BLUE MARTINI SOFTWARE INC
Form PREM14A
March 28, 2005
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x 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 §240.14a-12

BLUE MARTINI SOFTWARE, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

x Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Common Stock, par value $0.001 per share, of Blue Martini Software, Inc.

(2) Aggregate number of securities to which transaction applies:

13,173,247 shares of Common Stock, which includes the anticipated issuance of 56,000 shares of Common Stock pursuant to the Blue Martini 2000 Employee Stock Purchase Plan prior to the closing of the transaction, and options to purchase 1,619,033 shares of Common Stock with exercise prices at or below $4.00

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The filing fee was determined based upon the sum of (A) 13,173,247 shares of Common Stock multiplied by $4.00 per share and (B) options to purchase 1,619,033 shares of Common Stock with exercise prices at or below $4.00 multiplied by $1.13 per share (which is the difference between $4.00 and the weighted average exercise price per share). In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying $0.0001177 by the sum of the preceding sentence.

(4) Proposed maximum aggregate value of transaction:

$54,522,495.29

(5) Total fee paid:

$6,417.30

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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[PRELIMINARY COPY]

BLUE MARTINI SOFTWARE, INC.

2600 Campus Drive

San Mateo, California 94403

(800) 258-3627

Dear Stockholder:

We invite you to attend a special meeting of stockholders of Blue Martini Software, Inc. to be held at Blue Martini s offices at 2600 Campus Drive, San Mateo, California, at 10:00 a.m., local time, on [•], 2005 (the Special Meeting). Holders of record of Blue Martini common stock at the close of business on [•], 2005 will be entitled to vote at the Special Meeting or any adjournment or postponement of the Special Meeting.

At the Special Meeting, we will ask you to adopt the Agreement and Plan of Merger, dated as of February 28, 2005, among Multi-Channel Holdings, Inc. (Multi-Channel), BMS Merger Corporation, a wholly-owned subsidiary of Multi-Channel, and Blue Martini (the merger agreement). As a result of the merger contemplated by the merger agreement (the merger), Blue Martini will become a wholly-owned subsidiary of Multi-Channel.

We are also asking you to expressly grant the authority to vote your shares to adjourn the Special Meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Special Meeting to adopt the merger agreement.

If the merger is completed, you will be entitled to receive $4.00 in cash, without interest, for each share of Blue Martini common stock that you own, and you will have no ongoing ownership interest in the continuing business of Blue Martini. We cannot complete the merger unless all of the conditions to closing are satisfied, including the adoption of the merger agreement by holders of a majority of the outstanding shares of Blue Martini common stock.

A special committee of our board of directors composed entirely of independent directors (the Special Committee) carefully reviewed and considered the terms and conditions of the proposed merger. Based on the recommendation of the Special Committee and on its own review, our board of directors has determined that the merger and the merger agreement are fair to and, in the best interests of, Blue Martini and its stockholders and declared the merger and the merger agreement to be advisable.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR

THE ADOPTION OF THE MERGER AGREEMENT.

YOUR VOTE IS IMPORTANT.

In the materials accompanying this letter, you will find a Notice of Special Meeting of Stockholders, a proxy statement relating to the actions to be taken by our stockholders at the Special Meeting and a proxy card. The proxy statement includes important information about the proposed merger. We encourage you to read the entire proxy statement carefully.

All of our stockholders are cordially invited to attend the special meeting in person. Whether or not you plan to attend the Special Meeting, however, please complete, sign, date and return your proxy card in the enclosed envelope or appoint a proxy over the Internet or by telephone as instructed in these materials. It is important that your shares be represented and voted at the Special Meeting. If you attend the Special Meeting, you may vote in person as you wish, even though you have previously returned your proxy card or appointed a proxy over the Internet or by telephone.

On behalf of our board of directors, I thank you for your support and urge you to vote FOR the adoption of the merger agreement.

Sincerely,

/s/ Eric C. Jensen

Eric C. Jensen

Secretary

[•], 2005

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[PRELIMINARY COPY]

BLUE MARTINI SOFTWARE, INC.

2600 Campus Drive

San Mateo, California 94403

(800) 258-3627

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON [•], 2005

Dear Stockholder:

You are cordially invited to attend the Special Meeting of Stockholders of Blue Martini Software, Inc., a Delaware corporation (Blue Martini), that will be held at Blue Martini s offices at 2600 Campus Drive, San Mateo, California, at 10:00 a.m., local time, on [•], 2005 (the Special Meeting), for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of February 28, 2005, among Multi-Channel Holdings, Inc. (Multi-Channel), BMS Merger Corporation, a wholly-owned subsidiary of Multi-Channel (Merger Sub), and Blue Martini (the merger agreement);

2. To vote to adjourn the Special Meeting, if necessary, for the purpose of soliciting additional proxies to vote in favor of adoption of the merger agreement; and

3. To transact such other business that may properly come before the Special Meeting or any postponement or adjournment of the meeting.

A special committee of our board of directors composed entirely of independent directors (the Special Committee) carefully reviewed and considered the terms and conditions of the merger contemplated by the merger agreement (the merger). Based on the recommendation of the Special Committee and on its own review, our board of directors has determined that the merger and the merger agreement are fair to, and in the best interests of, Blue Martini and its stockholders, has declared the merger and the merger agreement to be advisable and recommends that you vote to adopt the merger agreement. This item of business to be submitted to a vote of the stockholders at the Special Meeting is more fully described in the attached proxy statement, which we urge you to read carefully. Our board of directors also recommends that you expressly grant the authority to vote your shares to adjourn the Special Meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the Special Meeting to adopt the merger agreement. We are not aware of any other business to come before the Special Meeting.

Stockholders of record at the close of business on [•], 2005 are entitled to notice of and to vote at the Special Meeting and any adjournment or postponement of the meeting. All stockholders are cordially invited to attend the Special Meeting in person. Adoption of the merger agreement will require the affirmative vote of the holders of a majority of outstanding shares of Blue Martini common stock.

Blue Martini stockholders will have the right to demand appraisal of their shares of common stock and obtain payment in cash for the fair value of their shares of common stock, but only if they submit a written demand for an appraisal before the vote is taken on the merger agreement and comply with the applicable provisions of Delaware law. A copy of the Delaware statutory provisions relating to appraisal rights is included as Annex C to the attached proxy statement, and a summary of these provisions can be found under The Merger Appraisal Rights in the attached proxy statement.

You should not send any certificates representing shares of Blue Martini common stock with your proxy card. Upon closing of the merger, you will be sent instructions regarding the procedure to exchange your stock certificates for the cash merger consideration.

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THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR

THE ADOPTION OF THE MERGER AGREEMENT AND, IF NECESSARY, TO

ADJOURN THE SPECIAL MEETING FOR THE PURPOSES OF OBTAINING ADDITIONAL PROXIES TO VOTE IN FAVOR OF ADOPTING THE MERGER AGREEMENT.

YOUR VOTE IS IMPORTANT.

Even if you plan to attend the Special Meeting in person, we request that you complete, sign, date and return the enclosed proxy card, or appoint a proxy over the Internet or by telephone as instructed in these materials, to ensure that your shares will be represented at the Special Meeting if you are unable to attend. If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote in favor of adoption of the merger agreement. If you fail to return your proxy card or if you fail to appoint a proxy over the Internet or by telephone, your shares will not be counted for purposes of determining whether a quorum is present at the Special Meeting and will have the same effect as a vote against adoption of the merger agreement. If you do attend the Special Meeting and wish to vote in person, you may withdraw your proxy and vote in person. If your shares are held in the name of your broker, bank or other nominee, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote in person at the Special Meeting.

No person has been authorized to give any information or to make any representations other than those set forth in the proxy statement in connection with the solicitation of proxies made hereby, and, if given or made, such information must not be relied upon as having been authorized by Blue Martini or any other person.

By Order of the Board of Directors

/s/ Eric C. Jensen

Eric C. Jensen

Secretary

San Mateo, California

The proxy statement is dated [•], 2005, and is first being mailed to stockholders of Blue Martini on or about [•], 2005.

Neither the United States Securities and Exchange Commission nor any state securities regulator has approved or disapproved the merger described in the proxy statement or determined if the proxy statement is adequate or accurate. Any representation to the

contrary is a criminal offense.

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SUMMARY TERM SHEET

This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. To fully understand the merger contemplated by the merger agreement, dated as of February 28, 2005, among Multi-Channel, Merger Sub and Blue Martini Software, Inc. and for a more complete description of the legal terms of the merger agreement, you should read carefully this entire proxy statement and the documents to which we refer. See Where You Can Find More Information (page 53). We have included page references in parentheses to direct you to a more complete description of the topics presented in this summary. The merger agreement is attached as Annex A to this proxy statement. We encourage you to read the merger agreement as it is the legal document that governs the merger.

Blue Martini Software, Inc. (page 9). We are a leading provider of sales optimization systems. Our software proactively guides salespeople, partners, and customers through sales interactions, helping our customers sell more.

Multi-Channel Holdings, Inc. and BMS Merger Corporation (page 9). Multi-Channel (formerly Ecometry Holdings Corporation) is a privately held portfolio company of investment funds managed by affiliates of Golden Gate Private Equity, Inc. (Golden Gate Capital). Multi-Channel is the parent entity of Ecometry Corporation, a leading multi-channel retail software vendor. Golden Gate Capital is a San Francisco-based private equity investment firm with approximately $2.6 billion of capital under management. BMS Merger Corporation, or Merger Sub, is a wholly-owned subsidiary of Multi-Channel and has not engaged in any business activity other than in connection with the merger.

The Merger (page 13). Under the merger agreement, Merger Sub will merge with and into Blue Martini. After the merger, Multi-Channel will own all of our outstanding stock. Our stockholders will receive cash in the merger in exchange for their shares of Blue Martini common stock.

Merger Consideration (page 38). If the merger is completed, you will receive $4.00 in cash, without interest and subject to any applicable withholding taxes, in exchange for each share of Blue Martini common stock that you own unless you dissent and seek appraisal of the fair value of your shares. After the merger is completed, you will have the right to receive the merger consideration, but you will no longer have any rights as a Blue Martini stockholder. Pursuant to an agreement negotiated and entered into after the signing and announcement of the merger agreement, Monte Zweben, our Chairman and Chief Executive Officer, will exchange 900,000 shares of his Blue Martini common stock for capital stock of Multi-Channel immediately prior to the consummation of the merger. See The Merger Interests of Our Directors and Executive Officers in the Merger.

Treatment of Stock Options (page 39). Holders of Blue Martini stock options will be entitled to receive, for each stock option, an amount in cash equal to the excess (if any) of $4.00 over the exercise price of such stock option multiplied by the number of shares subject to such stock option, without interest and subject to any applicable withholding taxes, whether or not then vested or exercisable, except as may be otherwise provided in the grant documents related to such options.

Market Price (page 52). Our common stock is listed on the Nasdaq National Market under the ticker symbol BLUE. On February 28, 2005, the last full trading day prior to the public announcement of the proposed merger, Blue Martini common stock closed at $2.45 per share. On [•], 2005, the last full trading day prior to the date of this proxy statement, Blue Martini common stock closed at $ [•] per share. Our stock price can fluctuate broadly even over short periods of time. It is impossible to predict the actual price of our stock immediately prior to the effective time of the merger.

Reasons for the Merger (page 18). In the course of reaching its decision to recommend that our board of directors approve the merger and the merger agreement, the Special Committee, established to consider possible

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change of control transactions involving us, including the merger described in this proxy statement, considered a number of factors in its deliberations. Those factors are described below in this proxy statement. In the course of reaching its decision to approve the merger and the merger agreement and to recommend that you adopt the merger agreement, our board of directors considered a number of factors in its deliberations, including the recommendation of the Special Committee. Those factors are described below in this proxy statement.

Opinion of Financial Advisor (page 21). On February 28, 2005, Credit Suisse First Boston, LLC (Credit Suisse First Boston), financial advisor to the Special Committee, delivered its opinion to the Special Committee. The opinion stated that, as of February 28, 2005, based upon and subject to the various qualifications, considerations and assumptions set forth in the Credit Suisse First Boston opinion, the merger consideration to be received by the holders of our common stock, other than our affiliates, pursuant to the merger agreement was fair, from a financial point of view. Credit Suisse First Boston also consented to the opinion being shown to our full board of directors.

The full text of that opinion, which sets forth the assumptions made, matters considered and limitations on the respective reviews undertaken by Credit Suisse First Boston in connection with its opinion, is attached as Annex B to this proxy statement. Credit Suisse First Boston provided its opinion for the information and assistance of the Special Committee in connection with its consideration of the merger. The opinion of Credit Suisse First Boston is not a recommendation as to how any stockholder should vote or act with respect to any aspect of the merger. We urge you to read the opinion carefully and in its entirety.

Recommendation to Blue Martini Stockholders (page 27). Based on the recommendation of the Special Committee and on its own review, our board of directors has determined that the merger and the merger agreement are fair to, and in the best interests of, Blue Martini and its stockholders and declared the merger and the merger agreement to be advisable. Our board of directors recommends that you vote FOR adoption of the merger agreement.

Voting Agreements (page 27). Concurrently with the execution of the merger agreement, Multi-Channel obtained voting agreements and irrevocable proxies to vote in favor of the merger from the seven members of our board of directors and two other senior executive officers of Blue Martini, holding an aggregate of 3,638,828 shares of our common stock (representing approximately 27.93% of the outstanding common shares as of February 28, 2005) and options to purchase 983,044 shares of our common stock.

Commitment Letter (page 49). Concurrently with the execution of the merger agreement, Golden Gate Private Equity, Inc. and Golden Gate Capital Investment Fund II, L.P. (collectively, the Golden Gate Entities) entered into a letter agreement in favor of Multi-Channel and Blue Martini (the commitment letter) pursuant to which the Golden Gate Entities committed to invest an amount in cash in Multi-Channel as a source of funding for the merger that, together with the amount of cash that Multi-Channel may cause the surviving corporation to deposit with the paying agent, is equal to the aggregate merger consideration. The Golden Gate Entities commitment to invest such amount in Multi-Channel is conditioned only upon the prior fulfillment or waiver in writing by Multi-Channel of each and all of the conditions precedent to Multi-Channel s and Merger Sub s obligations to consummate the merger under the merger agreement.

Interests of Our Directors and Executive Officers in the Merger (page 28). In considering the recommendation of the Special Committee and our board of directors in favor of the merger, you should be aware that there are provisions of the merger that will result in certain benefits to our directors and executive officers, including with respect to acceleration of stock options and continuation of certain indemnification and insurance arrangements.

