

STRATEGIC SOFTWARE HOLDINGS LLC

Form PREC14A

March 14, 2003

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  
CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY  
RULE 14A-6(E)(2))  
Definitive Proxy Statement  
Definitive Additional Materials  
Soliciting Material Pursuant to Rule 14a-12

Mercator Software, Inc.

(Name of Registrant as Specified In Its Charter)

Strategic Software Holdings, LLC

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

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ANNUAL MEETING OF STOCKHOLDERS OF  
MERCATOR SOFTWARE, INC.

\_\_\_\_\_, 2003

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PROXY STATEMENT OF  
STRATEGIC SOFTWARE HOLDINGS, LLC

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This proxy statement and the enclosed BLUE proxy card are being furnished to you, the stockholders of Mercator Software, Inc. ("Mercator or the "Company"), in connection with the solicitation of proxies by Strategic Software Holdings, LLC ("Strategic Software") for use at the 2003 annual meeting of stockholders of Mercator, and at any adjournments, postponements or reschedulings thereof (the "2003 Annual Meeting").

Strategic Software is soliciting proxies to take the following actions at the 2003 Annual Meeting:

(1) to elect Rodney Bienvenu, Peter J. Boni, Daniel Hoogterp, Edward Sanchez, Jr., Sean P. Sears, Michael J. Turillo, Jr. and Michael R. Wodopian to the board of directors of Mercator, each to serve until the 2004 annual meeting of stockholders of Mercator and until their respective successors are duly elected;

(2) to repeal any new by-laws or amendments to existing By-laws adopted by the board of directors on or since March 14, 2003; and

(3) to transact any other business that is properly brought before the 2003 Annual Meeting.

The 2003 Annual Meeting is scheduled to be held on \_\_\_\_\_, \_\_\_\_\_, 2003 at \_\_\_\_\_ a.m. Eastern Daylight Time at the \_\_\_\_\_, located at \_\_\_\_\_. Mercator has set \_\_\_\_\_, 2003 as the record date for determining stockholders entitled to notice of and to vote at the 2003 Annual Meeting.

Information concerning Strategic Software, its nominees and other persons who are participants in its solicitation of proxies is provided in this proxy statement under the headings "Strategic Software's Nominees" and "Information About the Participants" and in Annex A.

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A PROXY MAY BE GIVEN BY ANY PERSON WHO HELD SHARES OF MERCATOR COMMON STOCK ON \_\_\_\_\_, 2003, THE RECORD DATE FOR THE 2003 ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE 2003 ANNUAL MEETING, YOU ARE URGED TO SIGN AND DATE THE ENCLOSED BLUE PROXY CARD AND RETURN IT IN THE POSTAGE-PAID ENVELOPE PROVIDED. YOUR LATEST-DATED PROXY IS THE ONLY ONE THAT COUNTS, SO YOU MAY RETURN THE BLUE PROXY CARD EVEN IF YOU HAVE ALREADY DELIVERED A PROXY. WE URGE YOU NOT TO RETURN ANY PROXY SENT TO YOU BY MERCATOR.

IF YOU HAVE ANY QUESTIONS ABOUT OUR SOLICITATION, OR NEED ANY ASSISTANCE IN VOTING YOUR SHARES, PLEASE CONTACT OUR PROXY SOLICITOR, INNISFREE M&A INCORPORATED, TOLL-FREE, AT 1-888-750-5834.

\* \* \* \* \*

The date of this proxy statement is \_\_\_\_\_, 2003. This proxy statement and the enclosed BLUE proxy card are first being sent or given to stockholders of Mercator on or about \_\_\_\_\_, 2003.

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## INTRODUCTION

At the 2003 Annual Meeting, seven persons will be elected as directors of Mercator to hold office until the 2004 annual meeting and until their successors have been elected and qualified or until their earlier death, resignation or removal.

In accordance with Mercator's amended and restated by-laws dated August 27, 1998 (the "By-laws"), Strategic Software has provided written notice to the secretary of Mercator of its intent to nominate for election to the board of directors at the 2003 Annual Meeting, and is soliciting your proxy in support of the election of, Rodney Bienvenu, Peter J. Boni, Daniel Hoogterp, Edward Sanchez, Jr., Sean P. Sears, Michael J. Turillo, Jr. and Michael R. Wodopian and to repeal any new by-laws or amendments to existing By-laws adopted by the board of directors on or since March 14, 2003. We believe the Strategic Software nominees are highly qualified individuals based on their extensive business and professional experience. For more information regarding the Strategic Software nominees, see "Strategic Software's Nominees."

Strategic Software is a significant shareholder in Mercator, with beneficial ownership of 1,672,500 shares, more than twice the total number of shares held directly by the current Directors of Mercator. Strategic Software is an investment firm that makes equity investments and acquisitions on behalf of itself and its investors. Based in Westport, Connecticut, the firm draws on its partners' extensive knowledge of all aspects of the enterprise software industry to execute strategic transactions.

Strategic Software is concerned by what it considers to be Mercator's poor performance in recent years and has decided to seek the election of its slate of directors in an attempt to deliver greater value to the shareholders.

YOUR VOTE IS IMPORTANT SO PLEASE SIGN, DATE AND MAIL YOUR BLUE PROXY CARD AT YOUR EARLIEST CONVENIENCE.

If you wish to communicate with us regarding Mercator and the matters discussed in this proxy statement you can also contact us through our website, [www.savemercator.com](http://www.savemercator.com).

If you have any questions concerning this proxy statement or need help voting your shares, please call:

INNISFREE M&A INCORPORATED  
501 MADISON AVENUE  
20TH FLOOR  
NEW YORK, NY 10022  
TOLL-FREE: 1-888-750-5834

\* \* \* \* \*

WHY THE CURRENT BOARD OF  
DIRECTORS OF MERCATOR MUST GO

It is time to change the board of directors and senior management at Mercator. The reasons for this change are numerous. Under the current board of directors and senior management:

- o Mercator's stock price has plummeted from a high of \$142 per share on March 7, 2000 to just \$1.33 per share as of March 12, 2003;
- o Over the same period, Mercator's stock has underperformed its peers and the NASDAQ Composite, as shown in the chart below.

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- o Mercator's market position collapsed from 3rd to 10th between 1999 and 2001, and its Enterprise Application Integration (EAI) market share fell from 10% to 4.7% over the same period;

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- o Mercator's revenue has declined dramatically, down from \$138.3 million to \$111.9 million in 3 years;
- o Yet Mercator's research and development spend has been wasted, increasing from 15% to 19% of revenue over the same time from 2000 to 2002.

[PERFORMANCE GRAPH OMITTED]

Date	MCTR	NASDAQ	Peer Group
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1-Mar-00	0	0	0
5-Sep-00	-83.2	-19.05	-34
5-Mar-01	-94.53	-58.23	-83.28
4-Sep-01	-98.04	-65.66	-92.13
4-Mar-02	-94.54	-60.73	-82.30
3-Sep-02	-98.57	-73.64	-96.07
3-Mar-03	-98.69	-73.44	-95.77

The board of directors and management of Mercator have watched and not acted as the Company has wasted away. They are not focused on restoring stockholder value. SSH, as Mercator's largest shareholder, asked company directors in January 2003 to appoint an investment bank to explore options to salvage value for Mercator stockholders, including the sale of the business. Mercator's current board of directors refused.

### STRATEGIC SOFTWARE'S NOMINEES

Strategic Software has put together a slate of highly qualified nominees whom we believe have the expertise necessary to restore value to the shareholders of Mercator, the true owners of the Company.

Our nominees are wholly independent of Mercator's current management and are committed to exploring all alternatives to increase stockholder value. If elected, Strategic Software's nominees are committed to acting in the best interest of Mercator's stockholders and, subject to their fiduciary duties as directors of Mercator, will pursue their efforts diligently and promptly.

### CERTAIN INFORMATION ABOUT OUR NOMINEES

Set forth below are the name, age, business address, present principal occupation, employment history and directorships of publicly-held companies of each of the Strategic Software group nominees for at least the past five years.

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This information has been furnished to Strategic Software by the respective nominees. Each of the Strategic Software nominees has consented to serve as a director of the Company. Each of the Strategic Software group nominees is at least 18 years of age. None of the entities referenced below is a parent or subsidiary of the Company.

