

**UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF TEXAS**

IN RE MOTIVE, INC. SECURITIES LITIGATION

Civil Action No. A-05-CV-923-LY

GLENN ADAIR, Derivatively and on Behalf of :  
Nominal Defendant Motive, Inc., :  
Plaintiff, :  
v. :  
SCOTT L. HARMON, PAUL M. BAKER, :  
VIRGINIA GAMBALE, MICHAEL J. MAPLES, :  
SR., TOM MEREDITH, DAVID SIKORA, :  
HARVEY WHITE, ERIC L. JONES, MICHAEL :  
LaVIGNA and JOHN D. THORNTON, :  
Defendants, :  
And MOTIVE, INC., :  
Nominal Defendant. :

Case No. A-06-CA-017-LY

**NOTICE OF PENDENCY OF CLASS ACTION AND PROPOSED PARTIAL SETTLEMENT OF CLASS ACTION AND COMPLETE SETTLEMENT OF DERIVATIVE ACTION AND MOTION FOR ATTORNEYS' FEES AND EXPENSES**

**IF YOU PURCHASED OR OTHERWISE ACQUIRED THE COMMON STOCK OF MOTIVE, INC. ("MOTIVE" OR THE "COMPANY"), BETWEEN JUNE 24, 2004 AND OCTOBER 26, 2005, INCLUSIVE (THE "CLASS"), YOU COULD RECEIVE A PAYMENT FROM THE PARTIAL SETTLEMENT OF A CLASS ACTION.**

**THIS NOTICE ALSO DESCRIBES THE CHANGES IN MOTIVE'S CORPORATE GOVERNANCE, WHICH ARE THE BASIS FOR THE SETTLEMENT OF A LAWSUIT BROUGHT BY A SHAREHOLDER ON BEHALF OF MOTIVE (THE "DERIVATIVE ACTION").**

**A federal court authorized this Notice. This is not a solicitation from a lawyer.**

**The Securities and Time Period for the Class Action:** Motive common stock purchased or otherwise acquired between June 24, 2004 and October 26, 2005, inclusive.

**The Settlement Fund for the Class Action:** The Settlement Fund is comprised of the following two components: (i) the principal amount of \$7,000,000 in cash and (ii) 2.5 million shares of Motive common stock ("Settlement Stock"). See Question 10 below for more details.

Your recovery in *In re Motive, Inc. Securities Litigation*, Civil Action No. A-05-CV-923-LY (the "Class Action") will depend on the number of shares of Motive common stock you purchased or acquired between June 24, 2004, and October 26, 2005, inclusive, (the "Class Period") and the timing of your purchases, acquisitions, and any sales. Depending on the number of eligible shares of Motive common stock that participate in the Settlement and when those shares were purchased and/or acquired and sold, the estimated average recovery per share of Motive common stock will be approximately \$0.29–\$0.47, depending on the value, if any, of the Settlement Stock, before deduction of court-approved fees and expenses, depending on the ultimate value of the Settlement Stock.

**The Remedy Provided by the Derivative Action:** The Derivative Settlement (defined in Question 10 below) will provide corporate governance benefits to Motive. As noted above, the Derivative Action is brought derivatively on behalf of Motive, and not on behalf of the individual shareholders of Motive. No monetary relief will be provided.

**The Class Action Lawsuit:** The partial settlement (the "Settlement") resolves class action litigation over whether certain defendants in this Class Action—the defendants being Motive, Scott L. Harmon ("Harmon"), Paul M. Baker ("Baker"), R. Logan Wray ("Wray"), Eric L. Jones ("Jones"), Michael LaVigna ("LaVigna"), Michael J. Maples ("Maples"), Thomas Meredith ("Meredith"), David Sikora ("Sikora"), and John D. Thornton ("Thornton") (collectively, the "Settling Defendants")—issued materially false and misleading statements regarding the Company's operations and financial condition. See Question 2 below for more information.

This Settlement does not resolve the allegations against defendant, Ernst & Young ("E&Y"). The Lead Plaintiffs continue to prosecute their claims as asserted in the Class Action against E&Y. See Question 2 below for more details.

**The Derivative Action:** The Derivative Settlement resolves an action filed by a shareholder on behalf of Motive. The Derivative Plaintiff claims that, during the relevant period, Motive projected inflated revenues, provided guidance that was false or misleading, and did not disclose that there was a decline in demand for the Company's management automation software. The Derivative Plaintiff claims that, as a result of this alleged conduct, certain Settling Defendants breached their fiduciary duties to Motive.

**Attorneys' Fees and Expenses:** Co-Lead Counsel in the Class Action have litigated this Class Action on a contingent basis and have conducted this litigation and advanced the expenses of litigation with the expectation that if they were successful in recovering money for the Class, they would receive fees and be reimbursed for their expenses from the Settlement Fund, as is customary in this type of litigation. Court-appointed Co-Lead Counsel will apply to the Court for attorneys' fees not to exceed 30% of the Settlement Fund, in equal parts cash and Motive stock, and reimbursement of out-of-pocket expenses not to exceed \$200,000, plus interest on both amounts, all to be paid from the Settlement Fund. If the above amounts are requested and approved by the Court, the average cost per share of Motive common stock will be \$0.09–\$0.15, depending on the ultimate monetary value of the Settlement Fund.

Plaintiff's Counsel in the Derivative Action, who has litigated the Derivative Action on a contingent-fee basis, has not yet received any compensation in connection with the case and will apply for an award of attorneys' fees and reimbursement of expenses of up to \$107,500 to be paid by Motive.

