ALTIRIS INC
Form 424B4
August 14, 2003

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Filed Pursuant to Rule 424(b)4

Registration No. 333-107408

5,000,000 Shares

Altiris, Inc.

Common Stock

We are selling 3,000,000 shares of common stock and the selling stockholder is selling 2,000,000 shares of common stock. We will not receive any of the proceeds from the shares of common stock sold by the selling stockholder.

Our common stock is quoted on The Nasdaq National Market under the symbol ATRS. The reported last sale price on August 13, 2003 was $18.99 per share.

The underwriters have an option to purchase a maximum of 750,000 additional shares from us to cover over-allotments of shares.

Investing in our common stock involves risks. See Risk Factors on page 5.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Altiris	Proceeds to Selling Stockholder
Per Share	$18.75	$0.9375	$17.8125	$17.8125
Total	$93,750,000	$4,687,500	$53,437,500	$35,625,000

Delivery of the shares of common stock will be made on or about August 19, 2003.

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 First Boston

Deutsche Bank Securities

RBC Capital Markets

First Albany Corporation

D.A. Davidson & Co.

The date of this prospectus is August 13, 2003.

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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.

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PROSPECTUS SUMMARY

The following summary is not complete and does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, particularly Risk Factors and our financial statements and related notes included elsewhere in this prospectus before making an investment decision.

Altiris

Our comprehensive software and related services enable businesses to improve the management of their information technology, or IT, environments. Our client management, server provisioning and asset management suites are designed to address the challenges that IT professionals face in deploying, migrating, backing up and restoring software settings on multiple hardware devices; provisioning and managing servers; tracking performance and diagnostic metrics for hardware and software; taking inventory of existing IT assets; and facilitating problem resolution for hardware or software failures. We believe that our products reduce the total cost of ownership of IT assets by improving reliability and availability in an easy to manage, cost effective manner.

Businesses face a number of challenges responding to changing competitive dynamics and market conditions in the current global business environment. To compete effectively, they increasingly rely on IT to reduce costs and improve productivity and customer satisfaction. As IT has become more important, the underlying infrastructure of multiple networks, operating systems, databases, applications, servers and computing devices has become more complex and the cost of lost productivity due to downtime has increased. To help mitigate these risks, businesses are deploying systems management and security software to better manage the cost and complexity of IT assets. International Data Corporation, or IDC, a provider of industry analysis and market data, estimates that businesses spent approximately $12.3 billion on systems management, administration, authorization and authentication security, intrusion detection and vulnerability assessment and serverware software in 2002 and projects this spending to increase to $19.4 billion in 2007.

We develop, market and support integrated and cost effective software products that address a business s need to manage software and hardware in complex IT environments. Our broad set of fully integrated modular products are easy to use and scale to the needs of organizations of all sizes. Our products are used by businesses in a wide variety of industries and computing environments. We have licensed our suite of products to more than 10,000 customers, including Deutsche Bahn AG, Interbrew N.B., GlaxoSmithKline Services Unlimited, Hewlett-Packard Company, Northrop Grumman Corp., Proctor & Gamble Company and Rabobank Group. We reach these customers through a combination of sales channels including our direct sales force, strategic technology partners, systems integrators and value-added resellers, or VARs.

Our objective is to be the leading provider of software and related services for managing the complete IT lifecycle. Key elements of our strategy include:

- Extending our leading IT lifecycle management products to support additional software and hardware that become important to customers;
- Extending our leadership on the Windows platform to heterogenous computing environments;

Expanding our relationships with key strategic technology partners;

Adding functionality, augmenting distribution channels and broadening our customer base through opportunistic acquisitions;

Expanding our worldwide presence; and

Further enhancing customer satisfaction.

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Additional Information

We began operations in 1996 as the software division of KeyLabs Corporation, our predecessor. We were incorporated in Utah in August 1998 and reincorporated in Delaware in February 2002. Our principal executive offices are located at 588 West 400 South, Lindon, Utah 84042. Our telephone number at this location is (801) 805-2400. Our Internet address is http://www.altiris.com. The information contained on our website is not incorporated by reference into this prospectus.

Unless otherwise indicated, all references to Altiris and we refer to Altiris, Inc. and its subsidiaries, including subsidiaries that may be acquired or formed in the future.

Altiris, *Bootworks*, *Inventory Solution, My IT Forum, PC Transplant, RapiDeploy* and *RapidInstall* are registered United States trademarks of Altiris. The Altiris logo is also a trademark of Altiris. *Carbon Copy* is a registered United States trademark under perpetual license to Altiris. This prospectus also contains other trademarks of Altiris, as well as trademarks of other companies.

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The Offering

Common stock offered by Altiris	3,000,000 shares
Common stock offered by the selling stockholder	2,000,000 shares
Common stock to be outstanding after the offering	24,609,158 shares
Over-allotment option granted by Altiris	750,000 shares
Use of proceeds	We estimate that the net proceeds to us from the offering will be approximately $52.8 million, which we intend to use for working capital and other general corporate purposes, including expanding our sales efforts, research and development and international operations. We may use a portion of the net proceeds to acquire complementary businesses, products or technologies. However, we currently have no commitments, agreements or understandings with respect to any such transactions. See Use of Proceeds.
Nasdaq National Market symbol	ATRS

The number of shares of our common stock that will be outstanding after this offering is based upon the number of shares of common stock outstanding as of July 24, 2003 and excludes:

- 1,637,515 shares of common stock issuable upon exercise of outstanding options under our 1998 Stock Option Plan as of July 24, 2003 at a weighted average exercise price of $2.91 per share;

- 1,417,828 shares of common stock issuable upon exercise of outstanding options under our 2002 Stock Plan as of July 24, 2003 at a weighted average exercise price of $11.00 per share; and

- 672,241 shares of common stock reserved for issuance under our employee stock option and stock purchase plans as of July 24, 2003, including 65,541 shares of common stock issued under our employee stock purchase plan on August 1, 2003.

In addition, except as otherwise noted, all information in this prospectus assumes no exercise of the underwriters over-allotment option.