Appraisal Rights (page 32). If you do not wish to accept $4.00 per share cash consideration in the merger, you have the right under Delaware law to have your shares appraised by the Delaware Chancery Court. This right of appraisal is subject to a number of restrictions and technical

requirements. Generally, in order to

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exercise appraisal rights, among other things, (1) you must NOT vote in favor of the merger agreement, (2) you must make a written demand for appraisal in compliance with Delaware law BEFORE the vote on the merger agreement and (3) you must hold shares of Blue Martini common stock on the date of making the demand for appraisal and continuously hold such shares through the effective time of the merger. The fair value of your shares of Blue Martini common stock as determined in accordance with Delaware law may be more or less than, or the same as, the merger consideration to be paid to non-dissenting stockholders in the merger. Merely voting against the merger agreement will not preserve your right of appraisal under Delaware law. Annex C to this proxy statement contains a copy of the Delaware statute relating to stockholders right of appraisal. Failure to follow all of the steps required by this statute will result in the loss of your appraisal rights.

Material United States Federal Income Tax Consequences (page 35). The merger will be taxable for U.S. federal income tax purposes. Generally, this means that you will recognize taxable gain or loss equal to the difference between the cash you receive in the merger and your adjusted tax basis in your shares. ***Tax matters can be complicated and the tax consequences of the merger to you will depend on the facts of your own situation. You should consult your own tax advisor to understand fully the tax consequences of the merger to you.***

Regulatory Matters (page 37). The Hart-Scott-Rodino Antitrust Improvements Act of 1976, or the HSR Act, prohibits us from completing the merger until we have furnished certain information and materials to the Antitrust Division of the Department of Justice and the Federal Trade Commission and the required waiting period has expired or been terminated. Both Multi-Channel and Blue Martini have filed the required notification and report forms under the HSR Act and both received early termination of their HSR waiting periods on March 18, 2005. We are also required to file certain information and materials with regulatory authorities in Germany. Multi-Channel has, on March 23, 2005, filed on behalf of both Multi-Channel and Blue Martini the required information and materials in Germany. Multi-Channel and Blue Martini have agreed to use commercially reasonable efforts to obtain regulatory clearance.

The Special Meeting of Blue Martini Stockholders (page 10).

Time, Date and Place. The Special Meeting will be held to consider and vote upon the proposal to adopt the merger agreement and, if necessary, to vote to adjourn the Special Meeting for the purpose of soliciting additional proxies to vote in favor of adoption of the merger agreement, at our offices at 2600 Campus Drive, San Mateo, California, at 10:00 a.m., local time, on [•], 2005.

Record Date and Voting Power. You are entitled to vote at the Special Meeting if you owned shares of Blue Martini common stock at the close of business on [•], 2005, the record date for the Special Meeting. You will have one vote at the Special Meeting for each share of Blue Martini common stock you owned at the close of business on the record date. There are [•] shares of Blue Martini common stock entitled to be voted at the Special Meeting.

Procedure for Voting. To vote, you can either (1) complete, sign, date and return the enclosed proxy card, (2) appoint a proxy over the Internet or by telephone or (3) attend the Special Meeting and vote in person. If your shares are held in street name by your broker, bank or other nominee, you should instruct your broker to vote your shares by following the instructions provided by your broker. Your broker will not vote your shares without instruction from you. Failure to instruct your broker to vote your shares will have the same effect as a vote against adoption of the merger agreement.

Required Vote. The adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Blue Martini common stock at the close of business on the record date. The proposal to adjourn the Special Meeting, if necessary, for the purpose of soliciting additional proxies to vote in favor of adoption of the merger agreement, requires the approval of the holders of a majority of the shares of Blue Martini common stock present, in person or by proxy, at the Special Meeting (excluding abstentions).

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The Merger Agreement (page 38).

Limitation on Considering Other Takeover Proposals. We have agreed not to solicit, initiate or knowingly encourage a business combination or other similar transaction with another party while the merger is pending, and not to enter into discussions or negotiations with another party regarding a business combination or similar transaction while the merger is pending, except under specified circumstances set forth in the merger agreement.

Conditions to the Merger. The obligations of both Multi-Channel and Blue Martini to complete the merger are subject to the satisfaction of specified conditions set forth in the merger agreement.

Termination of the Merger Agreement. Multi-Channel and Blue Martini can terminate the merger agreement under specified circumstances set forth in the merger agreement.

Termination Fee. The merger agreement requires us to pay Multi-Channel a termination fee in the amount of $1,622,000 if the merger agreement is terminated under certain circumstances involving an alternative takeover proposal and to reimburse Multi-Channel for its expenses, in an amount up to $500,000 if the merger agreement is terminated as a result of a failure of our stockholders to adopt the merger agreement.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What will happen to Blue Martini as a result of the merger?

A: If the merger is completed, we will become a wholly-owned subsidiary of Multi-Channel.

Q: What will happen to my shares of Blue Martini common stock after the merger?

A: Upon completion of the merger, each outstanding share of Blue Martini common stock will automatically be canceled and will be converted into the right to receive $4.00 in cash, without interest, subject to any applicable withholding taxes.

Q: Will I own any shares of Blue Martini common stock or Multi-Channel common stock after the merger?

A: No. You will be paid cash for your shares of Blue Martini common stock. Our stockholders will not have the option to receive Multi-Channel common stock in exchange for their shares instead of cash. Pursuant to an agreement negotiated and entered into after the signing and announcement of the merger agreement, Monte Zweben, our Chairman and Chief Executive Officer, will exchange 900,000 shares of his Blue Martini common stock for capital stock of Multi-Channel prior to the consummation of the merger. See The Merger Interests of Our Directors and Executive Officers in the Merger.

Q: What happens to Blue Martini stock options in the merger?

A: All stock options held by our then-current employees will vest in full upon completion of the merger, except as may be otherwise provided in the grant documents related to such options, and each vested Blue Martini stock option that is then outstanding will be automatically converted into an amount in cash equal to, for each share of common stock of Blue Martini underlying such option, the excess (if any) of $4.00 over the exercise price per share of such option, without interest and subject to any applicable withholding taxes.

Q: Will the merger be taxable to me?

A: Generally, yes. For U.S. federal income tax purposes, generally you will recognize a taxable gain or loss as a result of the merger measured by the difference, if any, between $4.00 per share and your adjusted tax basis in that share. This gain or loss will be long-term capital gain or loss if you have held your Blue Martini shares more than one year as of the effective time of the merger. You should read The Merger Material U.S. Federal Income Tax Consequences of the Merger beginning on page 35 for a more complete discussion of the federal income tax consequences of the merger.

Q: Does our board of directors recommend adoption of the merger agreement?

A: Yes. Our board of directors recommends that our stockholders adopt the merger agreement. Our board of directors considered many factors in deciding to recommend the adoption of the merger agreement, including the recommendation of the Special Committee. These factors are described below in this proxy statement.

Q: What vote of the stockholders is required to adopt the merger agreement?

A: To adopt the merger agreement, stockholders of record as of [•], 2005 holding a majority of the outstanding shares of Blue Martini common stock must vote for the adoption of the merger agreement. There are [•] shares of Blue Martini common stock entitled to be voted at the Special Meeting.

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Q: Am I entitled to appraisal rights?

A: Yes. Under Delaware law, you have the right to seek appraisal of the fair value of your shares as determined by the Delaware Court of Chancery if the merger is completed, but only if you submit a written demand for an appraisal before the vote on the merger agreement, do not vote in favor of adopting the merger agreement and comply with the Delaware law procedures explained in this proxy statement.

Q: What do I need to do now?

A: We urge you to read this proxy statement carefully, including its annexes, and consider how the merger affects you. Then mail your completed, dated and signed proxy card in the enclosed return envelope or appoint a proxy over the Internet or by telephone as soon as possible so that your shares can be voted at the Special Meeting.

Q: What happens if I do not return a proxy card?

A: The failure to return your proxy card (or to appoint a proxy over the Internet or by telephone or to vote in person) will have the same effect as voting against adoption of the merger agreement.

Q: May I vote in person?

A: Yes. You may vote in person at the meeting, rather than signing and returning your proxy card, if you own shares in your own name. However, we encourage you to return your signed proxy card to ensure that your shares are voted. You may also vote in person at the Special Meeting if your shares are held in street name through a broker or bank provided that you bring a legal proxy from your broker or bank and present it at the Special Meeting. You may also be asked to present photo identification for admittance.

Q: May I appoint a proxy over the Internet or by telephone?

A: Yes. You may appoint a proxy over the Internet or by telephone by following the instructions included in these materials.

Q: May I change my vote after I have mailed my signed proxy card?

A: Yes. You may change your vote at any time before the shares reflected on your proxy card are voted at the Special Meeting. You can do this in one of four ways. First, you can send a written, dated notice to our corporate secretary stating that you would like to revoke your proxy. Second, you can complete, sign, date and submit a new proxy card. Third, you can submit a subsequent proxy over the Internet or by telephone. Fourth, you can attend the meeting and vote in person. Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow the directions received from your broker to change your instructions.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker will not vote your shares without instructions from you. You should instruct your broker to vote your shares, following the procedure provided by your broker. Without instructions, your shares will not be voted, which will have the same effect as voting against adoption of the merger agreement.

Q: Should I send in my stock certificates now?

A: No. After the merger is completed, you will receive written instructions for exchanging your shares of Blue Martini common stock for the merger consideration of $4.00 in cash, without interest, for each share of Blue Martini common stock.

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Q: When do you expect the merger to be completed?

A: We are working toward completing the merger as quickly as possible. In addition to obtaining stockholder approval, we must obtain certain applicable regulatory approvals and all other closing conditions must be satisfied or waived. However, we cannot assure you that all conditions to the merger will be satisfied or, if satisfied, the date by which they will be satisfied.

Q: When will I receive the cash consideration for my shares of Blue Martini common stock?

A: After the merger is completed, you will receive written instructions, including a letter of transmittal, that explain how to exchange your shares for the cash consideration paid in the merger. When you properly return and complete the required documentation described in the written instructions, you will promptly receive from the paying agent a payment of the cash consideration for your shares.

Q: Who can help answer my questions?

A: If you would like additional copies, without charge, of this proxy statement or if you have questions about the merger, including the procedures for voting your shares, you should contact us, as follows:

Blue Martini Software, Inc.

Investor Relations

2600 Campus Drive

San Mateo, California 94403

Telephone: (310) 854-8313

Email: ir@bluemartini.com

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RISK FACTORS RELATED TO PROPOSAL 1

In connection with Proposal 1, you should consider the following factors in conjunction with the other information included or incorporated by reference in this proxy statement.

If the proposed merger with Multi-Channel is not completed, our business could be materially and adversely affected and our stock price could decline.

The merger is subject to customary closing conditions, including the approval of a majority in interest of our outstanding common stock, customary regulatory approvals and other closing conditions. Therefore, the merger may not be completed or may not be completed in the expected time period. If the merger agreement is terminated, the market price of our common stock will likely decline, as we believe that our market price reflects an assumption that the merger will be completed. In addition, our stock price may be adversely affected as a result of the fact that we have incurred and will continue to incur significant expenses related to the merger prior to its closing that will not be recovered if the merger is not completed. If the merger agreement is terminated under certain circumstances, we may be obligated to pay Multi-Channel a termination fee of $1,622,000 or reimburse Multi-Channel for its expenses in connection with the merger, up to a maximum of $500,000. As a consequence of the failure of the merger to be completed, as well as of some or all of these potential effects of the termination of the merger agreement, our business could be materially and adversely affected in that concerns about our viability are likely to increase, making it more difficult to retain employees and existing customers and to generate new business. Our business is not and has not been profitable.

The fact that there is a merger pending could have an adverse effect on our business, revenue and results of operations.

While the merger is pending, it creates uncertainty about our future. As a result of this uncertainty, customers may decide to delay, defer, or cancel purchases of our products pending completion of the merger or termination of the merger agreement. If these decisions represent a significant portion of our anticipated revenue, our results of operations and quarterly revenues could be substantially below the expectations of market analysts.

In addition, while the merger proposal is pending, we are subject to a number of risks that may adversely affect our business, revenue and results of operations, including:

- the diversion of management and employee attention and the unavoidable disruption to our relationships with customers and vendors may detract from our ability to grow revenues and minimize costs;
- we have and will continue to incur significant expenses related to the merger prior to its closing; and
- we may be unable to respond effectively to competitive pressures, industry developments and future opportunities.

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this proxy statement relating to the closing of the merger and other future events are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties that could cause actual results to differ materially, including risks relating to receiving the approval of a majority of our outstanding shares, receiving required regulatory approvals, satisfying other conditions to the closing of the merger and other matters.

For a detailed discussion of these and other risk factors, please refer to our filings with the Securities and Exchange Commission, or the SEC, on Forms 10-K, 10-Q and 8-K. You can obtain copies of our Forms 10-K, 10-Q and 8-K and other filings for free at the Investors section of our website at www.bluemartini.com, at the SEC website at www.sec.gov or from commercial document retrieval services.

We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

THE COMPANIES

Blue Martini Software, Inc.

We are a leading provider of sales optimization systems. Our software proactively guides salespeople, partners, and customers through sales interactions, helping them to sell more. Over 170 companies worldwide including Carrefour, DuPont, Harley-Davidson, Kohl s, Mitsubishi, Panasonic, Saks Fifth Avenue, and Sprint have licensed Blue Martini s sales optimization systems to sell more effectively. Our common stock is quoted on the Nasdaq National Market under the symbol BLUE. We are incorporated under the laws of the state of Delaware. Our executive offices are located at 2600 Campus Drive, San Mateo, California. Our telephone number is 650-356-4000. Our website is www.bluemartini.com. Information contained on our website does not constitute a part of this proxy statement.

Multi-Channel Holdings, Inc.

Multi-Channel (formerly Ecometry Holdings Corporation) is a privately held portfolio company of investment funds managed by affiliates of Golden Gate Capital. Multi-Channel is the parent entity of Ecometry Corporation, a leading multi-channel retail software vendor. Golden Gate Capital is a San Francisco-based private equity investment firm with approximately $2.6 billion of capital under management. Multi-Channel is incorporated under the laws of the state of Delaware. Multi-Channel s executive offices are located at One Embarcadero Center, 33rd Floor, San Francisco, California 94111. Multi-Channel s phone number is 415-627-4500.

BMS Merger Corporation

BMS Merger Corporation, or Merger Sub, is a wholly-owned subsidiary of Multi-Channel and has not engaged in any business activity other than in connection with the merger. Merger Sub is incorporated under the laws of the state of Delaware. Merger Sub s executive offices are located at One Embarcadero Center, 33rd Floor, San Francisco, California 94111. Merger Sub s telephone number is 415-627-4500.