<b>DEADLINES IN THE CLASS ACTION:</b> Submit Claim Request Exclusion File Objection	July 20, 2008 May 21, 2008 May 21, 2008
<b>COURT HEARING ON FAIRNESS OF SETTLEMENT</b>	July 1, 2008

**FOR MORE INFORMATION**

**Claims Administrator:**

Motive Inc., Securities Litigation  
Claims Administrator  
c/o A.B. Data, Ltd.  
Post Office Box 170500  
Milwaukee, WI 53217  
Telephone: (866) 963-9973

**Co-Lead Counsel:**

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You may also submit an objection in the Derivative Action to either the Derivative Settlement or Derivative Counsel's request for attorneys' fees and reimbursement of expenses by the same deadline as the Class Action objection deadline stated above (May 21, 2008). For more information regarding the Derivative Settlement, contact Derivative Counsel, Brian Felgoise, Esq., Law Offices of Brian M. Felgoise, P.C., 261 Old York Road, Suite 423, Jenkintown, PA 19046.

**YOUR LEGAL RIGHTS ARE AFFECTED WHETHER YOU ACT OR DO NOT ACT. READ THIS NOTICE CAREFULLY.**

**Statement of Recovery**

Lead Plaintiffs estimate that approximately 23,759,059 shares of Motive common stock were purchased and/or acquired and potentially damaged during the Class Period. Lead Plaintiffs estimate that the average recovery per share of Motive common stock under the Settlement will be in the range of \$0.29–\$0.47, depending on the value, if any, of the Settlement Stock, before the deduction of attorneys' fees, costs, and expenses, as approved by the Court. The actual recovery per share of Motive common stock will depend on (1) the number of claims filed; (2) when Class Members purchased and/or acquired their shares during the Class Period; (3) whether Class Members either sold their shares during the Class Period or held their shares past the end of the Class Period; (4) administrative costs, including the costs of notice, for the Class Action and Derivative Action; and (5) the amount awarded by the Court for attorneys' fees, costs, and expenses. Distributions to Class Members will be made based on the Plan of Allocation set forth in this Notice. See the Plan of Allocation on Pages 6-7.

The Derivative Settlement will provide corporate governance benefits to Motive, which are explained below. As noted above, the Derivative Action is brought derivatively on behalf of Motive, and not on behalf of the individual shareholders of Motive. The Derivative Settlement does not include a monetary recovery.

**The Circumstances of the Settlement**

The principal reason for Lead Plaintiffs' consent to the Settlement in the Class Action is to provide a benefit to the Class. This benefit must be compared to the risk that no recovery might be achieved after contested motions, a contested trial, and likely appeals, possibly years into the future. While Co-Lead Counsel were prepared to go to trial and were confident in their ability to present a case against the Settling Defendants, they also recognize that trial is a risky proposition and that Lead Plaintiffs and the Class might not have prevailed. The claims in this case involve numerous complex legal and factual issues, as well as complicated accounting practices, that would require extensive and costly discovery and expert testimony. Among the issues on which the two sides do not agree are (i) the amount of damages that could be recovered at trial; (ii) the method for determining whether the common stock of Motive was artificially inflated during the relevant period; (iii) the amount of any such inflation; (iv) the extent that various facts alleged by Lead Plaintiffs were materially false or misleading; (v) the extent that various facts alleged by Lead Plaintiffs influenced the trading price of Motive common stock during the relevant period; and (vi) whether the facts alleged were material, false, misleading, or otherwise actionable under the securities laws. In addition, Motive has been incurring losses in its business and significant insurance coverage issues exist, putting into question the amount Lead Plaintiffs could recover even if they obtained a verdict in their favor. As a result, Lead Plaintiffs believe this Settlement is a fair, reasonable, and adequate recovery for the Class.

The Settling Defendants have denied and continue to deny that they have committed any act or omission giving rise to any liability and/or violation of law. Nonetheless, the Settling Defendants consent to the Settlement in the Class Action to eliminate the burden and expense of further litigation.

The principal reason for Derivative Plaintiff's decision to settle is that while all parties are confident of prevailing if the litigation were to proceed, they also recognize the risks that their evaluations might not prove accurate and continuing the litigation could be risky and expensive for all parties. Derivative Plaintiff and Motive view the corporate governance policies and internal controls that have been and will be adopted, formalized, or reconfirmed as part of the Derivative Settlement as beneficial to Motive and its shareholders.

The Settling Defendants have denied and continue to deny that they have committed any act or omission giving rise to any liability and/or violation of law. Nonetheless, the Settling Defendants consent to the Settlement in the Derivative Action to eliminate the burden and expense of further litigation.

YOUR LEGAL RIGHTS AND OPTIONS IN THE CLASS ACTION SETTLEMENT	
SUBMIT A CLAIM FORM	The only way to receive a payment from the Settlement Fund.
EXCLUDE YOURSELF	Receive no payment from the Settlement Fund. This is the only option that allows you to participate in another lawsuit against the Settling Defendants or the Released Persons concerning the legal claims being released in this Class Action.
OBJECT	You may write to the Court if you do not like this Settlement, the Plan of Allocation, or the request for attorneys' fees and expenses.
GO TO A HEARING	You may appear in Court to speak about, either for or against, the fairness of the Settlement.
DO NOTHING	Receive no payment from the Settlement Fund.

- These rights and options—**and the deadlines to exercise them**—are explained in this Notice.
- The Court in charge of these actions must decide whether to approve the Settlements. Payments in the Class Action will be made if the Court approves the Class Action Settlement and, if there are any appeals, after appeals are resolved. Please be patient.

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**BASIC INFORMATION**

**1. Why did I receive this Notice package?**

You or someone in your family may have purchased or otherwise acquired the common stock of Motive between June 24, 2004 and October 26, 2005, inclusive. Or, you are a current shareholder of Motive common stock.