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NAME AND BUSINESS ADDRESS	AGE	PRESENT PRINCIPAL OCCUPATION AND FIVE YEAR BUSINESS EXPERIENCE
Rodney Bienvenu 1465 Post Road East Westport, CT 06880	37	Mr. Bienvenu is currently Chairman and CEO of Strategic Software. Prior to his current position, he served as Chief Planning Officer and President, divine Software Services, a division of divine, a publicly traded software company. He was President and CEO of SageMaker, Inc., a digital asset management provider, for more than five years prior to 2001.
Peter J. Boni 10 Maguire Road, Suite 332 Lexington, MA 02421	57	Mr. Boni is currently Chairman & CEO of Surebridge, Inc., an provider of software applications, IT infrastructure and business process automation. Mr. Boni has over 20 years' experience as a high technology CEO. Mr. Boni was previously CEO of Prime Response, an applications software company. Prior to his employment with Prime Response, Mr. Boni was President and CEO of Cayenne Software until its acquisition by Sterling Software. Previously, Mr. Boni served as president of the Software and Information Services Group of Paramount Communications, Inc. (Paramount Viacom, Inc.).
Daniel Hoogterp 3 Cherry Hill Circle, Suite 102, Monroe, CT 06468	43	Mr. Hoogterp is founder and CEO of TQuist. Mr. Hoogterp also serves as a technology advisor to several firms, including Growth Venture Partners, LLC and ECS Energy, Inc. Prior to TQuist, Mr. Hoogterp was as EVP and Chief Technology Officer of Enamics, Inc., a provider of Business Technology Management software. Prior to Enamics, Mr. Hoogterp was CTO of SageMaker, Inc., an enterprise portal software firm. Prior to SageMaker, Mr. Hoogterp was founder and CEO of Retrieval Technology, Inc. (RTI), a real time news and multimedia product firm, which he founded with SageMaker in 1999. Prior to RTI, he had instrumental role in technology development for products of IBM, MCI, Sprint, and Network Solutions.
Edward Sanchez, Jr. 150 E. 52nd St. 2nd Floor New York, NY 10022	37	Mr. Sanchez wholly owns and controls ES Advisors LLC, a Delaware limited liability company established in 2001. ES Advisors is a General Partner for ES Capital Partners LLP, a technology investment fund. For more than five years prior to the formation of ES Advisors LLC, Mr. Sanchez served as a fund manager for Travelers Insurance division of CitiGroup).
Sean P. Sears TD Centre 1791 Barrington St., 4th Floor Halifax, Nova Scotia B3J 3K9 Canada	42	Since 2000, Mr. Sears has served as President and Chief Executive Officer of abridean, inc., a privately held software company founded in 1998. From 1998 through 2000, Mr. Sears was president of Venture Management, a private investment firm that he founded. Previously, he co-founded and was President of Cycor Communications, a national internet service provider.
Michael J. Turillo, Jr 404 Wyman Street, Waltham, MA 02454	55	Mr. Turillo is a currently a Partner with the Financial Services Strategic Change division of IBM Business Consulting Services. Previously, he was a National Practice Executive with the Business Innovation Services division of IBM. Mr. Turillo had a long, successful career prior to working for IBM with KPMG International, where

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worked for more than 25 years, holding positions that include International Management Executive Team Member and Global Chief Knowledge Officer.

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NAME AND BUSINESS ADDRESS	AGE	PRESENT PRINCIPAL OCCUPATION AND FIVE YEAR BUSINESS EXP
Michael R. Wodopian 9750 Goethe Road, Sacramento, CA 95827	50	Mr. Wodopian is currently the Director of Marketing, Optical Group with Intel Corporation, the world's largest chip maker leading manufacturer of computer, networking and communication products, and he has held a number of general management, business development and marketing positions within Intel since 1999, joined Intel through its acquisition of Level One Communications, Mr. Wodopian was the Vice President Business Development and Strategic Planning.

The number of shares of the Company's common stock beneficially owned by and the percentage beneficial ownership of each of Strategic Software's nominees as of the date of this proxy statement are as follows:

STRATEGIC SOFTWARE NOMINEE	NUMBER OF SHARES BENEFICIALLY OWNED (1), (2)	PERCENTAGE OWNERSHIP (3)
Rodney Bienvenu (4)	1,672,500	4.84%
Peter J. Boni	0	0
Daniel Hoogterp	0	0
Edward Sanchez, Jr. (5)	36,610	*
Sean P. Sears	3,450	*
Michael J. Turillo, Jr.	0	0
Michael R. Wodopian	0	0
Total	1,712,560	4.96%

\*Less than 1% of the outstanding shares of common stock of the Company.

(1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to stock options and warrants currently exercisable or exercisable within 60 days are deemed outstanding for purposes of computing the percentage ownership of any group of which the holder is a member, but are not deemed outstanding for computing the percentage ownership of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

(2) Under the rules of the SEC, the Strategic Software nominees may be deemed to be members of a group and, as a result, each Strategic Software nominee may be deemed to beneficially own shares of common stock beneficially owned by each of the other Strategic Software nominees. Each of the Strategic Software nominees disclaims beneficial ownership of the shares of common stock beneficially owned by any of the other Strategic Software nominees.

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- (3) Calculated based on 34,528,560 shares of common stock outstanding as of November 8, 2002, as reported in the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, filed with the SEC on November 13, 2002.
- (4) Consists of 1,672,500 shares of common stock owned by Broken Arrow I, L.P., of which Strategic Software is the managing partner. Mr. Bienvenu is the Chairman and Chief Executive Officer of Strategic Software and has shared voting and dispositive power with respect to the 1,672,500 shares of common stock owned by Broken Arrow I, L.P.

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- (5) Includes warrants to purchase 17,410 shares of common stock which are currently exercisable for \$8.98 per share held by ES Capital Partners LLP, of which ES Advisors LLC is the general partner. Mr. Sanchez wholly owns and controls ES Advisors LLC and would have sole voting and dispositive power with respect to shares of common stock issued pursuant to the warrant owned by ES Capital Partners LLP. Also includes 19,200 shares of common stock in an account owned by First New York Securities, L.L.C. and managed by Mr. Sanchez. Mr. Sanchez has shared voting and dispositive power with respect to such shares of common stock owned by First New York Securities, L.L.C.

To the best knowledge of Strategic Software, none of the Strategic Software nominees is employed by the Company. All of the Strategic Software nominees are citizens of the United States.

To the best knowledge of Strategic Software, none of Strategic Software, any of the persons participating in this proxy solicitation on behalf of Strategic Software and the Strategic Software nominees within the past five years (i) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors); (ii) has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree, or final order enjoining future violations of, or prohibiting activities subject to, federal or state securities laws, or finding any violation with respect to such laws; (iii) were parties to a civil proceeding which ultimately mandated activities that were subject to federal securities laws.

Except as set forth in this proxy statement or in the annexes hereto, to the best knowledge of the Strategic Software, none of Strategic Software, any of the persons participating in this proxy solicitation on behalf of the Strategic Software, the Strategic Software nominees and, with respect to items (i), (vii) and (viii) of this paragraph, any associate (within the meaning of Rule 14a-1 of the Securities Exchange Act of 1934) of the foregoing persons (i) owns beneficially, directly or indirectly, any securities of the Company, (ii) owns beneficially, directly or indirectly, any securities of any parent or subsidiary of the Company, (iii) owns any securities of the Company of record but not beneficially, (iv) has purchased or sold any securities of the Company within the past two years, (v) has incurred indebtedness for the purpose of acquiring or holding securities of the Company, (vi) is or has within the past year been a party to any contract, arrangement or understanding with respect to any securities of the Company, (vii) since the beginning of the Company's last fiscal year has been indebted to the Company or any of its subsidiaries in excess of \$60,000 or (viii) has any arrangement or understanding with respect to future employment by the Company or with respect to any future transactions to which the Company or any of its affiliates will or may be a party. In addition,

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except as set forth in this proxy statement or in the annexes hereto, to the best knowledge of the Strategic Software, none of Strategic Software, any of the persons participating in this proxy solicitation on behalf of the Strategic Software, the Strategic Software nominees and any associates of the foregoing persons, has had or is to have a direct or indirect material interest in any transaction or proposed transaction with the Company in which the amount involved exceeds \$60,000, since the beginning of the Company's last fiscal year.

Except as set forth in this proxy statement or in the annexes hereto, to the best knowledge of Strategic Software, none of the Strategic Software nominees, since the beginning of the Company's last fiscal year, has been affiliated with (i) any entity that made or received, or during the Company's current fiscal year proposes to make or receive, payments to or from the Company or its subsidiaries for property or services in excess of five percent of either the Company's or such entity's consolidated gross revenues for its last full fiscal year, or (ii) any entity to which the Company or its subsidiaries were indebted at the end of the Company's last full fiscal year in an aggregate amount exceeding five percent of the Company's total consolidated assets at the end of such year. None of the Strategic Software nominees is or during the Company's last fiscal year has been affiliated with any law or investment banking firm that has performed or proposes to perform services for the Company.

To the best knowledge of Strategic Software, none of the corporations or organizations in which the Strategic Software nominees have conducted their principal occupation or employment was a parent, subsidiary or other affiliate of the Company, and the Strategic Software nominees do not hold any position or office with the Company or have any family relationship with any executive officer or director of the Company or have been involved in any proceedings,

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legal or otherwise, of the type required to be disclosed by the rules governing this solicitation.

