want to reduce enterprise-class IT infrastructure, support and staff training.

Improved quality of service for residents and prospects. Our solutions improve the level of service that property owners and managers provide to residents and prospects by enabling many transactions to be completed online, expediting the processing of rental applications, maintenance service requests and payments and increasing the frequency and quality of communication with residents and prospects, providing higher resident satisfaction and increased differentiation from competing properties that do not use our solutions.

Streamlined and simplified property management business processes. Our on demand platform provides integrated solutions for managing a wide variety of property management processes that have traditionally been managed manually or through separate applications. Our solutions utilize common authentication that enables data sharing and workflow automation of certain business processes, thereby eliminating redundant data entry and simplifying many recurring tasks. The efficiency of our solutions allows onsite and corporate personnel to utilize their time more effectively and to focus on the strategic priorities of the business. We also make extensive use of online training courseware and our solutions are designed to be usable by new employees almost immediately after their hiring, addressing an acute need of the multi-family industry in which employee turnover is high.

Ability to integrate third-party products and services. Our open architecture and application framework facilitate the integration of third-party applications and services into our solutions. This enables property managers to conduct these business functions through the same system that they already use for many of their other tasks and to leverage the same repository of prospect, resident and property data that supports our solutions.

Increased visibility into property performance. Our integrated platform and common data repository enable owners and managers to gain a comprehensive view of the operational and financial performance of each of their properties. Our solutions provide a library of standard reports, dashboards, scorecards and alerts, and we also provide interfaces to several widely used report writers and business intelligence tools. In addition, our on demand delivery model makes it possible to deliver benchmark data aggregated across more than 10,000 properties, factor rental payment history into applicant screening processes and create more accurate supply/demand models and statistically based price elasticity models to improve price optimization.

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Simple implementation and support. Our solutions include pre-configured extensions that meet the specific needs of a variety of property types and can be easily tailored by our customers to meet more specific requirements of their properties and business processes. We strive to minimize the need for professional consulting services to implement our solutions and train personnel.

Improved scalability. We host our solutions for our customers, thereby reducing or eliminating our customers costs associated with expanding or contracting IT infrastructure as their property portfolios evolve. We also bear the risk of technological obsolescence because we own and manage our data center infrastructure and are continually upgrading it to newer generations of technology without any incremental cost to our customers.

Competitive Strengths of our Solutions

The competitive strengths of our solutions are as follows:

Integrated on demand software platform based on a common data repository. Our solutions are delivered through an integrated on demand software platform that provides a single point of access via the Internet with a common repository of prospect, resident and property data, which permits our solutions to access requested data through offline data transfer or in real-time.

Large and growing ecosystem of property owners, managers, prospects, residents and service providers. Through June 30, 2010, we have established a customer base of over 6,000 customers who use one or more of our on demand software solutions to help manage the operations of approximately 5.2 million rental housing units. Our customers include nine of the ten largest multi-family property management companies in the United States, ranked as of January 1, 2010 by the National Multi Housing Council, based on number of units managed. Our solutions automate and streamline many of the recurring transactions and interactions among this large and expanding ecosystem of property owners and managers, prospects, residents and service providers, including prospect inquiries, applications, monthly rent payments and service requests. As the number of constituents of our ecosystem increases, the volume of data in our common data repository and its value to the constituents of our ecosystem grows.

Comprehensive platform of on demand software solutions for property management. Our on demand property management systems and integrated software-enabled value-added services provide what we believe to be the broadest range of on demand capabilities for managing the resident lifecycle and core operational processes for residential property management. Our software-enabled value-added services provide complementary sales and marketing, asset optimization, risk mitigation, billing and utility management and spend management capabilities that collectively enable our customers to manage every stage of the resident lifecycle. In addition, we offer shared cloud services, including reporting, payment, document management and training functionality that are common to all of our product families. These comprehensive solutions enable us to address the needs of a wide range of property owners and managers across a broad range of rental housing property types.

Deep rental housing industry expertise. We have been serving the rental housing industry exclusively for over 10 years and our 20 most senior management team members have an average of 16 years experience in the rental housing industry. We design our solutions based on our extensive rental housing industry expertise, insight into industry trends and developments and property management best practices that help our customers simplify the challenges of owning and managing rental properties.

Open cloud computing architecture. Our cloud computing architecture enables our solutions to interface with our customers existing systems and allows our customers to outsource the management of third-party business applications. This open architecture enables our customers to buy our solutions incrementally while continuing to use existing third-party solutions, allowing us to shorten sales cycles and increase adoption of our solutions within our target market.

Our Strategy

We intend to leverage the breadth of our solutions and industry presence to solidify our position as a leading provider of on demand software solutions to the rental housing industry. The key elements of our strategy to accomplish this objective are as follows:

Acquire new customers. We intend to actively pursue new customer relationships with property owners and managers that do not currently use our solutions. In addition to marketing our core property management systems, we will also seek to sell our software-enabled value-added services to customers of other third-party property management systems by utilizing our open architecture to facilitate integration of our solutions with those systems.

Increase the adoption of additional solutions within our existing customer base. Many of our customers rely on our property management systems to manage their daily operations and track all of their critical prospect, resident and property information. Additionally, some of our customers utilize our software-enabled value-added services to complement third-party ERP systems. We have continually introduced new software-enabled value-added services to complement our property management systems and marketed our on demand property management systems to our customers who are utilizing third-party ERP systems. We believe that the penetration of our on demand software solutions to date has been modest and that there exists significant potential for additional on demand revenue from sales of our on demand software solutions to our customer base. We have significant opportunities to further leverage the critical role that our solutions play in our customers operations by increasing the adoption of our on demand property management systems and software-enabled value-added services within our existing customer base, and we intend to actively focus on upselling and cross-selling our solutions to our customers.

Add new solutions to our platform. We believe that we offer the most comprehensive platform of on demand software solutions for the rental housing industry. The breadth of our platform enables our customers to control many aspects of the residential rental property management process. We have a unique opportunity to add new capabilities that further enhance our platform, and we intend to continue developing and introducing new solutions to sell to both new and existing customers. These solutions may include localized solutions to support our customers as they grow their international operations. We also intend to develop new relationships with third-party application providers that can use our open architecture to offer additional product and service capabilities to their customers through the use of our platform.

Pursue acquisitions of complementary businesses, products and technologies. Since March 2005, we have completed 10 acquisitions that have enabled us to expand our platform, enter into new rental property markets and expand our customer base. We intend to continue to selectively evaluate opportunities to acquire businesses and technologies that may help us accomplish these and other strategic objectives.

Products and Services

Our platform consists of our property management systems and five families of software-enabled value-added services. Our software-enabled value-added services provide complementary sales and marketing, asset optimization, risk mitigation, billing and utility management and spend management capabilities that collectively enable our customers to manage the stages of the resident lifecycle. Each of our property management systems and our software-enabled value-added services include multiple product centers that provide distinct capabilities and can be licensed separately or as a bundled package. Each product center is integrated with a central repository of prospect, resident and property data.

Our platform also includes a set of shared cloud services, including reporting, payment, document management and training functionality that are common to all of our product families. Third-party applications can access our property management systems using our RealExchange platform.

Our platform is designed to serve as a single system of record for all of the constituents of the rental housing ecosystem, including owners, managers, prospects, residents and service providers, and to support the entire resident lifecycle, from prospect to applicant to residency to post-residency. Common authentication, work flow and user experience across product families enables each of these constituents to access different applications as appropriate for their role.

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We offer different versions of our platform for different types of properties. For example, our platform supports the specific and distinct requirements of:

- conventional single-family properties (four units or less);
- conventional multi-family properties (five or more units);
- affordable Housing and Urban Development, or HUD, properties;
- affordable tax credit properties;
- privatized military housing;
- student housing; and
- senior living.

Property Management Systems

Our property management systems are typically referred to as Enterprise Resource Planning, or ERP, systems. These solutions manage core property management business processes, including leasing, accounting, purchasing and facilities management, and include a central database of prospect, applicant, resident and property information that is accessible in real time by our other solutions. Our property management systems also interface with most popular general ledger accounting systems through our RealExchange platform to products offered by AMSI Property Management (owned by Infor Global Solutions, Inc.), Microsoft Corporation, MRI Software, LLC, Yardi Systems, Inc. and many others. This makes it possible for customers to deploy our solutions using our accounting system or a third-party accounting system.

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OneSite

OneSite is our flagship on demand property management system for multi-family properties. OneSite includes 10 individual product centers. Six versions of OneSite are tailored to the specific needs of conventional multi-family, affordable HUD, affordable tax credit, privatized military housing, student housing and senior living properties.

Product Center	**Key Functionality**
OneSite Leasing & Rents	Prospects, generates, presents and records price quotations, generates lease documents, schedules move-ins and posts financial transactions to the resident ledger for both new residents and renewal of existing resident leases. Six versions support the unique needs of our target residential rental markets.
OneSite Facilities	Manages asset warranties, service requests and unit turnovers so that when a resident moves out, the resident ledger is automatically updated with any damages to be incorporated into the resident s final account statement.
OneSite Purchasing	Manages work orders and procurement activities and calculates operating budget variances.
OneSite Accounting	Provides back-office general ledger, accounts payable and cash management functions. We license OneSite Accounting from a third-party accounting software provider and have modified it to meet the needs of the rental housing industry.
OneSite Budgeting	Enables owners and managers to budget property performance and transfer budgets into the general ledger.

Propertyware

Propertyware is our on demand property management system for single-family properties and small, centrally managed multi-family properties. Propertyware consists of four product centers including accounting, maintenance and work order management, marketing spend management and portal services. In addition, we offer our screening and payment solutions through our Propertyware brand to single-family and small centrally managed multi-family properties.

Other Property Management Systems

We also offer six additional on premise property management systems RentRoll, HUDManager, Tenant Pro, Spectra, i-CAM, and Management Plus. RentRoll serves small conventional apartment communities. HUDManager serves small HUD, Rural Housing Services and tax credit subsidized apartment communities. Tenant Pro serves the needs of small conventional properties. Spectra is a conventional apartment and commercial modular property management system that serves both the U.S. and the Canadian markets. i-CAM and Management Plus property management software automates and streamlines rental activities for affordable housing.

Most of our RentRoll and HUDManager on premise customers have migrated to our on demand property management systems. Four of our additional on premise property management systems Tenant Pro, Spectra, i-CAM and

Management Plus were acquired in February 2010. Over time, we expect many customers of these on premise property management systems to migrate to our on demand OneSite or Propertyware systems; however, we will continue to support our on premise property management systems for the foreseeable future and integrate our software-enabled value-added services into them.

Collectively, our on premise property management systems represented less than 2.7% of our total revenue in 2009 and we expect that our on premise property management systems, including the revenue attributable to the on premise property management systems that we acquired in February 2010, will represent less than 5% of our total revenue in 2010.

Software-Enabled Value-Added Services

In addition to property management systems, we offer software-enabled value-added services consisting of five product families and 24 product centers that provide complementary sales and marketing, asset optimization, risk mitigation, billing and utility management and spend management capabilities. Our software-enabled value-added services are tightly integrated with our OneSite property management system, and we are actively integrating them with our other property management systems.

CrossFire (Sales & Marketing Systems)

The CrossFire product family is usually referred to as a customer relationship management, or CRM, system. It includes product centers that manage marketing and leasing operations and enable owners and managers to originate, capture, track, manage and close more leads.

Product Center	**Key Functionality**
CrossFire Content Management System	Provides a central repository of property marketing and listing content, including descriptions, photos, video or animated tours, floor plans and site plans.
CrossFire Contact Center	Provides call and email routing technology and agent staffing on a permanent or overflow basis to answer phone calls and emails from prospects or residents.
CrossFire Lead2Lease	Provides phone and Internet lead tracking and lead management services integrated with popular property management systems.
CrossFire Leasing Portal	Enables owners and managers to create customized property websites with rich content and search capabilities, including transaction widgets for checking availability, generating a price quote, applying for residency, leasing an apartment online and paying rent and deposits online.
CrossFire PropertyLinkOnline	Provides a syndication service that pushes property content to search engines, Internet listing services and classified listing websites.
CrossFire Resident Portal	Provides a portal that enables residents to view community events, enter or check the status of service requests, review statements, pay rent online and renew leases.
CrossFire Studio	Provides advertising and marketing planning services through a talented team of multi-family marketing experts including advertising placement and performance evaluation, leasing and renewal campaign design and marketing consulting services.

YieldStar (Asset Optimization Systems)

Rental housing property rents have traditionally been set by owners and managers based on their knowledge of the market and other intangible or intuitive criteria. YieldStar is a scientific yield management system, similar to those used in the airline and hotel industries, that enables owners and managers to optimize rents to achieve the overall highest yield, or combination of rent and occupancy, at each property.

Product Center	Key Functionality
YieldStar Price Optimizer	Uses current customer and market data and statistically derived supply/demand forecasts and price elasticity models to calculate and present optimal prices for each rental unit.
YieldStar Pricing Advisory Services	Offers outsourced pricing management advisory services for owners and managers who want to utilize Price Optimizer without incurring the costs to staff and support it in-house.
M/PF Research	Provides multi-family housing market research through a well-established and trusted name in multi-family market intelligence. The M/PF Research database includes monthly and quarterly information on occupancy and rents for more than 36,000 rental housing properties in the United States representing 284 defined metropolitan statistical areas as of February 2010.

LeasingDesk (Risk Mitigation Systems)

LeasingDesk risk mitigation systems enable rental housing property owners and managers to reduce delinquency, liability and property damage risk.

Product Center	Key Functionality
LeasingDesk Screening	Evaluates an applicant s credit using a scoring model calibrated to predict resident default and payment behavior by leveraging our proprietary database of resident rental payment history generated from our property management systems.
Criminal Background Services	Ascertains if a prospective resident has committed a crime or been evicted from a previous apartment by accessing databases that are aggregated from third-party data providers.
Credit Optimizer	Allows owners and managers to optimize credit thresholds based on occupancy levels and adjust deposit and rent amounts based on the default risk of the resident in a yield neutral manner. Credit Optimizer is expected to remain in beta testing throughout 2010.
LeasingDesk Insurance Services	Offers liability and renter s insurance. Liability policies protect owners and managers against financial loss due to resident-caused damage, while renter s insurance provides additional coverage for resident personal belongings in the event of loss.

Velocity (Billing and Utility Management Services)

Velocity offers a complete range of billing and utility management services.