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THE SPECIAL MEETING

We are furnishing this proxy statement to you as part of the solicitation of proxies by our board of directors for use at the Special Meeting.

Date, Time and Place

The Special Meeting will be held at our offices at 2600 Campus Drive, San Mateo, California, at [10:00] a.m., local time, on [•], 2005.

Purpose of the Special Meeting

You will be asked at the Special Meeting to adopt the merger agreement. Based on the recommendation of the Special Committee and upon its own review, our board of directors has determined that the merger and the merger agreement are fair to, and in the best interests of, Blue Martini and our stockholders, declared the merger agreement and the merger to be advisable and recommended that our stockholders vote to adopt the merger agreement. If necessary, you will also be asked to vote on a proposal to adjourn the Special Meeting for the purpose of soliciting proxies to vote in favor of adoption of the merger agreement.

Record Date; Stock Entitled to Vote; Quorum

Only holders of record of Blue Martini common stock at the close of business on [•], 2005, the record date, are entitled to notice of and to vote at the Special Meeting. On the record date, [•] shares of Blue Martini common stock were issued and outstanding and held by approximately [•] holders of record. A quorum will be present at the Special Meeting if a majority of the outstanding shares of Blue Martini common stock entitled to vote on the record date are represented in person or by proxy. In the event that a quorum is not present at the Special Meeting, or there are not sufficient votes at the time of the Special Meeting to adopt the merger agreement, it is expected that the meeting will be adjourned or postponed to solicit additional proxies if the holders of a majority of the shares of our common stock present, in person or by proxy, and entitled to vote at the Special Meeting approve an adjournment. Holders of record of Blue Martini common stock on the record date are entitled to one vote per share at the Special Meeting on each proposal presented.

Vote Required

The adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Blue Martini common stock on the record date. If you abstain from voting or do not vote, either in person or by proxy, it will have the same effect as a vote against the adoption of the merger agreement. The approval of the adjournment of the Special Meeting requires the affirmative vote of the holders of a majority of the shares of Blue Martini common stock present, in person or by proxy, at the Special Meeting (excluding abstentions).

Voting of Proxies

All shares represented by properly executed proxies received in time for the Special Meeting will be voted at the Special Meeting in the manner specified by the holders. Properly executed proxies that do not contain voting instructions will be voted for the adoption of the merger agreement and for approval of the proposal to adjourn the Special Meeting, if necessary.

To vote, please complete, sign, date and return the enclosed proxy card or, to appoint a proxy over the Internet or by telephone, follow the instructions provided below. If you attend the Special Meeting and wish to vote in person, you may withdraw your proxy and vote in person. If your shares are held in the name of your

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broker, bank or other nominee, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the Special Meeting.

Shares of Blue Martini common stock represented at the Special Meeting but not voted, including shares of Blue Martini common stock for which proxies have been received but for which stockholders have abstained, will be treated as present at the Special Meeting for purposes of determining the presence or absence of a quorum for the transaction of all business.

Only shares affirmatively voted for the adoption of the merger agreement, including properly executed proxies that do not contain specific voting instructions, will be counted for that proposal. If you abstain from voting, it will have the same effect as a vote against the adoption of the merger agreement, but no effect on the proposal to adjourn the Special Meeting. If you do not execute a proxy card, it will have the same effect as a vote against the adoption of the merger agreement and will have no effect on the proposal to grant authority to adjourn the Special Meeting. Brokers who hold shares in street name for customers have the authority to vote on routine proposals when they have not received instructions from beneficial owners. However, brokers are precluded from exercising their voting discretion with respect to approval of non-routine matters, such as the adoption of the merger agreement and, as a result, absent specific instructions from the beneficial owner of such shares, brokers are not empowered to vote those shares, referred to generally as broker non-votes. Broker non-votes will be treated as shares that are present at the Special Meeting for purposes of determining whether a quorum exists and will have the same effect as votes against the adoption of the merger agreement and on the proposal to grant the persons named as proxies the authority to adjourn the Special Meeting.

We do not expect that any matter other than the proposal to adopt the merger agreement and, if necessary, the proposal to adjourn the Special Meeting will be brought before the Special Meeting. If, however, any other matters are properly presented at the Special Meeting, the persons named as proxies will vote in accordance with their judgment as to matters that they believe to be in the best interests of our stockholders.

Voting over the Internet or by Telephone

You may also grant a proxy to vote your shares over the Internet or by telephone. The law of Delaware, under which we are incorporated, specifically permits electronically transmitted proxies, provided that each such proxy contains or is submitted with information from which the inspector of election can determine that such proxy was authorized by the stockholder.

The Internet and telephone voting procedures described below are designed to authenticate stockholders identities, to allow stockholders to grant a proxy to vote their shares and to confirm that stockholders instructions have been recorded properly. Stockholders granting a proxy to vote over the Internet should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, that must be borne by the stockholder.

For Shares Registered in Your Name

Stockholders of record may go to ADP Investor Communication Services website at www.proxyvote.com to grant a proxy to vote their shares over the Internet. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form. Any stockholder using a touch-tone telephone may also grant a proxy to vote shares by calling 1-800-690-6903 and following the recorded instructions.

For Shares Registered in the Name of a Broker or Bank

Most beneficial owners whose stock is held in street name receive instructions for authorizing votes by their banks, brokers or other agents, rather than from our proxy card.

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A number of brokers and banks are participating in a program provided through ADP Investor Communication Services that offers the means to authorize votes over the Internet and by telephone. If your shares are held in an account with a broker or bank participating in the ADP Investor Communications Services program, you may authorize a proxy to vote those shares over the Internet at ADP Investor Communication Services website at www.proxyvote.com or by telephone by calling the telephone number shown on the instruction form received from your broker or bank.

General Information for All Shares Voted over the Internet or by Telephone

Votes submitted over the Internet or by telephone must be received by 11:59 p.m., Eastern Time, on [•], 2005. Submitting your proxy over the Internet or by telephone will not affect your right to vote in person should you decide to attend the Special Meeting.

Revocability of Proxies

The grant of a proxy on the enclosed proxy card or over the Internet or by telephone does not preclude a stockholder from voting in person at the Special Meeting. You may revoke your proxy at any time before the shares reflected on your proxy card are voted at the Special Meeting by:

filing with our corporate secretary a properly executed and dated revocation of proxy;

submitting a properly completed, executed and dated proxy card to our corporate secretary bearing a later date;

submitting a subsequent vote over the Internet or by telephone; or

appearing at the Special Meeting and voting in person.

Your attendance at the Special Meeting will not in and of itself constitute the revocation of a proxy. If you have instructed your broker to vote your shares, you must follow the directions received from your broker to change these instructions.

Solicitation of Proxies

All proxy solicitation costs will be borne by us. In addition to solicitation by mail, our directors, officers, employees and agents may solicit proxies from stockholders by telephone or other electronic means or in person. We also reimburse brokers and other custodians, nominees and fiduciaries for their expenses in sending these materials to you and getting your voting instructions.

You should not send your stock certificates with your proxy. A letter of transmittal with instructions for the surrender of Blue Martini common stock certificates will be mailed to our stockholders as soon as practicable after completion of the merger.

Delivery of this Proxy Statement to Multiple Stockholders with the Same Address

The SEC has adopted rules that permit companies and intermediaries (for example, brokers) to satisfy the delivery requirements for proxy statements with respect to two or more stockholders sharing the same address if we believe the stockholders are members of the same family by delivering a single proxy statement addressed to those stockholders. Each stockholder will continue to receive a separate proxy card or voting instruction card. This process, which is commonly referred to as householding, potentially means extra convenience for stockholders and cost savings for companies by reducing the volume of duplicate information.

A number of brokers with account holders who are our stockholders will be householding our proxy materials. A single proxy statement will be delivered to multiple stockholders sharing an address unless contrary

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instructions have been received from the affected stockholders. Once you have received notice from your broker or us that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If your household received a single proxy statement, but you would prefer to receive your own copy, please notify your broker and direct your written request to Blue Martini Software, Inc., Attention: Director, Investor Relations, 2600 Campus Drive, San Mateo, California 94403, or contact our Investor Relations Department at (650) 356-4000. If you would like to receive your own set of our proxy materials in the future, please contact your broker and Blue Martini Software, Inc., Investor Relations and inform them of your request. Be sure to include your name, the name of your brokerage firm and your account number.

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THE MERGER

The discussion under the sections of this proxy statement entitled The Merger and The Merger Agreement summarizes the material terms of the merger. Although we believe that the description covers the material terms of the merger, this summary may not contain all of the information that is important to you. We urge you to read this proxy statement, the merger agreement and the other documents referred to herein carefully for a more complete understanding of the merger.

Background of the Merger

As a regular part of our business, from time to time we have considered opportunities to expand and strengthen our technology, products, research and development capabilities and distribution channels, including opportunities through strategic acquisitions, business combinations, investments, licenses, development agreements and joint ventures. This includes consideration of whether it would be in the best interests of Blue Martini and our stockholders to continue as a separate company and expand through organic growth, acquisitions or a combination of the two, or to combine with or be acquired by another company.

Preliminary Discussions and Implementation of a Strategic Process

During the period from June 15, 2004 to October 14, 2004, we had discussions with eight separate parties regarding potential acquisition transactions involving Blue Martini. At the end of June 2004, Blue Martini contacted Credit Suisse First Boston to have Credit Suisse First Boston assist us in exploring and evaluating these potential transactions and other opportunities for Blue Martini. Blue Martini had previously engaged Credit Suisse First Boston on September 10, 2002 (and had not terminated such engagement) to provide financial advisory services in connection with the exploration and evaluation of opportunities for Blue Martini to combine with or be acquired by another company. At various times during the period from June 15, 2004 to October 14, 2004, some or all of certain members of our management team, including Monte Zweben, our Chairman and Chief Executive Officer, Eran Pilovsky, our Chief Financial Officer, Alan Grebene, our Vice President of Corporate Development, and Rocky Gunderson, our Vice President of Global Marketing and Business Development, met or had phone conversations with each of those parties regarding potential acquisition transactions. During that period, we also negotiated and entered into non-disclosure agreements with three of those parties (Company A, Company B and Company C), pursuant to which we and the other party each agreed to customary restrictions on the disclosure and use of confidential information.

On October 14, 2004, our board of directors held a board meeting also attended by representatives of Credit Suisse First Boston, Messrs. Pilovsky, Grebene and Gunderson and representatives from Cooley Godward LLP (Cooley Godward), outside counsel to Blue Martini. At the meeting, the participants discussed the status of discussions with the various parties with whom we had discussed potential acquisition transactions and other information relevant to our board of directors consideration of potential acquisition transactions. The board of directors discussed with management and our advisors the process by which Blue Martini would explore and evaluate strategic alternatives, including opportunities for Blue Martini to combine with or be acquired by another company (the Strategic Process).

At various times from October 14, 2004 through February 28, 2005, representatives of Blue Martini and representatives of Credit Suisse First Boston had discussions regarding Blue Martini and its business with the various parties involved in the Strategic Process including Company A, Company B, Company C and other parties, including, without limitation, the meetings described below.

On November 2, 2004, Mr. Zweben received a term sheet from Company A, which contemplated that Company A would acquire certain of Blue Martini s assets (not our cash, which we would retain) in exchange for shares of Company A stock with a then-current market value of approximately $13.5 million. The term sheet contemplated that Company A would not assume Blue Martini s liabilities, which liabilities would have reduced

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our retained cash to an amount of approximately $24 million (calculated based on our cash and liabilities as of the time of the term sheet).

Messrs. Zweben and Grebene spoke by phone with Company A on November 10, 2004 regarding the structure contemplated by Company A s proposed term sheet. On November 11, 2004, Mr. Grebene received a revised term sheet from Company A, proposing an acquisition of all of Blue Martini s outstanding shares by Company A for approximately $40 million in shares of Company A stock, subject to a dollar-for-dollar reduction if Blue Martini s unrestricted cash balance (after taking into account certain obligations) as of the close of the transaction is less than $26.5 million, with twenty percent of the merger consideration being held in escrow for 12 months and subject to claims by Company A.

On November 16, 2004, our board of directors held a meeting also attended by Messrs. Pilovsky, Gunderson, Grebene and Lara Williams, our General Counsel, representatives of Cooley Godward and representatives of Credit Suisse First Boston. At the meeting, the participants discussed the status of discussions with the various parties involved in the Strategic Process and other information relevant to our board of directors consideration of potential acquisition transactions. Our board of directors directed the management team and Credit Suisse First Boston to continue discussions with those parties already engaged in the Strategic Process while also exploring discussions with certain additional parties.

From mid-November 2004 through January 2005, Credit Suisse First Boston and members of the Blue Martini management team met or spoke with an additional nine companies as part of the Strategic Process. Between January 3, 2005 and February 11, 2005, we negotiated and entered into non-disclosure agreements with five of those parties (including a company referred to in this proxy statement as Company D and Golden Gate Capital, as discussed further below). The remaining four companies declined to pursue further discussions with us.

On November 23, 2004, Mr. Grebene provided Company A with a revised term sheet for a proposed transaction which did not specify the transaction value.

On November 30, 2004, Company B met with Messrs. Zweben, Pilovsky, Grebene and Gunderson at Blue Martini s offices. At this meeting, Company B expressed its interest in acquiring Blue Martini in a cash transaction.

Also on November 30, 2004, a representative from Golden Gate Capital contacted Mr. Pilovsky by phone and requested an introductory meeting with members of the Blue Martini management team.

On December 10, 2004, Company B orally conveyed to Credit Suisse First Boston an offer for the cash acquisition of Blue Martini in the range of $3.30 to $3.40 per share of Blue Martini common stock.

On December 14, 2004, Messrs. Zweben, Pilovsky, Grebene and Gunderson met with representatives from Golden Gate Capital at Golden Gate Capital s offices in San Francisco, California. At this meeting, Messrs. Zweben, Pilovsky, Grebene and Gunderson made a presentation regarding our business and Golden Gate Capital provided an overview of its portfolio companies. The attendees engaged in a discussion regarding potential synergies between Blue Martini and certain of Golden Gate Capital s portfolio companies. At this meeting, Golden Gate Capital expressed an interest in pursuing discussions regarding a potential acquisition of Blue Martini.