Strategic Software has agreed to pay each Strategic Software nominee any out-of-pocket expenses and/or losses incurred by such nominee that arise from investigating or defending any claim brought against him with respect to actions taken in connection with the solicitation of proxies to which this proxy statement relates, other than claims resulting from the nominee's bad faith, willful misconduct or gross negligence.

Each of the Strategic Software nominees, if elected, will be entitled to receive compensation customarily paid by the Company to its independent directors, which compensation is described in the proxy statement with respect to the 2002 Annual Meeting of Stockholders of the Company filed by the Company on April 15, 2002.

We have no reason to believe that any of the Strategic Software nominees will be disqualified or unwilling or unable to serve if elected. Strategic Software reserves the right to nominate substitute persons if Mercator makes or announces any changes to its By-laws or takes or announces any other action that has, or if consummated would have, the effect of disqualifying any of the Strategic Software nominees. In addition, if any additional directorships are to be voted upon at the 2003 Annual Meeting, Strategic Software reserves the right to nominate additional persons to fill the added positions. Shares represented by proxies given to us will be voted for any substitute or additional nominees of Strategic Software.

Pursuant to documents previously filed with the Securities and Exchange Commission, the election of the Strategic Software nominees at the 2003 Annual



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Meeting may trigger certain change of control provisions. There can be no assurance that the Company will not experience adverse consequences as a result of any change of control.

### SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

No Strategic Software nominee has failed to file reports related to Mercator that are required by Section 16(a) of the Securities Exchange Act of 1934, as amended.

WE URGE YOU TO SIGN, DATE AND RETURN THE ENCLOSED BLUE PROXY CARD (AND NOT TO RETURN ANY PROXY CARD SENT TO YOU BY MERCATOR) TO HELP US PURSUE THE STRATEGIC SOFTWARE PLAN.

\* \* \* \* \*

STRATEGIC SOFTWARE STRONGLY BELIEVES THAT IT IS IN THE BEST INTEREST OF STOCKHOLDERS TO ELECT THE STRATEGIC SOFTWARE NOMINEES AT THE 2003 ANNUAL MEETING.

YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU OWN.

WE STRONGLY RECOMMEND THAT YOU VOTE "FOR" THE ELECTION OF THE STRATEGIC SOFTWARE NOMINEES AND TO REPEAL ANY NEW BY-LAWS OR AMENDMENTS TO EXISTING BY-LAWS ADOPTED BY THE BOARD OF DIRECTORS ON OR SINCE MARCH 14, 2003 BY SIGNING, DATING AND RETURNING THE BLUE PROXY CARD IN THE ENCLOSED POSTAGE PAID ENVELOPE TODAY!

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### VOTING PROCEDURES

#### HOW DO I VOTE IN PERSON?

If you owned Mercator common stock on the record date, \_\_\_\_\_, 2003, you may attend the 2003 Annual Meeting and vote in person. If you are not the record holder of your shares, please refer to the discussion following the question "What if I am not the record holder of my shares?" If you hold your shares in the name of a bank or broker, you will not be able to vote in person at the Annual Meeting, unless you have previously specially requested and obtained a "legal proxy" from your bank or broker and present it at the Annual Meeting.

#### HOW DO I VOTE BY PROXY?

To vote by proxy, you should complete, sign and date the enclosed BLUE proxy card and return it promptly in the enclosed postage-paid envelope.

To be able to vote your shares in accordance with your instructions at the 2003 Annual Meeting, we must receive your proxy as soon as possible but in any event prior to their being voted at the meeting..

#### WHAT IF I AM NOT THE RECORD HOLDER OF MY SHARES?

If your shares are held in the name of a brokerage firm, bank nominee or other institution ("Custodian"), only it can give a proxy with respect to

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your shares. You may have received either a blank, executed proxy card from your Custodian (which you can complete and send directly to Strategic Software) or an instruction card (which you can complete and return to the Custodian to direct its voting of your shares). If your Custodian has not sent you either a blank, executed proxy card or an instruction card, you may contact the Custodian directly to provide it with instructions. If you need assistance, please contact our solicitor, Innisfree M&A Incorporated, toll-free at 1-888-750-5834.

If your shares are held in the name of a Custodian, and want to vote in person at the 2003 Annual Meeting, you may specially request a document called a "legal proxy" from the Custodian and bring it to the 2003 Annual Meeting. If you need assistance, please contact our solicitor, Innisfree M&A Incorporated, toll-free at 1-888-750-5834.

### WHAT SHOULD I DO IF I RECEIVE A WHITE PROXY CARD?

Proxies on the white proxy card are being solicited by the incumbent board of directors of Mercator. If you submit a proxy to us by signing and returning the enclosed BLUE proxy card, do not sign or return the white proxy card or follow any voting instructions provided by Mercator unless you intend to change your vote, because only your latest-dated proxy will be counted.

If you have already sent a white proxy card to Mercator, you may revoke it and provide your support to the Strategic Software nominees by signing, dating and returning the enclosed BLUE proxy card.

### WHAT IF I WANT TO REVOKE MY PROXY?

If you give a proxy, you may revoke it at any time before it is voted on your behalf. You may do so in three ways:

- o By delivering a later-dated proxy to either Innisfree M&A Incorporated or the secretary of Mercator; or

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- o By delivering a written notice of revocation to either Innisfree M&A Incorporated or the secretary of Mercator; or
- o By voting in person at the 2003 Annual Meeting.

If you choose to revoke a proxy by giving written notice or a later-dated proxy to the secretary of Mercator, we would appreciate if you would assist us in representing the interests of stockholders on an informed basis by sending us a copy of your revocation of proxy or by calling Innisfree M&A Incorporated toll-free at 1-888-750-5834. REMEMBER, YOUR LATEST-DATED PROXY IS THE ONLY ONE THAT COUNTS.

### IF I PLAN TO ATTEND THE 2003 ANNUAL MEETING, SHOULD I STILL SUBMIT A PROXY?

Whether you plan to attend the 2003 Annual Meeting or not, we urge you to submit a BLUE proxy. Returning the enclosed proxy card will not affect your right to attend the 2003 Annual Meeting and vote.

### WHO CAN VOTE?

You are eligible to vote or to execute a proxy only if you owned Mercator common stock on the record date for the 2003 Annual Meeting, \_\_\_\_\_, 2003. Even if you sell your shares after the record date, you will retain the right to execute a proxy in connection with the 2003 Annual Meeting. It is

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important that you grant a proxy regarding shares you held on the record date, or vote those shares in person, even if you no longer own those shares. Based upon the preliminary proxy statement filed by Mercator on \_\_\_\_\_, 2003, shares of Mercator common stock were outstanding on the record date for the 2003 Annual Meeting.

### HOW MANY VOTES DO I HAVE?

With respect to each matter to be considered at the 2003 Annual Meeting, each stockholder will have one vote for each share of Mercator common stock held by it on the record date. Based on documents publicly filed by the Company, the Company has no outstanding voting securities other than its common stock.

### HOW WILL MY SHARES BE VOTED?

If you give a proxy on the accompanying BLUE proxy card, your shares will be voted as you direct. If you submit a proxy to us without instructions, our representatives will vote your shares in favor of our nominees. Submitting a BLUE proxy card will entitle our representatives to vote your shares in accordance with their discretion on matters not described in this proxy statement that may arise at the 2003 Annual Meeting.

Unless a proxy specifies otherwise, it will be presumed to relate to all shares held of record on the record date by the person who submitted it.

### WHAT IS A QUORUM AND WHY IS IT NECESSARY?

Conducting business at the 2003 Annual Meeting requires a quorum. For a quorum to exist, stockholders representing a majority of the votes eligible to be cast must be present in person or represented by proxy. Under the Delaware General Corporation Law, Mercator's certificate of incorporation and By-laws, abstentions and broker non-votes are treated as present for purposes of determining whether a quorum exists.

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### WHAT VOTE IS REQUIRED TO APPROVE EACH PROPOSAL AND HOW WILL VOTES BE COUNTED?

If a quorum is present, directors will be elected by a plurality of the votes cast. This means that the seven nominees receiving the highest number of votes will be elected as directors. Accordingly, abstentions and broker non-votes do not have the effect of a vote against the election of any nominees. Stockholders do not have the right to cumulate their votes.

Each proposal other than the election of directors will be adopted if a majority of the shares represented at the meeting and entitled to vote on the proposal are voted in its favor. Accordingly, abstentions on each such proposal will have the same effect as a vote against the proposal. Broker non-votes will not have the effect of a vote for or against any such proposal.

### HOW CAN I RECEIVE MORE INFORMATION?

If you have any questions about giving your proxy or about our solicitation, or if you require assistance, please call Innisfree M&A Incorporated, toll-free at 1-888-750-5834.

