

REALPAGE INC
Form S-1/A
July 26, 2010

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As filed with the Securities and Exchange Commission on July 26, 2010

Registration No. 333-166397

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Amendment No. 3
to
Form S-1
REGISTRATION STATEMENT
Under
The Securities Act of 1933**

RealPage, Inc.

(Exact name of Registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

7372

*(Primary Standard Industrial
Classification Code Number)*

75-2788861

*(I.R.S. Employer
Identification Number)*

**4000 International Parkway
Carrollton, Texas 75007
Tel: (972) 820-3000**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and neither we nor the selling stockholders are soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 26, 2010

13,500,000 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 7,500,000 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 public offering price of our common stock is expected to be between \$ and \$ per share. We have applied to list our common stock on the NASDAQ Global Market under the symbol RP.

The underwriters have an option to purchase a maximum of 2,025,000 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	\$	\$	\$	\$
Total	\$	\$	\$	\$

Delivery of the shares of common stock will be made on or about , 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

William Blair & Company

JMP Securities

Deutsche Bank Securities

RBC Capital Markets

Pacific Crest Securities

The date of this prospectus is _____, 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 _____, 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,			2010 (unaudited)
	2007	2008	2009	
			(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 5 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.

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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 Rentals, 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, Domini[®], 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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Common stock offered by us	6,000,000 shares
Common stock offered by the selling stockholders	7,500,000 shares
Total common stock offered	13,500,000 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.
Proposed NASDAQ Global 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:

9,127,034 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 \$4.88 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.;

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3,499,272 shares of common stock reserved for future issuance under our 2010 Equity Incentive Plan, which will become effective in connection with this offering (including 999,272 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

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 2,025,000 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.

Table of Contents**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)

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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)

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	Year Ended December 31,			Six Months Ended June 30,	
	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	10,223	13,886	23,934	23,831	25,901
Diluted	10,223	13,886	25,511	23,831	25,901
Pro forma net income per share attributable to common stockholders (unaudited) ⁽¹⁾ :					
Basic			\$		\$
Diluted			\$		\$
Pro forma weighted average shares outstanding used in computing net income per share attributable to common shareholders (unaudited) ⁽²⁾ :					
Basic					
Diluted					

	As of December 31,			As of
	2007	2008	2009	June 30, 2010 (unaudited)
(in thousands)				
Consolidated Balance Sheet Data:				
Cash and cash equivalents ⁽³⁾	\$ 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 ⁽⁴⁾	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 ⁽⁵⁾	\$ 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
	2007	2008	2009	June 30, 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 represents net income divided by the pro forma weighted average shares outstanding 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 reflects the effect of our use of proceeds from the offering to repay debt. The pro forma calculation assumes the sale of _____ shares of common stock offered by us used for this debt reduction at an assumed public offering price of \$ _____ per

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share, the midpoint of the range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and our estimated offering costs payable. Pro forma net income per share was 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 assumes the sale of 6,000,000 shares of common stock issued by us through this offering including _____ shares offered by us 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) Excludes restricted cash.
- (4) Includes capital lease obligations.
- (5) 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.

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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;

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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

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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. through 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

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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.

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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

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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.

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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 NSF, or rejected. These NSF 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.

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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.

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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

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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

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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 July 23, 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 Global Market. 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 73.5% of our common stock following this offering, or 70.3% if the underwriters exercise their over-allotment option in full. Further, we anticipate that 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. Depending on the size of the offering and the number of shares of common stock, if any, to be sold in the offering by Mr. Winn and entities beneficially owned by Mr. Winn, Mr. Winn, and entities beneficially owned by Mr. Winn, may be able to 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 will be 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;

8,790 shares will be eligible for sale beginning 90 days after the date of this prospectus; and

48,695,614 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 73.7% 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 13,184,982 shares of common stock that have been issued or reserved for future issuance under our stock incentive plans. Of these shares, 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.

We expect the initial public offering price of our common stock to be 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 \$ 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 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 % 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

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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:

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 at an assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the front cover of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses, will be approximately \$ million. A \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share would increase (decrease) our net proceeds to us from this offering by approximately \$ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses that we expect to pay. 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.