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Summary Consolidated Financial Information

(in thousands, except per share data)

	Year Ended December 31,					Six Months Ended June 30,	
	1998	1999	2000	2001	2002	2002	2003
	(unaudited)					(unaudited)	
Consolidated Statements of Operations Data:							
Total revenue	$ 1,862	$ 3,568	$ 10,030	$ 34,451	$ 62,876	$ 28,766	$ 43,660
Income (loss) from operations	(2,892)	(4,483)	(6,153)	(9,533)	(612)	(1,578)	5,033
Net income (loss)	(2,957)	(4,887)	(6,543)	(10,211)	(86)	(1,348)	5,782
Dividends related to preferred shares					(13,781)	(13,781)	
Net income (loss) attributable to common stockholders	(2,957)	(4,887)	(6,543)	(10,211)	(13,867)	(15,129)	5,782
Basic net income (loss) per common share	$ (0.40)	$ (0.66)	$ (0.81)	$ (1.14)	$ (0.89)	$ (1.35)	$ 0.28
Diluted net income (loss) per common share	$ (0.40)	$ (0.66)	$ (0.81)	$ (1.14)	$ (0.89)	$ (1.35)	$ 0.26
Shares used to compute basic net income (loss) per common share	7,385	7,404	8,093	8,989	15,532	11,174	20,823
Shares used to compute diluted net income (loss) per common share	7,385	7,404	8,093	8,989	15,532	11,174	22,159

The As Adjusted column below gives effect to the sale by Altiris of 3,000,000 shares of common stock in this offering at the public offering price of $18.75 per share, and the receipt by us of the net proceeds after deducting underwriting discounts and commissions and estimated offering expenses. You should read this information together with Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes included elsewhere in this prospectus.

	As of June 30, 2003	
	Actual	As Adjusted
	(unaudited)	
Consolidated Balance Sheet Data:		
Cash, cash equivalents and available-for-sale securities	$ 74,025	$ 126,788
Working capital	75,606	128,369
Total assets	102,399	155,162
Long term portion of capital lease obligations	772	772
Total stockholders equity	74,733	127,496

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RISK FACTORS

You should carefully consider the risks described below before making an investment decision. The risks described below are not the only ones facing our company. Additional risks not currently known to us or that we currently deem immaterial may also impair our business operations.

Our business, financial condition or results of operations could be adversely affected by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment.

Risks Related to Altiris

We have limited operating experience, have only recently become profitable and may not be able to maintain or increase our profitability. If we cannot maintain or increase profitability, our stock price could decline.

We were incorporated in August 1998 and have a limited operating history, which makes it difficult to forecast our future operating results. You should consider and evaluate our prospects in light of the risks and uncertainty frequently encountered by early stage companies in rapidly evolving markets. Although quarterly revenues have continued to increase in recent quarters, it was not until the fourth quarter of 2002 that we were profitable under accounting principles generally accepted in the United States of America, or GAAP, and we may not realize sufficient revenue to maintain or increase profitability in future periods. As of June 30, 2003, we had an accumulated deficit of $17.7 million. We anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to develop our technology, products and services, expand our distribution channels, increase our sales and marketing activities, and expand our United States and international operations. These efforts may prove more expensive than we currently anticipate and we may not succeed in increasing our revenue sufficiently to offset these higher expenses. Any failure to increase our revenue as we implement initiatives to grow our business could prevent us from maintaining or increasing profitability and, as a result, our stock price could decline. We cannot be certain that we will be able to maintain or increase profitability on a quarterly or annual basis.

Our quarterly operating results are difficult to predict, and if we do not meet quarterly financial expectations of securities analysts or investors, our stock price is likely to decline.

Our quarterly revenue and operating results are difficult to predict and may fluctuate from quarter to quarter. It is possible that our operating results in some quarters will be below market expectations. If this happens, the market price of our common stock is likely to decline. As a result, we believe that quarter-to-quarter comparisons of our financial results are not necessarily meaningful, and you should not rely on them as an indication of our future performance. Fluctuations in our future quarterly operating results may be caused by many factors, including:

- changes in demand for our products;
- the size, timing and contractual terms of orders for our products;

any downturn in our customers and potential customers businesses, the domestic economy or international economies where our customers and potential customers do business;

the timing of product releases or upgrades by us or by our competitors;

any significant change in the competitive dynamics of our markets;

changes in the mix of revenue attributable to higher-margin software products as opposed to substantially lower-margin services; and

changes in customers or partners businesses resulting from disruptions in the geopolitical environment including military conflict or acts of terrorism in the United States or elsewhere.

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A significant portion of our software revenue in any quarter depends on orders booked and shipped in the last month, weeks or days of that quarter. Many of our customers are large businesses, and if an order from one of these large customers does not occur or is deferred, our revenue in that quarter could be substantially reduced, and we may be unable to proportionately reduce our operating expenses during a quarter in which this occurs.

Our operating expenses are based on our expectations of future revenue and are relatively fixed in the short term. We plan to increase our operating expenses. If our revenue does not increase commensurate with those expenses, net income in a given quarter could be less than expected.

If Microsoft successfully expands its systems management software offerings that compete with our products or if the Microsoft technologies upon which our products are dependent become incompatible with our products or lose market share, the demand for our Microsoft-based products would suffer.

Microsoft has announced its intention to expand its offerings in the systems management software market that compete with our products. Microsoft has substantially greater financial, technical and marketing resources, a larger customer base, a longer operating history, greater name recognition and more established relationships in the industry than we do. If Microsoft gains significant market share in the systems management market with competing products, our ability to achieve sufficient market penetration to grow our business may be impaired and the demand for our products would suffer. In addition, the possible perception among our customers and potential customers that Microsoft is going to be successful in marketing expanded systems management software offerings that compete with our products may delay their buying decisions and limit our ability to increase market penetration and grow our business.

In addition, many of our products are designed specifically for the Windows platform and designed to use current Microsoft technologies and standards, protocols and application programming interfaces. Although some of our products work on other platforms, such as UNIX, Linux, Macintosh and Palm, we believe that the integration between our products and Microsoft s products is one of our key competitive advantages. If Microsoft promotes technologies and standards, protocols and application programming interfaces that are incompatible with our technology, or promotes and supports existing or future products launched by our competitors that compete with our products, the demand for our products would suffer. In addition, our business would be harmed if Microsoft loses market share for its Windows products. We expect many of our products to be dependent on the Windows market for the foreseeable future. If the market for Windows systems declines or develops more slowly than we anticipate, our ability to increase revenue could be limited. Although the market for Windows systems has grown rapidly, this growth may not continue at the same rate, or at all.

We believe that some of our success has depended, and will continue to depend for the foreseeable future, on our ability to continue as a complementary software provider for Microsoft s systems management server, or SMS, and operations manager products. In the past, we have hosted or co-hosted an SMS user conference in which we provided training on and promoted the integration between Microsoft s SMS products and our products. Because we do not have any long-term arrangements with Microsoft, we cannot be certain that our relationship with Microsoft will continue or expand. Any deterioration of our relationship with Microsoft could materially harm our business and affect our ability to develop, market and sell our products.