Product Center	**Key Functionality**
Convergent Billing Services	Provides automated monthly invoicing services enabling owners and managers to increase collections by sending each resident a monthly invoice that combines rent, small balances and utility charges onto a single invoice.
Energy Recovery Services	Provides automated utility billing services to enable owners and managers to detect and collect utility costs that are the residents responsibility.
Infrastructure Services	Provides contractor services to install electric, gas and water meters in apartment communities through three individual product centers. Velocity also provides consulting services to assist owners and managers in implementing and managing energy, media, data and telecom services at their communities.

OpsTechnology (Spend Management Systems)

OpsTechnology offers spend management systems that enable owners and managers to better control costs.

Product Center	**Key Functionality**
OpsBuyer	Integrates purchase orders, onsite accounts payable, automated workflow approval (including mobile approvals), budget and spend limit control, centralized expense reporting tools and document management through our on demand spend management tool.
OpsMarket	Enables owners and managers to create private marketplaces to manage the transactions between their properties and their preferred suppliers and service providers through our on demand eProcurement solution.
OpsInvoice	Provides an on demand invoice management solution that centralizes the processing of both electronic and paper invoices across the owner s or manager s portfolio.
OpsAdvantage	Offers a catalog of negotiated discounts for selected vendors across several major purchasing categories for owners and managers that are too small to negotiate volume discounts.
OpsBid	Provides an on demand procurement system used primarily for larger capital and rehab related purchases that are not ordered regularly.

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Shared Cloud Services

We offer shared cloud services that are tightly integrated with our property management systems and software-enabled valued added services.

Cloud Services	Key Functionality
Portfolio Reporting	Aggregates the data from our other solutions and third-party applications and gives owners and managers access to business critical reports and actionable analytical information about the performance of their properties.
Document Management	Provides storage, retrieval, security, and archiving of all documents and forms associated with a property management company s business processes and procedures.
Payment Processing	Enables owners and managers to collect rent and other payments electronically from residents through check, money order, automated clearing house, or ACH, or credit/debit card.
Online Learning	Allows owners and managers to train geographically dispersed employees in a cost-effective and timely fashion, and allows employees to complete their coursework at their convenience.

The RealPage Cloud

We operate a robust application infrastructure, marketed to our customers as The RealPage Cloud, which supports the delivery of our solutions and also allows owners and managers to outsource portions of their IT operations. The RealPage Cloud operates over redundant 10GBPS dedicated fiber links connecting two data centers containing hundreds of servers and multiple storage area networks. This architecture makes it possible to expand the data center incrementally with little or no disruption as more users or additional applications are added. The RealPage Cloud consists of more than 1,300 virtual servers, 400 physical servers and 600 terabytes of data. The RealPage Cloud spans approximately 30,000 locations and processes an average of approximately 17 million transactions per day and, at peak times, supports over 75,000 unique users.

The RealPage Cloud is based on an open architecture that enables third-party applications to access OneSite and other applications hosted in the RealPage Cloud through our RealExchange (formerly referred to as AppExchange) Platform that provides access to more than 150 different public and private web services and XML gateways that are used to import and export data through third party Application Program Interfaces (APIs) and process hundreds of thousands of transactions per day. RealExchange also enables our cloud services to access and interface with third-party property management systems as well as our software-enabled value-added services.

In addition, our system is designed to replicate data into a Universal Data Store, or UDS, each day. Access to UDS is enabled through an access layer called UDS Direct, which enables customers to build portfolio reports, dashboards and alerts using any Open Database Connectivity or Java Database Connectivity compliant report writer tool such as Microsoft Excel, Microsoft Access, Microsoft SQL Server Reporting Service or Crystal Reports. UDS is also transmitted to a number of our larger customers each night to feed portfolio reporting systems that they have built internally.

As of June 30, 2010, we employed 46 professionals who are responsible for maintaining data security, integrity, availability, performance and business continuity in our cloud computing facilities. We annually conduct two major audits of our cloud computing infrastructure, including SAS 70 Type II and Payment Card Industry, or PCI, audits. In addition, certain customers conduct separate business continuity audits of their own.

In addition to our production data centers, we manage a separate development and quality assurance testing facility used to control the pre-production testing required before each new release of our on demand software. We typically deploy new releases of the software underlying our on demand software solutions on a monthly or quarterly schedule depending on the solution.

Professional Services

We have developed repeatable, cost-effective consulting and implementation services to assist our customers in taking advantage of the capabilities enabled by our platform. Our consulting and implementation methodology leverages the nature of our on demand software architecture, the industry-specific expertise of our professional services employees and the design of our platform to simplify and expedite the implementation process. Our consulting and implementation services include project and application management procedures, business process evaluation, business model development and data conversion. Our consulting teams work closely with customers to ensure the smooth transition and operation of our systems.

We also offer a variety of training programs through our Online Learning Services for training administrators and onsite property managers on the use of our solutions and on current issues in the property management industry. Training options include regularly hosted classroom and online instruction (through our online learning courseware) as well as online seminars, or webinars. We also enable our customers to integrate their own training content with our content to deliver an integrated and customized training program for their on-site property managers.

Product Support

We offer product support services that provide our customers with assistance from our product support professionals by phone or email in resolving issues with our solutions. We offer three product support options: Standard, Frontline and Platinum. The Standard option includes product support during business hours. The Frontline option includes the features of the Standard option plus escalation to senior support representatives. The Platinum option includes the features of the Frontline option plus emergency product support on Saturdays and a designated senior product support liaison. Technology support is also available for consultations on firewalls, communications, security measures (including virus alerts), workstation configuration and disaster recovery options.

We also sponsor the RealPage User Group to facilitate communications between us and our community of users. The RealPage User Group is governed by a steering committee of our customers, which consists of two elected positions and subcommittee chairs, each representing a RealPage product center or group of product centers.

Product Development

We devote a substantial portion of our resources to developing new solutions and enhancing existing solutions, conducting product testing and quality assurance testing, improving core technology and strengthening our technological expertise in the rental housing industry. We typically deploy new releases of the software underlying our on demand software solutions on a monthly or quarterly schedule depending on the solution. As of June 30, 2010, our product development group consisted of 238 employees in North America and 55 employees located in Hyderabad, India. Product development expense totaled $21.7 million, $28.8 million, $27.4 million and $17.3 million for 2007, 2008, 2009 and the six months ended June 30, 2010, respectively.

Sales and Marketing

We sell our software and services through our direct sales organization. As of June 30, 2010, we employed 91 sales representatives. Our sales force is organized by geographic region and divided into teams based on the size of our prospective customers and property type. This focus provides a higher level of service and understanding of our customers unique needs. Our typical sales cycle with a prospective customer begins with the generation of a sales lead through Internet marketing, tele-sales efforts, trade shows or other means of referral. The sales lead is followed by an assessment of the customer s requirements, sales presentations and

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product demonstrations. Our sales cycle can vary substantially from customer to customer, but typically requires three to six months for larger customers and one to six weeks for smaller customers.

In addition to new customer sales, we sell additional solutions and consulting services to our existing customers to help them more efficiently and effectively manage their properties as the rental housing market evolves and competitive conditions change.

We generate customer leads, accelerate sales opportunities and build brand awareness through our marketing programs. Our marketing programs target property management company executives, technology professionals and senior business leaders. Our marketing team focuses on the unique needs of customers within our target markets. Our marketing programs include the following activities:

- field marketing events for customers and prospects;
- participation in, and sponsorship of, user conferences, trade shows and industry events;
- customer programs, including user meetings and our online customer community;
- online marketing activities, including email campaigns, online advertising, web campaigns, webinars and use of social media, including blogging, Facebook, and Twitter;
- public relations; and
- use of our website to provide product and company information, as well as learning opportunities for potential customers.

We host our annual user conference where customers both participate in and deliver a variety of programs designed to help accelerate business performance through the use of our integrated platform of solutions. The conferences feature a variety of customer speakers, panelists and presentations focused on businesses of all sizes. The event also brings together our customers, technology vendors, service providers and other key participants in the rental housing industry to exchange ideas and best practices for improving business performance. Attendees gain insight into our product plans and participate in interactive sessions that give them the opportunity to provide input into new features and functionality.

Strategic Relationships

We maintain relationships with a variety of technology vendors and service providers to enhance the capabilities of our integrated platform of solutions. This approach allows us to expand our platform and customer base and to enter new markets. We have established the following types of strategic relationships:

Technology Vendors

We have relationships with a number of leading technology companies whose products we integrate into our platform or offer to complement our solutions. The cooperative relationships with our software and hardware technology partners allow us to build, optimize and deliver a broad range of solutions to our customers.

Service Providers

We have relationships with a number of service providers that offer complementary services that integrate into our platform and address key requirements of rental property owners and managers, including credit card and ACH services, transaction processing capabilities and insurance underwriting services.

Customers

We are committed to developing long-term customer relationships and working closely with our customers to configure our solutions to meet the evolving needs of the rental housing industry. Our customers include REITs, leading property management companies, fee managers, regionally based owner operators and service providers. As of June 30, 2010, we had 6,186 customers who used one or more of our on demand software solutions to help manage the operations of approximately 5.2 million rental housing units. Our customers include nine of the ten largest multi-family property management companies in the United States, ranked as of January 1, 2010 by the National Multi Housing Council, based on number of units managed. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, no one customer accounted for more than 5% of our revenue.

See Note 2 to Notes to Consolidated Financial Statements for the year ended December 31, 2009 for further information regarding measurement of our international revenue and location of our long-lived assets.

Competition

We face competition primarily from point solution providers including traditional software vendors and other on demand software providers. To a lesser extent, we also compete with internally developed and maintained solutions. Our competitors vary depending on our solution. Our current principal competitors include:

- in the multi-family ERP market, AMSI Property Management (owned by Infor Global Solutions, Inc.), MRI Software LLC and Yardi Systems, Inc. and, in the single-family ERP market, AppFolio, Inc. and DIY Real Estate Solutions (recently acquired by Yardi Systems, Inc.);

- in the applicant screening market, ChoicePoint Inc. (a subsidiary of Reed Elsevier Group plc), CoreLogic, Inc (formerly First Advantage Corporation, an affiliate of the First American Corporation), TransUnion Rental Screening Solutions, Inc. (a subsidiary of TransUnion LLC) and Yardi Systems, Inc. (following its recent acquisition of RentGrow Inc., an applicant screening provider), On-Site.com and many other smaller regional and local screening companies;

- in the insurance market, Assurant, Inc., Bader Company, CoreLogic, Inc. and a number of national insurance underwriters (including GEICO Corporation) that market renters insurance;

- in the CRM market, contact center and call tracking service providers Call Source Inc., Level One, Inc., Yardi Systems, Inc. (which recently announced its intention to build a call center) and numerous regional and local call centers, lead tracking solution providers Call Source, Inc. Lead Tracking Solutions (a division of O.C. Concepts, Inc.) and Who s Calling, Inc., content syndication providers Realty DataTrust Corporation, RentSentinel.com (owned by Yield Technologies, Inc.), RentEngine (owned by MyNewPlace.com), rentbits.com, Inc. and companies providing web portal services, including Apartments24-7.com, Inc., Ellipse Communications, Inc., Property Solutions International, Inc., Spherexx.com, Yardi Systems, Inc., Internet listing sources and many other smaller web portal designers;

- in the utility billing market, American Utility Management, Inc., Conservice, LLC, ista North America, Inc., NWP Services Corporation, Yardi Systems, Inc. (following its recent acquisition of Energy Billing Systems, Inc.) and many other smaller regional or local utilities;

- in the revenue management market, PROS Holdings, Inc., The Rainmaker Group, Inc. and Yardi Systems, Inc.;

- in the spend management market, SiteStuff, Inc. (owned by Yardi Systems, Inc., AvidXchange, Inc., Nexus Systems, Inc., Oracle Corporation; and

- in the payment processing space, Chase Paymentech Solutions, LLC (a subsidiary of JPMorgan Chase & Co.), First Data Corporation, Fiserv, Inc., MoneyGram International, Inc., NWP Services Corporation, Property Solutions International, Inc., RentPayment.com (a subsidiary of Yapstone, Inc.), Yardi Systems, Inc. and a number of national banking institutions.

The principal competitive factors in our industry include total cost of ownership, level of integration with property management systems, ease of implementation, product functionality and scope, performance, security, scalability and reliability of service, brand and reputation, sales and marketing capabilities and financial resources of the provider. We believe that we compete favorably with our competitors on the basis of these factors. We also believe that none of our more significant competitors currently offer a more comprehensive or integrated on demand software solution. However, some of our existing competitors have greater name recognition, longer operating histories, larger installed customer bases, larger sales and marketing budgets, as well as greater financial, technical and other resources.

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Intellectual Property

We rely on a combination of copyright, trademark and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our proprietary rights. These laws, procedures and restrictions provide only limited protection. We currently have no issued patents or pending patent applications. In the future, we may file patent applications, but patents may not be issued with respect to these patent applications, or if patents are issued, they may not provide us with any competitive advantages, may not be issued in a manner that gives us the protection that we seek and may be successfully challenged by third parties.

We endeavor to enter into agreements with our employees and contractors and with parties with whom we do business in order to limit access to and disclosure of our proprietary information. We cannot be certain that the steps we have taken will prevent unauthorized use or reverse engineering of our technology. Moreover, others may independently develop technologies that are competitive with ours or that infringe on our intellectual property. The enforcement of our intellectual property rights also depends on any legal actions against these infringers being successful, but these actions may not be successful, even when our rights have been infringed.

Furthermore, effective patent, trademark, trade dress, copyright and trade secret protection may not be available in every country in which our solutions are available over the Internet. In addition, the legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain and still evolving.

Employees

As of June 30, 2010, we had approximately 1,260 employees. We consider our current relationship with our employees to be good. Our employees are not represented by a labor union and are not subject to a collective bargaining agreement.

Facilities

We currently lease approximately 184,000 square feet of space for our corporate headquarters and data center in Carrollton, Texas under lease agreements that expire in August 2016. We have offices in Tulsa, Oklahoma; Camarillo, California; Irvine, California; San Francisco, California; San Diego, California; Williston, Vermont; Mason, Ohio; Atlanta, Georgia; Washington, D.C.; Winnipeg, Manitoba, Canada and Hyderabad, India. We believe our current and planned data centers and office facilities will be adequate for the foreseeable future.