### REPEAL OF BY-LAW PROVISIONS

Strategic Software urges you to vote for the proposal to repeal any new

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by-laws or amendments to existing By-laws adopted by the board of directors on or since March 14, 2003. The purpose of this proposal is to restrain the board of directors from using new by-laws or amended By-laws to prevent the stockholders from accomplishing the objectives described in this proxy statement.

### OTHER MATTERS TO BE VOTED ON

This proxy solicitation is being made by Strategic Software and not on behalf of the board of directors or management of the Company. Strategic Software is not aware of any other matters to be brought before the Company's 2003 annual meeting, but the Company has not yet filed its proxy statement relating to the 2003 Annual Meeting. Should other matters be brought before the 2003 annual meeting, by having signed and returned the enclosed BLUE proxy card, you will have authorized the persons named as proxies in the enclosed BLUE proxy card to vote on all such matters in their discretion.

Strategic Software expects that the Company's proxy statement relating to the 2003 Annual Meeting, once filed, will contain information regarding (1) securities ownership of certain beneficial owners and management of the Company; (2) the committees of the board of directors; (3) the meetings of the board of directors and all committees thereof; (4) the business background and employment biographies of the Company's nominees for election to the board of directors; (5) the compensation and remuneration paid and payable to the Company's directors and management; and (6) the Company's stock price performance in relation to an assumed group of "peers" or market-based indices. The Company's stockholders are referred to the Company's definitive proxy statement in connection with the 2003 Annual Meeting for this information.

### SOLICITATION OF PROXIES

The solicitation to which this proxy statement relates is being made by Strategic Software. Strategic Software may solicit proxies in person and by mail, press release, advertisement, telephone, telecopier, telegraph, electronic mail, web page publication and other similar means. No person identified above has or will receive compensation for soliciting proxies.

Strategic Software will ask banks, brokers, custodians, nominees, other institutional holders and other fiduciaries to forward all soliciting materials to the beneficial owners of the shares that those institutions hold of record. Strategic Software will reimburse those institutions for reasonable expenses that they incur in connection with forwarding our materials.

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Strategic Software has retained Innisfree M&A Incorporated to solicit proxies on its behalf in connection with the 2003 Annual Meeting. Innisfree M&A Incorporated may solicit proxies from individuals, banks, brokers, custodians, nominees, other institutional holders and other fiduciaries and will employ approximately 40 people in its efforts. Strategic Software has agreed to reimburse Innisfree M&A Incorporated for its reasonable expenses, to indemnify it against certain losses, costs and expenses, and to pay it fees not to exceed \$115,000. The agreement between Strategic Software and Innisfree M&A Incorporated may be extended for an additional fee.

The entire expense of our proxy solicitation is being borne by Strategic Software. Strategic Software may, particularly if the Strategic Software nominees are elected to the Company's board of directors, seek reimbursement of our expenses from the Company. Strategic Software does not intend to seek stockholder approval of any such reimbursement.

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In addition to the costs related to the engagement of Innisfree M&A Incorporated, costs related to our solicitation of proxies include expenditures for printing, postage, legal services and other related items. Total expenditures are expected to be approximately \$475,000. Total payment of costs to date in furtherance of our proxy solicitation is approximately \$207,000.

### STOCKHOLDER PROPOSALS FOR 2004 ANNUAL MEETING

To be included in Mercator's proxy statement for the 2004 annual meeting of Mercator stockholders (the "2004 Meeting"), a proposal by a stockholder must generally be received at the Company's principal executive offices not less than 120 calendar days before the anniversary of the date on which the Company mails its proxy statement in connection with the 2003 Annual Meeting. However, if the 2004 Meeting is more than 30 days from the first anniversary of the 2003 Annual Meeting, the deadline for submitting a proposal is a reasonable time before the Company begins to print and mail its proxy materials for the 2004 Meeting.

In addition, the Company's By-laws require advance notice for any stockholder nomination or proposal in connection with any annual or special meeting of stockholders. Under the Company's By-laws, proposals for the 2004 Meeting generally must be received by the Company at its principal executive offices not fewer than 60 or more than 90 days before the first anniversary of the 2003 Annual Meeting. However, if the 2004 Meeting is more than 30 days before or 60 days after the first anniversary of the 2003 Annual Meeting, such proposal must be delivered not earlier than the close of business on the 90th day prior to the 2004 Meeting and not later than the close of business on the 60th day prior to the 2004 Meeting or the close of business on the 10th day following the date that the 2004 Meeting is publicly disclosed.

### INFORMATION REGARDING THE PARTICIPANTS

Strategic Software and the Strategic Software nominees are participants in Strategic Software's solicitation of proxies for the 2003 Annual Meeting within the meaning of the federal securities laws. Additional information related to Strategic Software, including its beneficial ownership of Mercator common stock, is set forth on Annex A to this proxy statement and is incorporated into this proxy statement by reference. None of the participants is party to any commercial dealing with Mercator or its subsidiaries that is required to be discussed in this proxy statement by the federal securities laws. Information in this proxy statement about each participant was provided by that participant.

### INFORMATION REGARDING THE COMPANY

The information concerning the Company contained in this proxy statement and the annexes hereto has been taken from or is based upon documents and records on file with the SEC and other publicly available information. Strategic Software has no knowledge that would indicate that statements relating to the Company contained in this proxy statement in reliance upon publicly available information are inaccurate or incomplete. Strategic Software, however, has not been given access to the books and records of the Company, was not involved in the preparation of such information and statements, and is not in a

position to verify, or make any representation with respect to the accuracy or completeness of, any such information or statements.

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Annex B sets forth information obtained from Mercator's public filings related to the beneficial ownership of Mercator common stock and is incorporated in this proxy statement by reference.

\* \* \* \* \*

WE URGE YOU TO VOTE YOUR SHARES IN FAVOR OF THE STRATEGIC SOFTWARE NOMINEES BY SIGNING, DATING AND RETURNING THE ENCLOSED BLUE PROXY CARD IN THE POSTAGE-PAID ENVELOPE PROVIDED.

Questions or requests for additional copies of this proxy statement should be directed to:

INNISFREE M&A INCORPORATED  
501 MADISON AVENUE  
20TH FLOOR  
NEW YORK, NY 10022

TOLL FREE: 1-888-750-5834

Date: March \_\_, 2003

By: \_\_\_\_\_

Rodney Bienvenu  
Chairman and CEO

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ANNEX A

### INFORMATION REGARDING STRATEGIC SOFTWARE AND OTHER PARTICIPANTS IN ITS SOLICITATION OF PROXIES

Strategic Software, Broken Arrow I, L.P. and the Strategic Software nominees are participants (the "Participants" and, each, a "Participant") in the solicitation of proxies in support of electing the Strategic Software nominees to the board of directors of Mercator. The Strategic Software nominees are Rodney Bienvenu, Peter J. Boni, Daniel Hoogterp, Edward Sanchez, Jr., Sean P. Sears, Michael J. Turillo, Jr. and Michael R. Wodopian.

Strategic Software is a Connecticut limited liability company and an investment firm that makes equity investments and acquisitions on behalf of itself and its investors. Strategic Software is the general partner of Broken Arrow I, L.P., a Delaware limited partnership, which is principally engaged in the business of investing and holding securities in various entities. The principal place of business of both Strategic Software and Broken Arrow I, L.P. is 1465 East Post Road, Second Floor, Westport, Connecticut 06880.

#### SECURITY OWNERSHIP

The number of shares of the Company's common stock beneficially owned and percentage beneficial ownership of each Participant, other than the Strategic Software nominees whose common stock ownership is set forth in the proxy statement to which this annex is attached, as of the date of this proxy statement are as follows:

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NAME -----	NUMBER OF SHARES BENEFICIALLY OWNED (1), (2) -----	PERCENTAGE OWNERSHIP (3) -----
Strategic Software (4)	1,672,500	4.84%

- (1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock subject to stock options and warrants currently exercisable or exercisable within 60 days are deemed outstanding for purposes of computing the percentage ownership of any group of which the holder is a member, but are not deemed outstanding for computing the percentage ownership of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.
- (2) Under the rules of the SEC, the Strategic Software nominees may be deemed to be members of a group and, as a result, each Strategic Software nominee may be deemed to beneficially own shares of common stock beneficially owned by each of the other Strategic Software nominees. Each of the Strategic Software nominees disclaims beneficial ownership of the shares of common stock beneficially owned by any of the other Strategic Software nominees.
- (3) Calculated based on 34,528,560 shares of common stock outstanding as of November 8, 2002, as reported in the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002, filed with the SEC on November 13, 2002.
- (4) Represents shares beneficially owned by Broken Arrow I, L.P.. Strategic Software has the power to determine how to vote and whether or not to dispose of such shares in its capacity as the general partner of Broken Arrow I and thus may be deemed to be the beneficial owner of such shares..