Any deterioration of our relationships with HP could adversely affect our ability to develop, market and sell our products and impair or eliminate a substantial revenue source.

We have generated a substantial portion of our revenue as a result of our relationships with Hewlett-Packard Company, or HP. An important part of our operating results depends on our relationships with HP. The loss of significant revenue from HP would negatively impact our results of operations. HP accounted for approximately 30% of our revenue in 2002 and approximately 27% of our revenue for the six months ended June 30, 2003. We have a license and distribution agreement with HP under which HP distributes our products to customers directly or through HP s distributors and resellers. We also have an agreement with HP to develop and market an

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integrated product combining our server deployment and provisioning technology with HP servers. If either of these agreements were terminated, our business would be harmed. Any deterioration in our relationships with HP would harm our business and adversely affect our ability to develop, market and sell our products, grow our revenue or sustain profitability. We expect that we will continue to be dependent on HP for a significant portion of our revenue in future periods.

If we do not continue to execute on our relationship with Dell, our ability to market and sell our products through Dell will be limited and a substantial revenue source will be impaired or eliminated.

An important part of our future operating results will depend on our relationship with Dell, Inc., or Dell. The loss of significant revenue opportunities with Dell could negatively impact our results of operations. Dell accounted for approximately 8% of our revenue in 2002 and 9% of our revenue for the six months ended June 30, 2003. In May 2002, we entered into a software licensing agreement under which Dell was granted a nonexclusive license to distribute certain of our software products and services to third parties. Any deterioration in our relationship with Dell could adversely affect our ability to grow our business and impair a substantial revenue source.

If the market for IT lifecycle management software does not continue to develop as we anticipate, the demand for our products might be adversely affected.

We believe that historically many companies have addressed their IT lifecycle management needs for systems and applications internally and have only recently become aware of the benefits of third-party software products such as ours as these needs have become more complex. Our future financial performance will depend in large part on the continued growth in the number of businesses adopting third-party IT lifecycle management software products and their deployment of these products on an enterprise-wide basis.

We face strong competitors that have greater market share than we do and pre-existing relationships with our potential customers, and if we are unable to compete effectively, we might not be able to achieve sufficient market penetration to sustain profitability.

The market for IT lifecycle management products and services is rapidly evolving and highly competitive, and we expect competition in this market to persist and intensify. We may not have the resources or expertise to compete successfully in the future. Many of our competitors have substantially greater financial, customer support, technical and marketing resources, larger customer bases, longer operating histories, greater name recognition and more established relationships in the industry than we do. If our competitors maintain significant market share, we might not be able to achieve sufficient market penetration to grow our business, and our operating results could be harmed.

We believe that there is likely to be consolidation in our markets, which could lead to increased price competition and other forms of competition. Established companies may not only develop their own systems management software, but may also acquire or establish cooperative relationships with our current competitors. In addition, we may face competition in the future from large established companies, as well as from emerging companies that have not previously entered the market for IT lifecycle management software or that currently do not have products that directly compete with our products. It is also possible that new competitors or alliances among competitors may emerge and rapidly acquire significant market share. We may not be able to compete successfully against current or future competitors, and this would impact our revenue adversely and cause our business to suffer.

In addition, existing and potential competitors could elect to bundle their products with, or incorporate systems management software into, products developed by themselves or others. Developers of software products with which our products must be compatible to operate could change their products so that they will no longer be compatible with our products. If our competitors were to bundle their products in this manner or make their products incompatible with ours, this could harm our ability to sell our products and could lead to price reductions for our products, which would likely reduce our profit margins.

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If we do not expand our indirect distribution channels, we will have to rely more heavily on our direct sales force to develop our business, which could limit our ability to increase revenue and grow our business.

Our ability to sell our products into new markets and to increase our penetration into existing markets will be impaired if we fail to expand our distribution channels and sales force. Our indirect sales channels generated approximately 73% of our revenue in 2002 and approximately 82% of our revenue for the six months ended June 30, 2003. Our sales strategy requires that we establish multiple indirect marketing channels in the United States and internationally through computer manufacturers, original equipment manufacturers, or OEMs, VARs, systems integrators and distributors, and that we increase the number of customers licensing our products through these channels. Our ability to establish relationships with additional computer manufacturers will be adversely affected to the extent that computer manufacturers decide not to enter into relationships with us because of our existing relationships with computer manufacturers with which they compete. In addition, the establishment or expansion of our relationships with computer manufacturers may cause other computer manufacturers with which we have relationships to reduce the level of business they conduct with us or even terminate their relationships with us, either of which would adversely affect our revenue and our ability to grow our business. Moreover, our channel partners must market our products effectively and be qualified to provide timely and cost-effective customer support and service, which requires us to provide proper training and technical support. If our channel partners do not effectively market, sell and support our products or choose to place greater emphasis on products offered by our competitors, our ability to grow our business and sell our products will be negatively affected.

We plan to continue to expand our sales efforts worldwide and invest substantial resources toward this expansion. Despite these efforts, we may experience difficulty in recruiting and retaining qualified sales personnel. Because we rely heavily on our sales organizations, any failure to expand these organizations could limit our ability to sell our products. In addition, new sales personnel can require up to several months to begin to generate revenue from the sale of our products. As a result, our operating results may be adversely affected to the extent we incur significant expenses on hiring and retaining new sales personnel who do not begin to generate revenue within several months or at all.

If our existing customers do not purchase additional licenses or renew annual upgrade protection, our sources of revenue might be limited to new customers and our ability to grow our business might be impaired.

Historically, we have derived, and plan to continue to derive, a significant portion of our total revenue from existing customers who purchase additional products and renew annual upgrade protection, or AUP. Sales to existing customers represented 56% of our revenue in 2002 and 62% of our revenue for the six months ended June 30, 2003. If our customers do not purchase additional products or renew AUP, our ability to increase or maintain revenue levels could be limited. Most of our current customers initially license a limited number of our products for use in a division of their enterprises. We actively market to these customers to have them license additional products from us and increase their use of our products on an enterprise-wide basis. Our customers may not license additional products and may not expand their use of our products throughout their enterprises. In addition, as we deploy new versions of our products or introduce new products, our current customers may not require or desire the functionality of our new products and may not ultimately license these products.