We also license data center space and collocation services at a facility in Dallas, Texas for our secondary data center pursuant to a master services agreement with DataBank Holdings Ltd., or DataBank. Our agreement with DataBank has an initial term of 36 months and automatically renews for successive one-year terms unless we elect to terminate the agreement by giving notice 30 days prior to the end of a current term, in which case the agreement terminates at the end of such term. The initial term of our agreement with DataBank expired on May 31, 2010, and the agreement automatically renews for successive one-year terms. We may also terminate the master services agreement for convenience upon 30 days notice and payment of specified fees, and either party may terminate the agreement for cause and without penalty. Following termination of the master services agreement for any reason, DataBank is obligated to continue to provide such services related to the termination as we may reasonably request, but only for a period of 15 days. Any unplanned termination of our master services agreement with DataBank or DataBank s failure to perform its obligations under the agreement would require us to move our secondary data center to another provider and could cause disruptions in the continuous availability of our secondary data center or some of our services.

Legal Proceedings

From time to time, we have been and may be involved in various legal proceedings arising from our ordinary course of business.

On June 15, 2009, a prospective resident of one of our customers filed a class action lawsuit styled *Minor v. RealPage, Inc.* against us in the U.S. District Court for the Central District of California. By the parties mutual stipulation in August 2009, the action was transferred to the U.S. District Court for the Eastern District of Texas (No. 4:09CV-00439). The plaintiff has alleged two individual claims and three class-based causes of action against us. Individually, the plaintiff alleges that we (i) willfully failed to employ reasonable procedures to ensure the maximum accuracy of our resident screening reports as required by 15 U.S.C. § 1681e(b) and, in the alternative, (ii) negligently (within the meaning of 15 U.S.C. § 1681o(a)) failed to employ reasonable procedures to ensure the maximum accuracy of our resident screening reports, as required by 15 U.S.C. § 1681e(b), in each case stemming from our provision of a report that allegedly included inaccurate criminal conviction information. The plaintiff seeks actual, statutory and punitive damages on her individual claims. In her capacity as the putative class representative, the plaintiff also alleges that we: (i) willfully failed to provide legally mandated disclosures upon a consumer s request inconsistent with 15 U.S.C. § 1681g; (ii) willfully failed to provide prompt notice of consumers disputes to the data furnishers who provided us with the information whose accuracy was in question, as required by 15 U.S.C. §§ 1681i(a)(2); and (iii) willfully failed to provide prompt notice of consumers disputes to the consumer reporting agencies providing us with the information whose accuracy was in question, as required by 15 U.S.C. § 1681i(f). The plaintiff seeks certification of three separate classes in connection with these claims. She also seeks statutory and punitive damages, a declaration that our practices and procedures are in violation of the Fair Credit Reporting Act and attorneys fees and costs. Because this lawsuit is at an early stage, it is not possible to predict its outcome. We believe that we have meritorious defenses to the claims in this case and intend to defend it vigorously.

In January 2007, plaintiffs filed five separate but nearly identical class action lawsuits in the U.S. District Court for the Eastern District of Texas against more than 100 defendants. We were named as a defendant in one of those actions, Taylor, et al. v. Safeway, Inc., et al. (No. 2:07-CV-00017). On March 4, 2008, the Court consolidated these actions with the lead case, *Taylor, et al. v. Acxiom Corp.,* et al. (No. 2:07-CV-00001). In their operative pleading, plaintiffs alleged that we obtained and held motor vehicle records in bulk from the State of Texas, an allegedly improper purpose in violation of the federal Driver s Privacy Protection Act, or the DPPA. In addition, the plaintiffs alleged that we obtained these records for the purpose of re-selling them, another allegedly improper purpose in violation of the DPPA. Plaintiffs further purported to represent a putative class of approximately 20.0 million individuals affected by the defendants alleged DPPA violations. They sought statutory damages of $2,500 per each violation of the DPPA, punitive damages and an order requiring defendants to destroy information obtained in violation of the DPPA. In September 2008, the U.S. District Court dismissed plaintiffs complaint for failure to state a claim. The plaintiffs subsequently appealed the dismissal to the U.S. Court of Appeals for the Fifth Circuit. The primary issue on appeal is whether plaintiffs alleged any injury-in-fact that would give them standing to bring their claims. Predicate issues include whether obtaining and merely holding data states a claim under the DPPA, and whether re-selling data likewise states an actionable claim. In November 2009, the Fifth Circuit heard oral argument on the appeal. In July 2010, the Fifth Circuit affirmed the U.S. District Court s dismissal.

In March 2010, the District Attorney of Ventura County, California issued an administrative subpoena to us seeking certain information related to our provision of utility billing services in the State of California. A representative of the District Attorney has informed us that the subpoena was issued in connection with a general investigation of industry practices with respect to utility billing in California. Utility billing in California is subject to regulation by state law and various state administrative agencies, including the California Public Utility Commission, or the CPUC, and the Division of Weights and Measures, or the DWM. We have provided the District Attorney with the information requested in the subpoena. As of August 11, 2010, the District Attorney s office has not initiated an administrative or other enforcement action against us, nor have they asserted any violations of the applicable regulations by us. Given the early stage of this investigation, it is difficult to predict its outcome and whether the District Attorney will pursue an administrative or other enforcement action against us in the State of California and what the result of any such action would be. However, penalties or assessments of violations of regulations promulgated by the CPUC or DWM may be calculated on a per occurrence basis. Due to the large number of billing transactions we process for our customers in California, our potential liability in an enforcement action could be significant. If the District Attorney ultimately pursues an administrative or other enforcement action against us, we believe that we have meritorious defenses to the potential claims and would defend them vigorously. However, even if we were successful in defending against such claims, the proceedings could result in significant costs and divert management s attention.

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MANAGEMENT

Executive Officers and Directors

Our executive officers and directors and their ages and positions as of July 15, 2010 are set forth below:

Name	Age	Position(s)
Stephen T. Winn	63	Chairman of the Board, Chief Executive Officer and Director
Timothy J. Barker	48	Chief Financial Officer and Treasurer
Dirk D. Wakeham	44	President
Margot Lebenberg	42	Executive Vice President, Chief Legal Officer and Secretary
Ashley Chaffin Glover	38	Executive Vice President, Multifamily Solutions
Jason D. Lindwall	39	Chief Operations Officer
Alfred R. Berkeley, III (1),(2)	65	Director
Richard M. Berkeley (2),(3)	58	Director
Peter Gyenes (1),(2),(3)	64	Director
Jeffrey T. Leeds (3)	54	Director
Jason A. Wright (1),(2),(3)	38	Director

(1) Member of our audit committee.

(2) Member of our compensation committee.

(3) Member of our nominating and governance committee

Stephen T. Winn has served as our Chief Executive Officer, Chairman of the Board and a member of our board of directors since November 1998. From November 1998 to December 2009, Mr. Winn also served as our President. From January 1998 to March 1999, Mr. Winn served in various executive positions, including President of Research Institute of America, a provider of information services to the accounting industry and a wholly owned subsidiary of Thomson Reuters Corporation. From June 1969 to January 1998, Mr. Winn served as President and Chief Executive Officer of Computer Language Research Inc., a publicly traded company focused on tax compliance, tax research and accounting software, which was acquired by Thomson Reuters Corporation. Mr. Winn is a member of the board of directors of the National Multi Housing Council. In January 2002, he was one of five people recognized by the National Apartment Association as a leader in the multi-family industry. Mr. Winn received his B.S. in electrical engineering from The University of Texas at Austin and his M.S. in management from Stanford University. In addition to Mr. Winn s role as our Chief Executive Officer, we believe Mr. Winn s qualifications to serve on our board of directors include his previous service in executive positions at various public and private technology companies and his extensive experience in the multi-family rental housing industry.

Timothy J. Barker has served as our Chief Financial Officer and Treasurer since he joined us in October 2005. Prior to joining us, Mr. Barker served from March 2003 to September 2005 as Chief Financial Officer of etalk Corporation, a provider of enterprise class contact management performance solutions. From August 2000 to March 2003, Mr. Barker worked as an independent consultant and provided chief financial officer consulting services to public and private companies. From November 1995 to July 2000, Mr. Barker held various positions at F.Y.I. Incorporated (most recently known as SOURCECORP, Incorporated), a document and information outsourcing solution provider, including Executive Vice President and Chief Financial Officer. Mr. Barker received his B.B.A. in accounting from Texas Tech University and has been a Certified Public Accountant in the state of Texas since 1985.

Dirk D. Wakeham has served as our President since December 2009 and previously served as our Executive Vice President, Property Solutions, from January 2009 to November 2009 and our Senior Vice President, President, LeasingDesk Risk Mitigation Systems, from April 2007 to December 2008. Prior to joining us in April 2007, Mr. Wakeham was the Founder, President and Chief Executive Officer of Multifamily Internet Ventures, LLC, which he founded in 2001 and we acquired in April 2007. He also

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previously served as Senior Vice President at Western National Group, where he was responsible for the management and deployment of enterprise systems focused on the management and operation of a diverse multi-family portfolio. Mr. Wakeham received his B.A. in business administration from California State University, Fullerton.

Margot Lebenberg has served as our Executive Vice President, Chief Legal Officer and Secretary since May 2010. Since 1998, Ms. Lebenberg served as the founder and President of Living Mountain Capital L.L.C., a business advisory consulting firm specializing in corporate development, strategic alliances and restructurings. From June 2004 to August 2007, Ms. Lebenberg was Executive Vice President, General Counsel and Secretary at The Princeton Review, Inc. through its share issuance to Bain Capital Venture Investors, LLC. From February 2003 to March 2004, Ms. Lebenberg was Executive Vice President, General Counsel, Managing Director and Secretary at Soundview Technology Group, Inc. through its sale to The Charles Schwab Corporation. From November 2001 to January 2003, Ms. Lebenberg served as Vice President, Assistant General Counsel and Assistant Secretary of Cantor Fitzgerald and its affiliate eSpeed, Inc., which was acquired by BGC Partners, Inc. From May 1996 to July 2000, she was Senior Vice President, General Counsel and Secretary of F.Y.I. Incorporated (most recently known as SOURCECORP, Incorporated), a document and information outsourcing solution provider. Previously she was a business and finance attorney at Morgan, Lewis & Bockius LLP in New York City. Ms. Lebenberg received her B.A. in economics and history from SUNY Binghamton and her J.D. from Fordham University School of Law.

Jason D. Lindwall has served as our Chief Operations Officer since joining us in April 2008. Prior to joining us, Mr. Lindwall held various positions, including Chief Information Officer, at Aspen Square Management, Inc. from December 1993 to February 2008. Mr. Lindwall received his B.S. in business administration computer information systems from Western New England College.

Ashley Chaffin Glover has served as our Executive Vice President, Multifamily Solutions since January 2010 and previously served as our Executive Vice President, Resident Solutions from April 2009 to January 2010 and as our Senior Vice President, President, Velocity Utility and Billing Services, from March 2005 until April 2009. From November 2004 through early March 2005, Ms. Chaffin Glover served us in a consulting capacity in conjunction with our acquisition of The Pleco Group, LLC. From August 1995 to July 1997 and again from August 1999 to July 2003, Ms. Chaffin Glover handled both international and domestic assignments for McKinsey & Company. Ms. Chaffin Glover received her B.S. in computer science from Southern Methodist University and her M.B.A. from Harvard University.

Alfred R. Berkeley, III has served as a member of our board of directors since December 2003 and as Chairman of our audit committee since January 2004. Mr. Berkeley currently serves as the Chairman of Pipeline Financial Group, Inc., the parent of Pipeline Trading Systems LLC, a block trading brokerage service, which he joined in December 2003. From December 2003 to March 2010, Mr. Berkeley also served as the Chief Executive Officer of Pipeline Financial Group, Inc. He also serves as Vice-Chairman of the National Infrastructure Advisory Council for the President of the United States, a trustee of Johns Hopkins University and a member of the Johns Hopkins University Applied Physics Laboratory, LLC. He formerly served as Vice Chairman of the Nomination Evaluation Committee for the National Medal of Technology and Innovation, which makes candidate recommendations to the Secretary of Commerce. He was appointed Vice Chairman of the NASDAQ Stock Market, Inc. in July 2000, serving through July 2003, and served as President of NASDAQ from 1996 until 2000. From 1972 to 1996, Mr. Berkeley served in a number of capacities at Alex. Brown & Sons Incorporated, which was acquired by Bankers Trust New York Corporation and later by Deutsche Bank AG. Most recently, he was Managing Director in the corporate finance department where he financed computer software and electronic commerce companies. He joined Alex. Brown & Sons Incorporated as a Research Analyst in 1972 and became a general partner in 1983. From 1985 to 1987, he served as Head of Information Services for the firm. From 1988 to 1990, Mr. Berkeley took a leave of absence from Alex. Brown & Sons Incorporated to serve as President and Chief Executive Officer of Rabbit Software Inc., a public telecommunications software company. He served as a captain in the United States Air Force and a major in the

United States Air Force Reserve. Mr. Berkeley also served as a director of Webex Communications, Inc., which was acquired by Cisco Systems, Inc. (NASDAQ: CSCO) in May 2007. Mr. Berkeley also served as a director of Kintera, Inc. until May 2008, when it was acquired by Blackbaud, Inc. (NASDAQ: BLKB). Mr. Berkeley served as a director of the National Research Exchange, Inc., a registered broker dealer, until it ceased operations in December 2007. Mr. Berkeley currently serves on the board of directors of ACI Worldwide, Inc. (NASDAQ: ACIW). Mr. Berkeley also serves as a director of several private companies. Mr. Berkeley received his B.A. in English from the University of Virginia and his M.B.A. from The Wharton School of the University of Pennsylvania. We believe Mr. Berkeley s qualifications to serve on our board of directors include his extensive experience in corporate finance and securities matters, including his experience as Chief Executive Officer of various companies and his leadership positions with the NASDAQ Stock Market, Inc., and his knowledge gained from service on the boards of various public and private companies and federal committees.

Richard M. Berkeley has served as a member of our board of directors since December 2005, as a member of each of our compensation committee and nominating and governance committee since May 2007 and as Chairman of our nominating and governance committee since February 2010. Mr. Berkeley is a member of Camden Partners Holdings, LLC, where he focuses on investments in the business and financial services, health care and education markets for the firm. Prior to joining Camden Partners in October 2002, Mr. Berkeley spent 19 years with Alex. Brown & Sons Incorporated and its successor organizations, Bankers Trust New York Corporation and Deutsche Bank Securities Inc., where he was responsible for the origination, structuring and consummation of private equity financings for public and private companies. He currently serves on the board of directors of a number of private companies, educational institutions and charitable organizations. Mr. Berkeley served as an officer in the United States Air Force between 1974 and 1976. He received his B.A. in history, J.D. and M.B.A. from the University of Virginia. We believe Mr. Berkeley s qualifications to serve on our board of directors include his extensive business experience and knowledge in equity financings.

