From: Stephen Collins
Sent: Tuesday, November 15, 2011 5:45 PM
Subject: M&A initial draft for your review and comment

Board Members:

I propose that we embark on a second round of discussions with target to explore an acquisition prior to our new IPO timing in February of 2012. To assist in developing the acquisition case, we'd like to work with Imran Khan at Credit Suisse. Please note that his assistance will not constitute a formal engagement for investment banking services only advisory efforts as part of Credit Suisse's role as a lead underwriter.

The case for this acquisition and likely at a higher price measured as % of our company's equity than initially contemplated is based upon the assertion that reach and scale constitutes the most critical competitive advantage we can obtain and that future solutions are dependent on building the largest network possible with the greatest consumer reach. Client retention will be greatly enhanced as well if we have critical mass and significant share of reach. In other words, this is an audience and data acquisition opportunity to drive long-term enterprise value not so much driven by the value of their existing SaaS business. It is my belief that we have a network-reach-data driven business opportunity long-term and our greatest opportunity to create shareholder value can be derived from solutions that leverage these element of our business. Advertisers seek reach at scale and when network economics are in play often a winner-take-all outcome is the result. As an example, P&G has a $9BB advertising budget. They are not going to spend a huge amount of time and effort splitting their spend between one social commerce player or another. They will identify the leader with the most reach and scale and probably the best solution overall and 100% of their spend will be allocated to the leader. Our threats then are not necessarily direct competitors but other options for the advertiser to achieve their objectives in a different way. Advertisers value audience and funds will flow to the providers who can deliver audience. Features and functionality of software without reach at scale will have diminished value to the advertiser.

The target company while considerably smaller than us today in terms of revenue still has a relatively significant reach and from this base they could mount a significant challenge especially if acquired by a well capitalized player in the social commerce or social-media marketing solutions space. Thus, leaving them out there is a significant risk. Even today, we are impairing the value of our solutions by competing for dominant share because surely they too know this is a winner-take-all game. From the IR 500 data, we know they have 78 IR 500 clients that generated $17BB in retail sales. We have 148 IR 500 clients with about $60BB in retail sales. Combined, we would be approaching the 50% share point of the IR 500. There is no other competitor with more than 10 clients and 104 do not have any solution or are using an in-house solution. The cost in time and money to displace the target from these clients is surely a very big number. And because network economics drive a winner-take-all outcome, I do not believe having a direct competitor makes us a better company and more competitive. If we were strictly competing on software features and service, perhaps this might be true but I believe that the marketplace does not desire the competition because they value reach at scale and if we can provide that in one place we will derive a financial benefit from providing the efficiency to the marketplace.

Also, I believe that a pre-IPO transaction would be well-received by prospective investors and we would likely achieve greater than $1:$1 accretion to our market capitalization as a combined entity because of the aforementioned dynamics at play with regard to network economics. Here is a list of other potential benefits from a combination:

1. No meaningful direct competitor. Shortened sales cycles, less pricing dilution.
2. Dramatic increase in reach and overall market share making future competition extremely difficult and will increase switching costs.
3. Our audience reach would increase to the point that we cover almost every US online shopper.
4. More data.
5. SMB footprint with alternative brand if we want to go to market this way and with a cost effective solution
6. Engineering talent and know-how.
7. Help us to focus 100% on our strategy without the whipsaw effect of reacting to a competitor that will only be focused on disrupting our lead position as the market is not likely to support two players.
8. Likely cost synergies as there would be some redundancies

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Considering the favorables and considering that the deal will likely be accretive at IPO, a purchase price at 15% of our company, perhaps more, should be considered seriously in my opinion. I'd like to work with Imran and my team and the board to develop a strategic case and valuation analysis and then to develop an engagement strategy to see if we can make something happen. Our approach might be to go right to their board or lead investor as opposed to management.

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From: Brett Hurt <Brett.Hurt@bazaarvoice.com>
Date: Mon, 14 Nov 2011 13:26:17 -0600
To: "Stephen.Collins" <Stephen.Collins@bazaarvoice.com>
Subject: PowerReviews

Stephen,

Would you draft a note I can send Chris and Neeraj, and cc Tom on, about you running with an exploration of the ROI and complexities of acquiring PowerReviews? I would like them to know you are running with that, and why. Your top-10 list, refined. :)

Thanks,
Brett

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CC:

BCC: