

General FAQ

SumTotal to Acquire Pathlore

*Combination creates industry's largest provider with over 1,500 customers
Transaction expected to create company with over \$100 million in annual revenue*

OVERVIEW

Q: What is being announced?

A: A definitive agreement has been reached for SumTotal Systems, Inc. to acquire Pathlore Software Corporation and all related subsidiaries. Completion of the acquisition will be subject to Pathlore stockholder approval, customary closing conditions, and approval by the California Department of Corporations. The proposed transaction is expected to close within 90 days.

Under terms of the agreement, SumTotal, Inc. will acquire Pathlore Software Corporation for approximately \$48 million. Pathlore shareholders will receive approximately \$29 million in cash and 4 million shares of SumTotal Systems common stock.

The Boards of Directors of both companies believe this acquisition is in the best interest of their respective organizations, clients, partners and stockholders. We believe this acquisition creates the learning industry's preeminent software and services provider with the necessary operating scale and financial strength to invest consistently and aggressively in product innovation while continuing to provide world-class customer service and support to clients across the globe.

Q: What motivated this acquisition?

A: The acquisition of Pathlore by SumTotal is expected to enhance revenue growth, increase profitability and accelerate the company's ability to invest in product innovation and customer support. The combination is expected to offer Pathlore customers access to SumTotal's broader enterprise suite of product capabilities and expanded global support, while it also extends SumTotal's reach into key segments, including state government, healthcare, and the rapidly growing middle-market.

Once the acquisition is completed and SumTotal has worked through the impact of the write down of the deferred revenue balance acquired from Pathlore, the combined company is expected to have revenue in excess of \$100 million on an annualized basis.

Q: Why is SumTotal acquiring Pathlore?

A: According to industry analysts, the acquisition brings together the leaders in revenue and customer count. To accelerate reaching a critical threshold of revenue scale and profitability for our customers, partners and investors, SumTotal recognized it would be beneficial to acquire a complementary company that is growing, has a significant revenue base, is profitable, and has a customer base that could benefit from SumTotal's product suite and its global footprint. Pathlore uniquely fits that description among the industry's leading companies. The combination is expected to offer Pathlore customers access to SumTotal's broader enterprise suite of product capabilities and expanded global support, while it also extends SumTotal's reach into key segments, including state government, healthcare, and the rapidly growing middle-market.

For 2004, SumTotal Systems reported GAAP revenue of \$55.2 million and Pathlore reported revenue of \$23.9 million. For the first half of 2005, SumTotal reported revenue of \$32.6 million and Pathlore reported revenues of \$14.6 million. With SumTotal's and Pathlore's demonstrated revenue growth over the past year, and the complementary vertical market focuses, the combined company is expected to continue to grow at industry rates or better in the foreseeable future. In addition, given the expected expense synergies, we expect the combination to yield significant cost savings.

SumTotal's acquisition of Pathlore further differentiates the combined organization from the large ERP players who, in our view, lack the necessary market focus, product functionality and domain expertise to effectively compete. Additionally, the acquisition further differentiates SumTotal from other learning software companies who, in our view, may lack the scale and resources to invest in and support future product development and staff the necessary service and support organizations at enterprise-levels.

Lastly, the successful merger of Docent and Click2learn to form SumTotal in March 2004 (please reference SumTotal Q4 and FY Earnings Release, February 2, 2005) demonstrates SumTotal's ability to drive growth and integrate organizations while effectively executing the overall operating plan.

Q: Why did Pathlore agree to be acquired by SumTotal?

A: Joining forces with a larger category leader was deemed the optimal strategy for achieving the critical mass necessary to ensure the best future for all Pathlore stakeholders. The combination of SumTotal and Pathlore results in a clear category leader measured in terms of both revenue and installed customers. And as indicated above, this gives the combined entity the financial strength and operating scale to meet Pathlore customers' ever growing needs for solution breadth, technology innovation, world-class services delivery capabilities, and global support.