Peter Gyenes has served as a member or our board of directors since January 2010. Mr. Gyenes has served as the non-executive Chairman of the board of directors of Sophos plc, a global security software company, since May 2006. Mr. Gyenes served as Chairman and Chief Executive Officer of Ascential Software Corporation (NASDAQ: ASCL), a market leader in data integration software, and its predecessor companies VMark Software, Ardent Software and Informix from 1996 until it was acquired by International Business Machines Corporation in 2005. He currently serves on the boards of directors of Lawson Software, Inc. (NASDAQ: LWSN), Netezza Corporation (NYSE: NZ), Pegasystems Inc. (NASDAQ: PEGA) and VistaPrint Limited (NASDAQ: VPRT), as well as several private companies, and serves as trustee emeritus of the Massachusetts Technology Leadership Council. Mr. Gyenes previously served on the board of directors of webMethods Inc. (NASDAQ: WEBM) (acquired by Software AG Darmstadt) from 2005 to 2007, Applix, Inc. (NASDAQ: APLX) (acquired by Cognos, Inc.) from 2000 to 2007 and BladeLogic, Inc. (NASDAQ: BLOG) (acquired by BMC Software, Inc.) from 2006 to 2008. Mr. Gyenes received his B.A. in mathematics and his M.B.A. in marketing from Columbia University. We believe Mr. Gyenes qualifications to serve on our board of directors include his experience as the Chief Executive Officer of a publicly traded company, his knowledge gained from service on the boards of various public and private companies and his more than 40 years of experience in technology, sales, marketing and general management positions within the computer systems and software industry.

Jeffrey T. Leeds has served as a member of our board of directors and a member of our nominating and governance committee since December 1999. He is President and Co-Founder of Leeds Equity Partners, LLC, which he co-founded in 1993, a private equity firm that focuses on the education, information services and training industries. Prior to co-founding Leeds Equity Partners, Mr. Leeds spent seven years specializing in mergers and acquisitions and corporate finance at Lazard Freres & Co. LLC, a subsidiary of Lazard Group LLC. Prior to joining Lazard Freres & Co. LLC, Mr. Leeds served as a law clerk to the Hon. William J. Brennan, Jr. of the Supreme Court of the United States during the 1985 October Term. Mr. Leeds also worked in the corporate department of the law firm of Cravath, Swaine & Moore LLP in New York after graduating from law school. Mr. Leeds currently serves on the board of directors of Education Management Corporation (NASDAQ: EDMC), Instituto de Banca y Comercio and SeatonCorp. and as a Trustee on the United Federation of Teacher s Charter School Board in New York City.

Mr. Leeds received his B.A. in history *summa cum laude* from Yale University and his J.D. from Harvard Law School. He was also a Marshall

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Scholar at the University of Oxford. We believe Mr. Leeds qualifications to serve on our board of directors include his extensive business and legal experience in corporate finance and his knowledge gained from service on the boards of various public and private companies.

Jason A. Wright has served as a member or our board of directors since December 2003 and as the Chairman of our compensation committee since October 2006 and a member of our audit committee since January 2004. Mr. Wright is a partner in the Tech & Telecom Group at Apax Partners LLC, where he focuses primarily on investments in enterprise software and technology-enabled services. Prior to joining Apax in 2000, Mr. Wright served in a variety of roles at General Electric Capital Corporation, a subsidiary of General Electric Corporation, including the evaluation and execution of investment opportunities for the Technology Ventures Group, and Mr. Wright was also a consultant at Andersen Consulting, now Accenture plc. Mr. Wright currently serves on the board of directors of various private companies. Mr. Wright received his B.A. in economics from Tufts University and his M.B.A. in finance from The Wharton School of the University of Pennsylvania. We believe Mr. Wright s qualifications to serve on our board of directors include his extensive business and financial experience related to enterprise software and technology-enabled services companies.

Our executive officers are elected by, and serve at the discretion of, our board of directors. Certain of our stockholders who beneficially own shares representing approximately 96.5% of our outstanding capital stock as of June 30, 2010 have entered into a shareholders agreement that, among other things, provides for the voting of their shares with respect to the constituency of our board of directors. See Certain Relationships and Related Party Transactions 2010 Shareholders Agreement for further description of this agreement. The current members of our board of directors have been elected by our stockholders voting in accordance with the terms of this agreement, which will terminate upon completion of this offering.

With the exception of Alfred R. Berkeley, III and Richard M. Berkeley, who are brothers, there are no family relationships among any of our directors or executive officers.

In addition to the information presented above regarding each director s specific experience, qualifications, attributes and skills that led our board of directors to the conclusion that each should serve as a director, we also believe that all of our directors have demonstrated business acumen, ethical integrity and an ability to exercise sound judgment, as well as a commitment of service to us and our board of directors.

Board of Directors

Our board of directors currently consists of six members. In accordance with our amended and restated certificate of incorporation to be in effect upon the completion of this offering, our board of directors will be divided into three classes with staggered three-year terms. At each annual meeting of stockholders, the successors to the directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. After the completion of this offering, our directors will be divided among the three classes as follows:

The Class I directors will be Peter Gyenes and Alfred R. Berkeley, III;

The Class II directors will be Jeffrey T. Leeds and Richard M. Berkeley; and

The Class III directors will be Stephen T. Winn and Jason A. Wright.

Our amended and restated certificate of incorporation and our amended and restated bylaws, to be effective upon the completion of this offering, will provide that the number of our directors will be fixed from time to time by a resolution of the majority of our board of directors. Nine directors are currently authorized.

Director Independence

In February 2010, our board of directors undertook a review of the independence of our directors and considered whether any director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. As a result of this review, our board of directors determined that Alfred R. Berkeley, III, Richard M. Berkeley, Jeffrey T. Leeds, Jason A. Wright

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and Peter Gyenes, representing five of our six directors currently in office, are independent directors as defined under the rules of the SEC and The NASDAQ Stock Market LLC, or NASDAQ, and constitute a majority of independent directors of our board of directors as required by the rules of the SEC and NASDAQ.

Board Leadership Structure

Our board of directors believes that our Chief Executive Officer, Stephen T. Winn, is best situated to serve as Chairman of the Board because he is the director most familiar with our business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. Our independent directors have different perspectives and roles in strategic development. Our independent directors bring experience, oversight and expertise from outside the company and industry, while our Chief Executive Officer brings company-specific experience and expertise. Our board of directors believes that the combined role of Chief Executive Officer and Chairman of the Board promotes strategy development and execution, and facilitates information flow between management and our board of directors, which are essential to effective governance. We do not have a lead independent director.

Our board of directors oversees risk management in a number of ways. Our audit committee oversees the management of financial and accounting related risks as an integral part of it duties. Similarly, our compensation committee considers risk management when setting the compensation policies and programs for our executive officers and other employees. Our full board of directors receives reports on various risk related items at each of its regular meetings including risks related to intellectual property, taxes, products and employees. Our board of directors also receives periodic reports on our efforts to manage such risks through insurance or self-insurance.

Committees of the Board of Directors

Our board of directors has an audit committee, a compensation committee and a nominating and governance committee, each of which has the composition and responsibilities described below.

Audit Committee

Our audit committee is responsible for, among other things:

- selecting and hiring our independent auditors;
- approving the audit and non-audit services to be performed by our independent auditors;
- evaluating the qualifications, performance and independence of our independent auditors;
- monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;
- reviewing the adequacy and effectiveness of our internal control policies and procedures;
- discussing the scope and results of the audit with the independent auditors and reviewing with management and the independent auditors our interim and year-end operating results;
- preparing the audit committee report required in this prospectus and in our annual proxy statement; and

reviewing and evaluating, at least annually, its own performance and that of its members, including compliance with the committee charter.

Our audit committee is currently composed of Alfred R. Berkeley, III, Jason A. Wright and Peter Gyenes. Mr. Berkeley has been appointed the Chairman of our audit committee. Our board of directors has determined that each member of our audit committee is independent under the applicable requirements of NASDAQ and SEC rules and regulations. Our board of directors has determined that each member of our audit committee meets the requirements for financial literacy and sophistication, and qualifies as an audit committee financial expert, under the applicable requirements of NASDAQ and SEC rules and regulations.

Our board of directors has adopted an audit committee charter. We believe that the composition of our audit committee, and our audit committee s charter and functioning, will comply with the applicable requirements of NASDAQ and SEC rules and regulations. We intend to comply with future requirements to the extent they become applicable to us.

Following the completion of this offering, the full text of our audit committee charter will be posted on the investor relations portion of our website at http://www.realpage.com and will be available without charge, upon request in writing to RealPage, Inc., 4000 International Parkway, Carrollton, Texas 75007, Attn: Chief Legal Officer.

Compensation Committee

Our compensation committee is responsible for, among other things:

- reviewing and approving corporate goals and objectives relevant to compensation of our Chief Executive Officer and other executive officers;
- reviewing and approving the following for our Chief Executive Officer and our other executive officers: annual base salaries, annual incentive bonuses, including the specific goals and amounts, equity compensation, employment agreements, severance arrangements and change in control arrangements and any other benefits, compensation or arrangements;
- reviewing the succession planning for our executive officers;
- reviewing and recommending compensation goals and bonus and stock compensation criteria for our employees;
- reviewing and recommending compensation programs for outside directors;
- preparing the compensation discussion and analysis and compensation committee report that the SEC requires in our annual proxy statement;
- administering, reviewing and making recommendations with respect to our equity compensation plans; and
- reviewing and evaluating, at least annually, its own performance and that of its members, including compliance with the committee charter.

Our compensation committee is currently composed of Jason A. Wright, Alfred R. Berkeley, III, Richard M. Berkeley and Peter Gyenes, each of whom is a non-employee member of our board of directors. Mr. Gyenes has been appointed to serve as the Chairman of our compensation committee. Our board of directors has determined that each member of our compensation committee is independent under the applicable requirements of NASDAQ and SEC rules and regulations, is a non-employee director, as defined by Rule 16b-3 promulgated under the Securities and Exchange Act of 1934, as amended, or the Exchange Act, and is an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code.

Our board of directors has adopted a compensation committee charter. We believe that the composition of our compensation committee, and our compensation committee s charter and functioning, will comply with the applicable requirements of NASDAQ and SEC rules and regulations. We intend to comply with future requirements to the extent they become applicable to us.

Following the completion of this offering, the full text of our compensation committee charter will be posted on the investor relations portion of our website at http://www.realpage.com and will be available without charge, upon request in writing to RealPage, Inc., 4000 International Parkway, Carrollton, Texas 75007, Attn: Chief Legal Officer.

Nominating and Governance Committee

Our nominating and governance committee is responsible for, among other things:

- assisting our board of directors in identifying prospective director nominees and recommending nominees for each annual meeting of stockholders to the board of directors;
- reviewing developments in corporate governance practices and developing and recommending governance principles applicable to our board of directors;
- overseeing the evaluation of our board of directors and management;
- recommending members for each board committee to our board of directors;
- reviewing and monitoring our code of business conduct and ethics and actual and potential conflicts of interest of members of our board of directors and officers; and
- reviewing and evaluating, at least annually, its own performance and that of its members, including compliance with the committee charter.

Our nominating and governance committee is currently composed of Richard M. Berkeley, Peter Gyenes, Jeffrey T. Leeds and Jason A. Wright. Mr. Berkeley has been appointed the Chairman of our nominating and governance committee. Our board of directors has determined that each member of our nominating and governance committee is independent under the applicable requirements of NASDAQ and SEC rules and regulations.

Our board of directors has adopted a nominating and governance committee charter. We believe that the composition of our nominating and governance committee, and our nominating and governance committee s charter and functioning, will comply with the applicable requirements of NASDAQ and SEC rules and regulations. We intend to comply with future requirements to the extent they become applicable to us.

Following the completion of this offering, the full text of our nominating and governance committee charter will be posted on the investor relations portion of our website at http://www.realpage.com and will be available without charge, upon request in writing to RealPage, Inc., 4000 International Parkway, Carrollton, Texas 75007, Attn: Chief Legal Officer.

Code of Business Conduct and Ethics

Our board of directors has adopted a code of business conduct and ethics. The code applies to all of our employees, officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions), including directors and consultants. Following the completion of this offering, the full text of our code of business conduct and ethics will be posted on the investor relations portion of our website at http://www.realpage.com and will be available without charge, upon request in writing to RealPage, Inc., 4000 International Parkway, Carrollton, Texas 75007, Attn: Chief Legal Officer. We intend to disclose future amendments to certain provisions of our code of business conduct and ethics, or waivers of such provisions, applicable to any principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions or our directors on our website. The inclusion of our website address in this prospectus does not include or incorporate by reference the information on our website into this prospectus.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

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Director Compensation

Historically, we have not paid any cash compensation to our directors for their services as directors or as members of committees of our board of directors. We have instead granted options to our non-employee directors who are not affiliated with our major stockholders as set forth below. However, effective April 1, 2010, we began providing our independent directors with both cash and equity compensation as described below.

Stock Option Grants to Alfred R. Berkeley, III

On January 9, 2004, we granted an option to purchase 125,000 shares of our common stock to Alfred R. Berkeley, III at an exercise price of $2.00. Mr. Berkeley exercised this option on June 28, 2007 and the shares of our common stock acquired by Mr. Berkeley upon such exercise are fully vested.

On March 11, 2005, we granted an option to purchase 50,000 shares of our common stock to Mr. Berkeley at an exercise price of $2.00. Mr. Berkeley exercised this option on June 28, 2007 and the shares of our common stock acquired by Mr. Berkeley upon such exercise are fully vested.

On December 17, 2008, we granted an option to purchase 25,000 shares of our common stock to Mr. Berkeley at an exercise price of $6.00. Mr. Berkeley exercised this option in November and December 2009. We have a right to repurchase all shares acquired upon exercise of the option, which repurchase right expires as to one forty-eighth of the shares issued upon exercise of the stock option on the last day of each month beginning in January 2009, subject to Mr. Berkeley s continued service through each applicable date.

Stock Option Grants to Peter Gyenes

On December 18, 2009, we granted a contingent option to purchase 50,000 shares of our common stock to Peter Gyenes at an exercise price of $6.00. The contingencies of the grant were satisfied and the grant became effective on December 29, 2009. This grant was subsequently cancelled and terminated and replaced by a grant to Peter Gyenes of an option to purchase 60,000 shares of our common stock at an exercise price of $7.50 on February 25, 2010. The stock option vests with respect to 5% of the shares subject to the stock option each quarter commencing on the first day of the calendar quarter immediately following the grant date for 15 consecutive quarters and, with respect to the remaining 25% of the shares subject to the stock option, on the first day of the next following calendar quarter, subject to continued service through each applicable date. In the event of a change of control, as defined in the stock option agreement with Mr. Gyenes, all of the options subject to the agreement will become fully vested and exercisable.