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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 at an assumed initial public offering price of \$ per share, the midpoint of the range set forth on the front cover of this prospectus, after deducting estimated 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) (in thousands)	Pro Forma As Adjusted (unaudited)
Cash and cash equivalents	\$ 5,132	\$ 5,132	\$
Revolving credit facility	\$ 5,673	\$ 5,673	\$
Current and long term-debt ⁽¹⁾	59,070	59,070	
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:			

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1,625,000 shares authorized, issued and outstanding, actual;			
1,625,000 shares authorized, no shares issued or outstanding, pro			
forma; no shares authorized, issued and outstanding, pro forma as			
adjusted	6,626		
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	\$
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	
Treasury stock	(942)	(942)	
Accumulated deficit	(89,836)	(89,836)	
Accumulated other comprehensive income	(13)	(13)	
Total stockholders' (deficit) equity	(65,579)	7,468	
Total capitalization	\$ 72,211	\$ 72,211	\$

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:

9,127,034 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 \$4.88 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.;

3,499,272 shares of common stock reserved for future issuance under our 2010 Equity Incentive Plan, which will become effective in connection with this offering (including 999,272 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

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.

A \$1.00 increase or decrease in the assumed initial public offering price would result in an approximately \$ million decrease or increase in each of pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders (deficit) equity and total capitalization.

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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 \$ million, or \$ per share of common stock after giving effect to our sale of 6,000,000 shares of common stock in this offering at an assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the front cover of this prospectus. 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 \$ per share to existing stockholders and an immediate dilution in net tangible book value of \$ per share to purchasers of common stock in this offering.

The following table illustrates this dilution:

Assumed initial offering price per share	\$
Pro forma net tangible book value per share as of June 30, 2010	\$ (0.98)
Increase per share attributable to this offering	
Pro forma as adjusted net tangible book value per share after this offering	
Net tangible book value dilution per share to new investors in this offering	\$

If all our outstanding options and warrants 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 \$(9.9) million, or \$(0.15) per share, and the pro forma as adjusted net tangible book value after this offering would have been \$ million, or \$ per share, causing dilution to new investors of \$ 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 at the initial public offering price of \$, the midpoint of the price range set forth on the front cover of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses:

	Shares Purchased		Total		Average
	Number	Percent	Amount	Percent	Price Per
					Share
Existing stockholders	56,305,404	90.4%	\$ 98,259,305	%	\$ 1.75
New investors	6,000,000	9.6			
Total	62,305,404	100.0%		\$ 100.0%	\$

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:

9,127,034 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 \$4.88 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.;

3,499,272 shares of common stock reserved for future issuance under our 2010 Equity Incentive Plan, which will become effective in connection with this offering (including 999,272 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

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.

Table of Contents**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	2006	2007	2008	2009	2009	2010
	(unaudited)	(unaudited)				(unaudited)	(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

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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)

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	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)						
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)
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					\$		\$
Diluted					\$		\$
Pro forma weighted average shares outstanding used in computing net income per share attributable to common stockholders (unaudited) ⁽²⁾ :							
Basic							
Diluted							

	As of December 31,					As of
	2005 (unaudited)	2006 (unaudited)	2007	2008	2009	June 30, 2010 (unaudited)
	(in thousands)					
Consolidated Balance Sheet Data:						
Cash and cash equivalents ⁽³⁾	\$ 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

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Current and long-term debt ⁽⁴⁾	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 ⁽⁵⁾	\$ (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

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	As of December 31,					As of
	2005	2006	2007	2008	2009	June 30, 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 represents net income divided by the pro forma weighted average shares outstanding 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 reflects the effect of our use of proceeds from the offering to repay debt. The pro forma calculation assumes the sale of _____ shares of common stock offered by us used for this debt reduction at an assumed public offering price of \$ _____ per share, the midpoint of the range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and our estimated offering costs payable. Pro forma net income per share was 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 assumes the sale of 6,000,000 shares of common stock issued by us through this offering including _____ shares offered by us 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) Excludes restricted cash.
- (4) Includes capital lease obligations.
- (5) 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 (unaudited):

	2005	Year Ended December 31,				Six Months Ended	
		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:

	2005	Year Ended December 31,				Six Months Ended	
		2006	2007	2008	2009	2009	2010
(in thousands)							
						(unaudited)	(unaudited)

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Cost of revenue	\$	\$	\$ 48	\$ 104	\$ 367	\$ 152	\$ 267
Product development			251	727	1,175	499	1,037