Formation and Authority of a Strategic Committee to Lead the Strategic Process

On December 15, 2004, our board of directors held a meeting that was also attended by members of management, representatives of Cooley Godward and, for parts of the meeting, representatives of Credit Suisse First Boston. Representatives of Cooley Godward made a presentation regarding, and discussed with our board of directors, the fiduciary duties of our board of directors with respect to the various potential transactions being

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contemplated as part of the Strategic Process. Credit Suisse First Boston then joined the meeting and the participants discussed the status of discussions with the various parties involved in the Strategic Process and other information relevant to our board of directors consideration of potential acquisition transactions. Following that discussion, our board of directors unanimously adopted resolutions to create a strategic committee of independent board members (the Strategic Committee) consisting of Mel Friedman, Amal Johnson, Gary Wetsel and William Zuendt to consider, evaluate and negotiate the terms and conditions of possible transactions and to make reports and recommendations to our entire board of directors regarding any possible transaction (it being understood that any decision to authorize Blue Martini to enter into any possible transaction or to enter into any agreement limiting Blue Martini s ability to consider, evaluate or negotiate other possible transactions was reserved to our entire board of directors).

At the direction of the Strategic Committee, on December 17, 2004, Credit Suisse First Boston conveyed to Company B that Blue Martini would consider a cash acquisition of Blue Martini for $4.25 per share and contacted Company A to discuss valuation of Blue Martini.

On December 29, 2004, the Strategic Committee held a meeting that was also attended by members of management, representatives of Cooley Godward and representatives of Credit Suisse First Boston to discuss the status of discussions with the various parties involved in the Strategic Process and other information relevant to the Strategic Committee s consideration of potential acquisition transactions.

On January 5, 2005 and January 7, 2005, Mr. Zweben met with representatives of Golden Gate Capital and certain portfolio companies of investment funds managed by affiliates of Golden Gate Capital, including Ecometry Corporation, which is a wholly-owned subsidiary of Multi-Channel (then known as Ecometry Holdings Corporation), for an introductory meeting to discuss the Blue Martini and portfolio companies businesses.

On January 7, 2005, the Strategic Committee held a meeting that was also attended by members of management, representatives of Cooley Godward and representatives of Credit Suisse First Boston to discuss the status of discussions with the various parties involved in the Strategic Process and other information relevant to the Strategic Committee s consideration of potential acquisition transactions.

On January 11, 2005, Mr. Grebene received a term sheet from Company B for a proposed cash acquisition of Blue Martini in the range of $3.60 to $3.70 per share.

On January 14, 2005, the Strategic Committee held a meeting that was also attended by members of management, representatives of Cooley Godward and representatives of Credit Suisse First Boston to discuss the status of discussions with the various parties involved in the Strategic Process and other information relevant to the Strategic Committee s consideration of potential acquisition transactions.

Also on January 14, 2005, Mr. Zweben met with a representative from Company D. During the meeting, Company D expressed an interest in potentially acquiring Blue Martini.

Also on January 14, 2005, Messrs. Zweben, Grebene and Gunderson and Strategic Committee member Amal Johnson met with representatives from Golden Gate Capital at Golden Gate Capital s offices in San Francisco, California. During the meeting the parties discussed how the Blue Martini business could potentially fit and generate value within the Golden Gate Capital portfolio of companies. There was no discussion regarding potential deal structure or valuation for a possible transaction.

On January 21, 2005, the Strategic Committee held a meeting that was also attended by members of management, representatives of Cooley Godward and representatives of Credit Suisse First Boston to discuss the status of discussions with the various parties involved in the Strategic Process and other information relevant to the Strategic Committee s consideration of potential acquisition transactions.

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On January 25, 2005, Mr. Zweben had separate meetings with representatives from three portfolio companies of investment funds managed by affiliates of Golden Gate Capital, including Ecometry Corporation (which is owned by Multi-Channel), at their respective offices. During the meetings, the parties discussed the opportunity presented by a potential combination with all or part of the Blue Martini business.

On January 26, 2005, Credit Suisse First Boston received a term sheet from Golden Gate Capital for an acquisition of Blue Martini by Golden Gate Capital for cash in the range of $3.75 to $4.00 per share, subject to Blue Martini having an unrestricted cash balance of $30 million as of the closing of the transaction. The term sheet also indicated that Golden Gate Capital would like to discuss opportunities and other compensation arrangements with our management at an appropriate time.

Formation and Authority of a Special Committee

At a meeting of our board of directors held on the morning of January 28, 2005, our board of directors discussed the Strategic Process, including whether the Strategic Process should be managed solely by a special committee (composed entirely of independent directors) or continue to be led by the Strategic Committee. Representatives from management, representatives of Cooley Godward, and representatives of Credit Suisse First Boston attended the meeting. During the meeting, our board of directors unanimously adopted resolutions to create the Special Committee of independent board members comprised of Mel Friedman, Amal Johnson, Gary Wetsel and William Zuendt (who had previously been the members of the Strategic Committee) with authority to, among other things, review, evaluate, investigate and negotiate the terms and conditions of any possible transaction, make reports and recommendations to the entire board related thereto, determine whether any possible transaction is fair to, and in the best interests of, Blue Martini and the stockholders of Blue Martini that are not affiliated with the other party or parties to such possible transaction and their respective affiliates and associates and exercise any other power that may be otherwise exercised by the board of directors and that the Special Committee determines is necessary or advisable to carry out and fulfill its duties and responsibilities, including, without limitation, the ability to adopt a shareholder rights plan.

On January 28, 2005, the Special Committee held a meeting attended by representatives of Morris, Nichols, Arsht & Tunnell (Morris Nichols) and representatives of Cooley Godward. After the Special Committee determined to retain Morris Nichols as its legal counsel, Cooley Godward left the meeting. The Special Committee then determined to retain Credit Suisse First Boston as its financial advisor. Blue Martini and Credit Suisse First Boston subsequently amended our engagement letter with Credit Suisse First Boston to reflect that engagement.

On January 30, 2005, the Special Committee held a meeting attended by representatives of management, representatives of Morris Nichols, representatives of Cooley Godward and representatives of Credit Suisse First Boston to review the proposals received by Blue Martini. Without representatives of management and representatives of Cooley Godward present, the Special Committee discussed the proposals. Mr. Zweben then re-joined the meeting, and the Special Committee discussed its conclusions with him. In particular, the Special Committee instructed Mr. Zweben that during the negotiations he was to have no discussions with the bidders regarding management compensation or the terms of equity participation by management in a transaction.

On February 1, 2005, we received a revised term sheet from Company A for a proposed acquisition of Blue Martini s equity for a fixed number of Company A shares with a then-current value of $55.6 million, subject to a dollar-for-dollar reduction if Blue Martini s unrestricted cash balance (after taking into account certain obligations) as of the close of the transaction is less than $26 million, with twenty percent of the merger consideration being held in escrow for 12 months and subject to claims by Company A.

On February 3, 2005, Credit Suisse First Boston received a term sheet from Company C for an acquisition of Blue Martini by Company C for cash with a price range of $3.25 to $3.50 per share.

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On February 4, 2005, Credit Suisse First Boston received a letter of intent from Company D for either: (i) a merger of Blue Martini with Company D where Blue Martini shareholders would own 35-40% of the combined company, or (ii) an acquisition of Blue Martini for $3.50-$4.25 per share in cash.

Implementation of a Structured Bid Process

On February 4, 2005, the Special Committee held a meeting to discuss the Strategic Process and evaluate the offers and indications of interest received to date. Representatives from management, Cooley Godward, Morris Nichols and Credit Suisse First Boston also attended the meeting. In the days following that meeting, Company B, Company D and Golden Gate Capital were informed that the following process (the Bid Process) had been established:

- each participant would be provided with the same draft merger agreement terms with no valuation specified by Blue Martini;
- each participant would be provided the opportunity to conduct due diligence;
- each participant would be provided with the opportunity to meet with the Blue Martini management team for further discussions on the Blue Martini business and the opportunity presented by a possible combination; and
- each participant was to provide a revised and marked draft of the merger agreement with a specific per-share price by a specified date.

Messrs. Zweben and Grebene contacted Company A to discuss Company A s potential participation in the Bid Process as well as Company A s interest in a cash transaction, to which Company A responded that it was not interested in participating in the Bid Process. Credit Suisse First Boston also contacted Company C and informed it that its proposal was not competitive and that consequently it was not invited to participate in the Bid Process.

On February 8, 2005, the Special Committee held a meeting attended by representatives of Cooley Godward, Morris Nichols, Credit Suisse First Boston and members of management to discuss the Bid Process.

On February 9, 2005, Blue Martini provided Golden Gate Capital with a draft non-disclosure agreement. Following negotiation and revision, Blue Martini and Golden Gate Capital signed a non-disclosure agreement on February 11, 2005.

Also on February 9, 2005, the draft merger agreement was distributed to the participating parties along with a cover letter from Credit Suisse First Boston stating that each participant must submit a revised and marked draft merger agreement (reflecting a specific per share price) and other information required for the Bid Process by February 18, 2005.

From February 11 through February 18, 2005, the participating parties conducted due diligence. During that period, we also made certain members of our management team, as well as auditors and outside tax advisors, available upon request to the participating parties for further diligence.

On February 18, 2005, Company D submitted a bid proposal letter, but not a marked merger agreement, which Blue Martini was told would be forthcoming. Company D then submitted a partially marked draft of the merger agreement to Credit Suisse First Boston on the morning of February 19, 2005. The bid proposal letter contemplated either: (i) the acquisition of Blue Martini for a per share price in the range of $3.75-$4.00 in cash or (ii) the merger of Blue Martini with Company D where Blue Martini would remain a publicly traded company and its shareholders would own 27.5% of the combined company and Blue Martini shareholders would receive $1.27-$1.50 per share in a cash distribution made immediately prior to the merger. When contacted by Credit Suisse First Boston for a specific price per share for the cash deal, and not a range, Company D responded with a price of $3.80 per share.

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Also on February 18, 2005, Company B submitted a marked draft of the merger agreement with a proposed price of $3.80 per share in cash and a cover letter indicating its desire to complete due diligence, negotiate the merger agreement and execute the transaction within one week.

Also on February 18, 2005, before submitting its bid, representatives of Golden Gate Capital indicated, in separate conversations, to a representative of Credit Suisse First Boston and to Mr. Zweben that Golden Gate Capital was considering proposing a price of $3.50 per share in cash. Credit Suisse First Boston and Mr. Zweben both responded that $3.50 per share would likely not be competitive, but provided no specific further guidance. Golden Gate Capital then submitted a marked draft of the merger agreement with a proposed price of $4.00 per share in cash, subject to Blue Martini having an unrestricted cash balance of $25 million at closing, contemplating an estimated time for completion of due diligence and the negotiation and execution of the merger agreement of four weeks and requiring that Blue Martini negotiate exclusively with Golden Gate Capital for the following 15 business days.

Our board of directors held a meeting on February 19, 2005. At this meeting, at which all of the members of the Special Committee were present, our board of directors reviewed and discussed the responses provided in the Bid Process. Representatives from management, Cooley Godward, Morris Nichols and Credit Suisse First Boston attended this portion of the meeting. Following discussion of the status of the Bid Process, the Special Committee convened in separate session with one of the board s other independent directors, a representative of Morris Nichols and representatives of Credit Suisse First Boston to discuss the Bid Process and next steps. Following the meeting, Credit Suisse First Boston and Mr. Zweben contacted Golden Gate Capital and communicated that Golden Gate Capital would be provided the opportunity to proceed only if it removed any post-closing cash holding requirement from its offer, could meet a shorter timeline and did not require that Blue Martini negotiate with Golden Gate Capital exclusively. In separate discussions on February 19, 2005 between a representative of Credit Suisse First Boston and a representative of Golden Gate Capital and between Mr. Zweben and another representative of Golden Gate Capital, Golden Gate Capital agreed to the required conditions.

On February 20, 2005, the Special Committee held a meeting also attended by representatives from management, Cooley Godward, Morris Nichols and Credit Suisse First Boston to discuss the status of the Bid Process. Credit Suisse First Boston noted that Golden Gate Capital had informed Credit Suisse First Boston that Golden Gate Capital had no requirement that Blue Martini s current management have a role in the surviving entity, although Golden Gate Capital was open to such discussions. Mr. Zweben stated that he had no plans to entertain such discussions at that time. Following the Special Committee meeting, Credit Suisse First Boston contacted both Company B and Golden Gate Capital separately and communicated to each that it had been selected, along with another party, to proceed in the due diligence and merger agreement negotiation process. Credit Suisse First Boston also communicated to Company B that Company B s bid was not the high bid presented in the Bid Process. When contacted by Credit Suisse First Boston, both Company B and Golden Gate Capital accepted the invitation and agreed to proceed with the process as proposed.

At various times from February 21, 2005 through February 28, 2005, representatives of Cooley Godward, Morris Nichols and Credit Suisse First Boston, and in some circumstances, together with Mr. Grebene and Ms. Williams, engaged in separate negotiations with Company B and Golden Gate Capital on the merger agreement and related agreements and documents and exchanged drafts thereof. During this time, Company B and Golden Gate Capital also continued their respective due diligence evaluations of Blue Martini, including having calls and meetings with members of Blue Martini management. Both parties had outside legal counsel resume review of materials in the data rooms and also had their tax and accounting advisors speak with Mr. Pilovsky, Marlo Oreo-Ramos, our Controller, and Blue Martini s outside tax and accounting advisors. On February 24, 2005, Credit Suisse First Boston communicated to Company D that based on submissions received in the Bid Process, we were proceeding with other parties. On February 25, 2005, Golden Gate Capital communicated to Credit Suisse First Boston that it had completed its business due diligence.

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The Special Committee met on February 25, 2005 to receive an update on negotiations and due diligence with Company B and Golden Gate Capital. Representatives from management, Cooley Godward, Morris Nichols and Credit Suisse First Boston attended the meeting.

On the evening of February 26, 2005, Blue Martini received a first draft of the commitment letter from Golden Gate Capital.

On February 27, 2005, our board of directors, including all the members of the Special Committee, met and received an update on the status of negotiations from representatives of Cooley Godward, Morris Nichols and Credit Suisse First Boston. Representatives from management also joined in the call. During the meeting a representative of Cooley Godward presented a summary of the terms of the merger agreement and related agreements. The Special Committee then met in a separate session with our board of directors other independent directors and representatives of Morris Nichols and Credit Suisse First Boston. Credit Suisse First Boston made a financial presentation regarding each of the proposed acquisitions by Golden Gate Capital and Company B.

In the morning of February 28, 2005, a representative of Credit Suisse First Boston and Mr. Zweben contacted a representative of Company B by phone, reiterated that Company B s bid was not the highest bid received in the Bid Process and communicated that as a result Blue Martini would not be proceeding in discussions with Company B. Representatives of Credit Suisse First Boston and Cooley Godward communicated to representatives of Company B s financial advisors and outside counsel that Blue Martini would consider a higher price than Company B s then current bid, but that time was of the essence. In the early afternoon of February 28, 2005, a representative for Company B then communicated to Credit Suisse First Boston a best and final offer of $3.85 per share in cash.