We also depend on our installed customer base for future revenue from AUP renewal fees. The terms of our standard license arrangements provide for a one-time license fee and a prepayment for one year of AUP. AUP is renewable annually at the option of our customers and there are no minimum payment obligations or obligations to license additional software.

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Our product sales cycles for large enterprise-wide sales often last in excess of three months and are unpredictable and our product sales cycles for sales to large businesses are typically longer than the sales cycles to small businesses, both of which make it difficult to forecast our revenues and results of operations for any given period.

We have traditionally focused our sales efforts on the workgroups and divisions of our customers, resulting in a sales cycle ranging between 30 and 90 days or even longer. We are continually increasing our efforts to generate enterprise-wide sales, which often have sales cycles that extend beyond that experienced with sales to workgroups or divisions. In addition, our sales to larger enterprises have increased in recent periods. If we do not correctly forecast the timing of our sales in a given period, the amount of revenue we recognize in that period could be negatively impacted, which could negatively affect our operating results. In addition, the failure to complete sales, especially large, enterprise-wide sales, in a particular period could significantly reduce revenue in that period, as well as in subsequent periods over which revenue for the sale would likely be recognized. The sales cycle associated with the purchase of our products is subject to a number of significant risks over which we have little or no control, including:

customers budgetary constraints and internal acceptance requirements and procedures;

concerns about the introduction or announcement of our competitors new products;

announcements by Microsoft relating to Windows; and

potential downturns in the IT market and in economic conditions generally.

We may engage in future acquisitions or investments that could require significant management attention and prove difficult to integrate with our business, which could make planning and forecasting our future growth rates and operating results more difficult.

We have acquired and integrated technologies from HP, Computing Edge, Previo and Tekworks. As part of our strategy, we intend to continue to make investments in complementary companies, products or technologies. If we fail to integrate successfully any future acquisitions, or the technologies associated with such acquisitions, into our company, the revenue and operating results of the combined company could decline. Any integration process will require significant time and resources, and we may not be able to manage the process successfully. If our customers are uncertain about our ability to operate on a combined basis, they could delay or cancel orders for our products. We may not successfully be able to evaluate or utilize the acquired technology and accurately forecast the financial impact of an acquisition transaction, including accounting charges. Acquisitions involve a number of difficulties and risks to our business, including, but not limited to, the following:

potential adverse effects on our operating results;

failure to integrate acquired technologies with our existing products and technologies;

failure to integrate management information systems, personnel, research and development and marketing, sales and support operations;

potential loss of key employees from the acquired company;

diversion of management s attention from other business concerns;

disruption of our ongoing business;

potential loss of the acquired company s customers;

failure to realize the potential financial or strategic benefits of the acquisition;

failure to successfully further develop the acquired company s technology, resulting in the impairment of amounts capitalized as intangible assets; and

unanticipated costs and liabilities.

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Further, we may have to incur debt or issue equity securities to pay for any future acquisition, either of which could affect the market price of our common stock. The sale of additional equity or convertible debt could result in dilution to our stockholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations.

If we fail to manage effectively the significant growth in our business, then our infrastructure, management and resources might be strained and our ability to manage our business could be diminished.

Our historical growth has placed, and any further growth is likely to continue to place, a significant strain on our resources. We have grown from 26 employees on December 31, 1998, to 473 employees on June 30, 2003. To manage our continued growth, we expect to continue to expand or otherwise improve our internal systems, including our management information systems, customer relationship and support systems, and operating, administrative and financial systems and controls. This effort may cause us to make significant capital expenditures or incur significant expenses, and divert the attention of management, sales, support and finance personnel from our core business operations, either of which may adversely affect our financial performance in one or more quarters. Moreover, our growth has resulted, and any future growth will result, in increased responsibilities of management personnel. Managing this growth will require substantial resources that we may not have or otherwise be able to obtain.

If we experience delays in developing our products, our ability to deliver product releases in a timely manner and meet customer expectations will be impaired.

We have experienced delays in developing new versions and updating releases in the past and may experience similar or more significant product delays in the future. To date, none of these delays has materially harmed our business. If we are unable, for technological or other reasons, to develop and introduce new and improved products or enhanced versions of our existing products in a timely manner, our business and operating results could be harmed. Difficulties in product development or integration of acquired or licensed technologies could delay or prevent the successful introduction, marketing and delivery of new or improved products to our customers, damage our reputation in the marketplace and limit our growth.

Errors in our products or product liability claims asserted against us could result in decreases in customers and revenue, unexpected expenses and loss of market share.

Because our software products are complex, they may contain errors or bugs that can be detected at any point in a product s lifecycle. While we continually test our products for errors and work with customers through our customer support services to identify and correct bugs, errors in our products may be found in the future even after our products have been commercially introduced. Detection of any significant errors may result in, among other things, loss of, or delay in, market acceptance and sales of our products, diversion of development resources, injury to our reputation, or increased service and warranty costs. In the past, we have discovered errors in our products and have experienced delays in the shipment of our products during the period required to correct these errors. Product errors could harm our business and have a material adverse effect on our results of operations. Moreover, because our products primarily support other systems and applications, such as Windows, any software errors or bugs in the operating systems or applications may result in errors in the performance of our software, and it may be difficult or impossible to determine where the errors reside.

In addition, we may be subject to claims for damages related to product errors in the future. While we carry insurance policies covering this type of liability, these policies may not provide sufficient protection should a claim be asserted. A material product liability claim could harm our business, result in unexpected expenses and damage our reputation. Our license agreements with our customers typically contain provisions designed to limit exposure to potential product liability claims. Our standard software licenses provide that if our products fail to meet the designated standard, we will correct or replace such products or refund fees paid for such products. Our standard license also provides that we shall not be liable for indirect or consequential damages caused by the

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failure of our products. However, such limitation of liability provisions may not be effective under the laws of certain jurisdictions to the extent local laws treat certain warranty exclusions or limitations of liability as unenforceable. Although no product liability suits have been filed to date, the sale and support of our products entails the risk of such claims.

Our industry changes rapidly due to evolving technological standards, and our future success will depend on our ability to continue to meet the sophisticated and changing needs of our customers.

Our future success will depend on our ability to address the increasingly sophisticated needs of our customers by supporting existing and emerging technologies, including technologies related to the development of Windows and other operating systems generally. If we do not enhance our products to meet these evolving needs, we may not remain competitive and be able to grow our business.