No Participant and no associate of any Participant (within the meaning of the federal proxy rules) beneficially owns any securities of Mercator other than common stock (and the accompanying rights under Mercator's rights

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agreement) and the options described above or in the proxy statement to which this annex is attached. No Participant beneficially owns any securities of any parent or subsidiary of Mercator. No Participant has record but not beneficial ownership with respect to any securities of Mercator.

TRANSACTIONS IN MERCATOR SECURITIES

Other than the transactions described below, no Participant has purchased or sold any securities of Mercator in the past two years. Mr. Sanchez manages shares of c

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TRANSACTIONS IN MERCATOR  
COMMON STOCK BY PARTICIPANTS

NAME OF PARTICIPANT	DATE OF TRANSACTION	NATURE OF TRANSACTION	NUMBER OF SHARES OF MERCATOR COMMON STOCK
Broken Arrow I	11/19/02	Purchase	2,000,000
Broken Arrow I	12/13/02	Purchase	25,000
Broken Arrow I	12/13/02	Purchase	7,800
Broken Arrow I	12/13/02	Purchase	5,000
Broken Arrow I	12/13/02	Purchase	12,200
Broken Arrow I	12/23/02	Purchase	30,000
Broken Arrow I	01/23/03	Sell	10,000
Broken Arrow I	01/23/03	Sell	15,000
Broken Arrow I	01/24/03	Sell	3,200
Broken Arrow I	01/24/03	Sell	3,700
Broken Arrow I	01/24/03	Sell	6,300
Broken Arrow I	01/24/03	Sell	10,000
Broken Arrow I	01/24/03	Sell	10,000
Broken Arrow I	01/24/03	Sell	10,000
Broken Arrow I	01/24/03	Sell	15,000
Broken Arrow I	01/24/03	Sell	20,900
Broken Arrow I	01/24/03	Sell	20,900
Broken Arrow I	01/28/03	Sell	7,500
Broken Arrow I	01/29/03	Sell	5,000
Broken Arrow I	01/30/03	Sell	3,000
Broken Arrow I	01/30/03	Sell	10,000
Broken Arrow I	01/30/03	Sell	17,000
Broken Arrow I	01/30/03	Sell	80,000
Broken Arrow I	01/31/03	Sell	200
Broken Arrow I	01/31/03	Sell	1,100
Broken Arrow I	01/31/03	Sell	2,300
Broken Arrow I	01/31/03	Sell	4,100
Broken Arrow I	01/31/03	Sell	4,200
Broken Arrow I	01/31/03	Sell	5,000
Broken Arrow I	01/31/03	Sell	5,000
Broken Arrow I	01/31/03	Sell	5,100
Broken Arrow I	01/31/03	Sell	5,400
Broken Arrow I	01/31/03	Sell	7,500
Broken Arrow I	01/31/03	Sell	16,300
Broken Arrow I	01/31/03	Sell	26,300
Broken Arrow I	02/03/03	Sell	40,000
Broken Arrow I	02/03/03	Sell	34,500
Edward Sanchez, Jr. -- First New York Securities	10/16/2001	Sell	19,000
Edward Sanchez, Jr. -- First New York Securities	10/17/2001	Sell	20,000
Edward Sanchez, Jr. -- First New York Securities	10/18/2001	Sell	32,500
Edward Sanchez, Jr. -- First New York Securities	10/19/2001	Sell	30,100
Edward Sanchez, Jr. -- First New York Securities	10/24/2001	Sell	10,000



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Edward Sanchez, Jr. -- First New York Securities	10/25/2001	Sell	9,900
Edward Sanchez, Jr. -- First New York Securities	10/26/2001	Sell	25,000
Edward Sanchez, Jr. -- First New York Securities	10/30/2001	Sell	7,000
Edward Sanchez, Jr. -- First New York Securities	11/08/2001	Sell	3,600
Edward Sanchez, Jr. -- First New York Securities	11/08/2001	Sell	7,200
Edward Sanchez, Jr. -- First New York Securities	11/08/2001	Sell	7,200
Edward Sanchez, Jr. -- First New York Securities	11/16/2001	Purchase	20,000
Edward Sanchez, Jr. -- First New York Securities	11/19/2001	Sell	10,000
Edward Sanchez, Jr. -- First New York Securities	11/20/2001	Purchase	10,000
Edward Sanchez, Jr. -- First New York Securities	11/26/2001	Purchase	10,000
Edward Sanchez, Jr. -- First New York Securities	11/28/2001	Purchase	10,000
Edward Sanchez, Jr. -- First New York Securities	11/29/2001	Sell	30,000
Edward Sanchez, Jr. -- First New York Securities	11/30/2001	Purchase	15,000
Edward Sanchez, Jr. -- First New York Securities	12/06/2001	Sell	5,500
Edward Sanchez, Jr. -- First New York Securities	12/07/2001	Sell	9,500
Edward Sanchez, Jr. -- First New York Securities	12/18/2001	Purchase	7,500
Edward Sanchez, Jr. -- First New York Securities	12/20/2001	Purchase	4,000
Edward Sanchez, Jr. -- First New York Securities	12/27/2001	Purchase	4,500
Edward Sanchez, Jr. -- First New York Securities	12/28/2001	Purchase	5,000
Edward Sanchez, Jr. -- First New York Securities	12/31/2001	Purchase	19,000
Edward Sanchez, Jr. -- First New York Securities	01/03/2002	Sell	25,000
Edward Sanchez, Jr. -- First New York Securities	01/07/2002	Purchase	6,000
Edward Sanchez, Jr. -- First New York Securities	01/07/2002	Sell	6,000
Edward Sanchez, Jr. -- First New York Securities	01/09/2002	Sell	25,000

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Edward Sanchez, Jr. -- First New York Securities	02/13/2002	Purchase	24,900
Edward Sanchez, Jr. -- First New York Securities	02/13/2002	Sell	24,900
Edward Sanchez, Jr. -- First New York Securities	01/06/2003	Purchase	10,000
Edward Sanchez, Jr. -- First New York Securities	01/09/2003	Purchase	16,500
Edward Sanchez, Jr. -- First New York Securities	01/10/2003	Sell	10,100

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First New York Securities Edward Sanchez, Jr. --	01/17/2003	Sell	9,200
First New York Securities Edward Sanchez, Jr. --	02/05/2003	Sell	12,400
First New York Securities Edward Sanchez, Jr. --	02/05/2003	Purchase	35,000
First New York Securities Edward Sanchez, Jr. --	02/06/2003	Sell	3,000
First New York Securities Edward Sanchez, Jr. --	02/07/2003	Sell	7,600
First New York Securities Edward Sanchez, Jr. --	09/10/2001	Purchase	50,000
ES Capital Partners LP Edward Sanchez, Jr. --	09/17/2001	Purchase	10,000
ES Capital Partners LP Edward Sanchez, Jr. --	09/18/2001	Purchase	15,000
ES Capital Partners LP Edward Sanchez, Jr. --	09/19/2001	Purchase	5,000
ES Capital Partners LP Edward Sanchez, Jr. --	09/19/2001	Purchase	75,000
ES Capital Partners LP Edward Sanchez, Jr. --	11/02/2001	Sell	125,000
ES Capital Partners LP Edward Sanchez, Jr. --	11/05/2001	Sell	25,000
ES Capital Partners LP Edward Sanchez, Jr. --	11/06/2001	Sell	5,000
ES Capital Partners LP Edward Sanchez, Jr. --	11/08/2001	Sell	52,800
ES Capital Partners LP Edward Sanchez, Jr. --	11/09/2001	Sell	22,700
ES Capital Partners LP Edward Sanchez, Jr. --	11/13/2001	Sell	52,000
ES Capital Partners LP Edward Sanchez, Jr. --	11/14/2001	Sell	10,000
ES Capital Partners LP Edward Sanchez, Jr. --	11/15/2001	Sell	21,400
ES Capital Partners LP Edward Sanchez, Jr. --	11/15/2001	Purchase	100
ES Capital Partners LP Edward Sanchez, Jr. --	11/19/2001	Purchase	18,800
ES Capital Partners LP Edward Sanchez, Jr. --	11/21/2001	Purchase	12,500
ES Capital Partners LP Edward Sanchez, Jr. --	11/26/2001	Purchase	35,000
ES Capital Partners LP Edward Sanchez, Jr. --	11/30/2001	Purchase	15,000

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Edward Sanchez, Jr. -- ES Capital Partners LP	12/04/2001	Sell	25,000
Edward Sanchez, Jr. -- ES Capital Partners LP	12/05/2001	Sell	47,500
Edward Sanchez, Jr. -- ES Capital Partners LP	12/06/2001	Purchase	15,000
Edward Sanchez, Jr. -- ES Capital Partners LP	12/12/2001	Sell	15,100
Edward Sanchez, Jr. -- ES Capital Partners LP	12/13/2001	Sell	19,400