If this description applies to you, you have a right to know about a proposed partial settlement of a class action lawsuit and a proposed settlement of a derivative action and about all of your options before the Court decides whether to approve those settlements. If the Court approves those settlements and after any objections or appeals are resolved, the Claims Administrator appointed by the Court will make the payments that the Class Action Settlement allows (if any).

This package explains the lawsuits, the settlements, your legal rights, what benefits are available, who is eligible for them, and how to receive them.

## **2. What are these lawsuits about?**

**The Class Action:** On or after November 1, 2005, five securities class actions were filed against Motive and certain of its officers and directors in the United States District Court for the Western District of Texas. The Court consolidated these actions by order dated January 18, 2006.

On October 27, 2006, Lead Plaintiffs filed the Consolidated Class Action Complaint, which added Motive's former outside auditor, E&Y, and Wray, Motive's chief operating officer during the relevant period, as defendants. On February 1, 2007, Lead Plaintiffs filed the Consolidated Amended Class Action Complaint (the "Complaint") asserting (i) claims under Sections 11, 12(a)(2), and 15 of the Securities Act of 1933 (the "Securities Act") against Motive, Harmon, Baker, Jones, LaVigna, Maples, Meredith, Sikora, Thornton, and E&Y and (ii) claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), and Rule 10b-5 promulgated thereunder by the United States Securities and Exchange Commission ("SEC"), against Motive, Harmon, Baker, Wray, and E&Y. The Complaint alleged that the Defendants, in connection with Motive's June 2004 initial public offering and during the Company's first year as a publicly traded entity, issued materially false and misleading statements regarding the Company's operations and financial condition. The Complaint further asserted that, as a result of the alleged conduct, the price of Motive common stock was artificially inflated, causing damage to Lead Plaintiffs and the other members of the Class who purchased or otherwise acquired Motive common stock during the Class Period.

On April 18, 2007, the Defendants filed motions to dismiss the Complaint. Lead Plaintiffs filed an omnibus memorandum in opposition to the motions to dismiss on July 9, 2007. Defendants filed reply memoranda in support of their motions to dismiss on August 30, 2007, and August 31, 2007. While Defendants' motions to dismiss were pending, Lead Plaintiffs and the Settling Defendants began discussing a possible resolution of the Class Action and participated in a formal mediation with the assistance of an experienced mediator on October 8, 2007. At this mediation, the Lead Plaintiffs and Settling Defendants reached a tentative agreement to settle the Class Action.

Defendant E&Y is not participating in this partial settlement, and Lead Plaintiffs continue to prosecute the claims asserted in the Class Action against E&Y. Lead Plaintiffs have, in fact, filed an amended complaint amending their allegations against E&Y. By Order of Severance dated March 7, 2008, the Court severed all issues and disputes between Lead Plaintiffs and E&Y from this Class Action into a separate and distinct cause of action entitled, *Paskowitz, et al. v. Ernst & Young, LLP*, Civil Action NO. A-08-CA-188-LY.

**The Derivative Action:** On January 9, 2006, Glenn Adair, derivatively on behalf of nominal defendant, Motive, Inc., filed the Derivative Action in the Western District of Texas. Derivative Plaintiff's claims arise out of alleged breaches of fiduciary duty by certain officers and directors of Motive during the period June 25, 2004, through the present. Derivative Plaintiff claims that, during the relevant period, Motive projected inflated revenues, provided guidance that was false or misleading, and did not disclose that there was a decline in demand for the Company's management automation software. As a result of this alleged conduct, Derivative Plaintiff claims that the Settling Individual Defendants breached their fiduciary duties to Motive.

Plaintiff's Counsel in the Derivative Action has conducted a thorough investigation relating to the claims and the underlying events and transactions asserted in the Derivative Action. Plaintiff's Counsel in the Derivative Action has analyzed the evidence adduced during its factual investigation and has researched the applicable law with respect to Motive's claims against the defendants and the potential defenses thereto. Based upon its investigation and confirmatory discovery regarding the information set forth above, Plaintiff's Counsel in the Derivative Action has concluded that the terms and conditions of the Derivative Stipulation are fair, reasonable, and adequate to Derivative Plaintiff and Motive, and in their best interests, and has recommended that Derivative Plaintiff, derivatively on behalf of Motive, settle the claims raised in the Derivative Action pursuant to the terms and provisions of the Derivative Stipulation.

## **3. Why is the Class Action a class action?**

In a class action, one or more people called class representatives (in this case, the court-appointed Lead Plaintiffs: Lisa St. Aubin, Sara Jackson, and the City of Bethlehem Aggregated Pension Fund) sue on behalf of individuals and entities who have similar claims. All of these individuals and entities who have similar claims are referred to collectively as a class or individually as class members. One court resolves the issues for all class members, except for those who exclude themselves from the settlement. The U.S. District Court for the Western District of Texas, with the Honorable Lee Yeakel presiding, is in charge of this Class Action.

## **4. Why is the Derivative Action a derivative action?**

In a derivative action, one or more people and/or entities that are shareholders of a corporation (in this case, Glenn Adair), sue on behalf of the corporation, alleging that the corporation was injured, and seek recovery on behalf of the corporation. In a derivative action, the corporation, and not the individual shareholders of the corporation, receive the benefit of the settlement (except to the extent that the value of the corporation's shares increases as a result of the benefits the corporation receives in the settlement of the litigation). The U.S. District Court for the Western District of Texas, with the Honorable Lee Yeakel presiding, is in charge of this Derivative Action.