Independent Director Compensation Plan

In February 2010, our compensation committee approved the following compensation plan for our independent directors, which became effective April 1, 2010. Our stockholders approved the independent director compensation plan in March 2010. The term independent directors for purposes of our independent director compensation plan will be as defined in our Fifth Amended and Restated Shareholders Agreement, dated as of June 7, 2010, prior to the effectiveness of the registration statement of which this prospectus is a part and will be as defined by our board of directors following effectiveness.

Retainer	$6,000 per quarter
Audit committee chair retainer	$4,500 per quarter
Audit committee member (excluding chair) retainer	$3,000 per quarter
Other board committee chair retainer	$3,000 per quarter

Other committee member (excluding chair) retainer	$1,500 per quarter
Annual equity grant	$50,000 restricted stock value[(1)]

(1) The forfeiture provision of each annual restricted stock grant will lapse with respect to 5% of the restricted shares subject to the grant each quarter commencing on the first day of the calendar quarter immediately following the grant date for 15 consecutive quarters and the forfeiture provision will lapse

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with respect to the remaining 25% of the restricted shares subject to the grant on the first day of the next following calendar quarter, subject to the continuous service of the director through each applicable date.

On May 12, 2010, we issued 6,666 restricted shares of our common stock to each of Alfred R. Berkeley, III and Peter Gyenes pursuant to our independent director compensation plan.

Director Compensation Table for Year Ended December 31, 2009

The following table sets forth the annual director compensation paid or accrued by us to individuals who were directors during any part of 2009. The table excludes Mr. Winn, who is our Chief Executive Officer and who did not receive any compensation from us in his role as director in 2009.

Name	**Fees Earned or Paid in Cash ($)**	**Option Awards ($)(1)**	**Total ($)**
Alfred R. Berkeley, III			
Richard M. Berkeley			
Peter Gyenes		$ 158,257(2)	$ 158,257
Jeffrey T. Leeds			
Jason A. Wright			

(1) Represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. See Note 8 of Notes to Consolidated Financial Statements for the year ended December 31, 2009 for a discussion of assumptions made in determining the grant date fair value of our stock option awards.

(2) Reflects contingent grant to Mr. Gyenes of options to purchase 50,000 shares of our common stock at an exercise price of $6.00 per share on December 18, 2009. The contingencies of the grant were satisfied and the grant became effective on December 29, 2009. This grant was subsequently cancelled and terminated and replaced by a grant to Mr. Gyenes of options to purchase 60,000 shares of our common stock at an exercise price of $7.50 on February 25, 2010. The aggregate grant date fair value of this subsequent grant computed in accordance with FASB ASC Topic 718 is $222,589.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following discussion and analysis of compensation arrangements of our principal executive officer, principal financial officer and each of the next three most highly compensated executive officers, referred to as our named executive officers, for 2009 should be read together with the compensation tables and related disclosures that follow this discussion.

Compensation Philosophy and Objectives

Our philosophy is to provide compensation to each of our named executive officers that is commensurate with his or her position and experience, furnish incentives sufficient for the named executive officer to meet and exceed short-term and long-term corporate objectives as determined by our board of directors and align the named executive officers incentives with the long-term interests of our stockholders. Additionally, our executive compensation program is intended to provide significant motivation for each of our named executive officers to remain employed by us unless and until our board of directors finds that retention of the named executive officer is no longer in accord with our corporate objectives.

Based on this philosophy, the primary objectives of our board of directors and compensation committee with respect to executive compensation are to:

- attract, retain and motivate skilled and knowledgeable executive talent;
- ensure that executive compensation is aligned with our corporate strategies and business objectives; and
- align the incentives of the named executive officers with the creation of value for stockholders.

To achieve these objectives, our compensation committee periodically evaluates our executive compensation program with the goal of establishing compensation at levels our compensation committee believes to be competitive with those of our competitive peer group companies and other companies in our geographical regions that compete with us for executive talent. Additionally, we design our executive compensation program to tie a portion of each named executive officer s overall cash compensation to key strategic, financial and operational goals set by our board of directors.

Compensation Decision-Making Process

Our compensation committee is responsible for overseeing and approving our executive compensation program. Our compensation committee currently consists of four members. The current members of our compensation committee are Jason A. Wright, Alfred R. Berkeley, III, Richard M. Berkeley and Peter Gyenes. Mr. Gyenes has been appointed to serve as the Chairman of our compensation committee. Our board of directors has determined that each member of our compensation committee is independent under the applicable requirements of NASDAQ and SEC rules and regulations, is a non-employee director, as defined by Rule 16b-3 promulgated under the Exchange Act and is an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended. For a discussion of the specific responsibilities of our compensation committee, see Management Committees of the Board of Directors Compensation Committee.

Our Chief Executive Officer makes base salary, cash bonus and long-term incentive compensation recommendations to the compensation committee for each of our named executive officers based on his or her level of responsibility, performance and contribution to achieving our overall corporate objectives. Our compensation committee considers the Chief Executive Officer s input but retains complete authority to approve all compensation related decisions for our named executive officers. Additionally, our Chief Executive Officer is not permitted to be present during deliberations or voting by the compensation committee regarding his performance goals, performance evaluation or compensation level and abstains from voting in sessions where our board of directors acts on the compensation committee s recommendations regarding his compensation.

For purposes of determining compensation levels for our named executive officers, our compensation committee considers the recommendations of our Chief Executive Officer, our overall achievement of corporate objectives, the level of responsibility, performance and individual contributions of our named executive officers, each named executive officer s equity ownership and the compensation committee members own experience in compensation-related matters. For purposes of evaluating compensation levels for 2009 and 2010, our compensation committee also considered competitive market benchmarking data as described in Executive Compensation Competitive Positioning. Based on these considerations, our compensation committee approved compensation packages for each of our named executive officers in 2009 and 2010, the components of which are further described in Executive Compensation Compensation Components.

In February 2010, our board of directors approved a new compensation committee charter in anticipation of our initial public offering, and our compensation committee approved 2010 salaries for our named executive officers and our 2010 Management Incentive Plan.

Competitive Positioning

Our compensation committee has the authority to engage outside consultants from time to time, as the committee sees fit, to conduct market reviews of our executive compensation program and philosophy in order to assess the competitiveness of our program. In the third quarter of 2008, our compensation committee engaged Mercer LLC, a wholly owned subsidiary of Marsh & McLennan Companies, Inc., or Mercer, a global human resources and financial services consulting firm, to conduct an independent market review of our executive compensation program. To analyze our executive compensation program, Mercer used two public company market references to compare our total compensation practices for our executives to those in our market:

Publicly Held Companies Surveys. Two private surveys regarding executive compensation in the technology industry, the Watson Wyatt Executive Compensation Survey and the Towers Perrin Executive Compensation Survey; and

Select Peer Group. Publicly available data for a competitive peer group of publicly traded on demand software and services companies of similar size experiencing rapid revenue growth comparable to ours with total employees in the range of 500 to 1,000, or the Select Peer Group.

The Select Peer Group was developed in consultation between our compensation committee, our management team and Mercer and consisted of the following organizations:

Blackboard Inc.	RightNow Technologies
DealerTrack Holdings, Inc.	NetSuite Inc.
Kenexa Corporation	Unica Corporation
Ultimate Software Group, Inc.	Callidus Software Inc.
Omniture, Inc.	athenahealth, Inc
Concur Technologies, Inc.	SuccessFactors, Inc.
Taleo Corporation	Constant Contact, Inc.
SumTotal Systems, Inc.	DemandTec, Inc.

Mercer benchmarked our 2008 executive compensation levels, including base salaries, performance-based cash bonuses and long-term equity incentive awards, to those of other executives in the Select Peer Group where sufficient peer proxy data was available and against the Publicly Held Companies Surveys where insufficient peer proxy data was available and reported their findings to the compensation committee. The Mercer analysis indicated that the base salaries and the target performance-based cash bonuses of each of our named executive officers who were employed by us in 2008 were generally consistent with market median levels with the exception that our Chief Executive Officer s target performance-based cash bonus was in the 25th percentile. Additionally, the Mercer analysis indicated that our long-term equity incentive levels were below the 25th percentile.

In 2009, our compensation committee did not engage outside consultants to conduct an independent market review of our executive compensation program. However, our Chief Executive Officer reviewed publicly available compensation data for the Select Peer Group. For purposes of evaluating compensation levels for 2009 and 2010, our compensation committee considered Mercer s analysis and our Chief Executive Officer s review of publicly available information for the Select Peer Group but did not target any specific percentile rank with respect to any of our compensation components in determining appropriate compensation levels for our named executive officers. In each of 2009 and 2010, this competitive market benchmarking data was one of many factors considered by our compensation committee in determining appropriate compensation levels for our named executive officers.

Compensation Components

Base Salaries

Base salaries are used to recognize the experience, skills, knowledge and responsibilities required of all our named executive officers. Base salaries for our named executive officers have typically been negotiated as a part of the employment agreements with our named executive officers at the outset of employment. However, from time to time, at the discretion of our compensation committee and consistent with our executive compensation program objectives, base salaries for our named executive officers, together with other components of compensation, are evaluated for adjustment based on an assessment of the overall achievement of corporate objectives, each named executive officer s sustained performance and compensation trends in our industry. Each named executive officer s employment agreement requires that his or her base salary be reviewed no less frequently than annually; however, none of our named executive officers has an employment agreement that provides for automatic or scheduled increases in base salary.

In December 2008, our compensation committee conducted a review of our executive compensation program for purposes of evaluating compensation levels for our executives for 2009. Based on the considerations described above in Executive Compensation Compensation Decision-Making Process, our compensation committee approved base salary increases to be effective as of January 1, 2009 for each of our named executive officers except for our Chief Executive Officer. The percentage increase for each named executive officer was based on our compensation committee s assessment of the various considerations described above. In the case of Mr. Wakeham and Ms. Chaffin Glover, the increase in base salary was primarily due to the named executive officers increased responsibilities associated with promotions. Our compensation committee did not increase our Chief Executive Officer s base salary for 2009 because of the substantial incentive provided by our Chief Executive Officer s significant ownership of our common stock. The table below shows base salaries for our named executive officers for 2008 and 2009.

Named Executive Officer	Current Title	2008 Base Salary[(1)]	2009 Base Salary[(2)]	% Increase
Stephen T. Winn	Chief Executive Officer, Chairman of the Board	$ 400,000	$ 400,000	
Timothy J. Barker	Chief Financial Officer and Treasurer	285,000	315,000	10.5%
Dirk D. Wakeham	President[(3)]	250,000	260,000[(4)]	4.0
Ashley Chaffin Glover	Executive Vice President, Multifamily Solutions[(5)]	220,000	260,000[(6)]	18.2
William E. Van Valkenberg[(7)]	Chief Legal Officer and Secretary		300,000	

(1) Reflects base salary at end of 2008.

(2) Reflects base salary at beginning of 2009.

(3) Mr. Wakeham assumed the title and responsibilities of President in January 2010. He served as our Executive Vice President, Property Solutions, from April 2009 to January 2010 and as our Senior Vice President, President, LeasingDesk Risk Mitigation Systems, for prior periods in 2009.

(4) Mr. Wakeham s salary was increased from $260,000 to $300,000 effective April 1, 2009 in connection with his promotion to Executive Vice President, Property Solutions.

(5) Ms. Chaffin Glover assumed the title and responsibilities of Executive Vice President, Multifamily Solutions in January 2010. She served as our Executive Vice President, Resident Solutions from April 2009 to January 2010 and as our Senior Vice President, President, Velocity Utility and Billing Services, for prior periods in 2009.

(6) Ms. Chaffin Glover s salary was increased from $260,000 to $300,000 effective April 1, 2009 in connection with her promotion to Executive Vice President, Resident Solutions.

(7) Mr. Van Valkenberg commenced his employment with us in September 2009 after providing consulting services to us from June 2009 to September 2009. Mr. Van Valkenberg s employment with us ended and he ceased to be an executive officer effective as of May 11, 2010.

In February 2010, our compensation committee conducted a review of our executive compensation program for purposes of evaluating compensation levels for our executives for 2010. Based on the considerations described above in Executive Compensation Compensation Decision-Making Process, our compensation committee approved base salary increases to be effective as of January 1, 2010 for each of our named executive officers except for our Chief Executive Officer. The percentage increase for each named executive officer was based on our compensation committee s assessment of the various considerations described above. In the case of Mr. Wakeham and Ms. Chaffin Glover, the increase in base salary was primarily due to the named executive officers increased responsibilities associated with promotions. Our compensation committee again did not increase our Chief Executive Officer s base salary for 2010 because of the substantial incentive provided by our Chief Executive Officer s significant ownership of our common stock. The table below shows base salaries for our named executive officers for fiscal 2009 and 2010.

Named Executive Officer	Title	2009 Base Salary(1)	2010 Base Salary(2)	% Increase
Stephen T. Winn	Chief Executive Officer, Chairman of the Board	$ 400,000	$ 400,000	
Timothy J. Barker	Chief Financial Officer and Treasurer	315,000	350,000	11.1%
Dirk D. Wakeham	President(3)	300,000(4)	330,000	10.0
Ashley Chaffin Glover	Executive Vice President, Multifamily Solutions(5)	300,000(6)	320,000	6.7
William E. Van Valkenberg(7)	Chief Legal Officer and Secretary	300,000	300,000	

(1) Reflects base salary at the end of 2009.

(2) Reflects base salary at beginning of 2010.

(3) Mr. Wakeham assumed the title and responsibilities of President in January 2010. He served as our Executive Vice President, Property Solutions, from April 2009 to January 2010 and as our Senior Vice President, President, LeasingDesk Risk Mitigation Systems, for prior periods in 2009.

(4) Mr. Wakeham s salary was increased from $260,000 to $300,000 effective April 1, 2009 in connection with his promotion to Executive Vice President, Property Solutions.

(5) Ms. Chaffin Glover assumed the title and responsibilities of Executive Vice President, Multifamily Solutions in January 2010. She served as our Executive Vice President, Resident Solutions from April 2009 to January 2010 and as our Senior Vice President, President, Velocity Utility and Billing Services, for prior periods in 2009.

(6) Ms. Chaffin Glover s salary was increased from $260,000 to $300,000 effective April 1, 2009 in connection with her promotion to Executive Vice President, Resident Solutions.