We will have to develop and introduce enhancements to our existing products and any new products on a timely basis to keep pace with technological developments, evolving industry standards, changing customer requirements and competitive products that may render existing products and services obsolete. In addition, because our products are dependent upon Windows and other operating systems, we will need to continue to respond to technological advances in these operating systems, including major revisions. Our position in the market for IT lifecycle management software for Windows and other systems and applications could be eroded rapidly by our competitors product advances. Consequently, the lifecycles of our products are difficult to estimate. We expect that our product development efforts will continue to require substantial investments, and we may lack the necessary resources to make these investments on a timely basis.

Unfavorable economic conditions and reductions in IT spending could limit our ability to grow our business.

Our business and operating results are subject to the effects of changes in general economic conditions. There has been a severe downturn in the worldwide economy during the past 36 months, and we are uncertain as to its future severity and duration. This uncertainty has increased because of the potential long-term impact of terrorist attacks, such as the attacks on the United States on September 11, 2001, and the resulting military actions against terrorism. In the future, fears of global recession, war and additional acts of terrorism may continue to impact global economies negatively. We believe that these conditions, as well as the decline in worldwide economic conditions, have led our current and potential customers to decrease their IT budgets. If these conditions worsen, demand for our products and services may be reduced as a result of even further reduced spending on IT products such as ours.

We are subject to risks inherent in doing business internationally that could impair our ability to expand into foreign markets.

Sales to international customers represented approximately 20% of our revenue in 2002 and approximately 33% of our revenue for the six months ended June 30, 2003. Our international revenue is attributable principally to sales to customers in Europe and Canada. Our international operations are, and any expanded international operations will be, subject to a variety of risks associated with conducting business internationally that could harm our business, including the following:

- longer payment cycles;

seasonal reductions in business activity during the summer months in Europe and certain other parts of the world;

increases in tariffs, duties, price controls or other restrictions on foreign currencies or trade barriers imposed by foreign countries;

limited or unfavorable intellectual property protection;

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- unfavorable laws that increase the risks of doing business in foreign countries;
- fluctuations in currency exchange rates;
- increased administrative expenses;
- the possible lack of financial and political stability in foreign countries that prevent overseas sales and growth;
- restrictions against repatriation of earnings from our international operations;
- potential adverse tax consequences; and
- difficulties in staffing and managing international operations, including the difficulty in managing a geographically dispersed workforce in compliance with diverse local laws and customs.

Fluctuations in the value of foreign currencies could result in currency transaction losses.

As we expand our international operations, we expect that our international business will increasingly be conducted in foreign currencies. Fluctuations in the value of foreign currencies relative to the United States Dollar have caused, and we expect such fluctuations to continue to increasingly cause, currency transaction gains and losses. We cannot predict the effect of exchange rate fluctuations upon future quarterly and annual operating results. We may experience currency losses in the future. To date, we have not adopted a hedging program to protect us from risks associated with foreign currency fluctuations.

International political instability may increase our cost of doing business and disrupt our business.

Increased international political instability, evidenced by the threat or occurrence of terrorist attacks, enhanced national security measures, sustained military action in Afghanistan and Iraq, strained international relations with North Korea, tensions between Taiwan and China, tensions between India and Pakistan and other conflicts in the Middle East and Asia, may halt or hinder our ability to do business, increase our costs and adversely affect our stock price. This increased instability may, for example, negatively impact the reliability and cost of transportation, negatively affect the desire of our employees and customers to travel, adversely affect our ability to obtain adequate insurance at reasonable rates or require us to take extra security precautions for our domestic and international operations. In addition, this international political instability has had and may continue to have negative effects on financial markets, including significant price and volume fluctuations in securities markets. If this international political instability continues or escalates, our business and results of operations could be harmed and the market price of our common stock could decline.

We rely on our intellectual property rights, and our inability to protect these rights could impair our competitive advantage, divert management attention, require additional development time and resources or cause us to incur substantial expense to enforce our rights, which could harm our ability to compete and generate revenue.

Our success is dependent upon protecting our proprietary technology. We rely primarily on a combination of copyright, patent, trade secret and trademark laws, as well as confidentiality procedures and contractual provisions to protect our proprietary rights. These laws, procedures and provisions provide only limited protection. We currently own five patents. However, our patents may not provide sufficiently broad protection or they may not prove to be enforceable in actions against alleged infringers. In addition, patents may not be issued on our current or future technologies. Despite precautions that we take, it may be possible for unauthorized third parties to copy aspects of our current or future products or to obtain and use information that we regard as proprietary. In particular, we may provide our licensees with access to proprietary information underlying our licensed applications which they may improperly appropriate. Additionally, our competitors may independently design around patents and other proprietary rights we hold.

Policing unauthorized use of software is difficult and some foreign laws do not protect our proprietary rights to the same extent as United States laws. Litigation may be necessary in the future to enforce our intellectual

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property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. Litigation could result in substantial costs and diversion of resources and management attention.

If third parties assert that our products or technologies infringe their intellectual property rights, our reputation and ability to license or sell our products could be harmed. In addition, these types of claims could be costly to defend and result in our loss of significant intellectual property rights.

We expect that software product developers, such as ourselves, will increasingly be subject to infringement claims as the number of products and competitors in the software industry segment grows and the functionality of products in different industry segments overlaps. If third parties assert that our current or future products infringe their proprietary rights, there could be costs associated with defending these claims, whether the claims have merit or not, which could harm our business. Any future claims could harm our relationships with existing customers and may deter future customers from licensing our products. In addition, in any potential dispute involving our intellectual property, our customers or distributors of our products could also become the target of litigation, which could trigger our indemnification obligations in certain of our license and service agreements. Any such claims, with or without merit, could be time consuming, result in costly litigation, including costs related to any damages we may owe resulting from such litigation, cause product shipment delays or result in loss of intellectual property rights which would require us to obtain licenses which may not be available on acceptable terms or at all.

If we cannot continually attract and retain sufficient and qualified management, technical and other personnel, our ability to manage our business successfully and commercially introduce products could be negatively affected.

Our future success will depend on our ability to attract and retain experienced, highly qualified management, technical, research and development, and sales and marketing personnel. The development and sales of our products could be impacted negatively if we do not attract and retain these personnel. Competition for qualified personnel in the computer software industry is intense, and in the past we have experienced difficulty in recruiting qualified personnel, especially technical and sales personnel. Moreover, we intend to expand the scope of our international operations and these plans will require us to attract experienced management, sales, marketing and customer support personnel for our international offices. We expect competition for qualified personnel to remain intense, and we may not succeed in attracting or retaining these personnel. In addition, new employees generally require substantial training in the use of our products, which will require substantial resources and management attention.