## **5. Why are there settlements?**

The Court did not decide in favor of Lead Plaintiffs or the Settling Defendants in the Class Action or Derivative Plaintiff or Derivative Defendants in the Derivative Action. Instead, as explained above, the Lead Plaintiffs and Co-Lead Counsel believe the Settlement is best for all Class Members in the Class Action, and the Derivative Plaintiff and his counsel believe the Derivative Settlement is best for all current shareholders. The Settling Defendants have denied and continue to deny that they have committed any act or omission giving rise to any liability and/or violation of law. Nonetheless, the Settling Defendants consent to the settlements of these actions to eliminate the burden and expense of further litigation.

## WHO IS IN THE SETTLEMENT IN THE CLASS ACTION

To see if you will receive money from the Class Action Settlement, you first have to determine if you are a Class Member.

### 6. How do I know if I am part of the Partial Settlement in the Class Action?

The Class includes **all persons and entities who purchased or otherwise acquired the common stock of Motive between June 24, 2004 and October 26, 2005, inclusive, except those persons and entities that are excluded, as described below.**

### 7. What are the exceptions to being included?

Excluded from the Class are the Settling Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors and assigns and any affiliates or entity in which the Settling Defendants have or had a controlling interest.

If you sold shares of Motive common stock between June 24, 2004 and October 26, 2005, inclusive, that alone does not make you a Class Member. You are a Class Member only if you purchased or otherwise acquired Motive common stock during the Class Period.

If one of your mutual funds purchased or owns Motive common stock, that alone does not make you a Class Member.

### 8. I am still not sure if I am included.

If you are still not sure whether you are included, you can ask for free help. You can call the Claims Administrator, A.B. Data, Ltd., at (866) 963-9973, for more information. Or you can fill out and return the Claim Form described in Question 10 to see if you qualify.

### 9. Who is affected by the Derivative Settlement?

A derivative action is brought on behalf of the corporation. The corporation, and not the individual shareholders (except insofar as the value of their shares increase), receives the benefits of the Derivative Settlement.

## THE SETTLEMENT BENEFITS—WHAT YOU RECEIVE IN THE CLASS ACTION

### 10. What do the settlements provide?

**The Class Action:** The Settlement Fund comprises the following two components: (i) the principal amount of \$7,000,000 in cash and (ii) 2.5 million shares of Motive common stock. The Motive common stock will not be distributed to the Class and cannot be sold on behalf of the Class. It is currently not registered or listed on any exchange and has only limited liquidity as it is trading on the pink sheets. Rather, the Motive common stock will add value to the Settlement Fund only if Motive is purchased by another company and the Motive common stock is exchanged for cash or freely tradable securities of the acquiring company or if Motive's common stock shall again be listed or authorized for listing on a national securities exchange. Motive's common stock is currently traded in the over-the-counter market commonly called the "pink sheets" and is not listed or authorized for listing on a national securities exchange. Motive's common stock was trading at approximately \$1.70 per share during the week that the Settling Parties filed the Settlement with the Court. If Motive is not purchased by another company, the stock component of the Settlement Fund will not have any value for the foreseeable future unless and until Motive becomes current with its SEC filing obligations and registers the stock. The balance of the Settlement Fund, after payment of court-approved attorneys' fees and expenses and the costs of claims administration, including the costs of printing and mailing this Notice and the cost of publishing notice (the "Net Settlement Fund"), will be divided among all Class Members who submit timely and valid Claim Forms.

**The Derivative Settlement:** The following corporate governance procedures have been or will be instituted in settlement of the Derivative Action:

- A. The Company has taken corrective action with respect to certain Company personnel.
  1. The Company has taken corrective action regarding the Company's former CEO and former CFO. On January 20, 2006, the Company's board of directors asked the former CFO for his immediate resignation and he immediately tendered his resignation from all positions within the Company. Simultaneously, the Company's board of directors directed the former CEO to immediately disassociate himself from any involvement in (i) the preparation and analysis of the Company's books and records, (ii) the Company's financial reporting, and (iii) actions related to the Company's pending restatement. On February 20, 2007, the former CEO resigned from all positions with the Company.
  2. The Company replaced the former CEO and former CFO with seasoned executives of impeccable reputations, substantive track records of business success, and demonstrated commitments to ethics and integrity.
  3. The Company has strengthened its finance and accounting department by hiring a new assistant controller, a new corporate controller, a revenue accountant, and an SEC reporting manager.
- B. The Company has taken action to strengthen its accounting controls, procedures, and training.
  1. The Company no longer recognizes revenue on the Company's bundled or multiple-element software arrangements as if vendor specific objective evidence ("VSOE") of fair value for the maintenance element exists, but instead recognizes all revenue for such arrangements ratably over the duration of the arrangement, assuming all other revenue recognition criteria are met.
  2. The Company's revenue recognition policy has been revised so that the Company will only record revenue for its reseller transactions upon cash collection, assuming all other revenue recognition criteria are met.
  3. The Company's revenue recognition policy has been revised so that for transactions in which the quantity of licenses to be sold under an agreement is not fixed and determinable, the Company will only recognize revenue associated with prepayments under such agreement as the related licenses are sold, assuming all other revenue recognition criteria are met.
  4. The Company has communicated at all levels the importance of integrity in accounting judgments and of accurate data gathering and documentation to support accounting judgments.
  5. The Company has adopted new accounting procedures with respect to revenue recognition so that all policies and procedures are clearly explained and consistently applied, and provided necessary training regarding the same.
  6. The Company has established a program of regular training seminars for accounting and financial personnel provided in-house and by third parties.