(7) Mr. Van Valkenberg commenced his employment with us in September 2009 after providing consulting services to us from June 2009 to September 2009. Mr. Van Valkenberg s employment with us ended and he ceased to be an executive officer effective as of May 11, 2010.

Performance-Based Cash Bonuses

Our named executive officers participate in our annual non-equity management incentive plan, or management incentive plan, along with our other senior managers. Our annual management incentive plan is intended to provide cash compensation to our named executive officers and senior managers for their contribution to the achievement of our strategic, operational and financial objectives. Our named executive officers earn amounts under our management incentive plan based on our achievement of financial performance objectives, including overall corporate revenue and adjusted EBITDA targets and product family specific revenue and profit targets for those participants of our management incentive plan that have direct responsibility over the operations specific to one of our product families, and an assessment of the named executive officer s individual performance. For purposes of the management incentive plan, adjusted EBITDA is calculated the same as Adjusted EBITDA as described in footnote 6 to the table in Selected Consolidated Financial Data except that purchase accounting adjustments are also added back. Our compensation committee approves a management incentive plan each year that outlines overall corporate objectives for the fiscal year in addition to establishing guidelines for calculating management incentive plan bonuses in the event that performance objectives are partially achieved or exceeded.

A portion of our management incentive plan bonuses are typically paid out quarterly based on progression towards the annual achievement of performance objectives. The actual annual cash bonus paid to participants under our management incentive plan with respect to a particular fiscal year is adjusted at year end based on actual achievement of both financial and individual performance objectives. We do not have any formal or informal policies regarding the adjustment or recovery of bonus payments made under the management incentive plan in the event a relevant performance objective upon which the payment was made is not ultimately achieved.

Under the management incentive plan for 2009, or the 2009 Management Incentive Plan, the target bonus for Mr. Winn was 75% of Mr. Winn s base salary with a maximum bonus potential of 200% of Mr. Winn s target bonus for achieving financial and individual performance objectives in excess of the targets and a minimum bonus potential of 0% of Mr. Winn s target bonus. The 2009 Management Incentive Plan target bonus for each other named executive officer was 50% of the named executive officer s base salary with a maximum bonus potential of 200% of the named executive officer s target bonus for achieving financial and individual performance objectives in excess of the targets and a minimum bonus potential of 0% of the named executive officer s target bonus. Our 2009 revenue target was approximately 30% higher than our 2008 target while our 2009 adjusted EBITDA target was approximately 100% higher than our 2008 target. The compensation committee believed that the 2009 targets were challenging, but attainable, based on the increases in our revenue and adjusted EBITDA in 2008 relative to 2007 and directly aligned our named executive officers short-term incentives with the creation of long-term stockholder value. Our compensation committee had sole discretion to adjust targets and awards under the 2009 Management Incentive Plan for significant, non-controllable circumstances that were not included in our 2009 operating plan; however, our compensation committee did not exercise such discretion under the 2009 Management Incentive Plan. For each of Messrs. Winn, Barker and Van Valkenberg, the achievement of 2009 bonus targets for overall corporate revenue, overall corporate adjusted EBITDA and individual performance ratings were weighted 30%, 45% and 25%, respectively. We weighted the individual 2009 Management Incentive Plans more heavily toward achieving adjusted EBITDA over revenue targets for Messrs. Winn, Barker and Van Valkenberg because we believe that increases in adjusted EBITDA will drive our long-term success and result in greater opportunity for profit in the future. For Ms. Chaffin Glover and Mr. Wakeham, the achievement of 2009 Management Incentive Plan bonus targets for revenue, adjusted EBITDA and individual performance ratings were weighted 50% (of which, 15% was based on overall corporate performance and 35% was based on the performance of operations under the named executive officers direct management), 25% (of which, 10% was based on overall corporate performance and 15% was based on the performance of operations under the named executive officers direct management) and 25%, respectively. We weighted the individual 2009 Management Incentive Plans for Ms. Chaffin Glover and Mr. Wakeham more heavily toward achieving revenue over adjusted EBITDA because we believe that the positions held by Ms. Chaffin Glover and Mr. Wakeham have more direct influence over revenue performance than our other named executive officers. Additionally, we weighted the performance of the operations under these named executive officers direct management over our overall corporate performance in order to motivate and incentivize the named executive officers to drive growth in operations under their direct management.

The charts below set forth our 2009 Management Incentive Plan s overall corporate internal revenue and adjusted EBITDA performance targets, the revenue and percentage of target revenue actually achieved and the adjusted EBITDA and percentage of target adjusted EBITDA actually achieved.

Note: The 2009 Management Incentive Plan results are different from similar metrics disclosed elsewhere in this registration statement as they were based on preliminary results and included add backs for purchase accounting and other one-time adjustments related to license fees billed at the initial order date. For 2009 Management Incentive Plan purposes, the license fees billed at the initial order date are recognized on a straight-line basis over the contractual term. For GAAP reporting purposes, license fees billed at the initial order date are recognized as revenue on a straight-line basis over the longer of the contractual term or the period in which the customer is expected to benefit, which we consider to be four years.

The following table summarizes the actual bonuses paid to our named executive officers pursuant to the 2009 Management Incentive Plan based on achievement of 2009 performance objectives as compared to each named executive officer s target bonuses:

Executive	**2009 Target Bonus ($)**	**2009 Actual Bonus ($)**	**Actual Bonus as a Percent of Target Bonus**
Stephen T. Winn	$ 300,000	$ 246,765	82.3%
Timothy J. Barker	157,500	149,240	94.8
Dirk D. Wakeham	150,000	131,585	87.7
Ashley Chaffin Glover	150,000	120,335	80.2
William E. Van Valkenberg(1)	40,685	34,878	85.7

(1) Mr. Van Valkenberg commenced his employment with us in September 2009. Mr. Van Valkenberg s annual bonus opportunity under the 2009 Management Incentive Plan was subject to proration based on the actual number of days he was employed by us during 2009. Mr. Van Valkenberg s employment with us ended and he ceased to be an executive officer effective as of May 11, 2010.

The Management Incentive Plan for 2010, or the 2010 Management Incentive Plan, was approved by our compensation committee in February 2010 and revised in May 2010. The 2010 Management Incentive Plan target bonus for Mr. Winn is 100% of Mr. Winn s base salary with a maximum bonus potential of 200% of Mr. Winn s target bonus for achieving financial and individual performance objectives in excess of the targets and a minimum bonus potential of 0% of Mr. Winn s target bonus. The 2010 Management Incentive Plan target bonus for Ms. Chaffin Glover and Messrs. Barker and Van Valkenberg is 50% of the named executive officer s base salary with a maximum bonus potential of 200% of the named executive officer s target bonus for achieving financial and individual performance objectives in excess of the targets and a minimum bonus potential of 0% of the named executive officer s target bonus. The 2010 Management Incentive Plan target bonus for Mr. Wakeham is 62.5% of Mr. Wakeham s base salary with a maximum bonus potential of 200% of

Mr. Wakeham s target bonus for achieving financial and individual performance objectives in excess of the targets and a minimum bonus potential of 0% of Mr. Wakeham s target bonus. The performance metrics under the 2010 Management Incentive Plan are the same as the performance metrics under our 2009 Management Incentive Plan and include revenue and adjusted EBITDA targets and individual performance ratings. The compensation committee believes that the 2010 targets are challenging, but attainable, based on the increases in our revenue and adjusted EBITDA in 2009 relative to 2008 and will continue to align our named executive officers short-term incentives with the creation of long-term stockholder value. For each of Messrs. Winn, Barker and Van Valkenberg, the achievement of 2010 bonus targets for overall corporate revenue, overall corporate adjusted EBITDA and individual performance ratings are weighted 30%, 45% and 25%, respectively. We weighted the individual 2010 Management Incentive Plans more heavily toward achieving adjusted EBITDA over revenue targets for Messrs. Winn, Barker and Van Valkenberg because we believe that increases in adjusted EBITDA will drive our long-term success and result in greater opportunity for profit in the future. For Mr. Wakeham, the achievement of 2010 bonus targets for overall corporate revenue, overall corporate adjusted EBITDA and individual performance ratings are weighted 45%, 30% and 25%, respectively. For Ms. Chaffin Glover, the achievement of 2010 Management Incentive Plan bonus targets for revenue, adjusted EBITDA and individual performance ratings are weighted 50% (of which, 15% was based on overall corporate performance and 35% was based on the performance of operations under the named executive officers direct management), 25% (of which, 10% was based on overall corporate performance and 15% was based on the performance of operations under the named executive officers direct management) and 25%, respectively. We weighted the individual 2010 Management Incentive Plan for Mr. Wakeham and Ms. Chaffin Glover more heavily toward achieving revenue over adjusted EBITDA because we believe that the positions held by these named executive officers have more direct influence over revenue performance than our other named executive officers. Additionally, we weighted the performance of the operations under Ms. Chaffin Glover s direct management over our overall corporate performance in order to motivate and incentivize Ms. Chaffin Glover to drive growth in operations under her direct management. Our compensation committee retains sole discretion to adjust targets and awards under the 2010 Management Incentive Plan for significant, non-controllable circumstances that were not included in our 2010 operating budget.

Equity Incentive Awards

Our equity award program is the primary vehicle for offering long-term incentives to our named executive officers. Historically, our equity awards to our named executive officers have been in the form of stock options. We believe that equity-based compensation provides our named executive officers with a direct interest in our long-term performance, creates an ownership culture and aligns the interests of our named executive officers and our stockholders.

Grants of stock option awards, including those to our named executive officers, are all approved by our compensation committee and are granted at an exercise price at or above the fair market value of our common stock on the date of grant. Consistent with the terms of our options granted to our other employees, options granted to our named executive officers typically vest over a four-year period in accordance with one of the following vesting schedules, subject to continued service through each applicable vesting date:

- The stock option vests in equal quarterly installments over 16 consecutive quarters commencing on the first day of the calendar quarter immediately following the grant date; or

- The stock option vests with respect to 5% of the shares subject to the stock option each quarter commencing on the first day of the calendar quarter immediately following the grant date for 15 consecutive quarters and, with respect to the remaining 25% of the shares subject to the stock option, on the first day of the next following calendar quarter, subject to continued service through each applicable date.

We believe that the four-year vesting period of our stock option grants furthers our objective of executive retention as it provides an incentive to our executives to remain in our employ during the vesting period.

We typically make an initial stock option grant to new executives in connection with the commencement of his or her employment. Additionally, at the discretion of our board of directors and consistent with our executive compensation program objectives, our compensation committee typically evaluates and approves equity awards for our new employees quarterly and equity awards for our existing employees, including our named executive officers, annually, to re-establish or bolster incentives to retain our employees. The stock options we granted to our named executive officers in 2009 are set forth under Executive Compensation Grants of Plan-Based Awards. On February 25, 2010, we granted options to purchase 175,000, 112,500 and 150,000 shares of our common stock to Mr. Barker, Ms. Chaffin Glover and Mr. Wakeham, respectively, at an exercise price per share of $7.50. These stock options vest with respect to 5% of the shares subject to the stock option each quarter commencing on the first day of the calendar quarter immediately following the grant date for 15 consecutive quarters and, with respect to the remaining 25% of the shares subject to the stock option, on the first day of the next following calendar quarter, subject to continued service through each applicable date. In determining the size of stock option grants to our named executive officers in 2009 and 2010, our compensation committee considered comparative equity ownership of executives employed by companies in our Select Peer Group, our overall achievement of corporate objectives, the applicable named executive officer s achievement of individual performance objectives, the achievement of certain strategic initiatives, the amount of equity previously awarded to the named executive officer, the vesting of previous awards and the recommendations of our Chief Executive Officer. Mr. Van Valkenberg was not granted stock options or other equity awards in 2010, as he had recently been granted an option to purchase 150,000 shares of our common stock upon the commencement of his full-time employment with us in September 2009.

Mr. Winn, our Chief Executive Officer, has not received equity based compensation historically. Mr. Winn s primary equity compensation continues to come from expected returns on his ownership of our stock. As a significant stockholder, Mr. Winn s personal wealth is tied directly to sustaining stock price appreciation and performance, which directly aligns Mr. Winn s interests with overall stockholder interests.

At the discretion of our compensation committee, we expect to continue to grant new stock options to named executive officers annually consistent with our overall executive compensation program objectives. In determining the size of stock option grants to named executive officers in future years, we expect that our compensation committee will consider comparative equity ownership of executives employed by companies in our Select Peer Group, our financial performance, the applicable named executive officer s achievement of performance objectives, the amount of equity compensation previously awarded to the named executive officer, the vesting of previous awards and the recommendations of our Chief Executive Officer.

Severance and Change in Control Benefits

Our employment agreements with our named executive officers provide for payments and other benefits in the event of termination of employment in certain circumstances. For a description of these payments and other benefits, see Executive Compensation Potential Payments on Termination or Change in Control.

Our 1998 Stock Incentive Plan provides that stock options granted to a participant under our 1998 Stock Incentive Plan will become 100% vested on the participant s death or disability (as defined in Section 22(e)(3) of the Internal Revenue Code) unless the stock option agreement provides otherwise. Each of the outstanding stock options granted to our named executive officers has been granted under our 1998 Stock Incentive Plan and would be subject to this acceleration benefit in the event of the named executive officer s death or disability. We generally do not provide for accelerated vesting of options held by our employees or named executive officers in connection with change in control transactions. However, our stock option agreements with Mr. Barker provide for accelerated vesting in connection with certain change in control transactions as further described under Executive Compensation Potential Payments on Termination or Change in Control Arrangements with Timothy J. Barker. Our compensation committee determined that it was appropriate to provide for payments and accelerated vesting for Mr. Barker, but not our other named executive officers, in connection with certain change in control transactions because the position of Chief Financial Officer is more likely to be affected by such a transaction than the positions held by our other named executive officers (other than Chief Executive Officer). However, our compensation committee did not believe it was necessary to provide for additional payments to Mr. Winn in the event of certain change in control transactions given his significant ownership of our common stock.

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We believe that these severance arrangements help us to attract and retain key management talent in an industry where there is significant competition for management talent. We believe that entering into these agreements helps the named executive officers maintain continued focus and dedication to their assigned duties and maximizes stockholder value. The terms of these agreements were determined after review by our compensation committee of our retention goals for each named executive officer, as well as analysis of market data, similar agreements established by our Select Peer Group and applicable law.