If we are unable to retain key personnel, our ability to manage our business effectively and continue our growth could be negatively impacted.

Our future success will depend to a significant extent on the continued service of our executive officers and certain other key employees. Of particular importance to our continued operations are our President and Chief Executive Officer, Greg Butterfield, and our Chief Technology Officer, Dwain Kinghorn. None of our executive officers and key employees is bound by an employment agreement. If we lose the services of one or more of our executive officers or key employees, or if one or more of them decide to join a competitor or otherwise compete directly or indirectly with us, our business could be harmed. Searching for replacements for our key personnel could divert management s time and result in increased operating expenses.

Future changes in accounting standards, particularly changes affecting revenue recognition and accounting for stock options, could cause unexpected revenue fluctuations.

Future changes in accounting standards, particularly changes affecting revenue recognition and accounting for stock options, could require us to change our accounting policies. These changes could cause deferment of revenue recognized in current periods to subsequent periods or accelerate recognition of deferred revenue to

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current periods, each of which could cause shortfalls in meeting securities analysts and investors expectations. Any of these shortfalls could cause a decline in our stock price.

Since our inception, we have used stock options and other long-term equity incentives as a fundamental component of our employee compensation packages. We believe that stock options and other long-term equity incentives directly motivate our employees to maximize long-term stockholder value and, through the use of vesting, encourage employees to remain with Altiris. The Financial Accounting Standards Board, or FASB, among other agencies and entities, is currently considering changes to GAAP that, if implemented, would require us to record an additional charge to earnings for employee stock option grants. This proposal would negatively impact our earnings. For example, recording charges for employee stock options under SFAS 123, Accounting for Stock-Based Compensation would have increased our net loss by $3.3 million in 2002. In addition, new regulations proposed by The Nasdaq National Market requiring stockholder approval for all stock option plans could make it more difficult for us to grant options to employees in the future. To the extent that new regulations make it more difficult or expensive to grant options to employees, we may incur increased accounting compensation costs, change our equity compensation strategy or find it difficult to attract, retain and motivate employees, each of which could materially and adversely affect our business.

Our principal stockholders may exercise a controlling influence over our business affairs and may make business decisions with which you disagree and which may adversely affect the value of your investment.

Following this offering, our principal stockholders, two entities affiliated with Technology Crossover Ventures, or TCV, RS Investment Management, L.P. and Canopy, respectively, will beneficially own approximately 22.8%, 10.0% and 8.1% of our common stock and are likely to be able to exercise control over most matters requiring approval by our stockholders, including the election of directors and approval of significant corporate transactions. This concentration of ownership may also have the effect of delaying or preventing a change in control of our company or discouraging others from making tender offers for our shares, which could prevent our stockholders from receiving a premium for their shares. These actions may be taken even if they are opposed by the other stockholders.

Risks Relating to the Offering and Our Common Stock

The market price for our common stock may be particularly volatile, and our stockholders may be unable to resell their shares at a profit.

The market price of our common stock has been subject to significant fluctuations and may continue to fluctuate or decline. Since our initial public offering in May 2002, the price of our common stock has ranged from an intra-day low of $4.50 to an intra-day high of $24.85. The stock markets have experienced significant price and trading volume fluctuations. The market for technology stocks has been extremely volatile and frequently reaches levels that bear no relationship to the past or present operating performance of those companies. General economic conditions, such as recession or interest rate or currency rate fluctuations in the United States or abroad, could negatively affect the market price of our common stock. In addition, our operating results may be below the expectations of securities analysts and investors. If this were to occur, the market price of our common stock would likely significantly decrease. In the past, following periods of volatility in the market price of a company s securities, securities class action litigation has often been instituted against that company. Such litigation could result in substantial cost and a diversion of management s attention and resources.

The market price of our common stock may fluctuate in response to various factors, some of which are beyond our control. These factors include, but are not limited to, the following:

- changes in market valuations or earnings of our competitors or other technology companies;

- actual or anticipated fluctuations in our operating results;

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- changes in financial estimates or investment recommendations by securities analysts who follow our business;
- technological advances or introduction of new products by us or our competitors;
- the loss of key personnel;
- our sale of common stock or other securities in the future;
- intellectual property or litigation developments;
- changes in business or regulatory conditions;
- the trading volume of our common stock; and
- disruptions in the geopolitical environment, including war in the Middle East or elsewhere or acts of terrorism in the United States or elsewhere.

As a new investor, you will incur immediate and substantial dilution as a result of this offering and future equity issuances.

The public offering price is substantially higher than the pro forma book value per share of our common stock. As a result, investors purchasing common stock in this offering at the public offering price of $18.75 per share will incur immediate dilution of $13.58 in net tangible book value per share. This dilution is due in large part to earlier investors in our company having paid less than the offering price when they purchased their shares. Investors will incur additional dilution upon the exercise of outstanding stock options.

You will be relying on our management s judgment, with which you may disagree, regarding the use of proceeds from this offering. If our management does not use the proceeds in a manner that increases our operating results or market value, our business could suffer.

We do not have a definite, quantified plan with respect to the use of the net proceeds from this offering and have not committed the substantial majority of these proceeds to any particular purpose, as more fully described in the section entitled Use of Proceeds. Accordingly, our management will have broad discretion as to the use of the net proceeds from this offering. Investors will be relying on the judgment of our management regarding the application of these proceeds, and we may not be able to invest these proceeds to yield a significant return. We have made only preliminary determinations as to the amount of net proceeds to be used based on our current expectations regarding our financial performance and business needs over the foreseeable future. These expectations may prove to be inaccurate, as our financial performance may differ from our current expectations or our business needs may change as our business and the industry we address evolve. As a result, the proceeds we receive in this offering may be used in a manner significantly different from our current plans.

There may be sales of substantial amounts of our common stock after this offering, which could cause our stock price to fall.

