

Regulation G - Reconciliation of GAAP to Non-GAAP Financial Measures

(in thousands, except per share data)

(unaudited)

	Q305		Q205		Q105
GAAP net income	\$ 2,255	\$	4,228	\$	3,577
Amortization of purchased intangible assets	401		400		356
Amortization of deferred stock-based compensation	227		222		230
Tax impact of above	(119)		(123)		(105)
Non-GAAP net income	<u>\$ 2,764</u>	<u>\$</u>	<u>4,727</u>	<u>\$</u>	<u>4,058</u>
Basic non-GAAP net income per share	\$ 0.08	\$	0.14	\$	0.12
Shares used in computing basic non-GAAP net income per share	33,924		33,747		33,546
Diluted non-GAAP net income per share	\$ 0.08	\$	0.14	\$	0.12
Shares used in computing diluted non-GAAP net income per share	35,098		34,993		35,211
GAAP cost of revenues	\$ 6,629	\$	7,457	\$	7,170
Amortization of purchased intangible assets	401		400		356
Non-GAAP cost of revenues	<u>\$ 6,228</u>	<u>\$</u>	<u>7,057</u>	<u>\$</u>	<u>6,814</u>
GAAP research & development expenses	\$ 5,524	\$	5,463	\$	5,188
Amortization of deferred stock-based compensation	217		216		218
Non-GAAP research & development expenses	<u>\$ 5,307</u>	<u>\$</u>	<u>5,247</u>	<u>\$</u>	<u>4,970</u>
GAAP sales & marketing expenses	\$ 8,888	\$	9,300	\$	9,909
Amortization of deferred stock-based compensation	8		4		10
Non-GAAP sales & marketing expenses	<u>\$ 8,880</u>	<u>\$</u>	<u>9,296</u>	<u>\$</u>	<u>9,899</u>
GAAP general & administrative expenses	\$ 1,786	\$	1,292	\$	1,951
Amortization of deferred stock-based compensation	2		2		2
Non-GAAP general & administrative expenses	<u>\$ 1,784</u>	<u>\$</u>	<u>1,290</u>	<u>\$</u>	<u>1,949</u>
GAAP operating income	\$ 2,008	\$	4,665	\$	3,860
Amortization of purchased intangible assets	401		400		356
Amortization of deferred stock-based compensation	227		222		230
Non-GAAP operating income	<u>\$ 2,636</u>	<u>\$</u>	<u>5,287</u>	<u>\$</u>	<u>4,446</u>