Later in the afternoon of February 28, 2005, our board of directors, including all the members of the Special Committee, met and received an update on the status of negotiations from representatives of Cooley Godward, Morris Nichols and Credit Suisse First Boston. Representatives from management also joined in the call. Based upon the update provided, our board of directors determined to adjourn the meeting and reconvene later in the evening.

On the evening of February 28, 2005, our board of directors, including all the members of the Special Committee, met and received an update on the status of negotiations from representatives of Cooley Godward, Morris Nichols and Credit Suisse First Boston. Representatives from management also joined in the call. The Special Committee then met in a separate session with one of our board of directors independent directors and representatives of Morris Nichols and Credit Suisse First Boston. Credit Suisse First Boston informed the Special Committee that there had been no change to the factors presented in its financial review of the proposed acquisition by Golden Gate Capital on February 27, 2005. At the conclusion of the financial review and discussion of the terms of the merger agreement, Credit Suisse First Boston provided the Special Committee with its oral opinion (subsequently confirmed in writing) that, based upon and subject to various assumptions and limitations, the consideration to be received by the holders of Blue Martini common stock, other than affiliates of Blue Martini, in the acquisition was fair from a financial point of view to those holders. With the benefit of that presentation and advice, the Special Committee, having deliberated regarding the terms of the proposed acquisition, determined that the merger and the merger agreement are fair to, and in the best interests of, Blue Martini s stockholders and recommended that our board of directors approve the merger agreement and the transactions contemplated thereby, including the merger, and the voting agreements and that our board of directors recommend that Blue Martini s stockholders vote to adopt the merger agreement. Our full board of directors then reconvened the board meeting. Following the Special Committee s recommendation to our board of directors, our board of directors determined that the merger and the merger agreement are fair to, and in the best interests of, Blue Martini and its stockholders, declared the merger agreement and the merger to be advisable and recommended that Blue Martini s stockholders vote to adopt the merger agreement.

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The merger agreement and related documents were finalized and executed on February 28, 2005, with signature pages delivered by the parties shortly after midnight on the morning of March 1, 2005. Before the opening of the market on March 1, 2005, the parties jointly announced the execution of the merger agreement.

Reasons for the Merger

Reasons for the Recommendation of the Special Committee

In considering the merger with Multi-Channel, the Special Committee consulted with Credit Suisse First Boston regarding the financial aspects of the merger and sought and received Credit Suisse First Boston s written opinion as to the fairness, as of the date of such opinion, from a financial point of view, of the consideration to be received by the holders of Blue Martini common stock in the merger, which opinion is described below under The Merger Opinion of Financial Advisor. The Special Committee also consulted with representatives of Morris Nichols, outside counsel to the Special Committee, Blue Martini s internal counsel and with representatives of Cooley Godward, outside counsel to Blue Martini, regarding the fiduciary duties of the members of the Special Committee and our board of directors, legal due diligence matters and the terms of the merger agreement and related agreements. Based on these consultations and opinions, and the factors discussed below, the Special Committee determined that the merger and the merger agreement are fair to, and in the best interests of, Blue Martini s stockholders and recommended that our board of directors approve the merger agreement and the transactions contemplated thereby, including the merger, and the voting agreements and that our board of directors recommend that Blue Martini s stockholders vote to adopt the merger agreement.

In the course of reaching that determination and recommendation, the Special Committee considered a number of potentially positive factors in its deliberations, including the following:

- the belief that, having engaged in a process involving multiple bidders, we obtained the highest price per share that Multi-Channel is willing to pay and that was reasonably available from any potential acquirer;
- the fact that the merger consideration of $4.00 per share is a premium to the closing trading price on the previous trading day, February 28, 2005 ($2.45), and the average share price of our common stock for the 5 trading days ended February 25, 2005 ($2.23), the 10 trading days ended February 25, 2005 ($2.22), the 30 trading days ended February 25, 2005 ($2.47), the 60 trading days ended February 25, 2005 ($2.61) and the 90 trading days ended February 25, 2005 ($2.64);
- the fact that the merger consideration is all cash, which provides certainty of value to our stockholders;
- the likelihood that the merger would be consummated, the absence of any financing condition to Multi-Channel s obligation to complete the merger and the commitment letter, dated February 28, 2005, from the Golden Gate Entities in favor of Multi-Channel and Blue Martini in which the Golden Gate Entities are committed to investing funds in Multi-Channel in order to fund the consideration to be paid in the merger;
- the business, market and execution risks associated with remaining independent and successfully implementing an aggressive growth strategy;

the financial analyses of Credit Suisse First Boston presented to the Special Committee on February 27 and 28, 2005, and the opinion of Credit Suisse First Boston delivered to the Special Committee that, as of February 28, 2005, based upon and subject to the various qualifications, considerations and assumptions set forth in their opinion, the merger consideration, to be received by the holders of our common stock, other than our affiliates, pursuant to the merger agreement, was fair, from a financial point of view (the full text of the written opinion setting forth the assumptions made, matters considered and limitations in connection with the opinion attached to this proxy statement as Annex B, which stockholders are urged to read in its entirety);

the fact that our board of directors or any committee thereof, in the exercise of its fiduciary duties in accordance with the merger agreement, can authorize Blue Martini s management to provide

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information to and engage in negotiations with a third party following receipt of a bona fide written unsolicited proposal or offer that our board of directors (or any committee thereof) determines in good faith is reasonably likely to lead to a superior proposal in the manner provided in the merger agreement, subject to specified conditions;

the fact that our board of directors or any committee thereof, in the exercise of its fiduciary duties in accordance with the merger agreement, can terminate the merger agreement following receipt of a bona fide written superior proposal in the manner provided in the merger agreement, subject to specified conditions, including the payment of a $1,622,000 termination fee, which is approximately 3% of the total merger consideration; and

the fact that the merger would be subject to the approval of our stockholders.

The Special Committee also considered a number of potentially countervailing factors in its deliberations concerning the merger, including the following:

that we will no longer exist as an independent company and our stockholders will no longer participate in our growth or from any future increase in the value of Blue Martini or from any synergies that may be created by the merger;

that, under the terms of the merger agreement, we cannot solicit other acquisition proposals and we must pay or cause to be paid to Multi-Channel a termination fee of $1,622,000 in cash or reimburse Multi-Channel for its expenses in connection with the merger agreement and proposed transactions, up to a maximum of $500,000, if the merger agreement is terminated under certain circumstances specified in the merger agreement, including if we exercise our right to terminate the merger agreement, which may deter others from proposing an alternative transaction that may be more advantageous to our stockholders;

the fact that any gains from an all-cash transaction would be taxable to our stockholders for U.S. federal income tax purposes;

that, under the terms of the merger agreement, we agreed that we will carry on our business in the ordinary course of business consistent with past practice and, subject to specified exceptions, that we will not take a number of actions related to the conduct of our business without the prior consent of Multi-Channel (which cannot be unreasonably withheld or delayed in certain circumstances specified in the merger agreement);

the fact that Multi-Channel did not have sufficient funds to consummate the merger as of the date of the merger agreement (although the commitment letter was in place as of such date); and

that if the merger does not close, our officers and other employees will have expended extensive efforts attempting to complete the transaction and will have experienced significant distractions from their work during the pendency of the transaction and we will have incurred substantial transaction costs in connection with the transaction and such costs will harm our operating results.

The Special Committee also considered the interests of our directors and executive officers in the merger which existed as of the time of the Special Committee s determination and recommendation, which are described below under The Merger Interests of Our Directors and Executive Officers in the Merger.

The preceding discussion is not meant to be an exhaustive description of the information and factors considered by the Special Committee but is believed to address the material information and factors considered. In view of the wide variety of factors considered in connection with its

evaluation of the merger and the complexity of these matters, the Special Committee did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weights to the various factors considered in reaching its determination. In considering the factors described above, individual members of the Special Committee may have given different weight to different factors.

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After its consideration of the preceding factors and deliberations, the Special Committee determined that the merger and the merger agreement are fair to, and in the best interests of, Blue Martini s stockholders and recommended that our board of directors approve the merger agreement and the transactions contemplated thereby, including the merger, and the voting agreements and that our board of directors recommend that Blue Martini s stockholders vote to adopt the merger agreement.

Reasons for the Recommendation of the Board of Directors

In considering the merger with Multi-Channel, our board of directors consulted with Credit Suisse First Boston, regarding the financial aspects of the merger, and with Blue Martini s internal counsel and representatives of Cooley Godward, regarding the fiduciary duties of the members of our board of directors, legal due diligence matters and the terms of the merger agreement and related agreements, and received the recommendation of the Special Committee as described above. Based on these consultations, the Special Committee recommendation, and the factors discussed below, our board of directors determined that the merger and the merger agreement are fair to, and in the best interests of, Blue Martini and its stockholders, declared the merger agreement and the merger to be advisable and recommended that Blue Martini s stockholders vote to adopt the merger agreement.

In the course of reaching that determination and recommendation, our board of directors considered a number of potentially positive and negative factors in its deliberations, including those considered by the Special Committee described above, except that our board of directors did not receive the financial analyses of Credit Suisse First Boston presented to the Special Committee on February 27/28, 2005. However, our board of directors did consider the fact that the Special Committee had received Credit Suisse First Boston s written opinion as to the fairness, as of the date of such opinion, from a financial point of view, of the consideration to be received by the holders of Blue Martini common stock in the merger, which opinion is described below under Opinion of the Financial Advisor to Blue Martini s Special Committee.

Our board of directors also considered those interests of our directors and executive officers in the merger which existed as of the time of our board of directors determination and recommendation, which are described below under The Merger Interests of Our Directors and Executive Officers in the Merger.

The preceding discussion is not meant to be an exhaustive description of the information and factors considered by our board of directors but is believed to address the material information and factors considered. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, our board of directors did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weights to the various factors considered in reaching its determination. In considering the factors described above, individual members of our board of directors may have given different weight to different factors.

Opinion of the Financial Advisor To Blue Martini s Special Committee

The Special Committee retained Credit Suisse First Boston to act as its financial advisor in connection with the merger. In connection with Credit Suisse First Boston s engagement, the Special Committee requested Credit Suisse First Boston to evaluate the fairness of the merger consideration, from a financial point of view, to be received by the holders of our common stock, other than our affiliates. On February 27, 2005, the Special Committee met to review the proposed merger and the terms of the merger agreement. During this meeting, Credit Suisse First Boston reviewed with the Special Committee certain financial analyses, as described below. On February 28, 2005, the Special Committee met again to further review the proposed merger and the terms of the merger agreement. During this meeting, Credit Suisse First Boston confirmed that there had been no change in the financial analyses it presented to the Special Committee the prior day and rendered its oral opinion to the Special Committee, subsequently confirmed in writing, that, as of February 28, 2005 and based upon and subject to the various qualifications,

considerations and assumptions set forth in the Credit Suisse First Boston opinion,

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the merger consideration, to be received by the holders of our common stock, other than our affiliates, pursuant to the merger agreement, was fair, from a financial point of view.

The full text of the Credit Suisse First Boston opinion, which sets forth, among other things, assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Credit Suisse First Boston in rendering its opinion, is attached as Annex B to this proxy statement and is incorporated by reference in its entirety. You are urged to, and should, read the Credit Suisse First Boston opinion carefully and in its entirety. The Credit Suisse First Boston opinion addresses only the fairness, from a financial point of view, of the merger consideration to be received by holders of our common stock, other than our affiliates, as of the date of the Credit Suisse First Boston opinion, and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act on any matter relating to the merger. The summary of the Credit Suisse First Boston opinion in this proxy statement is qualified in its entirety by reference to the full text of the Credit Suisse First Boston opinion attached to this proxy statement as Annex B, which you are urged to read in its entirety.

In connection with its opinion, Credit Suisse First Boston, among other things:

- reviewed the merger agreement and certain related documents;
- reviewed certain publicly available business and financial information relating to Blue Martini;
- reviewed certain other information relating to Blue Martini, including financial plans, provided to or discussed with Credit Suisse First Boston by Blue Martini, and met with our management to discuss the business and prospects of Blue Martini;
- considered certain financial and stock market data of Blue Martini and compared that data with similar data for other publicly held companies in businesses Credit Suisse First Boston deemed similar to those of Blue Martini;
- considered, to the extent publicly available, the financial terms of certain other business combinations and other transactions that have recently been effected or announced; and
- considered such other information, financial studies, analyses and investigations and financial, economic and market criteria that Credit Suisse First Boston deemed relevant.

In connection with its review, Credit Suisse First Boston did not assume any responsibility for independent verification of any of the foregoing information and relied on such information being complete and accurate in all material respects. With respect to the financial plans of Blue Martini that Credit Suisse First Boston reviewed, Credit Suisse First Boston was advised, and Credit Suisse First Boston assumed, that such plans had been reasonably prepared on bases reflecting the best currently available estimates and judgments of our management as to our future financial performance.

Credit Suisse First Boston also assumed, with our consent, that in the course of obtaining any necessary regulatory and third party approvals and consents for the merger, no modification, delay, limitation, restriction or condition will be imposed that will have an adverse effect on us or on the contemplated benefits of the merger and that the merger will be consummated in accordance with the terms of the merger agreement, without waiver, modification or amendment of any material term, condition or agreement contained in the merger agreement. Credit Suisse First Boston was not requested to make, and did not make, an independent evaluation or appraisal of our assets or liabilities (contingent or otherwise), nor has

Credit Suisse First Boston been furnished with any such evaluations or appraisals. Credit Suisse First Boston s opinion addresses only the fairness, from a financial point of view, to the holders of our common stock, other than our affiliates, of the merger consideration and does not address any other aspect or implication of the merger or any other agreement, arrangement or understanding entered into in connection with the merger or otherwise. Credit Suisse First Boston s opinion is necessarily based upon information made available to it as of the date of its opinion, and upon financial, economic, market and other conditions as they existed and could be evaluated on the date of the Credit Suisse First Boston opinion. The

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Credit Suisse First Boston opinion does not address the relative merits of the merger as compared to other business strategies that might be available to us, nor does it address our underlying business decision to proceed with the merger.

In preparing its opinion, Credit Suisse First Boston performed a variety of financial and comparative analyses. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Credit Suisse First Boston believes that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered by it, without considering all analyses and factors, could create a misleading view of the processes underlying the Credit Suisse First Boston opinion. No company or transaction used in the analyses performed by Credit Suisse First Boston as a comparison is identical to Blue Martini or the contemplated merger. In addition, Credit Suisse First Boston may have given various analyses more or less weight than other analyses, and may have deemed various assumptions more or less probable than other assumptions, so that the range of valuation resulting from any particular analysis described below should not be taken to be Credit Suisse First Boston s view of the actual value of Blue Martini. The analyses performed by Credit Suisse First Boston are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. In addition, analyses relating to the value of businesses or assets do not purport to be appraisals or to necessarily reflect the prices at which businesses or assets may actually be sold. The analyses performed were prepared solely as part of Credit Suisse First Boston s analysis of the fairness, from a financial point of view, of the merger consideration to be received by the holders of our common stock, other than our affiliates, and were provided to the Special Committee in connection with the delivery of the Credit Suisse First Boston opinion to the Special Committee.