7. The Company has established a process for coordinated oversight of the Company's revenue recognition procedures by the Company's outsourced internal audit professionals and by the Company's outside auditors.
8. The Company has adopted new control procedures with respect to material accounts so that all accounting policies and procedures are consistently applied, and provided necessary training regarding the same.
- C. The Company has investigated certain issues in connection with the Company's acquisition of BroadJump, Inc., and taken appropriate action to ensure that the appropriate accounting treatment is accorded to the BroadJump transaction.
- D. The Company has improved the effectiveness of the Company's internal audit function.
  1. The Company has engaged an outside audit firm to perform the Company's internal audit function on an outsourced basis.
  2. The Company has strengthened its procedures to ensure that departments, locations, and individuals implement procedures that address issues or problems identified in the findings of the Company's internal audit professionals and to ensure that the internal audit professionals promptly follow up on identified issues or problems to confirm that such issues or problems have been appropriately resolved.
  3. The Company will continue to evaluate the effectiveness of the Company's outsourced internal audit professionals.
- E. The Company has taken steps to strengthen the Company's code of business conduct and ethics and procedures for monitoring compliance therewith.
  1. The Company has adopted a revised code of conduct reinforcing the Company's commitment to its culture of honesty and integrity and established a procedure for written confirmation of compliance with the Company's revised code of conduct on an annual basis for all employees.
  2. The Company has provided training for the Company's employees regarding the Company's code of business conduct and ethics and related ethics and compliance training.
- F. The Company will continue to place additional emphasis on the Company's culture of honesty and integrity.
- G. Motive's corporate governance and nominating committee will be chaired by an outside independent director. This committee will review Motive's corporate governance principles annually to ensure that the company principles continue to meet best practices.
- H. The Company's independent auditor will not perform any consulting work for Motive other than tax consulting work unless specifically approved by the audit committee.
- I. All of the monitoring of the independent auditors will be conducted by the audit committee of the board of directors. Motive will use its best efforts to ensure each member of the audit committee is considered a financial expert, determined by the board pursuant to the NASDAQ standard.
- J. The Company will create a chief ethics and compliance officer position, which will be responsible for supporting the board in its responsibility to evaluate, review, and enhance the Company's corporate compliance program and ensuring senior leadership responsibility and accountability for compliance and ethical business conduct. Jack Greenberg, general counsel, shall be the chief ethics and compliance officer, who shall provide an annual report to the board regarding the Company's programs.
- K. The revised code of conduct and ethics will be published on Motive's Web site.
- L. All employees shall acknowledge completion of educational programs in writing.

#### **PLAN OF ALLOCATION OF NET SETTLEMENT FUND AMONG CLASS MEMBERS**

##### **11. How much will my payment be in the Class Action?**

If you are entitled to a payment, your share of the Net Settlement Fund will depend on the number of valid claims submitted, how many shares of Motive common stock you purchased or acquired, and when you bought, acquired, and/or sold your shares of Motive common stock. By following the Plan of Allocation described below, you can calculate your "Recognized Claim." The Claims Administrator will distribute the Net Settlement Fund according to the Plan of Allocation after the deadline for submission of Claim Forms has passed.

The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant's "Recognized Claim." The Recognized Claim formula is not a formalized damage study and is not intended to be an estimate of the amount a Class Member might have been able to recover after a trial, nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Claim formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants. The Plan of Allocation is not a necessary term of the Settlement, and the Court's approval of this particular Plan of Allocation is not necessary for the Court to approve the Settlement.

##### **RECOGNIZED CLAIMS**

###### **Offsetting Gains and Losses**

For shares purchased and/or acquired during the Class Period which are sold at a gain during the Class Period, such gains will be used to offset Class Period losses from shares purchased, acquired, and sold during the Class Period and losses resulting from decline in value from shares purchased and/or acquired during the Class Period and held at the end of the Class Period.

###### **The Basis for the Calculation of Your Recognized Claim**

The following proposed Plan of Allocation reflects the proposition that the price of Motive common stock was artificially inflated from the beginning of the Class Period on June 24, 2004, through November 15, 2005. In developing this Plan of Allocation for transactions in Motive common stock, Co-Lead Counsel have considered, among other things, the inflation in the price of the stock due to the misstatements and omissions by Defendants.

Recognized Claims will be calculated as follows:

For shares of common stock purchased or otherwise acquired between June 24, 2004, and the close of trading on October 26, 2005:

- A. For shares sold between June 24, 2004, and the close of trading on July 11, 2005, there shall be no Recognized Claim.
- B. For shares sold from the opening of trading on July 12, 2005, through the close of trading on November 14, 2005, the Recognized Claim shall be the lesser of:

1. the inflation per share at the time of purchase minus the inflation per share at the time of sale (where inflation per share at the time of purchase shall be the purchase price times the inflation percentage on the date of purchase and the inflation per share at the time of sale shall be the sale price times the inflation percentage on the date of sale), with such inflation percentages and prices as set forth in the tables below; or
  2. the purchase price per share minus the sale price per share.
- C. For shares sold between the opening of trading on November 15, 2005, and the close of trading February 13, 2006, the Recognized Claim shall be the lesser of:
1. the inflation per share at the time of purchase minus the inflation per share at the time of sale (where inflation per share at the time of purchase shall be the purchase price times the inflation percentage on the date of purchase and the inflation per share at the time of sale shall be the sale price times the inflation percentage on the date of sale), with such inflation percentages and prices as set forth in the tables below;
  2. the purchase price minus the sale price; or
  3. the purchase price per share minus the average closing price per share up to the date of sale as set forth in Table 2.
- D. For shares held through the close of trading February 13, 2006, the Recognized Claim shall be the lesser of:
1. the inflation per share at the time of purchase (where inflation per share at the time of purchase shall be the purchase price times the inflation percentage on the date of purchase and the inflation per share at the time of sale shall be the sale price times the inflation percentage on the date of sale), with such inflation percentages and prices as set forth in the tables below; or
  2. the purchase price per share minus the average closing price per share from the last significant corrective disclosure on November 15, 2005, through February 13, 2006, of \$3.15, as noted in Table 2.