Benefits and Other Compensation

We maintain broad-based employee benefit plans, which are provided to all eligible U.S.-based employees. These plans include a group medical program, a group dental program, life insurance, disability insurance, flexible spending accounts and a 401(k) savings plan. Other benefit programs offered to all full-time U.S.-based employees include programs for job-related educational assistance, an employee referral program, group term life insurance equivalent to 1.5 times an employee s annual base salary up to a $600,000 maximum and an employee assistance program. All U.S.-based executives are eligible to participate in our employee benefit plans on the same basis as our other full-time employees, with the exception of the employee referral program, in which our named executive officers are ineligible to participate.

We believe these benefits are consistent with the benefits offered by companies with which we compete for employees and are necessary to attract and retain qualified employees.

Perquisites

We believe that cash and equity compensation are the two key components in attracting and retaining management talent and therefore do not generally provide any substantial perquisites to our named executive officers.

Commencing in June 2010, Mr. Winn also receives a limited number of additional benefits and perquisites to be used for tax, estate and financial planning assistance. The total pre-tax protected benefit for this purpose is limited to no more than $150,000 for 2010 and $50,000 for subsequent years.

Tax and Accounting Considerations

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction for certain compensation in excess of $1.0 million per year paid by a publicly held company to its chief executive officer or any of its three other most highly paid executive officers (other than the company s chief executive officer and chief financial officer). Qualifying performance-based compensation is not subject to the deduction limitation if specified requirements are met. In addition, grandfather provisions may apply to certain compensation arrangements that were entered into by a company before it was publicly held. We generally intend to structure the performance-based portion of our executive compensation, when feasible, to comply with exemptions in Section 162(m) so that the compensation remains tax deductible to us. However, to remain competitive with other employers, our compensation committee may, in its judgment, authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent.

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Summary Compensation Table

The following table provides information regarding the compensation of our named executive officers during our year ended December 31, 2009.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	All Other Compensation ($)(3)	Total ($)
Stephen T. Winn *Chairman of the Board and Chief Executive Officer*	2009	$ 400,000			$ 246,765	$ 3,675	$ 650,440
Timothy J. Barker *Chief Financial Officer and Treasurer*	2009	315,000		$ 320,631	149,240	3,675	788,546
Dirk D. Wakeham(4) *President*	2009	290,000(5)		256,505	131,585	51,853(6)	729,943
Ashley Chaffin Glover(7) *Executive Vice President, Multifamily Solutions*	2009	290,000(8)		256,505	120,335	3,675	670,515
William E. Van Valkenberg(9) *Chief Legal Officer and Secretary*	2009	79,615		372,726	34,878	96,338(10)	583,557

(1) Represents the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. See Note 8 of Notes to Consolidated Financial Statements for the year ended December 31, 2009 for a discussion of assumptions made in determining the grant date fair value of our stock option awards.

(2) Represents awards under our 2009 Management Incentive Plan. The material terms of these annual incentive awards are described in this section under Compensation Discussion and Analysis Compensation Components Performance-Based Bonuses.

(3) Represents the amount of our matching contributions under our 401(k) savings plan unless additional forms of other compensation are also indicated in relevant footnotes to this table.

(4) Mr. Wakeham assumed the title and responsibilities of President in January 2010. He served as our Executive Vice President, Property Solutions, from April 2009 to January 2010 and as our Senior Vice President, President, LeasingDesk Point of Lease Systems, for prior periods in 2009.

(5) Mr. Wakeham s salary was increased from $260,000 to $300,000 in April 2009 in conjunction with his promotion to Executive Vice President, Property Solutions.

(6) Consists of (i) $1,304 of matching contributions under our 401(k) savings plan, (ii) $43,510 of relocation related expense reimbursements and (iii) tax gross-up of $7,039 associated with taxable relocation related expenses.

(7) Ms. Chaffin Glover assumed the title and responsibilities of Executive Vice President, Multifamily Solutions in January 2010. She served as our Executive Vice President, Resident Solutions from April 2009 to January 2010 and as our Senior Vice President, President, Velocity Utility and Billing Services, for prior periods in 2009.

(8) Ms. Chaffin Glover s salary was increased from $260,000 to $300,000 in April 2009 in conjunction with her promotion to Executive Vice President, Resident Solutions.

(9) Mr. Van Valkenberg commenced his employment with us in September 2009 and provided consulting services to us from June 2009 to September 2009. His 2009 compensation represents the amounts paid to him as an employee from September 24, 2009 to December 31, 2009 and as a consultant for prior periods in 2009. Mr. Van Valkenberg s employment with us ended and he ceased to be an executive officer effective as of May 11, 2010. Mr. Van Valkenberg is entitled to receive certain payments and benefits pursuant to the terms of an Employment Release Agreement entered into on June 8, 2010. See Related Party Transactions Employment Arrangements and Indemnification Agreements.

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(10) Consists of (i) $125 of matching contributions under our 401(k) savings plan, (ii) $7,742 of relocation related expense reimbursements, (iii) tax gross-up of $3,753 associated with taxable relocation related expenses, (iv) $65,000 in consulting payments paid to Mr. Van Valkenberg in accordance with the terms of his consulting agreement prior to commencement of his full-time employment with us and (v) $19,717 in expense reimbursements paid to Mr. Van Valkenberg in accordance with the terms of his consulting agreement prior to commencement of his full-time employment with us.

Grants of Plan-Based Awards

The following table sets forth information regarding grants of compensation in the form of plan-based awards made during 2009 to our named executive officers:

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards ($)(1)			All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)(2)	Grant Date Fair Value of Option Awards ($)(3)
Name	**Grant Date**	**Minimum**	**Target**	**Maximum**			
Stephen T. Winn	2/26/2009		$ 300,000	$ 600,000			
Timothy J. Barker	2/26/2009				125,000(4)	$ 6.00	$ 320,631
	2/26/2009		157,500	315,000			
Dirk D. Wakeham	2/26/2009				100,000(4)	6.00	256,505
	2/26/2009		150,000	300,000			
Ashley Chaffin Glover	2/26/2009				100,000(4)	6.00	256,505
	2/26/2009		150,000	300,000			
William E. Van Valkenberg(6)	9/28/2009				150,000(5)	6.00	372,726
	9/24/2009		40,685	81,370			

(1) Represents awards under our Management Incentive Plan for fiscal 2009. The material terms of these annual incentive awards are discussed in this section under Compensation Discussion and Analysis Compensation Components Performance-Based Bonuses.

(2) In determining the exercise price of options granted in 2009, our compensation committee retained an independent valuation firm to complete a contemporaneous common stock valuation using the probability-weighted expected return method, which involved analyzing future values under two possible outcomes and then probability-weighting those values.

(3) Reflects the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. See Note 8 of Notes to Consolidated Financial Statements for the year ended December 31, 2009 for a discussion of

assumptions made in determining the grant date fair value of our stock option awards.

(4) Stock options vest in equal quarterly installments over 16 consecutive quarters commencing on the first day of the calendar quarter immediately following the grant date, subject to continued service through each applicable date.

(5) Stock option vests with respect to 5% of the shares subject to the stock option each quarter commencing on the first day of the calendar quarter immediately following the grant date for 15 consecutive quarters and, with respect to the remaining 25% of the shares subject to the stock option, on the first day of the next following calendar quarter, subject to continued service through each applicable date.

(6) Pursuant to the terms of his option agreement, when Mr. Van Valkenberg ceased to be a service provider, the unvested portion of his option immediately terminated, and Mr. Van Valkenberg had a period of 90 days following the date he ceased to be a service provider in which to exercise any options that were vested at such date. Pursuant to the terms of his Employment Release Agreement dated June 8, 2010, Mr. Van Valkenberg ceased to be a service provider after July 31, 2010. As of July 31, 2010, Mr. Van Valkenberg was vested in a total of 30,000 shares under his option agreement, with an exercise price of $6.00 per share. The remaining unvested options held by Mr. Van Valkenberg were forfeited effective as of August 1, 2010.

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Outstanding Equity Awards at December 31, 2009

The following table sets forth information regarding equity awards held by our named executive officers as of December 31, 2009:

	Option Awards			
Name	**Number of Securities Underlying Unexercised Options Exercisable (#)[1]**	**Number of Securities Underlying Unexercised Options That Have Not Vested (#)**	**Option Exercise Price ($)**	**Option Expiration Date**
Stephen T. Winn *Chairman of the Board and Chief Executive Officer*				
Timothy J. Barker	125,000		$2.00	10/27/2015
Chief Financial Officer and Treasurer	37,500	12,500	2.50	12/15/2016
	32,812	42,188	7.00	3/1/2018
	23,437	101,563	6.00	2/26/2019
Dirk D. Wakeham	78,125	46,875	3.00	4/12/2017
President	32,812	42,188	7.00	3/1/2018
	18,750	81,250	6.00	2/26/2019
Ashley Chaffin Glover	100,000		2.00	3/3/2015
Executive Vice President, Multifamily	25,000		2.00	12/13/2015
Solutions	18,750	6,250	2.50	12/15/2016
	21,875	28,125	7.00	3/1/2018
	18,750	81,250	6.00	2/26/2019
William E. Van Valkenberg *Chief Legal Officer and Secretary*[2]	7,500	142,500	6.00	9/28/2019

(1) The listed stock options were granted under our 1998 Stock Incentive Plan. Stock options granted to Ms. Chaffin Glover and Messrs. Barker and Wakeham vest ratably over 16 quarters commencing on the first day of the calendar quarter immediately following the grant date, subject to continued service through each applicable vesting date, and the stock option granted to Mr. Van Valkenberg vests with respect to 5% of the shares subject to the stock option each quarter commencing on the first day of the calendar quarter immediately following the grant date for 15 consecutive quarters and the remaining 25% of the on the first day of the next following calendar quarter, subject to continued service through each applicable date.

(2) Pursuant to the terms of his option agreement, when Mr. Van Valkenberg ceased to be a service provider, the unvested portion of his option immediately terminated, and Mr. Van Valkenberg had a period of 90 days following the date he ceased to be a service provider in which to exercise any options that were vested at such date. Pursuant to the terms of his Employment Release Agreement dated June 8, 2010, Mr. Van Valkenberg ceased to be a service provider on July 31, 2010. As of July 31, 2010, Mr. Van Valkenberg was vested in a total of 30,000 shares under his option agreement, with an exercise price of $6.00 per share. The remaining unvested

options were forfeited effective as of August 1, 2010.

Option Exercises and Stock Vested

None of our named executive officers exercised their outstanding stock options during 2009.

Pension Benefits and Nonqualified Deferred Compensation

We do not provide a pension plan for our employees and none of our named executive officers participated in a nonqualified deferred compensation plan during the year ended December 31, 2009.

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Employment Agreements

The following descriptions of the terms of the employment agreements with our named executive officers are intended as a summary only and are qualified in their entirety by reference to the employment agreements filed as exhibits to the registration statement of which this prospectus is a part.

Stephen T. Winn

We entered into an employment agreement with Stephen T. Winn, our Chief Executive Officer and Chairman of the Board, on December 30, 2003. The employment agreement with Mr. Winn provides for a base salary at a rate not less than $265,000 per year until December 31, 2003 and thereafter at a rate not less than $275,000 per year with a target annual bonus of not less than 50% of his base salary and a potential maximum annual bonus of up to 100% of his base salary based on the achievement of performance criteria established by our compensation committee. Mr. Winn s current base salary is $400,000 and target annual bonus is 100% of his annual base salary with a potential maximum annual bonus of up to 200% of his annual base salary.

Mr. Winn is entitled to four weeks paid vacation per year, is eligible to participate in all employee welfare benefits plans and other benefit programs made available generally to our employees or senior executives and is reimbursed for all reasonable business expenses including travel by private aircraft for business purposes of up to $150,000 per year. Additionally, we will make available to Mr. Winn all fringe benefits and perquisites that are made available to other senior executives. Mr. Winn also receives a limited number of additional benefits and perquisites described under Executive Compensation Compensation Components Perquisites. As part of his employment, Mr. Winn is entitled to payments upon termination of his employment in certain circumstances as described below under Executive Compensation Potential Payments Upon Termination or Change in Control Arrangements with Stephen T. Winn. Our employment agreement with Mr. Winn, among other things, also includes confidentiality provisions and non-competition, non-interference and non-disparagement obligations during his employment and for a three-year period following termination.

Timothy J. Barker

We entered into an employment agreement with Timothy J. Barker, our Chief Financial Officer and Treasurer, on October 31, 2005. On October 27, 2005, in accordance with the terms of his employment agreement, Mr. Barker was granted an option to purchase 250,000 shares of our common stock at an exercise price of $2.00. The stock option vests in equal quarterly installments over 16 consecutive quarters commencing on the first day of the calendar quarter immediately following the grant date, subject to continued service through each applicable date. We subsequently amended the employment agreement with Mr. Barker on January 1, 2010. As amended, the employment agreement with Mr. Barker provides for a base salary at a rate not less than $350,000 per year effective January 1, 2010. Under the terms of his amended employment agreement, Mr. Barker is eligible to receive a target annual bonus of 50% of his base salary and a potential maximum annual bonus of up to 100% of his base salary based on the achievement of performance criteria established by our compensation committee. Mr. Barker s current base salary is $350,000 and target annual bonus is 50% of his annual base salary with a potential maximum annual bonus of up to 100% of his annual base salary. On February 25, 2010, in accordance with the terms of his amended employment agreement, Mr. Barker was granted an option to purchase 175,000 shares of our common stock at an exercise price of $7.50. The stock option vests with respect to 5% of the shares subject to the stock option each quarter commencing on the first day of the calendar quarter immediately following the grant date for 15 consecutive quarters and, with respect to the remaining 25% of the shares subject to the stock option, on the first day of the next following calendar quarter, subject to Mr. Barker s continued service through each applicable date.

Mr. Barker is entitled to three weeks paid vacation per year, is eligible to participate in all employee welfare benefits plans and other benefit programs made available generally to our employees or senior executives and is reimbursed for all reasonable business expenses. Additionally, we will make available to Mr. Barker all fringe benefits and perquisites that are made available to other senior executives. As part of his employment, Mr. Barker is also entitled to payments and other benefits upon termination of his employment in certain circumstances, and our stock option agreements with Mr. Barker provide for accelerated vesting in connection with certain change in control transactions, as described below under Executive Compensation Potential Payments Upon Termination or Change in Control Arrangements with Timothy J. Barker. Our amended employment agreement with Mr. Barker, among other things, also includes confidentiality provisions and non-competition, non-interference and non-disparagement obligations during his employment and for a one-year period following termination.