The following is a summary of material financial analyses performed by Credit Suisse First Boston in connection with the preparation of its opinion, and reviewed with the Special Committee at a meeting of the Special Committee held on February 27, 2005. Certain of the following summaries of financial analyses that were performed by Credit Suisse First Boston include information presented in tabular format. In order to understand fully the material financial analyses that were performed by Credit Suisse First Boston, the tables should be read together with the text of each summary. The tables alone do not constitute a complete description of the material financial analyses.

Implied Transactional Statistics. Credit Suisse First Boston calculated several values implied by the merger consideration of $4.00 per share of our common stock, including our implied fully-diluted equity value and aggregate value. The following table summarizes the results of this analysis:

	Values Implied by Price per Blue Martini Share as of February 25, 2005 ($2.29)	**Values Implied by Merger Consideration ($4.00)**
Blue Martini fully-diluted equity value	$29.8 million	$54.1 million
Blue Martini fully-diluted aggregate value	$(1.5) million	$22.8 million

Credit Suisse First Boston also calculated the premium of the merger consideration of $4.00 per share of our common stock over the closing trading price of our common stock on February 25, 2005 and over the average closing trading price of our common stock over the period from July 2, 2004 (the date we pre-announced our second quarter earnings) to February 25, 2005. The following table summarizes the results of this analysis:

Period ending February 25, 2005	Premium of Merger Consideration over Average Closing Price
February 25, 2005	75%
Since July 2, 2004	47%

Credit Suisse First Boston calculated certain trading multiples implied (i) by the closing trading price of our common stock on February 25, 2005 ($2.29) and (ii) by the merger consideration ($4.00). For each of these

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values, Credit Suisse First Boston calculated the multiples of our implied aggregate value to our revenue or estimated revenue for calendar years 2004 and 2005 using various revenue estimates prepared by our management. The following table summarizes the results of these analyses:

	Multiple Implied by Merger Consideration ($4.00)
Statistic of implied aggregate value to:	
Total Revenue	
2004 revenue	0.8x
Estimated 2005 revenue	0.8x
License Revenue	
2004 revenue	3.1x
Estimated 2005 revenue	2.3x
Maintenance & Service Revenue	
2004 revenue	1.1x
Estimated 2005 revenue	1.2x

Comparable Companies Analyses. Credit Suisse First Boston compared certain of our financial information with that of other companies in the CRM sector of the software industry, including:

E.piphany Inc.

Chordiant Software, Inc.

Art Technology Group Inc.

Selectica, Inc.

Liveperson, Inc.

Broadvision Inc.

Kana Software, Inc.

Onyx Software Corporation

Egain Communications Corp.

Credit Suisse First Boston reviewed fully diluted aggregate values, calculated as equity value plus net debt, as multiples of estimated revenue for calendar years 2005 and 2006. Credit Suisse First Boston also reviewed share price as to estimated earnings revenue for calendar years 2005 and 2006. Estimated financial data for the selected companies were based on publicly available research analysts estimates. Estimated financial data for Blue Martini were based on internal estimates prepared by our management. All multiples were based on closing stock prices on February 25, 2005. From the multiples calculated for the selected comparable companies, Credit Suisse First Boston derived and applied the following

ranges of selected revenue and multiples to our estimated calendar years 2005 and 2006 revenue: (i) a range of multiples of aggregate value to 2005 revenues of 0.20x to 0.60x; (ii) a range of multiples of aggregate value to 2006 estimated revenues of 0.15x to 0.50x. This analysis indicated the following range of implied prices per share of our common stock:

Implied Price per Blue Martini Share
$2.74-$3.65

You should be aware that no company used as a comparison in this analysis is identical to us. In addition, mathematical analysis, such as determining the mean or the median, is not in itself a meaningful method of using comparable market trading data.

Discounted Cash Flow Analysis. Using a discounted cash flow analysis, Credit Suisse First Boston calculated certain implied equity values per share of Blue Martini based on our financial plans provided to Credit Suisse First Boston by our management. Credit Suisse First Boston based its discounted cash flow analysis on

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various operating assumptions provided by our management, including assumptions relating to, among other items, revenue, operating costs, taxes, working capital, capital expenditures and depreciation. Credit Suisse First Boston s analysis used discount rates ranging from 24.0% to 28.0% and terminal multiples of next calendar year net operating profits after taxes ranging from 15.0x to 25.0x. The following table summarizes the prices per share of our common stock implied by this analysis:

Implied Price per Blue Martini Share excluding value of net operating losses	Implied Price per Blue Martini Share including value of net operating losses
$2.56-$3.00	$2.67-$3.14

Precedent Transactions Analysis. Credit Suisse First Boston reviewed several financial metrics from the following 21 selected transactions in the U.S. retail software technology industry since January 1, 2003:

Target	Acquiror
Digital Impact, Inc.	InfoUSA Inc.
MAPICS, Inc.	Infor Global Solutions
Yantra Corp.	Sterling Commerce, Inc.
Persistence Software, Inc.	Progress Software Corporation
Primus Knowledge Solutions, Inc.	Art Technology Group, Inc.
Zamba Corporation	Technology Solutions Company
Bravanta, Inc.	Workstream Inc.
Catalyst International, Inc.	ComVest Investment Partners
Optika, Inc.	Stellent, Inc.
Pivotal Corporation	CDC Software Corporation
Docent, Inc.	Click2learn.com, Inc.
Firepond, Inc.	Jaguar Technology Holdings LLC
Concerto Software, Inc.	Melita International, Ltd.
Ross Systems, Inc.	Chinadotcom Corporation
T/R Systems, Inc.	Electronics for Imaging, Inc.
EXE Technologies, Inc.	SSA Global Technologies, Inc.
Virage, Inc.	Autonomy Corporation PLC

Comshare, Inc.	Geac Computer Corporation Limited
Elevon, Inc.	SSA Global Technologies, Inc.
Sagent Technology, Inc. (Certain Assets)	Group 1 Software, Inc.
Evolve Software, Inc.	Primavera Systems, Inc.

Credit Suisse First Boston compared the fully diluted aggregate transaction values in the selected precedent transactions as multiples of the latest twelve months revenue and share price as a multiple of the latest twelve months earnings for the target company in each transaction. The mean and median multiples of aggregate transaction value to latest twelve months revenues for the selected transactions were 1.1x and 1.0x, respectively. Applying a multiple range of 0.5x to 1.0x to our revenues to our estimated calendar year 2005 revenue implied the following range of prices per share of our common stock:

Implied Price per Blue Martini Share
$3.44-$4.45

Credit Suisse First Boston also calculated the implied premium paid in the following transactions since January 1, 2003 in which the acquiror paid cash: (i) 1,092 transactions with a transaction value greater than $25 million; (ii) 272 transactions in the technology industry with a transaction value greater than $15 million; and (iii) 75 transactions in the software industry with a transaction value greater than $15 million. All premiums calculated for the selected transactions were based on the target company s stock price one day prior to announcement of the relevant transaction and on information available at the time of announcement of the

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relevant transaction. Credit Suisse First Boston derived the following information from data observed for the selected precedent transactions:

Selected Cash Transactions Since January 1, 2003	Average Premium Over Target Share Price One Day Prior to Announcement	Median Premium Over Target Share Price One Day Prior to Announcement
1,092 transactions	25.6%	17.9%
272 technology transactions	30.5%	21.2%
75 software transactions	33.6%	24.4%

Blue Martini Historical Stock Trading Performance. Credit Suisse First Boston analyzed the prices at which our common stock traded from January 2, 2003 through February 25, 2005. Credit Suisse First Boston noted that the high closing price of our common stock during this period was $6.05 on October 14, 2003, and that the low closing price of our common stock was $2.10 on February 15, 2005. Credit Suisse First Boston also noted the average closing price of our common stock over various periods ending on February 25, 2005 as summarized below:

Period Ended February 25, 2005	Average Closing Price
February 25, 2005	$ 2.29
Last 5 trading days	$ 2.23
Last 10 trading days	$ 2.22
Last 30 trading days	$ 2.47
Last 60 trading days	$ 2.61
Last 90 trading days	$ 2.64

Credit Suisse First Boston s opinion and presentation to the Special Committee was one of many factors taken into consideration by the Special Committee in making its recommendation to our board of directors to engage in the merger. Furthermore, Credit Suisse First Boston s opinion to the Special Committee was one of many factors taken into consideration by our board of directors in making its determination to engage in the merger. Consequently, the analyses described above should not be viewed as determinative of the opinion of the Special Committee, our board of directors or our management with respect to whether our board of directors would have been willing to agree to a different aggregate merger consideration, to be received by holders of our common stock.

Credit Suisse First Boston was first retained by Blue Martini to act as financial advisor in connection with exploring and evaluating opportunities for Blue Martini to combine with or be acquired by another company. Credit Suisse First Boston was selected by Blue Martini based on Credit Suisse First Boston s qualifications, expertise and reputation. As described above under The Merger Background of the Merger, the Special Committee later retained Credit Suisse First Boston as its financial advisor. Credit Suisse First Boston is an internationally recognized investment banking and advisory firm. Credit Suisse First Boston, as part of its investment banking business, is continuously engaged in the valuation of businesses and securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. Credit Suisse First Boston and its affiliates have in the past provided financial and investment banking services to affiliates of Multi-Channel unrelated to the merger for which Credit Suisse First Boston has received compensation and Credit Suisse First Boston and its affiliates may in the future provide such services to Multi-Channel and its affiliates for which Credit Suisse First Boston would expect to receive compensation. Credit Suisse First Boston and its affiliates, including funds managed or advised by Credit Suisse First Boston or certain of its affiliates, may have investments in Multi-Channel and have investments in affiliates of Multi-Channel, including funds managed or advised by affiliates of Multi-Channel. In the ordinary course of Credit Suisse First Boston s business, Credit Suisse First Boston and its affiliates may

actively trade our debt and equity securities and those of affiliates of Multi-Channel for Credit Suisse First Boston and its affiliates own accounts and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

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Pursuant to an engagement letter dated as of September 10, 2002 and amended as of February 8, 2005, we engaged Credit Suisse First Boston to provide financial advisory services to the Special Committee in connection with the merger, including, among other things, rendering its opinion to the Special Committee. Pursuant to the terms of the engagement letter, we have agreed to pay Credit Suisse First Boston a customary fee in connection therewith, 75% of which is contingent upon the consummation of the merger. Credit Suisse First Boston will also receive a fee for rendering its opinion. In addition, we have agreed to reimburse Credit Suisse First Boston for its out-of-pocket expenses, including attorney s fees, incurred in connection with its engagement and have agreed to indemnify Credit Suisse First Boston for certain liabilities and expenses arising out of or in conjunction with its rendering of services under its engagement, including liabilities arising under the federal securities laws.

Recommendation of the Board of Directors

At a meeting of the Special Committee held on February 28, 2005, the Special Committee determined that the merger and the merger agreement are fair to, and in the best interests of, Blue Martini s stockholders and recommended that our board of directors approve the merger agreement, and that our board of directors recommend that Blue Martini s stockholders vote to adopt the merger agreement. At a meeting of our board of directors held on February 28, 2005, based upon the recommendation of the Special Committee and upon its own review, our board of directors determined that the merger and the merger agreement are fair to, and in the best interests of, Blue Martini and its stockholders, declared the merger agreement and the merger to be advisable and recommended that Blue Martini s stockholders vote to adopt the merger agreement.

Our board of directors recommends that our stockholders vote FOR the merger proposal.

Voting Agreements

In connection with the execution of the merger agreement, each of Monte Zweben, Dennis Carey, Mel Friedman, Dominic Gallello, Amal Johnson, Gary A. Wetsel, William Zuendt, Eugene Davis and Russell Gunderson executed voting agreements with and delivered irrevocable proxies to Multi-Channel relating to the shares of Blue Martini common stock, and options to purchase such shares, owned by them. These individuals hold an aggregate of 3,638,828 shares of our common stock (representing approximately 27.93% of the outstanding shares on February 28, 2005) and options to purchase 983,044 shares of our common stock.

Under the voting agreements, these individuals agreed to vote their shares of Blue Martini common stock or other securities and any newly acquired shares or other securities:

- in favor of the adoption of the merger agreement, the merger and the other actions contemplated by the merger agreement and any action in furtherance of the foregoing; and

- against any merger, consolidation or other business combination involving Blue Martini or our subsidiaries (other than the merger contemplated by the merger agreement), any sale or other transfer of all or substantially all of the assets of Blue Martini and our subsidiaries, any Takeover Proposal (as defined in the merger agreement and described below), any liquidation, dissolution or winding up of Blue Martini, any amendment to our certificate of incorporation or bylaws that is not approved by Multi-Channel, or any action that is intended, or would reasonably be expected, to interfere with or delay the merger with Multi-Channel or any of the transactions contemplated by the merger agreement.

Each of these stockholders also agreed not to sell, encumber, grant an option with respect to or dispose of any of the securities or options of Blue Martini owned by such stockholder, or enter into any agreement or commitment contemplating any of the foregoing, except, subject to certain conditions, for transfers to the stockholder s immediate family or upon the death of the stockholder.

The voting agreements terminate upon the earlier of the consummation of the merger or the valid termination of the merger agreement.

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Interests of Our Directors and Executive Officers in the Merger

In considering the recommendation of the Special Committee and our board of directors in favor of the merger, you should be aware that there are provisions of the merger agreement and other arrangements that will result in certain benefits to certain of our directors and executive officers, but not to stockholders generally. In addition, an agreement between Multi-Channel and Monte Zweben, our Chairman and Chief Executive Officer, negotiated and entered into after the execution and delivery of the merger agreement will result in certain benefits to Mr. Zweben, but not to stockholders generally, as described below under the heading Zweben Employment Agreement . Stockholders should take these benefits into account in deciding whether to vote for adoption of the merger agreement. They are set forth below.

Acceleration of Stock Options

Under the terms of the merger agreement, stock options held by our executive officers and directors, like all other stock options held by our other employees, will vest and become exercisable immediately prior to the effective time of the merger except as may be otherwise provided in the grant documents relating to such options. All stock options that are then outstanding will be automatically converted into an amount in cash equal to, for each share of common stock of Blue Martini underlying such option, the excess (if any) of $4.00 over the exercise price per share of such option, without interest and subject to any applicable withholding taxes. At the time we entered into the merger agreement, our executive officers and directors held options to purchase an aggregate of approximately 581,281 shares of Blue Martini common stock which were not then vested.