Q: What roles will the current SumTotal and Pathlore management teams assume?

A: Andrew Eckert and Kevin Oakes will continue to lead SumTotal as CEO and president, respectively.

Steve Thomas, president and CEO, Pathlore, will join SumTotal's board of directors and as appropriate, other executive management positions will be announced prior to the close of this transaction.

SumTotal's headquarters will remain in Mountain View, California.

Q: What is the expected timeframe between acquisition announcement and close date?

A: The proposed transaction has been approved by the SumTotal and Pathlore Boards of Directors. Completion of the acquisition will be subject to Pathlore stockholder approval, customary closing conditions, and approval by the California Department of Corporations. The proposed transaction is expected to close within 90 days.

PROSPECTS AND CURRENT CLIENTS

Q: How should prospects and customers interact with the companies between now and the close date?

A: Prior to SumTotal acquiring Pathlore, regulatory issues require, and business prudence recommends, that both companies and their clients and prospects behave as usual. This means they should continue to leverage existing account management, customer service, and technical support relationships, and discuss current SumTotal and Pathlore product and service lines.

Q: What benefits can Customers from both companies expect as a result of this acquisition?

A: Customers want business solutions that enable their businesses to be successful. As such, they want and need solution providers who deliver immediate and sustained business results today and have the financial resources to invest for the future in product innovation, customer service and overall client support. We feel this acquisition further solidifies SumTotal as the ideal solution provider in the learning and business performance management market by accelerating R&D, delivering new innovation more economically, expanding service and support, and creating a significantly profitable partner.

We expect our customers to have access to:

- The industry's most complete integrated suite of learning and performance software and services to drive and measure performance improvement throughout their organization and across their extended enterprise.
- The largest dedicated customer support and research and development organizations in the industry.
- The largest base of peer public and private sector organizations who are also seeking ways to leverage learning technology to drive bottom line results. This merger brings together over 1,500 customer organizations.
- The broadest and deepest network of business partners serving the business performance and human capital management arena. Partner organizations

include: Accenture, BT, Centra, Documentum, Hewitt, ExcellerateHRO, Hewlett-Packard, IBM, Interwise, Microsoft, NEC, Primedia, SkillSoft, Thomson Learning, SuccessFactors and WebEx, among others.

- The safety and security of doing business with a large and financially stable provider of learning software and services, dedicated solely to helping its clients accelerate their business performance and results.

Q: What are SumTotal's plans regarding account coverage for Pathlore clients?

Until further notice, please continue to rely on your existing account team. If and when a change does occur, we will communicate directly with you.

Q: Who do I contact for support?

A: Until further notice, please continue to rely on your existing support team. If and when a change does occur, we will communicate directly with you.

Q: Will SumTotal support my product going forward?

A: Yes, we remain, as always, committed to providing superior support for our existing products and solutions and are committed to supporting the Pathlore product line. Even more importantly, customer loyalty has been critical to each company's success, and we maintain a strong commitment to a lower "total cost of ownership" by having a clear, low-cost upgrade path for future versions of the company's products for our existing customers.

We believe the best long-term strategy for our customers is for us to have a single, unified platform. Customers, as always, will have the option of staying with a current version or moving up to a new and more powerful version. Both SumTotal and Pathlore expect that platform upgrades will be relatively smooth given the compatibility of underlying technology and architecture across both offerings. You have our commitment that we will strive to ensure upgrades to future versions of our learning suite are just as easy and cost effective as a typical SumTotal or Pathlore upgrade is today.

After the acquisition is complete, we expect to release more information on the new product integration roadmap. Although planning will take place during the interim period, given regulatory restrictions, we cannot release specific information until then.

Q: What product am I buying now?

A: Prior to SumTotal acquiring Pathlore, you are buying the same product that you have been discussing buying with your account team. Upon completion of the acquisition, we will communicate the product roadmap for SumTotal's product suite going forward. As always, we remain committed to providing superior support for our existing products and solutions and will strive to ensure upgrades to future versions of our learning suite are just as easy and cost effective as a typical upgrade is today.