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Edward Sanchez, Jr. -- ES Capital Partners LP	12/14/2001	Sell	90,000
Edward Sanchez, Jr. -- ES Capital Partners LP	12/28/2001	Sell	500
Edward Sanchez, Jr. -- ES Capital Partners LP	12/31/2001	Purchase	15,400
Edward Sanchez, Jr. -- ES Capital Partners LP	01/03/2002	Sell	25,000
Edward Sanchez, Jr. -- ES Capital Partners LP	01/08/2002	Sell	10,000
Edward Sanchez, Jr. -- ES Capital Partners LP	01/09/2002	Sell	35,000
Edward Sanchez, Jr. -- ES Capital Partners LP	01/11/2002	Sell	35,400
Edward Sanchez, Jr. -- ES Capital Partners LP	04/04/2002	Sell	69,600
Edward Sanchez, Jr. -- ES Capital Partners LP	04/11/2002	Sell	38
Edward Sanchez, Jr. -- ES Capital Partners LP	04/25/2002	Purchase	25,000
Edward Sanchez, Jr. -- ES Capital Partners LP	04/26/2002	Purchase	2,500
Edward Sanchez, Jr. -- ES Capital Partners LP	04/29/2002	Purchase	7,500
Edward Sanchez, Jr. -- ES Capital Partners LP	05/08/2002	Sell	15,700
Edward Sanchez, Jr. -- ES Capital Partners LP	05/09/2002	Sell	800
Edward Sanchez, Jr. -- ES Capital Partners LP	05/23/2002	Sell	6,800
Edward Sanchez, Jr. -- ES Capital Partners LP	05/28/2002	Sell	3,000
Edward Sanchez, Jr. -- ES Capital Partners LP	06/28/2002	Sell	5,800
Edward Sanchez, Jr. -- ES Capital Partners LP	10/10/2002	Purchase	10,000
Edward Sanchez, Jr. -- ES Capital Partners LP	10/15/2002	Sell	12,900
Edward Sanchez, Jr. -- ES Capital Partners LP	01/06/2003	Purchase	10,000
Edward Sanchez, Jr. -- ES Capital Partners LP	01/13/2003	Sell	10,000
Edward Sanchez, Jr.	07/26/2001	Purchase	10,500
Edward Sanchez, Jr.	07/26/2001	Purchase	3,500

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Edward Sanchez, Jr.	07/27/2001	Purchase	3,500
Edward Sanchez, Jr.	07/27/2001	Purchase	2,000
Edward Sanchez, Jr.	07/27/2001	Purchase	500
Edward Sanchez, Jr.	07/27/2001	Purchase	3,000
Edward Sanchez, Jr.	07/27/2001	Purchase	600
Edward Sanchez, Jr.	07/30/2001	Purchase	1,400
Edward Sanchez, Jr.	07/31/2001	Purchase	13,400
Edward Sanchez, Jr.	07/31/2001	Purchase	3,500
Edward Sanchez, Jr.	07/31/2001	Purchase	1,000
Edward Sanchez, Jr.	07/31/2001	Purchase	100
Edward Sanchez, Jr.	08/29/2001	Purchase	2,000
Edward Sanchez, Jr.	08/29/2001	Purchase	5,900
Edward Sanchez, Jr.	08/29/2001	Purchase	1,100

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Edward Sanchez, Jr.	08/29/2001	Purchase	500
Edward Sanchez, Jr.	08/29/2001	Purchase	500
Edward Sanchez, Jr.	08/31/2001	Purchase	6,100
Edward Sanchez, Jr.	08/31/2001	Purchase	3,000
Edward Sanchez, Jr.	08/31/2001	Purchase	2,000
Edward Sanchez, Jr.	09/04/2001	Purchase	5,900
Edward Sanchez, Jr.	09/04/2001	Purchase	5,000
Edward Sanchez, Jr.	09/05/2001	Purchase	7,900
Edward Sanchez, Jr.	09/05/2001	Purchase	1,100
Edward Sanchez, Jr.	09/05/2001	Purchase	500
Edward Sanchez, Jr.	09/05/2001	Purchase	500
Edward Sanchez, Jr.	09/07/2001	Purchase	9,500
Edward Sanchez, Jr.	09/07/2001	Purchase	3,000
Edward Sanchez, Jr.	09/07/2001	Purchase	1,200
Edward Sanchez, Jr.	09/07/2001	Purchase	800
Edward Sanchez, Jr.	09/07/2001	Purchase	500
Edward Sanchez, Jr.	09/17/2001	Purchase	11,400
Edward Sanchez, Jr.	09/17/2001	Purchase	6,100
Edward Sanchez, Jr.	09/17/2001	Purchase	2,000
Edward Sanchez, Jr.	09/17/2001	Purchase	500
Edward Sanchez, Jr.	10/11/2001	Sell	10,500
Edward Sanchez, Jr.	10/11/2001	Sell	3,500
Edward Sanchez, Jr.	10/11/2001	Sell	3,500
Edward Sanchez, Jr.	10/11/2001	Sell	2,000
Edward Sanchez, Jr.	10/11/2001	Sell	500
Edward Sanchez, Jr.	10/16/2001	Sell	3,000
Edward Sanchez, Jr.	10/16/2001	Sell	600
Edward Sanchez, Jr.	10/16/2001	Sell	1,400
Edward Sanchez, Jr.	10/16/2001	Sell	13,400
Edward Sanchez, Jr.	10/16/2001	Sell	3,500
Edward Sanchez, Jr.	10/16/2001	Sell	1,000
Edward Sanchez, Jr.	10/16/2001	Sell	100
Edward Sanchez, Jr.	10/16/2001	Sell	2,000
Edward Sanchez, Jr.	10/23/2001	Purchase	6,100
Edward Sanchez, Jr.	10/23/2001	Purchase	1,000
Edward Sanchez, Jr.	10/23/2001	Purchase	500
Edward Sanchez, Jr.	10/23/2001	Purchase	9,900
Edward Sanchez, Jr.	10/23/2001	Purchase	3,700
Edward Sanchez, Jr.	10/23/2001	Purchase	1,400
Edward Sanchez, Jr.	10/23/2001	Purchase	1,400
Edward Sanchez, Jr.	10/23/2001	Purchase	1,000
Edward Sanchez, Jr.	10/25/2001	Sell	5,900
Edward Sanchez, Jr.	10/25/2001	Sell	1,100

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Edward Sanchez, Jr.	10/25/2001	Sell	500
Edward Sanchez, Jr.	10/25/2001	Sell	500
Edward Sanchez, Jr.	10/25/2001	Sell	6,100
Edward Sanchez, Jr.	10/25/2001	Sell	3,000
Edward Sanchez, Jr.	10/25/2001	Sell	2,000
Edward Sanchez, Jr.	10/25/2001	Sell	5,900
Edward Sanchez, Jr.	10/26/2001	Sell	5,000
Edward Sanchez, Jr.	10/26/2001	Sell	7,900
Edward Sanchez, Jr.	10/26/2001	Sell	1,100
Edward Sanchez, Jr.	10/26/2001	Sell	500
Edward Sanchez, Jr.	10/26/2001	Sell	500
Edward Sanchez, Jr.	10/26/2001	Sell	9,500
Edward Sanchez, Jr.	10/26/2001	Sell	3,000
Edward Sanchez, Jr.	10/26/2001	Sell	1,200

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Edward Sanchez, Jr.	10/26/2001	Sell	800
Edward Sanchez, Jr.	10/26/2001	Sell	500
Edward Sanchez, Jr.	10/26/2001	Sell	11,400
Edward Sanchez, Jr.	10/26/2001	Sell	6,100
Edward Sanchez, Jr.	10/26/2001	Sell	2,000
Edward Sanchez, Jr.	10/26/2001	Sell	500
Edward Sanchez, Jr.	10/29/2001	Purchase	4,500
Edward Sanchez, Jr.	10/29/2001	Purchase	1,500
Edward Sanchez, Jr.	10/29/2001	Purchase	600
Edward Sanchez, Jr.	10/29/2001	Purchase	400
Edward Sanchez, Jr.	10/30/2001	Sell	6,100
Edward Sanchez, Jr.	10/30/2001	Sell	1,000
Edward Sanchez, Jr.	10/30/2001	Sell	500
Edward Sanchez, Jr.	11/06/2001	Purchase	600
Edward Sanchez, Jr.	11/06/2001	Purchase	7,400
Edward Sanchez, Jr.	11/06/2001	Purchase	2,600
Edward Sanchez, Jr.	11/06/2001	Purchase	4,400
Edward Sanchez, Jr.	11/06/2001	Purchase	5,600
Edward Sanchez, Jr.	11/06/2001	Purchase	400
Edward Sanchez, Jr.	11/06/2001	Purchase	1,900
Edward Sanchez, Jr.	11/06/2001	Purchase	1,000
Edward Sanchez, Jr.	11/06/2001	Purchase	900
Edward Sanchez, Jr.	11/06/2001	Purchase	800
Edward Sanchez, Jr.	11/09/2001	Sell	9,900
Edward Sanchez, Jr.	11/09/2001	Sell	3,700
Edward Sanchez, Jr.	11/09/2001	Sell	1,400
Edward Sanchez, Jr.	11/13/2001	Sell	1,400
Edward Sanchez, Jr.	11/13/2001	Sell	1,000
Edward Sanchez, Jr.	11/13/2001	Sell	4,500
Edward Sanchez, Jr.	11/13/2001	Sell	1,500
Edward Sanchez, Jr.	11/13/2001	Sell	600
Edward Sanchez, Jr.	11/13/2001	Sell	400
Edward Sanchez, Jr.	11/13/2001	Sell	600
Edward Sanchez, Jr.	11/16/2001	Purchase	17,950
Edward Sanchez, Jr.	11/16/2001	Purchase	3,050
Edward Sanchez, Jr.	11/16/2001	Purchase	3,000
Edward Sanchez, Jr.	11/16/2001	Purchase	500
Edward Sanchez, Jr.	11/16/2001	Purchase	400
Edward Sanchez, Jr.	11/16/2001	Purchase	100
Edward Sanchez, Jr.	11/19/2001	Purchase	18,900
Edward Sanchez, Jr.	11/19/2001	Purchase	3,100
Edward Sanchez, Jr.	11/19/2001	Purchase	1,900