Options issued under our 2000 Equity Incentive Plan, as amended, and our 2000 Non-Employee Directors Plan, as amended, were subject to pre-existing acceleration provisions, pursuant to which the vesting of 50% of all unvested options would have accelerated following the effective date of a change in control transaction. As a result of the fact that Multi-Channel will not be assuming our option plans in the merger, all of our outstanding options will be accelerated, except as may be otherwise provided in the grant documents relating to such options.

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The following table assumes, solely for purposes of providing the information therein, that the merger closes on April 29, 2005, although we have no current expectation as to what the actual closing date will be. The following table sets forth as of March 1, 2005, with respect to our directors and executive officers:

the number of shares of Blue Martini common stock subject to options held by such persons that vest as a result of the merger;

the number of shares of Blue Martini common stock subject to options held by such persons that will be exercisable at the closing of the merger;

the range of exercise prices of all options held by such persons;

the weighted average exercise price of all options held by such persons;

the weighted average exercise price of the options held by such persons that vest as a result of the merger;

the cash value realizable by such persons from options that vest as a result of the merger; and

the cash value realizable by such persons upon the closing of the merger.

Name	Shares of Common Stock Subject to Options that Vest as a Result of the Merger	Shares of Common Stock Subject to Options Exercisable at Closing of the Merger*	Range of Exercise Prices per Share of All Options	Weighted Average Exercise Price per Share of All Options	Weighted Average Exercise Price per Share of Options that Vest as a Result of the Merger	Realizable Value of Options that Vest as a Result of the Merger	Realizable Value of All Options at the Closing of the Merger**
Monte Zweben	58,970	213,728	$5.59-$ 42.00	$ 20.33	$ 5.59	$ 0.00	$ 0.00
Dennis Carey	20,934	90,142	$3.87-$ 5.81	$ 4.17	$ 4.05	$ 2,184.78	$ 8,190.00
Mel Friedman	19,559	89,927	$3.87-$ 6.44	$ 4.25	$ 4.01	$ 2,083.25	$ 7,930.00
Dominic Gallello	22,503	89,571	$2.56-$ 4.54	$ 3.97	$ 3.90	$ 4,050.87	$ 13,722.24
Amal Johnson	32,501	70,000	$4.54-$ 5.31	$ 5.09	$ 5.23	$ 0.00	$ 0.00
Gary Wetsel	35,279	70,000	$4.54-$ 5.75	$ 5.40	$ 5.64	$ 0.00	$ 0.00
William Zuendt	19,749	89,676	$3.87-$140.00	$ 9.88	$ 3.98	$ 2,133.95	$ 8,060.00
Eran Pilovsky	101,786	248,284	$2.52-$ 6.44	$ 3.77	$ 3.96	$ 54,550.02	$ 181,176.72
Eugene Davis	100,000	100,000	$2.66-$ 2.66	$ 2.66	$ 2.66	$ 134,000.00	$ 134,000.00
Russell Gunderson	170,000	170,000	$2.68-$ 4.41	$ 4.00	$ 4.00	$ 52,800.00	$ 52,800.00

* Includes shares of common stock subject to options that vest as a result of the merger listed in the prior column.
** Includes realizable value of options that vest as a result of the merger listed in the prior column.

Acceleration of Restricted Stock Awards. Immediately prior to the effective time of the merger, restricted stock awards held by certain of our executive officers, like all other restricted stock awards held by our other employees, will immediately vest except as may be otherwise provided in the grant documents relating to such restricted stock awards. Eran Pilovsky, Eugene Davis and Russell Gunderson respectively hold 26,000,

19,000 and 25,000 shares of our common stock issued pursuant to such restricted stock awards. Assuming that the merger closes on April 29, 2005, 26,000, 19,000 and 25,000 shares of our common stock subject to such restricted stock awards held by Messrs. Pilovsky, Davis and Gunderson, respectively, will be accelerated as a result of the merger, the cash value of which would be $104,000, $76,000 and $100,000, respectively. We have no current expectation as to what the actual closing date will be.

Severance Arrangements under Existing Employment Agreements.

Mr. Zweben s employment agreement with Blue Martini provides, among other things, that if he is terminated without cause not in connection with a change of control, we will pay him a cash payment equal to six months of his base salary and target bonus and extend the period of time to exercise any vested options to

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twenty-four months after termination; if Mr. Zweben is terminated without cause shortly before and in contemplation of a change of control or within twelve months after a change of control, the surviving corporation will pay him a cash payment equal to twelve months of his base salary and target bonus, accelerate the vesting of 50% of his unvested options and extend the period of time to exercise any vested options to forty-eight months after termination. Upon consummation of the merger, Mr. Zweben s employment agreement with us will be superseded in its entirety by the employment agreement with Multi-Channel described below.

Mr. Pilovsky s employment agreement provides, among other things, that if he is terminated without cause not in connection with a change of control, we will pay him a cash payment equal to three months of his base salary and target bonus and extend the period of time to exercise any vested options to eighteen months; if Mr. Pilovsky is terminated without cause shortly before and in contemplation of a change of control or within twelve months after a change of control, the surviving corporation will pay him a cash payment equal to six months of his base salary and target bonus, accelerate the vesting of 50% of his unvested options and extend the period of time to exercise any vested options to thirty-six months after termination.

Mr. Davis s employment agreement provides, among other things, that if he is terminated without cause not in connection with a change of control, we will pay him a cash payment equal to three months of his base salary; if Mr. Davis is terminated without cause in connection with a change of control, the surviving corporation will pay him a cash payment equal to six months of his base salary.

Mr. Gunderson s employment agreement provides, among other things, that if he is terminated without cause not in connection with a change of control, we will pay him a cash payment equal to three months of his base salary and target bonus; if Mr. Gunderson is terminated without cause shortly before and in contemplation of a change of control or within twelve months after a change of control, the surviving corporation will pay him a cash payment equal to six months of his base salary and target bonus.

Indemnification of Directors and Executive Officers and Insurance.

The merger agreement provides that all rights of indemnification for acts or omissions occurring at or prior to the merger that exist in favor of individuals who were directors or officers of Blue Martini at or prior to the effective time of the merger as provided in our certificate of incorporation or bylaws or any of our existing indemnification agreements disclosed to Multi-Channel and in effect as of the date of the merger agreement will continue in full force and effect after the merger in accordance with their terms. Multi-Channel has agreed to cause the surviving corporation in the merger to fulfill and honor in all respects those obligations. The merger agreement further provides that for a period of six years following the effective time of the merger, Multi-Channel will indemnify and hold harmless such individuals in connection with claims and actions arising out of actions and omissions in such individuals capacity as a director, officer or employee or any of the transactions contemplated by the merger agreement and pay in advance of final disposition of such matters, the expenses of such person, subject to repayment if it is ultimately determined that such individual is not entitled to be indemnified. Multi-Channel has further agreed that following the merger, it will, or will cause the surviving corporation to, provide, for a period not less than six years, directors and officers liability insurance covering those persons who were, as of the date of the merger agreement, covered by our directors and officers liability insurance policy, on terms with respect to coverage and amounts no less favorable than those in effect on the date of the merger agreement. Multi-Channel will not be required to pay an annual premium for such insurance that exceeds 200% of the annual premium that we currently pay for such insurance.

Zweben Employment Agreement

After the execution and announcement of the merger agreement, Mr. Zweben negotiated and entered into an employment agreement with Multi-Channel (the Zweben Employment Agreement), dated as of March 17, 2005. The Zweben Employment Agreement provides that Mr. Zweben will have the title of Executive Chairman of Multi-Channel and serve on its board of directors upon consummation of the merger. Mr. Zweben would

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report directly to the Multi-Channel board of directors and would be responsible for strategic development, but not the management, of Multi-Channel.

Equity Investment

Under the Zweben Employment Agreement, Mr. Zweben and Multi-Channel agreed to enter into a contribution agreement prior to the effective time of the merger, pursuant to which Mr. Zweben will contribute 900,000 shares of Blue Martini common stock held by him to Multi-Channel in exchange for convertible preferred stock of Multi-Channel, of the same class and at the same price per share as the equity issued to Golden Gate Capital in connection with its financing of the merger (the Zweben Rollover Shares). Mr. Zweben s shares of Blue Martini common stock in such exchange will be valued at $4.00 per share. According to the Zweben Employment Agreement, the Zweben Rollover Shares will represent approximately 7.2% of Multi-Channel s fully diluted capital stock outstanding. The Zweben Rollover Shares will be issued with customary investor rights, protections and obligations, including registration rights, which are at least as favorable as those provided to other minority investors in Multi-Channel, and drag-along rights and restrictions on transfer.

Employment Terms

Mr. Zweben s base annual salary under the Zweben Employment Agreement will be $250,000. In addition, Mr. Zweben will be entitled to receive an annual bonus equal to up to 60% of his year-end base salary. The agreement will also entitle Mr. Zweben to participate in Multi-Channel s employee benefit plans that are available to its executive employees.

Mr. Zweben will be granted options to purchase the number of shares of Multi-Channel common stock equal to 3% of Multi-Channel s fully diluted capital stock outstanding as of the effective time of the merger (the Zweben Options). The exercise price of 75% of the shares underlying the Zweben Options will be equal to the fair market value of Multi-Channel s common stock as of the effective time of the merger; the exercise price of 15% of the shares underlying the Zweben Options will be equal to 2.5 times the fair market value of Multi-Channel s common stock as of the effective time of the merger; and the exercise price of the remaining 10% of the shares underlying the Zweben Options will be equal to 4 times the fair market value of Multi-Channel s common stock as of the effective time of the merger. The Zweben Options will vest monthly over 4 years, subject to acceleration and forfeiture.

If Mr. Zweben is employed by Multi-Channel at the time of a change of control of Multi-Channel, or if Mr. Zweben is terminated without cause or he resigns for good reason in connection with and prior to a change of control, the Zweben Options will vest in full. In addition, if Mr. Zweben is terminated without cause or he resigns for good reason prior to a change of control prior to the first anniversary of the effective time of the merger, Multi-Channel will pay Mr. Zweben a lump-sum severance payment equal to $550,000. If Mr. Zweben is terminated without cause or he resigns for good reason prior to a change of control after such time, Multi-Channel will pay Mr. Zweben an amount equal to 12 months of his base salary and target bonus.

As a result of the Zweben Employment Agreement and the issuance of the Zweben Rollover Shares and the Zweben Options, Mr. Zweben may benefit from the surviving corporation s future earnings and any increase in the surviving corporation s value and suffer losses from any decrease in the surviving corporation s value, while you will no longer receive any such benefit or bear any such risk.

Directorship in Multi-Channel

Other than Mr. Zweben, we understand that it is currently contemplated that no other member of our board of directors or management will serve on the Multi-Channel board of directors.

Our board of directors, including the members of the Special Committee, was aware of, and considered the interests of, our directors and executive officers (other than those interests created by the Zweben Employment

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Agreement, which was negotiated and entered into after the signing and announcement of the merger agreement), and the potential conflicts arising from such interests in its deliberations of the merits of the merger and in approving the merger agreement and the merger. The Special Committee was made aware of the terms of the Zweben Employment Agreement after it was negotiated.

Appraisal Rights

If the merger is completed, holders of Blue Martini common stock are entitled to appraisal rights under Section 262 of the Delaware General Corporation Law (Section 262), provided that they comply with the conditions established by Section 262.

The discussion below is not a complete summary regarding your appraisal rights under Delaware law and is qualified in its entirety by reference to the text of the relevant provisions of Delaware law, which are attached to this proxy statement as Annex C. Stockholders intending to exercise appraisal rights should carefully review Annex C. Failure to follow precisely any of the statutory procedures set forth in Annex C may result in a termination or waiver of these rights.

A record holder of shares of Blue Martini common stock who makes the demand described below with respect to such shares, who continuously is the record holder of such shares through the effective time of the merger, who otherwise complies with the statutory requirements of Section 262 and who neither votes in favor of the merger nor consents thereto in writing will be entitled to an appraisal by the Delaware Court of Chancery (the Delaware Court) of the fair value of his or her shares of Blue Martini common stock. All references in this summary of appraisal rights to a stockholder or holders of shares of Blue Martini common stock are to the record holder or holders of shares of Blue Martini common stock. Except as set forth herein, stockholders of Blue Martini will not be entitled to appraisal rights in connection with the merger .

Under Section 262, where a merger is to be submitted for approval at a meeting of stockholders, such as the Special Meeting, not less than 20 days prior to the meeting a constituent corporation must notify each of the holders of its stock for whom appraisal rights are available that such appraisal rights are available and include in each such notice a copy of Section 262. This proxy statement shall constitute such notice to the record holders of Blue Martini common stock.

Stockholders who desire to exercise their appraisal rights must satisfy all of the conditions of Section 262. Those conditions include the following:

Stockholders electing to exercise appraisal rights must not vote for the adoption of the merger agreement. Also, because a submitted proxy not marked against or abstain will be voted for the proposal to adopt the merger agreement, the submission of a proxy not marked against or abstain will result in the waiver of appraisal rights.

A written demand for appraisal of shares must be filed with us before the taking of the vote on the merger agreement at the Special Meeting on [•], 2005. The written demand for appraisal should specify the stockholder s name and mailing address, and that the stockholder is thereby demanding appraisal of his or her Blue Martini common stock. The written demand for appraisal of shares is in addition to and separate from a vote against the merger agreement or an abstention from such vote.

A demand for appraisal should be executed by or for the stockholder of record, fully and correctly, as such stockholder s name appears on the share certificate. If the shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian,

this demand must be executed by or for the fiduciary. If the shares are owned by or for more than one person, as in a joint tenancy or tenancy in common, such demand should be executed by or for all joint owners. An authorized agent, including an agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record. However, the agent must identify the record owner and expressly disclose the fact that, in exercising the demand, he is acting as agent for the record owner. A person having a beneficial interest in Blue Martini

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common stock held of record in the name of another person, such as a broker or nominee, must act promptly to cause the record holder to follow the steps summarized below in a timely manner to perfect whatever appraisal rights the beneficial owners may have.

A stockholder who elects to exercise appraisal rights should mail or deliver his, her or its written demand to Blue Martini at 2600 Campus Drive, San Mateo, California 94403, Attention: Corporate Secretary.

Within ten days after the effective time of the merger, we must provide notice of the effective time of the merger to all of our stockholders who have complied with Section 262 and have not voted for the merger.