**TABLE 1: INFLATION PER SHARE PERCENTAGES**

Beginning of Period	End of Period	Inflation as Percentage of Share Price
IPO and 06/24/2004	07/11/2005	58.97%
07/12/2005	08/28/2005	52.46%
08/29/2005	10/26/2005	50.32%
10/27/2005	11/14/2005	15.14%
11/15/2005	11/28/2005	10.41%
11/29/2005	Current	0.00%

**TABLE 2: AVERAGE CLOSING PRICE INFORMATION**

Date	Closing Prices USD	Average Closing Price Calculation USD
11/15/2005	3.69	3.69
11/16/2005	3.55	3.62
11/17/2005	3.65	3.63
11/18/2005	3.72	3.65
11/21/2005	3.74	3.67
11/22/2005	3.71	3.68
11/23/2005	3.71	3.68
11/25/2005	3.66	3.68
11/28/2005	3.53	3.66
11/29/2005	3.17	3.61
11/30/2005	3.12	3.57

12/01/2005	3.34	3.55
12/02/2005	3.31	3.53
12/05/2005	3.32	3.52
12/06/2005	3.35	3.50
12/07/2005	3.29	3.49
12/08/2005	3.20	3.47
12/09/2005	3.03	3.45
12/12/2005	2.98	3.42
12/13/2005	3.05	3.41
12/14/2005	2.98	3.39
12/15/2005	3.01	3.37
12/16/2005	3.10	3.36
12/19/2005	3.00	3.34
12/20/2005	2.99	3.33
12/21/2005	3.06	3.32
12/22/2005	3.10	3.31
12/23/2005	3.15	3.30
12/27/2005	3.19	3.30
12/28/2005	3.16	3.30
12/29/2005	3.08	3.29
12/30/2005	3.09	3.28
01/03/2006	3.06	3.28
01/04/2006	3.04	3.27
01/05/2006	3.05	3.26
01/06/2006	3.05	3.26
01/09/2006	3.04	3.25

01/10/2006	2.97	3.24
01/11/2006	2.97	3.24
01/12/2006	2.96	3.23
01/13/2006	2.97	3.22
01/17/2006	2.96	3.22
01/18/2006	2.96	3.21
01/19/2006	2.98	3.21
01/20/2006	2.97	3.20
01/23/2006	2.96	3.20
01/24/2006	2.79	3.19
01/25/2006	2.82	3.18
01/26/2006	2.96	3.17
01/27/2006	2.86	3.17
01/30/2006	2.96	3.16
01/31/2006	2.98	3.16
02/01/2006	2.99	3.16
02/02/2006	2.98	3.15
02/03/2006	3.00	3.15
02/06/2006	2.99	3.15
02/07/2006	3.17	3.15
02/08/2006	3.18	3.15
02/09/2006	3.30	3.15
02/10/2006	3.34	3.15
02/13/2006	3.45	3.15

Each Authorized Claimant shall be paid the percentage that each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants. The Court has reserved jurisdiction to allow, disallow, or adjust the claim of any Class Member on equitable grounds. Each claimant is deemed to have submitted to the jurisdiction of the Court with respect to the claimant's claim, and the claim will be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to that claimant's status as a Class Member and the validity and amount of that claimant's claim. No discovery shall be allowed on the merits of the Class Action.

The date of purchase, acquisition, or sale is the "contract" or "trade" date and not the "settlement" date. All profits will be subtracted from all losses to determine the Recognized Claim of each Class Member. Therefore, you need to list all purchases, acquisitions, and sales of Motive common stock during the relevant time period. Any person or entity that sold Motive common stock "short" shall have no Recognized Claim with respect to any purchase during the Class Period to cover such short sale. In processing claims, sales will be matched in chronological order, by trade date, first against the shares held as of the close of trading on June 23, 2004 (the last day before the Class Period begins), and then against the purchases and/or acquisitions during the Class Period.

Payments will be final and conclusive against all Class Members. All Class Members whose claims are not approved by the Court will be barred from participating in distributions from the Net Settlement Fund, but otherwise shall be bound by all of the terms of the Settlement, including the terms of the Order and Final Judgment to be entered in the Class Action, and will be barred from bringing any Released Claim against any Released Persons (as those terms are defined in the Claim Form enclosed with this Notice and in the Stipulation and Agreement of Partial Settlement, which is available on the Internet at [MotiveSecuritiesSettlement.com](http://MotiveSecuritiesSettlement.com), or through the mail upon request to Co-Lead Counsel).

#### **HOW YOU RECEIVE A PAYMENT IN THE CLASS ACTION—SUBMITTING A CLAIM FORM**

##### **12. How will I receive a payment in the Class Action?**

To qualify for payment, you must be an eligible Class Member and you must submit a Proof of Claim and Release form (the “Claim Form”). A Claim Form is enclosed with this Notice. Read the instructions carefully, fill out the form, include all the documents the form requests, sign it, and mail it in an envelope postmarked no later than July 20, 2008. Retain a copy of everything you mail, in case the materials are lost or destroyed during shipping. You may also go to [MotiveSecuritiesSettlement.com](http://MotiveSecuritiesSettlement.com) to access a copy of the Claim Form.

##### **13. When will I receive my payment in the Class Action?**

The court will hold a hearing on Tuesday, July 1, 2008, at 2:00 p.m. to decide whether to approve the Settlement. If the Court approves the Settlement, there may be appeals. It is always uncertain whether appeals, if any, can be resolved, and resolving them can take time, perhaps several years. In addition, the Claims Administrator must process all of the Claim Forms. The processing is complicated and will take many months. Please be patient.

