



# Quarterly GAAP/Non-GAAP Reclassification for Continuing and Discontinued Operations

2009 and 2010



# Use of Non-GAAP Financial Information

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## USE OF NON-GAAP FINANCIAL INFORMATION

The Company occasionally utilizes financial measures and terms not calculated in accordance with generally accepted accounting principles in the United States (“GAAP”) in order to provide investors with an alternative method for assessing our operating results in a manner that enables investors to more thoroughly evaluate our current performance as compared to past performance. We also believe these Non-GAAP measures provide investors with a more informed baseline for modeling the Company’s future financial performance. Management uses these Non-GAAP financial measures to make operational and investment decisions, to evaluate the Company's performance, to forecast and to determine compensation. Further, management utilizes these performance measures for purposes of comparison with its business plan and individual operating budgets and allocation of resources. We believe that our investors should have access to, and that we are obligated to provide, the same set of tools that we use in analyzing our results. These Non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. We have provided definitions below for certain Non-GAAP financial measures, together with an explanation of why management uses these measures and why management believes that these Non-GAAP financial measures are useful to investors.

## RECLASSIFICATION OF NON-GAAP MEASURES FOR CONTINUING AND DISCONTINUED OPERATIONS

The following tables present our Non-GAAP financial measures reclassified for continuing and discontinued operations by quarter for 2010 and 2009. Our Non-GAAP measures adjust GAAP Gross profit, Operating income, Income from continuing operations, Income (loss) from discontinued operations, Net income (loss), Income per share - diluted from continuing operations and Net income (loss) per share - diluted for non-cash stock-based compensation expense, non-recurring severance expenses and expense related to the wind down of our e-Prescribing business/Strategic review expenses to derive Non-GAAP adjusted Gross profit, adjusted Operating income, adjusted Income from continuing operations, adjusted Income (loss) from discontinued operations, adjusted Net income (loss), adjusted Income per share - diluted from continuing operations and adjusted Net income (loss) per share - diluted. We provide a reconciliation of these adjusted Non-GAAP measures to GAAP Gross profit, Operating income, Income from continuing operations, Income (loss) from discontinued operations, Net income (loss), Income per share - diluted from continuing operations and Net income (loss) per share - diluted.