Q: I am currently evaluating the Pathlore line of products, how will this acquisition affect my decision?

A: Prior to SumTotal acquiring Pathlore, regulatory issues require, and business prudence recommends, that both companies and their clients and prospects behave as usual.

Upon completion of the acquisition, SumTotal expects to have a service organization capable of supporting all product lines and serving all customers. Additionally, due to the larger support and research and development teams, new and improved product functionality should be available sooner than expected for many customers.

Your decision should be unaffected as we do not plan to discontinue any of our offerings. Our plan is to integrate, over time, the best capabilities into the SumTotal suite. Because we are committed to a clear, low-cost upgrade path for all future versions of our products for our existing customers, it will not be necessary to wait to make a selection. SumTotal is expected to honor all of its support commitments as if nothing has changed. What will change is that customers will be able to expect more rapid innovation and even greater customer support going forward.

PARTNERS**Q: What benefits can Partners from both companies expect as a result of this acquisition?**

A: We anticipate that most will welcome this news as it further simplifies partner alliance strategies. Partners now have a single company --- with even greater market presence --- with which to align and focus their solution strategy. Partners can expect to benefit from SumTotal's unique financial strength, depth and breadth of product, deep experience base, and ability to invest in R&D and future innovation.

Q: How does this affect our relationship with Pathlore and/or SumTotal?

A: Until the deal closes it is business as usual. For the majority of our partners, we do not anticipate that this merger will affect any agreement you reached with either party.

Q: What should we communicate to our customers?

A: You should communicate to your clients the same benefits that we expect all clients will realize from this merger:

Customers want business solutions that enable their businesses to be successful. As such, they want and need solution providers who deliver immediate and sustained business results today and have the financial resources to invest for the future in product innovation, customer service and overall client support. We feel this acquisition further solidifies SumTotal as the ideal solution provider in the learning and business performance management market by accelerating R&D, delivering new

innovation more economically, expanding service and support, and creating a significantly profitable partner.

We expect our customers to have access to:

- The industry's most complete integrated suite of learning and performance software and services to drive and measure performance improvement throughout their organization and across their extended enterprise.
- The largest dedicated customer support and research and development organizations in the industry.
- The largest base of peer public and private sector organizations who are also seeking ways to leverage learning technology to drive bottom line results. This merger brings together over 1,500 customer organizations.
- The broadest and deepest network of business partners serving the business performance and human capital management arena. Partner organizations include: Accenture, BT, Centra, Documentum, Hewitt, ExcellerateHRO, Hewlett-Packard, IBM, Interwise, Microsoft, NEC, Primedia, SkillSoft, Thomson Learning, SuccessFactors and WebEx, among others.
- The safety and security of doing business with a large and financially stable provider of learning software and services, dedicated solely to helping its clients accelerate their business performance and results.

Q: We have open opportunities where we are in the midst of either selling or implementing a solution. Should we proceed or wait for more information about the combined product offering?

A: Prior to SumTotal acquiring Pathlore, regulatory issues require, and business prudence recommends, that both companies, their partners, and their clients and prospects behave as usual.

Please move ahead and help solve today's customer needs with the current product lines. After the acquisition, SumTotal is expected to be even stronger in its ability to serve you and your clients into the future. We maintain a strong commitment to having a clear, low-cost upgrade path to all future versions for all of our customers.

PRODUCT PLANS

Q: What is SumTotal's vision for its product line?

A: SumTotal's product vision remains the same: to help customers accelerate their organizations' performance in order to drive measurable performance improvements and results.

We believe the best long-term strategy for our customers is for us to have a single, unified platform. By combining the similar strengths and skills of the research and development teams, we expect to accelerate the rate with which we are able to bring new capabilities to market. The combination of Pathlore's and SumTotal's

innovations in systems integration, configurability, web services and adaptive learning should accelerate the market's ability to realize a vision of embedded learning and performance capabilities across all mission-critical business processes.