##### **14. What am I giving up by staying in the Class?**

Unless you exclude yourself, you are staying in the Class, and that means that you cannot sue, continue to sue, or be part of any other lawsuit against the Settling Defendants or the Released Persons about the claims being released in this Settlement. It also means that all of the Court’s orders will apply to you and legally bind you and you will release your claims in this Class Action against the Settling Defendants. The terms of the release are included in the Claim Form that is enclosed.

##### **15. What is Motive giving up by resolving the Derivative Action?**

If the Derivative Settlement is approved, Motive, on behalf of itself or anyone acting or claiming to act on behalf of Motive, will release all Released Claims against all Released Persons, as defined in the Derivative Stipulation of Settlement, which is available for download at [MotiveSecuritiesSettlement.com](http://MotiveSecuritiesSettlement.com) or you may request a copy by writing to Derivative Counsel.

#### **EXCLUDING YOURSELF FROM THE CLASS ACTION SETTLEMENT**

If you do not want a payment from this Settlement but you want to keep the right to sue or continue to sue the Settling Defendants on your own about the same claims being released in this Settlement, then you must take steps to exclude yourself from the Settlement. This is referred to as opting out of the Class.

##### **16. How do I exclude myself from the Partial Settlement in the Class Action?**

To exclude yourself from the Settlement, you must send a letter by mail stating that you want to be excluded from the Settlement in *In re Motive, Inc. Securities Litigation*, Civil Action No. A-05-CV-923-LY. You must include your name, address, telephone number, your signature, and the number of shares of Motive common stock you purchased and/or acquired between June 24, 2004, and October 26, 2005, inclusive; the number of shares of Motive common stock sold during this time period, if any; and the dates of such purchases, acquisitions, and sales. You must mail your exclusion request so that it is received no later than May 21, 2008, to:

**Motive, Inc. Securities Litigation  
EXCLUSIONS  
Claims Administrator  
c/o A.B. Data, Ltd.  
PostOffice Box 170500  
Milwaukee, WI 53217**

##### **Please keep a copy of everything you send by mail, in case it is lost or destroyed during shipping.**

You cannot exclude yourself over the phone or by e-mail. If you ask to be excluded from the Settlement, you are not eligible to receive any payment from the Net Settlement Fund and you cannot object to the Settlement. You will not be legally bound by anything that happens in this lawsuit, and you will be able to pursue the claims that are being released in this Settlement.

##### **17. If I do not exclude myself from the Class Action, can I sue the Settling Defendants for the same thing later?**

No. Unless you exclude yourself, you give up any right to sue the Settling Defendants or the Released Persons for the claims being released by this Settlement. If you have a pending lawsuit relating to the claims being released in this Class Action against any of the Settling Defendants or the Released Persons, speak to your lawyer in that case immediately. Remember, the exclusion deadline is May 21, 2008.

##### **18. If I exclude myself, can I receive a payment from the Partial Settlement in the Class Action?**

No. If you exclude yourself, do not send in a Claim Form. But, you may sue, continue to sue, or be part of a different lawsuit asserting the claims being released in this Settlement against the Settling Defendants or the Released Persons.

##### **19. Can I exclude myself from the Derivative Action?**

No. Because the Derivative Action is on behalf of Motive, you cannot exclude yourself from the Derivative Settlement.



## THE LAWYERS REPRESENTING YOU

### 20. Do I have a lawyer in the lawsuits?

The Court appointed the law firms of Schiffrin Barroway Topaz & Kessler, LLP, and Federman & Sherwood to represent you and the other Class Members. These lawyers are called Co-Lead Counsel. The Law Offices of Brian M. Felgoise, P.C., represents the Derivative Plaintiff in the Derivative Action. You will not be charged for these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

### 21. How will the lawyers be paid?

Co-Lead Counsel in the Class Action will apply to the Court for attorneys' fees not to exceed 30% of the Settlement Fund and for reimbursement of their out-of-pocket expenses up to \$200,000 (collectively, an average of approximately \$0.29–\$0.47, depending on the value, if any, of the Settlement Stock per share of common stock), which were advanced in connection with the Class Action, plus interest on both amounts at the same rate as earned by the Settlement Fund. **Such sums as may be approved by the Court will be paid from the Settlement Fund.** Class Members are not personally liable for any such fees or expenses.

The attorneys' fees and expenses requested will be the only payment to Co-Lead Counsel for their efforts in achieving this Settlement and for their risk in undertaking this representation on a wholly contingent basis. To date, Co-Lead Counsel have not been paid for their services for conducting this Class Action on behalf of Lead Plaintiffs and the Class or for their substantial out-of-pocket expenses. The fee requested will compensate Co-Lead Counsel for their work in achieving the Settlement Fund and is well within the range of fees awarded to class counsel under similar circumstances in other cases of this type. The Court may, however, award less than this amount.

Plaintiff's Counsel in the Derivative Action has not yet been paid either and will apply to the Court for an award of attorneys' fees and reimbursement of expenses of up to \$107,500 to be paid by Motive.