# Reclassification of Non-GAAP Financial Measures for Continuing and Discontinued Operations

Unaudited

	2010					2009				
	Q1	Q2	Q3	Q4	2010	Q1	Q2	Q3	Q4	2009
Revenue:										
GAAP revenue	\$ 7,479,000	\$ 8,194,000	\$ 8,548,000	\$ 8,845,000	\$ 33,066,000	\$ 6,242,000	\$ 6,379,000	\$ 6,685,000	\$ 7,101,000	\$ 26,407,000
Gross profit:										
GAAP gross profit	\$ 5,977,000	\$ 6,624,000	\$ 6,886,000	\$ 7,111,000	\$ 26,598,000	\$ 5,229,000	\$ 5,291,000	\$ 5,506,000	\$ 5,805,000	\$ 21,831,000
Stock-based compensation charges (1)	(A) 37,000	43,000	43,000	38,000	161,000	39,000	16,000	54,000	23,000	132,000
Non-recurring severance payments (2)	(B) -	-	-	4,000	4,000	-	-	13,000	16,000	29,000
Non-GAAP adjusted gross profit	\$ 6,014,000	\$ 6,667,000	\$ 6,929,000	\$ 7,153,000	\$ 26,763,000	\$ 5,268,000	\$ 5,307,000	\$ 5,573,000	\$ 5,844,000	\$ 21,992,000
Operating income:										
GAAP operating income	\$ 441,000	\$ 1,388,000	\$ 1,599,000	\$ 1,718,000	\$ 5,146,000	\$ 699,000	\$ 65,000	\$ 649,000	\$ 872,000	\$ 2,285,000
Stock-based compensation charges (1)	(A) 446,000	474,000	530,000	385,000	1,835,000	599,000	408,000	874,000	457,000	2,338,000
Non-recurring severance payments (2)	(B) -	89,000	169,000	4,000	262,000	-	358,000	140,000	105,000	603,000
Expenses related to strategic review (3)	(C) -	2,000	2,000	-	4,000	-	75,000	93,000	141,000	309,000
Non-GAAP adjusted operating income	\$ 887,000	\$ 1,953,000	\$ 2,300,000	\$ 2,107,000	\$ 7,247,000	\$ 1,298,000	\$ 906,000	\$ 1,756,000	\$ 1,575,000	\$ 5,535,000
Income from continuing operations:										
GAAP income from continuing operations	\$ 524,000	\$ 1,379,000	\$ 1,671,000	\$ 37,146,000	\$ 40,720,000	\$ 747,000	\$ 112,000	\$ 723,000	\$ 829,000	\$ 2,411,000
Stock-based compensation charges (1)	(A) 446,000	474,000	530,000	385,000	1,835,000	599,000	408,000	874,000	457,000	2,338,000
Non-recurring severance payments (2)	(B) -	89,000	169,000	4,000	262,000	-	358,000	140,000	105,000	603,000
Expenses related to wind-down of e-Prescribing business (3)	(C) -	2,000	2,000	-	4,000	-	75,000	93,000	141,000	309,000
Income tax impact	(D) (96,000)	(62,000)	(54,000)	(35,348,000)	(35,560,000)	-	-	-	3,000	3,000
Non-GAAP adjusted income from continuing operations	\$ 874,000	\$ 1,882,000	\$ 2,318,000	\$ 2,187,000	\$ 7,261,000	\$ 1,346,000	\$ 953,000	\$ 1,830,000	\$ 1,535,000	\$ 5,664,000
Income (loss) from discontinued operations:										
GAAP income (loss) on discontinued operations	\$ 188,000	\$ 122,000	\$ 97,000	\$ 86,000	\$ 493,000	\$ (2,289,000)	\$ (2,037,000)	\$ (1,380,000)	\$ (1,140,000)	\$ (6,846,000)
Stock-based compensation charges (1)	(A) 63,000	14,000	9,000	8,000	94,000	237,000	125,000	255,000	139,000	756,000
Non-recurring severance payments (2)	(B) 3,000	80,000	7,000	6,000	96,000	-	126,000	95,000	627,000	848,000
Expenses related to wind-down of e-Prescribing business (3)	(C) 8,000	-	-	152,000	160,000	-	-	-	84,000	84,000
Income tax impact	(D) 102,000	66,000	53,000	48,000	269,000	-	-	-	-	-
Non-GAAP adjusted income from discontinued operations	\$ 364,000	\$ 282,000	\$ 166,000	\$ 300,000	\$ 1,112,000	\$ (2,052,000)	\$ (1,786,000)	\$ (1,030,000)	\$ (290,000)	\$ (5,158,000)
Net income (loss):										
GAAP net income (loss)	\$ 712,000	\$ 1,501,000	\$ 1,768,000	\$ 37,232,000	\$ 41,213,000	\$ (1,542,000)	\$ (1,925,000)	\$ (657,000)	\$ (311,000)	\$ (4,435,000)
Stock-based compensation charges (1)	(A) 509,000	488,000	539,000	393,000	1,929,000	836,000	533,000	1,129,000	596,000	3,094,000
Non-recurring severance payments (2)	(B) 3,000	169,000	176,000	10,000	358,000	-	484,000	235,000	732,000	1,451,000
Expenses related to strategic review and wind-down of e-Prescribing business (3)	(C) 8,000	2,000	2,000	152,000	164,000	-	75,000	93,000	225,000	393,000
Income tax impact	(D) 6,000	4,000	(1,000)	(35,300,000)	(35,291,000)	-	-	-	3,000	3,000
Non-GAAP adjusted net income	\$ 1,238,000	\$ 2,164,000	\$ 2,484,000	\$ 2,487,000	\$ 8,373,000	\$ (706,000)	\$ (833,000)	\$ 800,000	\$ 1,245,000	\$ 506,000
Diluted income from continuing operations per common share*:										
GAAP income from continuing operations	\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.54	\$ 0.61	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.04
Adjustments per share	(A-D) 0.01	0.01	0.01	(0.51)	(0.50)	0.01	0.01	0.02	0.01	0.05
Non-GAAP adjusted income from continuing operations	\$ 0.02	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.11	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.02	\$ 0.09
Diluted net income (loss) per common share*:										
GAAP net income (loss)	\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.54	\$ 0.62	\$ (0.02)	\$ (0.03)	\$ (0.01)	\$ (0.00)	\$ (0.07)
Adjustments per share	(A-D) 0.01	0.01	0.01	(0.51)	(0.49)	0.01	0.02	0.02	0.02	0.08
Non-GAAP adjusted net income (loss)	\$ 0.02	\$ 0.03	\$ 0.04	\$ 0.04	\$ 0.13	\$ (0.01)	\$ (0.01)	\$ 0.01	\$ 0.02	\$ 0.01
Shares used to compute non-GAAP adjusted net income (loss) per share - diluted	65,511,791	66,359,134	66,636,460	68,441,439	66,741,681	63,319,482	63,341,602	64,701,323	64,837,251	64,050,751