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Edward Sanchez, Jr.	11/19/2001	Purchase	100
Edward Sanchez, Jr.	11/19/2001	Purchase	400
Edward Sanchez, Jr.	11/19/2001	Purchase	100
Edward Sanchez, Jr.	11/19/2001	Purchase	200
Edward Sanchez, Jr.	11/19/2001	Purchase	200
Edward Sanchez, Jr.	11/19/2001	Purchase	100
Edward Sanchez, Jr.	12/04/2001	Sell	7,400
Edward Sanchez, Jr.	12/04/2001	Sell	2,600
Edward Sanchez, Jr.	12/04/2001	Sell	4,400
Edward Sanchez, Jr.	12/04/2001	Sell	5,600
Edward Sanchez, Jr.	12/05/2001	Sell	400
Edward Sanchez, Jr.	12/05/2001	Sell	1,900
Edward Sanchez, Jr.	12/05/2001	Sell	1,000
Edward Sanchez, Jr.	12/05/2001	Sell	900
Edward Sanchez, Jr.	12/05/2001	Sell	800

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Edward Sanchez, Jr.	12/12/2001	Sell	17,950
Edward Sanchez, Jr.	12/12/2001	Sell	3,050
Edward Sanchez, Jr.	12/12/2001	Sell	3,000
Edward Sanchez, Jr.	12/12/2001	Sell	500
Edward Sanchez, Jr.	12/12/2001	Sell	400
Edward Sanchez, Jr.	12/12/2001	Sell	100
Edward Sanchez, Jr.	12/28/2001	Sell	18,900
Edward Sanchez, Jr.	12/28/2001	Sell	3,100
Edward Sanchez, Jr.	12/28/2001	Sell	1,900
Edward Sanchez, Jr.	12/28/2001	Sell	100
Edward Sanchez, Jr.	12/28/2001	Sell	400
Edward Sanchez, Jr.	12/28/2001	Sell	100
Edward Sanchez, Jr.	12/28/2001	Sell	200
Edward Sanchez, Jr.	12/28/2001	Sell	200
Edward Sanchez, Jr.	12/28/2001	Sell	100
Edward Sanchez, Jr.	01/04/02	Sell	7,600
Edward Sanchez, Jr.	01/04/02	Sell	4,000
Edward Sanchez, Jr.	01/04/02	Sell	1,200
Edward Sanchez, Jr.	01/04/02	Sell	500
Edward Sanchez, Jr.	01/04/02	Sell	500
Edward Sanchez, Jr.	01/04/02	Sell	400
Edward Sanchez, Jr.	01/04/02	Sell	300
Edward Sanchez, Jr.	01/04/02	Sell	300
Edward Sanchez, Jr.	01/04/02	Sell	100
Edward Sanchez, Jr.	01/04/02	Sell	100
Edward Sanchez, Jr.	01/08/02	Sell	8,200
Edward Sanchez, Jr.	01/08/02	Sell	1,800
Edward Sanchez, Jr.	01/09/02	Sell	10,000
Edward Sanchez, Jr.	01/11/02	Sell	8,000
Edward Sanchez, Jr.	01/15/02	Sell	7,000
Edward Sanchez, Jr.	01/16/02	Sell	9,100
Edward Sanchez, Jr.	01/16/02	Sell	8,900
Edward Sanchez, Jr.	01/16/02	Sell	5,100
Edward Sanchez, Jr.	01/16/02	Sell	800
Edward Sanchez, Jr.	01/16/02	Sell	600
Edward Sanchez, Jr.	01/16/02	Sell	500
Edward Sanchez, Jr.	01/1702	Sell	14,200
Edward Sanchez, Jr.	01/17/02	Sell	800
Edward Sanchez, Jr.	01/24/02	Sell	6,500
Edward Sanchez, Jr.	01/24/02	Sell	1,200
Edward Sanchez, Jr.	01/24/02	Sell	800

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Edward Sanchez, Jr.	01/24/02	Sell	600
Edward Sanchez, Jr.	01/24/02	Sell	500
Edward Sanchez, Jr.	01/24/02	Sell	400
Edward Sanchez, Jr.	02/27/02	Sell	5,000
Edward Sanchez, Jr.	04/30/02	Sell	5,900
Edward Sanchez, Jr.	04/30/02	Sell	1,500
Edward Sanchez, Jr.	04/30/02	Sell	1,300
Edward Sanchez, Jr.	04/30/02	Sell	800
Edward Sanchez, Jr.	04/30/02	Sell	500
Edward Sanchez, Jr.	04/30/02	Sell	100
Sean Sears	11/06/2002	Sell	3,000
Sean Sears	11/08/2002	Sell	2,500
Sean Sears	11/26/2002	Sell	1,400
Sean Sears	12/27/2002	Sell	550
Sean Sears	01/28/2003	Sell	4,000

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ARRANGEMENTS, INTERESTS AND TRANSACTIONS

No Participant is, or was within the past year, a party to any contract, arrangement or understanding with any person with respect to any securities of Mercator, including, but not limited to, joint ventures, loan or option arrangements, puts or calls, guarantees against loss or guarantees of profit, division of losses or profits, or the giving or withholding of proxies.

No Participant, no associate of any Participant and no person who is a party to any arrangement or understanding pursuant to which a Strategic Software nominee is proposed to be elected has any arrangement or understanding with any person with respect to any future employment by Mercator or its affiliates or with respect to any future transactions to which Mercator or any of its affiliates will or may be a party.

Participants who are Strategic Software nominees are expected to receive customary compensation from Mercator in exchange for their services as directors, if elected. The Strategic Software nominees also have an interest in the solicitation through the agreements described in Strategic Software's proxy statement under the heading "Strategic Software's Nominees -- Certain Information About Our Nominees."

ANNEX B

INFORMATION REGARDING THE COMPANY

Based upon Mercator's annual report on Form 10-K for the fiscal year ended December 31, 2001, the mailing address of the principal executive offices of Mercator is 45 Danbury Road, Wilton, Connecticut 06897.

STOCK OWNERSHIP BY CERTAIN BENEFICIAL OWNERS AND MANAGMENT

Based upon Mercator's proxy statement on Schedule 14A with respect to its 2002 annual meeting of stockholders, the following table sets forth certain information with respect to the beneficial ownership of Mercator common stock as of April 8, 2002 by: (i) each stockholder known by Strategic Software to be the beneficial owner of more than 5% of the Company's common stock; (ii) each director; (iii) the Company's current Chief Executive Officer, each of the Company's four other most highly compensated executive officers; and (iv) all directors and executive officers as a group. Except as otherwise indicated in the footnotes to the table, the beneficial owners have sole voting and investment power (subject to community property laws where applicable) as to all of the shares beneficially owned by them.

NAME AND ADDRESS OF BENEFICIAL OWNER (1)	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF OUTS COMMON STOC
Brookside Capital Partners Fund, L.P	1,901,384 (3)	5.6%
Ernest E. Keet	1,636,867 (4)	4.8%
Vanguard Atlantic Ltd		

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Bear Stearns Asset Management Inc.	1,612,700 (5)	4.8%
Constance F. Galley	953,804 (6)	2.8%
Roy C. King	685,548 (7)	2.0%
James P. Schadt	557,957 (8)	1.6%
Kenneth J. Hall	210,081 (9)	*
David S. Linthicum	158,033 (10)	*
David M. Raye	91,998 (11)	*
Dennis G. Sisco	80,000 (12)	*
Mark W. Register	69,054 (13)	*
Mark C. Stevens	38,000 (14)	*
Michael E. Lehman	20,000 (15)	*
All executive officers and directors as a group (18 persons)	4,999,382 (16)	13.6%

\* Less than 1%

(1) Except as otherwise noted, the address of record is c/o Mercator Software, Inc., 45 Danbury Road, Wilton, CT 06897.