## OBJECTING TO THE SETTLEMENTS

### 22. How do I tell the Court that I do not like either or both settlements?

If you are a Class Member, you can object to the Class Action Settlement if you do not like any part of it. If you are a current shareholder, you can object to the Derivative Settlement. To object, you must send a letter saying that you object to either or both of the settlements in *In re Motive, Inc. Securities Litigation*, Civil Action No. A-05-CV-923-LY and/or *Adair v. Harmon, et al.*, Case No. A-06-CA-017-LY. Be sure to include your name; address; telephone number; your signature; the number of shares of Motive common stock purchased, acquired, and/or sold between June 24, 2004, and October 26, 2005, inclusive, or that you are a current shareholder; and the reasons you object. Any objection must be received by **each of the following** by May 21, 2008:

COURT	CO-LEAD COUNSEL IN THE CLASS ACTION	ON BEHALF OF SETTLING DEFENDANTS' COUNSEL	DERIVATIVE COUNSEL
Clerk of the Court United States District Court Western District of Texas Austin Division United States Courthouse 200 West 8th Street Room 130 Austin, TX 78701	Gregory M. Castaldo, Esq. SCHIFFRIN BARROWAY TOPAZ & KESSLER, LLP 280 King of Prussia Road Radnor, PA 19087  William B. Federman, Esq. FEDERMAN & SHERWOOD 10205 North Pennsylvania Avenue Oklahoma City, OK 73120	Keith E. Eggleton, Esq. WILSON SONSINI GOODRICH & ROSATI, P.C. 650 Page Mill Road Palo Alto, CA 94304	Brian Felgoise, Esq. LAW OFFICES OF BRIAN M. FELGOISE, P.C. 261 Old York Road, Suite 423 Jenkintown, PA 19046

### 23. What is the difference between objecting and requesting exclusion from the Class Action?

Objecting is simply telling the Court that you do not like something about the Settlement, the Plan of Allocation, or the application for attorneys' fees and expenses. You can object **only if** you stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Settlement. If you exclude yourself, you have no basis to object because the case no longer affects you.

## THE COURT'S SETTLEMENT HEARING

### 24. When and where will the Court decide whether to approve the settlements?

The Court will hold a Settlement Hearing at 2:00 p.m. on Tuesday, July 1, 2008, at the United States District Court for the Western District of Texas, United States Courthouse, 200 West 8th Street, Austin, TX 78701. At this hearing, the Court will consider whether the Settlement and the Plan of Allocation for the Class Action are fair, reasonable, and adequate. The Court will also consider whether the Derivative Settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will listen to people who have requested in writing by May 21, 2008, to speak at the hearing. The Court may also consider Co-Lead Counsel's and Derivative Plaintiff's Counsel's applications for attorneys' fees and reimbursement of expenses.

### 25. Do I have to come to the hearing?

No. Co-Lead Counsel will answer any questions Judge Yeakel may have about the Class Action Settlement, and Derivative Plaintiff's Counsel will answer any questions Judge Yeakel may have about the Derivative Settlement. But, you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not required.

**26. May I speak at the hearing?**

You may ask the Court for permission to speak at the Settlement Hearing. To do so, you must send a letter stating your intention to appear in *In re Motive, Inc. Securities Litigation*, Civil Action No. A-05-CV-923-LY, and/or *Adair v. Harmon, et al.*, Case No. A-06-CA-017-LY. Be sure to include your name; address; telephone number; your signature; and the number of shares of Motive common stock purchased and/or acquired between June 24, 2004, and October 26, 2005, inclusive, or a statement that you are a current shareholder. Your notice of intention to appear must be received no later than May 21, 2008, and be sent to the Clerk of the Court and counsel at the addresses listed in Question 22. You cannot speak at the hearing regarding the Class Action if you exclude yourself from the Class Action Settlement.

**IF YOU DO NOTHING**

**27. What happens if I do nothing at all?**

If you do nothing, you will receive no money from the Class Action Settlement. But, unless you exclude yourself, you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Settling Defendants or the Released Persons about the same claims being released in the Class Action Settlement.

**OBTAINING MORE INFORMATION**

**28. Are there more details about the settlements?**

This Notice summarizes the proposed settlements. More details are in the Stipulation and Agreement of Partial Settlement dated December 6, 2007 (the "Stipulation"), for the Class Action and in the Stipulation of Settlement dated as of December 6, 2007 (the "Derivative Stipulation"), for the Derivative Settlement. You can obtain copies of the stipulations or more information about the settlements by visiting [MotiveSecuritiesSettlement.com](http://MotiveSecuritiesSettlement.com) or by writing to Co-Lead Counsel in the Class Action: Gregory M. Castaldo, Esq., Schiffrin Barroway Topaz & Kessler, LLP, 280 King of Prussia Road, Radnor, PA 19087, (610) 667-7706 or William B. Federman, Esq., Federman & Sherwood, 10205 North Pennsylvania Avenue, Oklahoma City, OK 73120, (405) 235-1560 or by writing to Derivative Plaintiff's Counsel regarding the Derivative Settlement: Brian Felgoise, Esq., Law Offices of Brian M. Felgoise, P.C., 261 Old York Road, Suite 423, Jenkintown, PA 19046. You can also obtain copies of the stipulations from the Clerk of the Court at the United States District Court for the Western District of Texas, United States Courthouse, 200 West 8th Street, Room 130, Austin, TX 78701, during regular business hours.

**DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE**

**SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES**

If you i) purchased the common stock of Motive between June 24, 2004 and October 26, 2005, inclusive, as nominee for a beneficial owner or ii) purchased one or more shares of Motive common stock as nominee for a beneficial owner who currently holds one or more shares of Motive common stock, then the Court has ordered that within ten (10) days after you receive this Notice, you must either (1) send a copy of this Notice by First-Class Mail to all such beneficial owners or (2) provide a list of the names and addresses of such beneficial owners to the Claims Administrator:

**Motive, Inc. Securities Litigation  
Claims Administrator  
c/o A.B. Data, Ltd.  
ATTENTION FULFILLMENT  
PostOffice Box 170500  
4057 North Wilson Drive  
Milwaukee, WI 53211  
(414) 963-7950 fax  
fulfillment@abdatalawserve.com**

If you choose to mail the Notice and Claim Form yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for reasonable administrative costs actually incurred in connection with forwarding the Notice, and which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.

DATED: March 7, 2008

BY ORDER OF THE COURT  
UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF TEXAS