Dirk D. Wakeham

Multifamily Internet Ventures, LLC, which we acquired in April 2007, entered into an employment agreement with Dirk D. Wakeham, which was subsequently amended on April 12, 2007. Mr. Wakeham has served as our President since January 2010. As amended, the employment agreement with Mr. Wakeham provides for a base salary at a rate not less than $225,000 per year. Under the terms of his amended employment agreement, beginning in 2007, Mr. Wakeham is eligible to receive an annual bonus under the terms of our management incentive plan of 50% of his base salary for achievement of the management incentive plan at 100% and the potential to receive up to 100% of his base salary if the performance criteria stipulated in the management incentive plan is exceeded. Mr. Wakeham s current base salary is $330,000 and target annual bonus is 62.5% of his annual base salary with a potential maximum annual bonus of up to 125% of his annual base salary. In addition, Mr. Wakeham received a one-time lump sum payment of $14,700 following the closing of our acquisition of Multifamily Internet Ventures, LLC, which amount represented the difference between the amount he was paid by Multifamily Internet Ventures, LLC, for the period from January 1, 2007 and April 12, 2007 and the amount he would have been paid during such period if he had been paid at the base salary specified in his employment agreement. On April 12, 2007, in accordance with the terms of his employment agreement, Mr. Wakeham was granted an option to purchase 125,000 shares of our common stock at an exercise price of $3.00. The stock option vests in equal quarterly installments over 16 consecutive quarters commencing on the first day of the calendar quarter immediately following the grant date, subject to continued service through each applicable date.

Mr. Wakeham is entitled to three weeks paid vacation per year, is eligible to participate in all employee welfare benefits plans and other benefit programs made available generally to our employees or senior executives and is reimbursed for all reasonable business expenses. Additionally, we will make available to Mr. Wakeham all fringe benefits and perquisites that are made available to other senior executives. As part of his employment, Mr. Wakeham is also entitled to certain payments upon termination of his employment in certain circumstances as described below under Executive Compensation Potential Payments Upon Termination or Change in Control Arrangements with Our Other Named Executive Officers. Our employment agreement with Mr. Wakeham, among other things, also includes confidentiality provisions and non-interference and non-disparagement obligations during his employment and for a period of 24 months following termination.

Ashley Chaffin Glover

We entered into an employment agreement with Ashley Chaffin Glover on March 3, 2005. Ms. Chaffin Glover has served as our Executive Vice President, Multifamily Solutions since January 2010. The employment agreement with Ms. Chaffin Glover provides for a base salary at a rate not less than $150,000 per year. Under the terms of her employment agreement, beginning in 2005, Ms. Chaffin Glover is eligible to receive a target annual bonus of 40% of her base salary and a potential maximum annual bonus of up to 80% of her base salary based on the achievement of performance criteria established by our compensation committee. Ms. Chaffin Glover s annual bonus opportunity for 2005 was prorated for the portion of 2005 that she was employed by us. Ms. Chaffin Glover s current base salary is $320,000 and target annual bonus is 50% of her annual base salary with a potential maximum annual bonus of up to 100% of her annual base salary. On March 3, 2005, in accordance with the terms of her employment agreement, Ms. Chaffin Glover was granted an option to purchase 100,000 shares of our common stock at an exercise price of

$2.00. The stock option

vests in equal quarterly installments over 16 consecutive quarters commencing on the first day of the calendar quarter immediately following the grant date, subject to continued service through each applicable date.

Ms. Chaffin Glover is entitled to three weeks paid vacation per year, is eligible to participate in all employee welfare benefits plans and other benefit programs made available generally to our employees or senior executives and is reimbursed for all reasonable business expenses. Additionally, we will make available to Ms. Chaffin Glover all fringe benefits and perquisites that are made available to other senior executives. As part of her employment, Ms. Chaffin Glover is also entitled to certain payments upon termination of her employment in certain circumstances as described below under Executive Compensation Potential Payments Upon Termination or Change in Control Arrangements with Our Other Named Executive Officers. Our employment agreement with Ms. Chaffin Glover, among other things, also includes confidentiality provisions and non-competition, non-interference and non-disparagement obligations during her employment and for a one-year period following termination.

William E. Van Valkenberg

We entered into an employment agreement with William E. Van Valkenberg, Chief Legal Officer and Secretary, on September 24, 2009. The employment agreement with Mr. Van Valkenberg provided for a base salary at a rate not less than $300,000 per year. Under the terms of his employment agreement, beginning in 2009, Mr. Van Valkenberg was eligible to receive an annual bonus under the terms of our management incentive plan of 50% of his base salary for achievement of the management incentive plan at 100% and the potential to receive up to 100% of his base salary if the performance criteria for this potential is achieved as set forth in the management incentive plan. Mr. Van Valkenberg s annual bonus opportunity under the 2009 Management Incentive Plan was subject to proration based on the actual number of days he was employed by us during the year. Mr. Van Valkenberg s annual base salary was $300,000 prior to his termination and his target annual bonus was 50% of his annual base salary with a potential maximum annual bonus of up to 100% of his annual base salary. In addition, Mr. Van Valkenberg was reimbursed up to $125,000 for relocation expenses (excluding payment of commissions or other costs associated with buying or selling a home) associated with his relocation to Dallas, Texas. Prior to his relocation to Dallas, Texas, we also paid for a furnished two bedroom apartment within proximity to our office for Mr. Van Valkenberg s use and reimbursed travel expenses for him and his spouse in accordance with our standard travel policy. On September 28, 2009, in accordance with the terms of his employment agreement, Mr. Van Valkenberg was granted an option to purchase 150,000 shares of our common stock at an exercise price of $6.00. The stock option vested with respect to 5% of the shares subject to the stock option on each of October 1, 2009, January 1, 2010, April 1, 2010 and July 1, 2010. As of July 31, 2010, Mr. Van Valkenberg was vested in a total of 30,000 shares under his option agreement. The remaining unvested options were forfeited effective as of August 1, 2010. Mr. Van Valkenberg was entitled to three weeks paid vacation per year, was eligible to participate in all employee welfare benefits plans and other benefit programs made available generally to our employees or senior executives and was reimbursed for all reasonable business expenses. Additionally, we made available to Mr. Van Valkenberg all fringe benefits and perquisites that are made available to other senior executives. As part of his employment, Mr. Van Valkenberg was also entitled to certain payments upon termination of his employment in certain circumstances as described below under Executive Compensation Potential Payments Upon Termination or Change in Control Arrangements with Our Other Named Executive Officers. Our employment agreement with Mr. Van Valkenberg, among other things, also included confidentiality provisions and non-competition, non-interference and non-disparagement obligations during his employment and for a period of six months following termination. Mr. Van Valkenberg s employment with us ended and he ceased to be an executive officer effective as of May 11, 2010 and ceased to be a service provider as of July 31, 2010. On June 8, 2010, we entered into an Employment Release Agreement with Mr. Van Valkenberg which is described in Certain Relationships and Related Party Transactions Employment Arrangements and Indemnification Agreements.

Prior to entering into the employment agreement with Mr. Van Valkenberg, we entered into a consulting agreement with Mr. Van Valkenberg on June 28, 2009. Under the consulting agreement, Mr. Van Valkenberg performed legal consulting services for us on a project-by-project basis in exchange for consulting fees in the amount of $1,000 per day. In addition, Mr. Van Valkenberg was entitled to reimbursement for his reasonable out-of-pocket expenses related to the consulting services. The consulting agreement with Mr. Van Valkenberg, among other things, included confidentiality and intellectual property assignment provisions and employee non-solicitation obligations during the consulting period and for a period of 12 months following termination.

Potential Payments upon Termination or Change in Control

Our employment agreements with our named executive officers provide for payments in the event of termination of employment in certain circumstances, and our stock option agreements with Mr. Barker provide for accelerated vesting in connection with certain change in control transactions. In addition, all outstanding stock options granted to our named executive officers would become 100% vested upon the named executive officer s death or disability (as defined in Section 22(e)(3) of the Internal Revenue Code) pursuant to the terms of our 1998 Stock Incentive Plan. The descriptions and tables that follow describe the payments and benefits that we would owe to each of our named executive officers, pursuant to the applicable employment and stock option agreements with our named executive officers and our 1998 Stock Incentive Plan, and are qualified in their entirety by reference to the relevant agreements and our 1998 Stock Incentive Plan filed as exhibits to the registration statement of which this prospectus is a part.

Definition of Cause

Under the employment agreements with our named executive officers, Cause is generally defined as the occurrence of any of the following events:

- conviction for criminal acts;
- making a materially false statement to our auditors or legal counsel;
- falsification of any corporate document or form;
- any material breach by the named executive officer of his or her material obligations to us or of any published company policy;
- any material breach by the named executive officer of the provisions of his or her employment agreement;
- making a material misrepresentation of fact or omission to disclose material facts in relation to transactions occurring in our business and financial matters; and
- continued performance of his or her duties in an incompetent, unprofessional, unsuccessful, insubordinate or negligent manner.

Pursuant to the terms of their employment agreements, certain of our named executive officers have the ability to cure one or more of the foregoing breaches prior to termination, generally within ten days after receipt of written notice of breach.

Definition of Good Reason

Under the terms of the employment agreements of our named executive officers, Good Reason is generally defined as any material failure on our part to comply with any of our material obligations under the employment agreement, which failure has not been cured within ten calendar days after written notice has been given to us. Additionally, the employment agreement with Mr. Winn further provides that our failure to continue his status as President and Chief

Executive Officer or to accord him the powers, duties, reporting responsibilities and perquisites contemplated in his employment agreement shall constitute good reason.

Definition of Disability

Under our employment agreements with each of our named executive officers, we may terminate the named executive officer s employment for disability if, as a result of the named executive officer s incapacity due to physical or mental illness, he or she has been absent from his or her duties on a full-time basis for (i) a period of six consecutive months or (ii) for shorter periods aggregating six months during any 12-month period.

Arrangements with Stephen T. Winn

Pursuant to our employment agreement with Mr. Winn, in the event of his termination by reason of death or disability, Mr. Winn is entitled to receive salary continuation payments in an aggregate amount equal to 50% of his current salary in six equal monthly installments and a lump sum cash payment equal to any earned but unpaid salary and bonus and any accrued but unused vacation.

In addition, except in the event of our liquidation, dissolution or winding up, whether voluntary or involuntary, or cessation of our business in the ordinary course for any reason, if Mr. Winn s employment is terminated by us without cause or by Mr. Winn for good reason, Mr. Winn is entitled to a lump sum payment equal to 150% of his annual base salary payable within five days of his termination and 100% of his target annual bonus for the year payable after the year end based on achievement of any criteria or conditions to payment that are contingent on our earnings or other financial performance for the year.

Arrangements with Timothy J. Barker

Pursuant to our amended employment agreement with Mr. Barker, in the event of termination by reason of death or disability, by us without cause or by Mr. Barker for good reason, Mr. Barker is entitled to receive salary continuation payments in an aggregate amount equal to 50% of his current annual salary in six equal monthly installments and a lump sum cash payment equal to any earned but unpaid salary and bonus and any accrued but unused vacation as of the termination date. In the event such termination occurs within twelve months following the consummation of a business combination transaction, the salary continuation payments to Mr. Barker would be increased to an aggregate amount equal to 100% of his annual base salary payable in twelve equal monthly installments under the terms of his amended employment agreement. The salary continuation payments are conditioned upon Mr. Barker executing a full release and covenant not to sue on or before the thirtieth day following his termination.

Additionally, the stock option agreements related to our stock option grants to Mr. Barker on February 26, 2009, February 29, 2008, December 15, 2006 and October 27, 2005 provide that 100% of the unvested options subject to the agreements will fully vest upon a business combination transaction. The stock option agreement related to our stock option grant to Mr. Barker on February 25, 2010 provides that 50% of the unvested options subject to the agreement will fully vest upon a business combination transaction and 100% of the unvested options subject to the agreement will fully vest if Mr. Barker ceases to be a service provider for any reason other than for Cause (as defined in Mr. Barker s amended employment agreement) within one year of the consummation of a business combination transaction.

For purposes of Mr. Barker s amended employment agreement and stock option agreements, a business combination transaction is defined to include our merger with or into another entity where we are not the surviving entity, our dissolution, the sale of all or substantially all our assets and the transfer of beneficial ownership representing 40% or more of the voting power of our then outstanding securities to a person or group other than Seren Capital, Ltd., Stephen T. Winn, affiliates of Stephen T. Winn and a trustee or other fiduciary holding securities under one of our employee benefit plans.

Arrangements with Our Other Named Executive Officers

Pursuant to our employment agreements with each of Ms. Chaffin Glover and Messrs. Van Valkenberg and Wakeham, in the event of termination by reason of death or disability, by us without cause or by the named executive officer for good reason, each of these named executive officers is entitled to receive salary continuation payments in an aggregate amount equal to 50% of their current annual salary and a lump sum cash payment equal to any earned but unpaid salary and bonus and any accrued but unused vacation as of the termination date. The salary continuation payments to Ms. Chaffin Glover are payable in twelve equal monthly installments at an amount per installment equal to one twenty-fourth of Ms. Chaffin Glover s current annual salary. The salary continuation payments to Messrs. Van Valkenberg and Wakeham are payable in six

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equal monthly installments at an amount per installment equal to one-twelfth of the named executive officer s current annual salary. The salary continuation payments are conditioned upon the named executive officer executing a full release and covenant not to sue on or before the thirtieth day following termination.

The following table provides the total dollar value of the compensation that would be paid to each of our named executive officers assuming a change in control or the termination of his or her employment in certain defined circumstances on December 31, 2009, pursuant to the arrangements described above:

Named Executive Officer	Compensation	Death or Disability	Termination on Death or Disability	Termination without Cause or for Good Reason	Business Combination Transaction	Termination on Death or Disability or Without Cause or Good Reason Within 12 Months of a Business Combination Transaction
Stephen T. Winn	Severance Payment			$600,000(1)		
	Salary Continuation		$200,000			
	Bonus			300,000(1),(2)		
	Total		$200,000	$900,000		
Timothy J. Barker	Salary Continuation		$157,500(3)	$157,500(3)		$315,000(6)
	Option Acceleration	$39,500(4)			$39,500(5),(6)	
	Total	$39,500	$157,500	$157,500	$39,500	$315,000
Dirk D. Wakeham	Salary Continuation		$150,000	$150,000		
	Option Acceleration	$124,688(4)				
	Total	$124,688	$150,000	$150,000		
Ashley Chaffin Glover	Salary Continuation		$150,000	$150,000		
	Option Acceleration	$19,750(4)				
	Total	$19,750	$150,000	$150,000		