\*Totals may be off due to rounding

# Breakdown of Non-GAAP Adjustments Reclassified for Continuing and Discontinued Operations

	2010					2009				
	Q1	Q2	Q3	Q4	2010	Q1	Q2	Q3	Q4	2009
(1) Stock-based compensation charges are included as follows:										
Cost of revenues	\$ 37,000	\$ 43,000	\$ 43,000	\$ 38,000	\$ 161,000	\$ 39,000	\$ 16,000	\$ 54,000	\$ 23,000	\$ 132,000
Research and development	43,000	48,000	48,000	44,000	183,000	46,000	22,000	64,000	37,000	169,000
Selling, general and administrative	366,000	383,000	439,000	303,000	1,491,000	514,000	370,000	756,000	397,000	2,037,000
Discontinued operations	63,000	14,000	9,000	8,000	94,000	237,000	125,000	255,000	139,000	756,000
	<u>\$ 509,000</u>	<u>\$ 488,000</u>	<u>\$ 539,000</u>	<u>\$ 393,000</u>	<u>\$ 1,929,000</u>	<u>\$ 836,000</u>	<u>\$ 533,000</u>	<u>\$ 1,129,000</u>	<u>\$ 596,000</u>	<u>\$ 3,094,000</u>
(2) Non-recurring severance payments are included as follows:										
Cost of revenues	\$ -	\$ -	\$ -	\$ 4,000	\$ 4,000	\$ -	\$ -	\$ 13,000	\$ 16,000	\$ 29,000
Research and development	-	-	-	-	-	-	4,000	-	70,000	74,000
Selling, general and administrative	-	89,000	169,000	-	258,000	-	354,000	127,000	19,000	500,000
Discontinued operations	3,000	80,000	7,000	6,000	96,000	-	126,000	95,000	627,000	848,000
	<u>\$ 3,000</u>	<u>\$ 169,000</u>	<u>\$ 176,000</u>	<u>\$ 10,000</u>	<u>\$ 358,000</u>	<u>\$ -</u>	<u>\$ 484,000</u>	<u>\$ 235,000</u>	<u>\$ 732,000</u>	<u>\$ 1,451,000</u>
(3) Expenses related to strategic review and the wind-down of e-Prescribing business are as follows:										
Selling, general and administrative	\$ -	\$ 2,000	\$ 2,000	\$ -	\$ 4,000	\$ -	\$ 75,000	\$ 93,000	\$ 141,000	\$ 309,000
Discontinued operations	8,000	-	-	152,000	160,000	-	-	-	84,000	84,000
	<u>\$ 8,000</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 152,000</u>	<u>\$ 164,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 93,000</u>	<u>\$ 225,000</u>	<u>\$ 393,000</u>
<b>The following components are included in the GAAP operating expense:</b>										
Research and development expense	\$ 1,308,000	\$ 1,248,000	\$ 1,261,000	\$ 1,272,000	\$ 5,089,000	\$ 803,000	\$ 820,000	\$ 886,000	\$ 1,110,000	\$ 3,619,000
Selling, general and administrative expense	4,228,000	3,988,000	4,026,000	4,121,000	\$ 16,363,000	3,727,000	4,406,000	3,971,000	3,823,000	\$ 15,927,000
	<u>\$ 5,536,000</u>	<u>\$ 5,236,000</u>	<u>\$ 5,287,000</u>	<u>\$ 5,393,000</u>	<u>\$ 21,452,000</u>	<u>\$ 4,530,000</u>	<u>\$ 5,226,000</u>	<u>\$ 4,857,000</u>	<u>\$ 4,933,000</u>	<u>\$ 19,546,000</u>

## Use of Non-GAAP Financial Information

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This presentation includes Non-GAAP measures. Our Non-GAAP measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. For a detailed explanation of the adjustments made to comparable GAAP measures, the reasons why management uses these measures, the usefulness of these measures and the material limitations of these measures, see items (A) through (D) below.

Items (A) through (D) on the "Reclassification of Non-GAAP Financial Measures for Continuing and Discontinued Operations" table are listed to the right of certain categories under Gross profit, Operating income, Income from continuing operations, Income (loss) from discontinued operations, Net income (loss), Income from continuing operations per share – diluted and Net income (loss) per share - diluted and correspond to the categories explained in further detail below under (A) through (D).

(A) Non-cash stock-based compensation charges relating to stock option grants awarded to employees and third-party service providers and accounted for in accordance with Share-Based Payment accounting guidance. See (1) on previous page for breakdown of stock-based compensation. Because of varying valuation methodologies, subjective assumptions and varying award types, the Company believes that the exclusion of stock-based compensation charges provides for more accurate comparisons to our peer companies and for a more accurate comparison of our financial results to previous periods. Additionally, the Company believes it is useful to investors to understand the specific impact of non-cash stock-based compensation charges on our operating results.

(B) Severance payments related to reduction in workforce. See item (2) on previous page for breakdown of severance payments. The Company's management excludes these costs when evaluating the ongoing performance and/or predicting its earnings trends and therefore excludes these charges on our adjusted operating results.

(C) Expenses related to strategic review and wind down of the Company's e-Prescribing business segment. See item (3) on the previous page for a breakdown of strategic review/wind down expenses. The Company's management excludes these costs when evaluating the ongoing performance and/or predicting its earnings trends and therefore excludes these charges when presenting Non-GAAP financial measures.

(D) The Non-GAAP tax provision adjustment represents the non-cash tax expense included in the GAAP tax provision, including the current period utilization of deferred tax assets created in previous periods. The remaining provision for income taxes represents expected cash taxes to be paid.