(2) Based upon a total of (i) 33,824,000 shares of Common Stock outstanding as of April 8, 2002, and (ii) shares of Common Stock issuable pursuant to options and warrants held by the respective person or group which may be exercised within 60 days of April 8, 2002. Shares of Common Stock subject to options and warrants that are currently exercisable or exercisable within 60 days of April 8, 2002 are deemed to be outstanding and to be beneficially owned by the person holding such options or warrants for the purpose of computing the percentage ownership of such person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

(3) Based upon a Schedule 13G dated February 14, 2002. The address of Brookside Capital Partners Fund, L.P. is 111 Huntington Avenue, Boston, MA 02199. Mr. Roy Edgar Brakeman III has voting and investment control over the Company's securities owned by Brookside Capital Partners Fund, L.P.

(4) Consists of 68,000 shares of Common Stock subject to options currently exercisable or exercisable within 60 days of April 8, 2002, 250,000 shares of Common Stock held of record by Vanguard Atlantic Ltd. ("Vanguard"), 50,000

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shares of Common Stock held of record by the Ernest E. & Nancy R. Keet Foundation, 413,761 shares of Common Stock held of record by the Ernest E. Keet Grantor Retained Annuity Trust, 734,020 shares of Common Stock held of record by the Ernest E. & Nancy R. Keet Family Trust, and 121,086 shares of Common Stock held of record by Mr. Keet. Mr. Keet exercises voting and investment power with respect to the shares held by the Ernest E. & Nancy R. Keet Foundation, the Ernest E. Keet Grantor Retained Annuity Trust, and the Ernest E. & Nancy R. Keet Family Trust. Mr. Keet is the President of Vanguard and exercises voting and investment power with respect to its shares of the Company's Common Stock and may be deemed to beneficially own the shares owned by such entity. Mr. Keet disclaims beneficial ownership of the shares held by Vanguard, the Ernest E. & Nancy R. Keet Foundation, the Ernest E. & Nancy R. Keet Family Trust, and by the Ernest E. Keet Grantor Retained Annuity Trust, except to the extent of his pecuniary interest therein. The address of Vanguard is P. O. Box 1360, Saranac Lake, NY 12983 and the address of M. Keet is c/o Vanguard, P.O. Box 1360, Saranac Lake, NY 12983.

(5) Based upon a Schedule 13G dated February 6, 2002. Includes 1,606,300 shares over which Bear Stearns reports having sole voting power and 6,400 shares over which Bear Stearns reports having shared voting power. The address of Bear



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Stearns Asset Management Inc. is 383 Madison Avenue, 27th Floor, New York, NY 10179.

(6) Consists of 423,922 shares of Common Stock subject to options currently exercisable or exercisable within 60 days of April 8, 2002, 50,010 shares of Common Stock issuable upon exercise of warrants, and 472,872 shares of Common Stock held of record by Ms. Galley. Also includes approximately 7,000 shares of Common Stock owned by Ms. Galley's husband, Richard Galley, with respect to which Ms. Galley disclaims beneficial ownership.

(7) Consists of 651,562 shares of Common Stock subject to options currently exercisable or exercisable within 60 days of April 8, 2002 and 33,986 shares of Common Stock held of record by Mr. King.

(8) Consists of 503,000 shares of Common Stock subject to options currently exercisable or exercisable within 60 days of April 8, 2002 and 47,957 shares of Common Stock held of record by Mr. Schadt. Also includes 7,000 shares of Common Stock held by Mr. Schadt's wife, Barbara Schadt.

(9) Consists of 199,915 shares of Common Stock subject to options currently exercisable or exercisable within 60 days of April 8, 2002 and 10,166 shares of Common Stock held of record by Mr. Hall.

(10) Consists of 158,033 shares of Common Stock subject to options currently exercisable or exercisable within 60 days of April 8, 2002.

(11) Consists of 88,625 shares of Common Stock subject to options currently exercisable or exercisable within 60 days of April 8, 2002 and 3,373 shares of Common Stock held of record by Mr. Raye.

(12) Consists of 65,000 shares of Common Stock subject to options currently exercisable or exercisable within 60 days of April 8, 2002 and 15,000 shares of Common Stock held of record by Mr. Sisco.

(13) Consists of 65,703 shares of Common Stock subject to options currently exercisable or exercisable within 60 days of April 8, 2002 and 3,351 shares of Common Stock held of record by Mr. Register.

(14) Consists of 37,500 shares of Common Stock subject to options currently exercisable or exercisable within 60 days of April 8, 2002 and 500 shares of Common Stock held of record by The Stevens-Murphy Living Trust, of which Mr. Stevens and his wife are Trustees. Mr. Stevens transferred his outstanding options to The Stevens-Murphy Living Trust on February 25, 2002.

(15) Mr. Lehman was appointed to the board of directors on April 12, 2002. His holdings are as of such date and consist of 20,000 shares of Common Stock held of record by Mr. Lehman.

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(16) Includes an aggregate of 2,809,310 shares of Common Stock subject to options and warrants currently exercisable or exercisable within 60 days of April 8, 2002.

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PROXY SOLICITED ON BEHALF OF  
STRATEGIC SOFTWARE HOLDINGS, LLC

PRELIMINARY COPY SUBJECT TO COMPLETION  
DATED MARCH 14, 2003

The undersigned stockholder of Mercator Software, Inc., a Delaware corporation (the "Company"), on \_\_\_\_\_, 2003 (the "record date"), hereby appoints \_\_\_\_\_, with full power of substitution to act as proxy for the undersigned, and to vote all shares of common stock of the Company, which the undersigned would be entitled to vote if personally present at the 2003 Annual Meeting of Stockholders of the Company to be held on \_\_\_\_\_, 2003, and at any and all postponements, adjournments and reschedulings thereof as indicated on this proxy.

IF YOU SIGN, DATE AND RETURN THIS CARD WITHOUT INDICATING YOUR VOTE ON ONE OR MORE OF THE FOLLOWING PROPOSALS, YOU WILL BE DEEMED TO HAVE VOTED IN FAVOR OF EACH OF THE PROPOSALS. IF YOU VOTE OR ABSTAIN WITH RESPECT TO ONE OR MORE OF THE FOLLOWING PROPOSALS, THIS PROXY CARD WILL REVOKE ANY PREVIOUSLY EXECUTED REVOCATION OF PROXY WITH RESPECT TO SUCH PROPOSALS.

[X] PLEASE MARK VOTES AS IN THIS EXAMPLE.

STRATEGIC SOFTWARE STRONGLY RECOMMENDS THAT STOCKHOLDERS VOTE IN FAVOR OF PROPOSALS NOS. 1 AND 2.

Proposal No. 1 -- Election of Rodney Bienvenu, Peter J. Boni, Daniel Hoogterp, Edward Sanchez, Jr., Sean P. Sears, Michael J. Turillo, Jr. and Michael R. Wodopian as directors

FOR [ ]                      AGAINST [ ]                      ABSTAINS [ ]

(Instruction: If you wish to vote for the election of certain of the nominees, but not all of them, check the "FOR" box above and write the name of each such person you do not wish elected in the following space:\_\_\_\_\_. If no box is marked above with respect to this Proposal, the undersigned will be deemed to vote for such Proposal, except that the undersigned will not be deemed to vote for the election of any candidate whose name is written in the space provided above.)

Proposal No. 2 - Repeal of any new by-laws or amendments to existing By-laws adopted by the board of directors on or since March 14, 2003

FOR [ ]                      AGAINST [ ]                      ABSTAINS [ ]

And in the discretion of the proxies appointed hereunder, on such other business as may properly come before the meeting.

Dated: \_\_\_\_\_

Signature: \_\_\_\_\_

Signature (if held jointly): \_\_\_\_\_

Title or Authority:

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Please sign exactly as name appears hereon. If shares are registered in more than one name, the signature of all such persons should be provided. A corporation should sign in its full corporate name by a duly authorized officer, stating his or her title. Trustees, guardians, executors and administrators should sign in their official capacity, giving their full title as such. If a partnership, please sign in the partnership name by an authorized person. The proxy card votes all shares in all capacities.

PLEASE MARK, SIGN AND DATE THIS PROXY BEFORE MAILING THE PROXY IN THE ENCLOSED ENVELOPE.

If you have any questions about our solicitation, or need any assistance in voting your shares, please contact our proxy solicitor, Innisfree M&A Incorporated, toll-free, at 1-888-750-5834.

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