With the acquisition of Pathlore, we believe SumTotal is the only learning and performance software and services provider with the requisite domain expertise, industry expertise and technology solution to deliver on this vision.

Q: How does SumTotal's acquisition of Pathlore affect the product roadmap that we have been expecting?

A: We are committed to delivering against the expectations you have for future product versions. The product vision, strategy and goals for both companies were developed from a deep understanding of the business needs in the market, and SumTotal will continue to create innovative technology and solutions to meet those needs. We expect this acquisition will enable SumTotal to deliver the capabilities you expect in an accelerated fashion.

We believe the financial strength of the combined company provides the ability to deliver a more complete solution in a shorter timeframe. Each company's current best-in-class solutions, and the combination of best functionality and best platform support, means you should expect to have more in the future, and our larger support organization helps ensure your continued success.

After the acquisition closes, we expect to release more information regarding the product roadmap. Although planning will take place during the interim period, given regulatory restrictions, we cannot release specific information until then.

Q: Will any customers be forced to migrate to a different platform?

A: As in the past, we do not foresee forcing any partner or client to migrate from one platform to another. We anticipate that you will have the option of staying with your current platform and version or moving forward to a new and more powerful version in the future.

After the deal closes, we will communicate with you so that you may make an informed decision, based on your business needs, about the timing of future upgrades. We maintain a strong commitment to having a clear, low-cost upgrade path to all future versions for all of our customers. You have our commitment that we will strive to ensure that successful, low-cost upgrades to future versions of our learning suite.

HELPFUL RESOURCES AND ADDITIONAL INFORMATION:

- For Pathlore clients, prospects and partners please call 1.888.PATHLORE or visit www.pathlore.com.

- For SumTotal Systems clients, prospects and partners please call 1.866.SMTOTAL or visit www.sumtotalsystems.com.

SAFE HARBOR STATEMENT/ FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that involve risks and uncertainties. These forward-looking statements include statements regarding the expected financial performance of SumTotal Systems following the consummation of the acquisition, SumTotal's ability to achieve the expected synergies as a result of the acquisition, the strengthening of SumTotal's position in the learning performance and business management market as a result of the acquisition, and the expected timing for closing the acquisition in the third quarter of 2005. Such statements are just predictions and involve risks and uncertainties such that actual results and performance may differ materially. Factors that might cause such a difference include the failure to (1) receive approval from Pathlore shareholders for the acquisition, (2) timely achieve the projected synergies so that the financial projections will be met, (3) be issued a permit from the Commissioner of Corporations for the State of California so that the issuance of SumTotal Systems common stock in the Merger will be exempt from registration under the Securities Act of 1933, (4) successfully integrate Pathlore and its employees into SumTotal and achieve expected synergies, (5) accurately forecast the acquisition related restructuring costs and allocation of the purchase price to in process research and development, goodwill and other intangibles acquisition related inventory and other asset adjustments, (6) retain legacy Pathlore customers, (7) compete successfully in this highly competitive and rapidly changing marketplace, and (8) retain key employees. In addition, there is no assurance that SumTotal will be able to consummate a credit facility on favorable terms, or at all. These and other risks are detailed from time to time in SumTotal's periodic reports that are filed with the Securities and Exchange Commission, including SumTotal's annual report on Form 10-K for the fiscal year ended December 31, 2004 and its quarterly reports on Form 10-Q for the fiscal quarter ended March 31, 2005.

Additional Information And Where To Find It

SumTotal Systems, Inc. filed a Form 8-K on August 3, 2005. Investors and security holders are urged to read this filing. Investors and security holders may obtain free copies of this document and other documents filed with the Securities and Exchange Commission at the Securities and Exchange Commission's web site at www.sec.gov. In addition, investors and security holders may obtain free copies of the documents filed with the Securities and Exchange Commission by SumTotal by contacting SumTotal Investor Relations at (650) 934-9525