Our current stockholders hold a substantial number of shares, which they will be able to sell in the public market now and in the near future. After this offering, 24,609,158 shares of common stock will be outstanding, excluding shares issued upon future exercises of options granted under our employee stock option plan or purchases of our common stock made pursuant to our employee stock purchase plan. All of the shares sold in this offering, along with the shares sold in our initial public offering, will be tradable in the public market. A portion of the shares of our common stock outstanding after this offering will continue to be restricted as a result of lock-up agreements with Credit Suisse First Boston LLC that restrict the holders ability to transfer their stock for certain periods after the date of this prospectus. Of the outstanding shares, 16,609,211 shares will be available for sale in the public market as of the date of this prospectus, subject to certain volume limitations applicable to certain of our executive officers; 5,598,167 additional shares will be available for sale in the public market

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75 days after the date of this prospectus and 2,401,780 additional shares will be available for sale in the public market 90 days after the date of this prospectus. Credit Suisse First Boston LLC may, however, waive the 75-day and/or the 90-day lock-up periods, as applicable, at any time for any stockholder. Additionally, of the shares issuable upon exercise of options to purchase our common stock outstanding as of July 24, 2003, approximately 846,368 shares will have vested and be eligible for sale within 75 days after the date of this prospectus and another 103,084 shares will have vested and be eligible for sale 90 days after the date of this prospectus. Sales of a substantial number of shares of our common stock within a short period of time after this offering could cause our stock price to fall. In addition, the sale of these shares could impair our ability to raise capital through the sale of additional stock.

Following completion of this offering, holders of 4,850,287 shares of our common stock will have rights to require us to register their shares, subject to certain limitations and conditions. For more information on these registration rights, see Description of Capital Stock Registration Rights. If holders of these registration rights request that we register their shares, and if the registration is effected, these shares will be freely tradeable without restrictions under the Securities Act. Any sales of shares by these stockholders could have a material adverse effect on the trading price of our common stock.

We have implemented anti-takeover provisions that could make it more difficult to acquire us.

Our certificate of incorporation, our bylaws and Delaware law and our agreements with HP contain provisions that may inhibit potential acquisition bids for us and prevent changes in our management. Certain provisions of our charter documents could discourage potential acquisition proposals and could delay or prevent a change in control transaction. In addition, our agreements with HP contain provisions which in the event of a change of control related to certain companies allow HP to terminate the agreements. These provisions of our charter documents and agreements with HP could have the effect of discouraging others from making tender offers for our shares, and as a result, these provisions may prevent the market price of our common stock from reflecting the effects of actual or rumored takeover attempts. These provisions may also prevent changes in our management.

These provisions include:

- authorizing only the Chairman of the board of directors, the Chief Executive Officer or the President of Altiris to call special meetings of stockholders;
- establishing advance notice procedures with respect to stockholder proposals and the nomination of candidates for election of directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors;
- prohibiting stockholders action by written consent;
- classifying our board of directors into three classes so that the directors in each class will serve staggered three-year terms;
- eliminating cumulative voting in the election of directors; and

authorizing the issuance of shares of undesignated preferred stock without a vote of stockholders.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are therefore entitled to the protection of the safe harbor provisions of these laws. These forward-looking statements involve risks and uncertainties, and relate to future events of our future financial performance. These statements include, but are not limited to, statements concerning:

- the projected increase in business spending on systems management software;
- our ability to realize sufficient revenue to maintain or increase profitability;
- our ability to achieve market penetration, grow our business and maintain demand for our products;
- the anticipated benefits and risks of future acquisitions or investments;
- our ability to compete successfully against current or future competitors;
- the anticipated size or trends of the market segments in which we compete and the anticipated competition in those markets;
- our future capital requirements and our ability to satisfy our capital needs;
- our ability to attract and retain key personnel;
- the anticipated use of the proceeds realized from this offering;
- the trend of our costs and expenses;
- our expectation that recent changes in accounting standards will not have a material impact on our financial position or material affect on our financial statements;
- our belief that fluctuations in interest rates will not have a material impact on the fair value of our financial instruments;
- our ability to expand our strategic relationship with industry leaders;

our ability to develop products that utilize current and emerging communications protocols and support a diverse range of computing platforms;

future acquisitions of businesses, products or technologies;

our intent to hire additional customer services personnel and establish new support sites to meet our customers needs;

the anticipated benefits of entering alliances with leading technology companies;

the likely effects of a failure to protect and manage our intellectual property rights; and

the likely effect of an adverse ruling in current or future legal proceedings will not have a material adverse effect on our results of operations or financial position.

Furthermore, in some cases, you can identify forward-looking statements by terminology such as may, will, could, should, expect, plan, intend, anticipate, believe, estimate, predict, potential or continue, the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. In evaluating these statements, you should specifically consider various factors, including the risks outlined in the Risk Factors section above. These factors may cause our actual results to differ materially from any forward-looking statement.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

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USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the 3,000,000 shares of common stock offered by us in this offering will be approximately $52.8 million, or $66.1 million if the underwriters exercise their over-allotment option in full, based upon the public offering price of $18.75 per share and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any of the proceeds from the sale of 2,000,000 shares of common stock sold by the selling stockholder.

We expect to use the net proceeds of this offering for working capital and general corporate purposes, including expanding our sales efforts, research and development and international operations. In addition, we may use a portion of the net proceeds to acquire complementary businesses, products or technologies. We currently have no commitments, agreements or understandings with respect to any such transactions. Pending such uses, we intend to invest the net proceeds of this offering in short-term, interest-bearing, investment-grade securities.

DIVIDEND POLICY

We have never declared or paid cash dividends on our common stock. We currently intend to retain our earnings for future growth and do not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our results of operations, financial condition, contractual and legal restrictions and other factors the board deems relevant.

PRICE RANGE OF COMMON STOCK

Our common stock is quoted on the Nasdaq National Market under the symbol ATRS. The following table sets forth, for the periods indicated, the high and low intra-day sale prices of our common stock, as reported on the Nasdaq National Market.

	Common Stock Price	
	High	**Low**
Year Ended December 31, 2002		
Second Quarter (from May 23, 2002)	$ 9.41	$ 4.50
Third Quarter	11.55	4.85
Fourth Quarter	16.20	9.17
Year Ending December 31, 2003		
First Quarter	$ 15.92	$ 10.42
Second Quarter	21.39	12.00
Third Quarter (through August 13, 2003)	24.85	17.30

On August 13, 2003, the reported last sale price of our common stock on the Nasdaq National Market was $18.99 per share. As of July 24, 2003, there were approximately 67 holders of record of our common stock.

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CAPITALIZATION

The following table sets forth the current portion of capital lease obligations and our capitalization at June 30, 2003, on the following bases:

On an actual basis; and

On an as adjusted basis to reflect the sale by us of 3,000,000 shares of common stock at the public offering price of $18.75 per share in this offering, less the underwriting discounts and commissions and estimated offering expenses.

	As of June 30, 2003	
	Actual	As Adjusted
	(unaudited)	(unaudited)
	(in thousands)	
Current portion of capital lease obligations	$ 1,010	$ 1,010
Long-term portion of capital lease obligations	772	772
Stockholders equity:		
Preferred stock: $0.0001 par value, 5,000,000 shares authorized; no shares issued and outstanding		
Common stock: $0.0001 par value; 100,000,000 shares authorized; 21,547,623 actual shares issued and outstanding, 24,547,623 shares issued and outstanding, as adjusted	2	2
Additional paid-in capital	93,838	146,601
Deferred compensation	(1,592)	(1,592)
Accumulated other comprehensive income	218	218
Accumulated deficit	(17,733)	(17,733)
Total stockholders equity	74,733	127,496
Total capitalization	$ 75,505	$ 128,268

The above table does not include additional shares of common stock that may be issued under the plans and arrangements listed below:

1,688,200 shares of common stock issuable upon exercise of outstanding options under our 1998 Stock Option Plan as of June 30, 2003, at a weighted average exercise price of $2.88 per share; 47,785 shares issued upon exercise of options subsequent to June 30, 2003, at a weighted average exercise price of $1.53 per share; and 2,900 shares returned to the plan for forfeitures subsequent to June 30, 2003;

1,392,153 shares of common stock issuable upon exercise of outstanding options under our 2002 Stock Plan as of June 30, 2003, at a weighted average exercise price of $10.67 per share, and 39,600 shares issuable upon exercise of outstanding options granted subsequent to June 30, 2003, at a weighted average exercise price of $21.47 per share; and 13,875 shares issued upon exercise of options subsequent to June 30, 2003, at a weighted average exercise price of $7.51 per share; and 50 shares returned to the plan for forfeitures subsequent to June 30, 2003; and

711,791 shares of common stock reserved for issuance under our employee stock option and stock purchase plans as of June 30, 2003, including 65,541 shares of common stock issued under our employee stock purchase plan on August 1, 2003.

You should read the capitalization information above together with the sections of this prospectus entitled Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and Description of Capital Stock and our consolidated financial statements and related notes found elsewhere or incorporated by reference in this prospectus.

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DILUTION

Our net tangible book value as of June 30, 2003 was approximately $74.2 million, or $3.44 per share. Net tangible book value per share is equal to our total tangible assets less our total liabilities, divided by the total number of shares of our common stock outstanding.

After giving effect to the receipt of the proceeds from this offering, based on the public offering price of $18.75 per share, and after deducting underwriting discounts and commissions and estimated offering expenses, our as adjusted net tangible book value as of June 30, 2003 would have been approximately $127.0 million, or approximately $5.17 per share. This represents an immediate increase in net tangible book value of $1.73 per share to existing stockholders and an immediate dilution of $13.58 per share to new investors purchasing shares of our common stock in this offering.

The following table illustrates the per share dilution to the new investors:

Public offering price per share		$ 18.75
Net tangible book value per share as of June 30, 2003	$ 3.44	
Increase in net tangible book value per share attributable to this offering	1.73	
As adjusted net tangible book value per share as adjusted after offering		5.17
Dilution per share to new investors in this offering		$ 13.58

If the underwriters exercise their over-allotment option in full, there will be an increase in as adjusted net tangible book value of $2.11 per share to existing stockholders and an immediate dilution in as adjusted net tangible book value of $13.20 per share to new investors.

The following table summarizes, on an as adjusted basis as of June 30, 2003, the differences between the existing stockholders and new investors with respect to the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by the existing stockholders and by the new investors in this offering, based upon the public offering price of $18.75 per share before deducting underwriting discounts and commissions and estimated offering expenses:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	21,547,623	87.8%	$ 90,954,000	61.8%	$ 4.22
New investors	3,000,000	12.2	56,250,000	38.2	$ 18.75
Total	24,547,623	100.0%	$ 147,204,000	100.0%	$ 6.00

If the underwriters exercise their over-allotment option in full, our existing stockholders would own 85.2% and our new investors would own 14.8% of the total number of shares of our common stock outstanding after this offering.

The preceding discussion and tables assume that no stock options outstanding as of June 30, 2003, are exercised and that none of the 412,498 shares reserved for issuance under our employee stock purchase plan as of June 30, 2003, are issued. As of June 30, 2003, there were 3,080,353 shares issuable on exercise of outstanding options, at a weighted average exercise price of $6.40 per share.

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SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data set forth below is derived from our consolidated financial statements and should be read in conjunction with the consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere or incorporated by reference in this prospectus. The statement of operations data for the years ended December 31, 2000, 2001, and 2002, and the balance sheet data as of December 31, 2001 and 2002, are derived from, and are qualified by reference to, the audited financial statements and related notes included elsewhere or incorporated by reference in this prospectus. The balance sheet data as of December 31, 1998, 1999 and 2000 and the statement of operations data for the year ended December 31, 1999 are derived from audited financial statements not included or incorporated by reference in this prospectus. The statement of operations data for the year ended December 31, 1998, is unaudited and includes the carved-out portion of our predecessor s operations related to our business from January 1, 1998 to our incorporation in August 1998. The carved-out historical results presented are not necessarily indicative of what would have actually occurred had we existed as a separate legal entity for all periods presented and any historical results are not necessarily indicative of results that may be expected for any future period. The statement of operations data for the six months ended June 30, 2002 and 2003 and the balance sheet data as of June 30, 2003 are derived from unaudited financial statements included elsewhere in this prospectus. In the opinion of management, the selected financial data for the six months ended June 30, 2002 and 2003, and as of June 30, 2003, has been prepared on the same basis as the audited financial statements and includes all adjusting entries, consisting only of normal recurring adjustments, necessary for a fair presentation of our financial position and results of operations for those periods. Results for the six months ended June 30, 2003 are not to be taken as indicative of results to be expected for the year ending December 31, 2003.

	Year Ended December 31,					Six Months Ended June 30,	
	1998	1999	2000	2001	2002	2002	2003
	(unaudited)					(unaudited)	
	(in thousands, except per share data)						
Consolidated Statements of Operations Data:							
Revenue:							
Software	$ 1,616	$ 2,985	$ 6,653	$ 20,632	$ 38,095	$ 15,734	$ 27,862
Services	246	583	3,377	13,819	24,781	13,032	15,798
Total revenue	1,862	3,568	10,030	34,451	62,876	28,766	43,660
Cost of revenue:							
Software	224	734	713	1,035	897	475	351
Amortization of acquired intellectual property			207	3,185	1,792	1,399	296
Write-down of acquired intellectual property				1,677			
Services	41	107	870	3,644	6,880	4,420	4,298