Within 120 days after the effective time of the merger, either Blue Martini or any stockholder who has complied with the required conditions of Section 262 may file a petition in the Delaware Court, with a copy served on Blue Martini in the case of a petition filed by a stockholder, demanding a determination of the fair value of the shares of all dissenting stockholders. There is no present intent on the part of Blue Martini to file an appraisal petition and stockholders seeking to exercise appraisal rights should not assume that Blue Martini will file such a petition or that Blue Martini will initiate any negotiations with respect to the fair value of such shares. Accordingly, holders of Blue Martini common stock who desire to have their shares appraised should initiate any petitions necessary for the perfection of their appraisal rights within the time periods and in the manner prescribed in Section 262.

Within 120 days after the effective time of the merger, any stockholder who has satisfied the requirements of Section 262 will be entitled, upon written request, to receive from Blue Martini a statement setting forth the aggregate number of shares of Blue Martini common stock not voting in favor of the merger and with respect to which demands for appraisal were received by Blue Martini and the number of holders of such shares. Such statement must be mailed within 10 days after the stockholders request has been received by Blue Martini or within 10 days after the expiration of the period for the delivery of demands as described above, whichever is later.

If a petition for an appraisal is timely filed, at the hearing on such petition, the Delaware Court will determine which stockholders are entitled to appraisal rights. The Delaware Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Delaware Court may dismiss the proceedings as to such stockholder. Where proceedings are not dismissed, the Delaware Court will appraise the shares of Blue Martini common stock owned by such stockholders, determining the fair value of such shares exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value.

Although we believe that the merger consideration is fair, no representation is made as to the outcome of the appraisal of fair value as determined by the Delaware Court and stockholders should recognize that such an appraisal could result in a determination of a value higher or lower than, or the same as, the consideration they would receive pursuant to the merger agreement. Moreover, we do not anticipate offering more than the merger consideration to any stockholder exercising appraisal rights and reserve the right to assert, in any appraisal proceeding, that, for purposes of Section 262, the fair value of a share of Blue Martini common stock is less than the merger consideration. In determining fair value , the Delaware Court is required to take into account all relevant factors. The Delaware Supreme Court has stated that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered and that fair price obviously requires consideration of all relevant factors involving the value of a company. The Delaware Supreme Court has stated that in making this determination of fair value the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts which could be ascertained as of the date of the merger which throw any light on future prospects of the merged corporation. Section 262 provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. The Delaware Supreme Court has stated that such exclusion is a narrow exclusion that does not encompass known elements of value, but which rather applies only to the

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speculative elements of value arising from such accomplishment or expectation. The Delaware Supreme Court has construed Section 262 to mean that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered.

The cost of the appraisal proceeding may be determined by the Delaware Court and taxed against the parties as the Delaware Court deems equitable in the circumstances. However, costs do not include attorneys and expert witness fees. Each dissenting stockholder is responsible for his or her attorneys and expert witness expenses, although, upon application of a dissenting stockholder, the Delaware Court may order that all or a portion of the expenses incurred by any dissenting stockholder in connection with the appraisal proceeding, including without limitation, reasonable attorneys fees and the fees and expenses of experts, be charged pro rata against the value of all shares of stock entitled to appraisal.

Any stockholder who has duly demanded appraisal in compliance with Section 262 will not, after the effective time of the merger, be entitled to vote for any purpose any shares subject to such demand or to receive payment of dividends or other distributions on such shares, except for dividends or distributions payable to stockholders of record at a date prior to the effective time of the merger.

At any time within 60 days after the effective time of the merger, any stockholder will have the right to withdraw his demand for appraisal and to accept the terms offered in the merger agreement. After this period, a stockholder may withdraw his, her or its demand for appraisal and receive payment for his, her or its shares as provided in the merger agreement only with our consent. If no petition for appraisal is filed with the court within 120 days after the effective time of the merger, stockholders rights to appraisal (if available) will cease. Inasmuch as we have no obligation to file such a petition, any stockholder who desires a petition to be filed is advised to file it on a timely basis. Any stockholder may withdraw such stockholder s demand for appraisal by delivering to Blue Martini a written withdrawal of his or her demand for appraisal and acceptance of the merger consideration, except (i) that any such attempt to withdraw made more than 60 days after the Effective Time will require written approval of Blue Martini and (ii) that no appraisal proceeding in the Delaware Court shall be dismissed as to any stockholder without the approval of the Delaware Court, and such approval may be conditioned upon such terms as the Delaware Court deems just.

Failure by any Blue Martini stockholder to comply fully with the procedures described above and set forth in Annex C to this proxy statement may result in termination of such stockholder s appraisal rights. In view of the complexity of exercising your appraisal rights under Delaware law, if you are considering exercising these rights you should consult with your legal counsel.

Delisting and Deregistration of Our Common Stock

If the merger is completed, Blue Martini common stock will be delisted from the Nasdaq National Market and will be deregistered under the Securities Exchange Act of 1934.

Material United States Federal Income Tax Consequences of the Merger

The following summary is a general discussion of the material federal income tax consequences to our stockholders whose common stock is converted into cash in the merger. This summary is based on the current provisions of the Internal Revenue Code of 1986, as amended, or the Code, applicable Treasury Regulations, judicial authority and administrative rulings, all of which are subject to change, possibly with retroactive effect. Any such change could alter the tax consequences to our stockholders as described herein. No ruling from the Internal Revenue Service has been or will be sought with respect to any aspect of the transactions described herein. This summary is for the general information of our

stockholders only and does not purport to be a complete analysis of all potential tax effects of the merger. For example, it does not consider the effect of any applicable state, local or foreign tax laws, or of any non-income tax laws. In addition, this discussion does not address the tax consequences of transactions effectuated prior to or after the merger (whether or not such

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transactions occur in connection with the merger), including, without limitation, any exercise of a Blue Martini option or the acquisition or disposition of Blue Martini shares other than pursuant to the merger. In addition, it does not address all aspects of federal income taxation that may affect particular Blue Martini stockholders in light of their particular circumstances, including:

- stockholders that are insurance companies;
- stockholders that are tax-exempt organizations;
- stockholders that are financial institutions or broker-dealers;
- stockholders who hold their common stock as part of a hedge, straddle or conversion transaction;
- stockholders that hold common stock which constitutes qualified small business stock for purposes of Section 1202 of the Code;
- stockholders who are subject to the federal alternative minimum tax;
- stockholders who are partnerships;
- stockholders who acquired their common stock pursuant to the exercise of a stock option or otherwise as compensation; and
- stockholders who are not citizens or residents of the United States or that are foreign corporations, foreign partnerships or foreign estates or trusts with respect to the United States.

The following summary also does not address holders of stock options. The following summary assumes that Blue Martini stockholders hold their common stock as a capital asset (generally, property held for investment).

Treatment of Holders of Common Stock

The conversion of Blue Martini common stock into the right to receive cash in the merger will be a taxable transaction. Generally, this means that our stockholders will recognize a capital gain or loss equal to the difference between (1) the amount of cash stockholders receive in the merger and (2) their adjusted tax basis in the common stock (which is usually a stockholder s original cost for the stock). For this purpose, Blue Martini stockholders who acquired different blocks of Blue Martini shares at different times for different prices must calculate gain or loss separately for each identifiable block of Blue Martini shares surrendered in the exchange.

This gain or loss will be long-term if the holder has held Blue Martini common stock for more than one year as of the date of the merger. Under current law, long-term capital gains of stockholders who are individuals, trusts and estates are subject to a maximum federal income tax rate of 15%, whereas the maximum federal income tax rate on ordinary income and short-term capital gains (that is, gain on capital assets held for not

more than one year) of an individual is currently 35% (not taking into account any phase-out of tax benefits such as personal exemptions and certain itemized deductions). For corporations, capital gains and ordinary income are taxed at the same maximum rate of 35%. Capital losses are subject to limitations on deductibility for both corporations and individuals. Capital losses not offset by capital gains may be deducted against a non-corporate stockholder s ordinary income only up to a maximum annual amount of $3,000, and non-corporate stockholders may carry forward unused capital losses. A corporate stockholder can deduct capital losses only to the extent of capital gains; unused capital losses may be carried back three years and forward five years.

Backup Withholding

An Blue Martini stockholder may be subject to backup withholding with respect to certain reportable payments including taxable proceeds received in exchange for the stockholder s Blue Martini shares in the merger. The current backup withholding rate is 28%, but this rate could change at any time. Backup withholding will generally not apply, however, to an Blue Martini stockholder who furnishes the paying agent with a correct

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taxpayer identification number on Form W-9 (and who does not subsequently become subject to backup withholding) or who is otherwise exempt from backup withholding, such as a corporation. In addition, certain foreign persons such as certain nonresident aliens may establish an exemption from, or a reduced rate of, backup withholding by delivering the proper version of Form W-8. Each Blue Martini stockholder and, if applicable, each other payee, should complete and sign the Form W-9 included with the letter of transmittal (or other applicable form such as a Form W-8) in order to provide the information and certification necessary to avoid the imposition of backup withholding, unless an exemption applies and is established in a manner satisfactory to the paying agent. Any amounts withheld from payments to an Blue Martini stockholder under the backup withholding rules generally will be allowed as a credit against the Blue Martini stockholder s United States federal income tax liability.

The foregoing discussion of the federal income tax consequences of the merger is for our stockholders general information only. Accordingly, our stockholders should consult their own tax advisors with respect to the particular tax consequences to them of the merger, including the applicable federal, state, local and foreign tax consequences.

Regulatory Matters

Under the HSR Act and the rules that have been promulgated under the HSR Act, acquisitions of a sufficient size may not be consummated unless information has been furnished to the Antitrust Division of the U.S. Department of Justice and to the Federal Trade Commission and applicable waiting period requirements have been satisfied or early termination of the waiting period has been granted. The merger of Blue Martini with a Multi-Channel subsidiary and the conversion of shares of Blue Martini stock into the right to receive the merger consideration is subject to the provisions of the HSR Act. Under the HSR Act, the transaction cannot be consummated until the expiration or early termination of the waiting period following the filing of Hart-Scott-Rodino Notification and Report Forms by Multi-Channel and Blue Martini. Both Multi-Channel and Blue Martini have filed the required notification and report forms and both received early termination of their HSR waiting periods on March 18, 2005. The merger agreement provides that Multi-Channel and Blue Martini will use commercially reasonable efforts to consummate the merger as promptly as practicable, including commercially reasonable efforts to obtain regulatory clearance.

We are also required to file certain information and materials with regulatory authorities in Germany. On March 23, 2005 Multi-Channel, on its and Blue Martini s behalf, filed the required information and materials in Germany. Under certain laws and regulations in the United States and Germany, the applicable approvals must be granted or the applicable waiting periods must expire or terminate prior to the consummation of the merger.

At any time before or after the completion of the merger, notwithstanding that the applicable waiting period has ended or approval has been granted, any state, foreign country, or private individual could take action to enjoin the merger under the antitrust laws as it deems necessary or desirable in the public interest or any private party could seek to enjoin the merger on anti-competitive grounds. We cannot be sure that a challenge to the merger will not be made or that, if a challenge is made, that we will prevail.

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THE MERGER AGREEMENT

The following description summarizes the material provisions of the merger agreement and is qualified in its entirety by reference to the complete text of the merger agreement. The merger agreement is included as Annex A to this proxy statement. We encourage you to read it carefully and in its entirety. The merger agreement has been included to provide you with information regarding its terms. It is not intended to provide any other factual information about Blue Martini. Such information can be found elsewhere in this proxy statement and in the other public filings Blue Martini makes with the SEC, which are available without charge at www.sec.gov.

Merger Consideration

Upon completion of the merger, each outstanding share of Blue Martini common stock, other than shares held by stockholders who perfect their appraisal rights, will be converted into the right to receive $4.00 in cash, without interest. The price of $4.00 per share was determined through arm s-length negotiations between us and Multi-Channel. Upon completion of the merger, no shares of Blue Martini common stock will remain outstanding and all shares will automatically be canceled and will cease to exist. However, pursuant to an agreement negotiated and entered into after the signing and announcement of the merger agreement, Monte Zweben will exchange 900,000 shares of his Blue Martini common stock for capital stock of Multi-Channel prior to the consummation of the merger. See The Merger Interests of Our Directors and Executive Officers in the Merger.

Our obligation to complete the merger is conditioned upon, among other things, Multi-Channel depositing with the paying agent cash in an amount that, together with the cash that Multi-Channel may cause the surviving corporation to deposit with the paying agent immediately following the effective time of the merger in accordance with the merger agreement (the Surviving Corporation Payment Fund), is sufficient to pay the aggregate merger consideration payable to the holders of our common stock. However, there is no financing condition to the merger.

Multi-Channel has represented to us that it will obtain, and at the effective time of the merger that it will have, sufficient cash resources that, together with the Surviving Corporation Payment Fund, will enable it to pay the aggregate merger consideration payable to the holders of our common stock. In addition, Multi-Channel and Blue Martini have received an executed copy of the commitment letter pursuant to which the Golden Gate Entities are committed to invest an amount in cash in Multi-Channel as a source of funding for the merger that, together with the Surviving Corporation Payment Fund, is equal to the aggregate merger consideration, as described in more detail below under The Commitment Letter.

Conversion of Shares; Procedures for Exchange of Certificates

Effective automatically upon completion of the merger, you will have the right to receive $4.00 per share in cash, without interest. Prior to the effective time of the merger, Multi-Channel will enter into an agreement with a bank or trust company to act as paying agent under the merger agreement. Immediately following the effective time of the merger, Multi-Channel will deposit, or cause to be deposited, with the paying agent cash amounts sufficient to enable the paying agent to pay the aggregate merger consideration to the holders of shares of Blue Martini common stock. Subject to certain limitations, following the effective time of the merger, Multi-Channel may cause the surviving corporation to deposit a portion of the cash amount required to enable the paying agent to pay the aggregate merger consideration to the holders of shares of Blue Martini common stock.

Promptly after the effective time of the merger, the paying agent will mail to each record holder of shares a letter of transmittal and instructions for use in surrendering certificates in exchange for the merger consideration. **No stockholder should surrender any certificates until the stockholder receives the letter of transmittal and other materials for such surrender.** Upon surrender of a stock certificate for cancellation to the paying agent, together with a letter of transmittal, duly completed and executed in accordance with the instructions, and such other customary documents as the paying agent may require, the holder of such certificate will be entitled to receive the merger consideration into which the number of shares of common stock previously represented by

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such stock certificate shall have been converted pursuant to the merger agreement, without any interest thereon. The certificates so surrendered will be canceled.

In the event of a transfer of ownership of shares of common stock which is not registered in our transfer records, payment may be made with respect to such shares to the transferee if the stock certificate representing such shares is presented to the paying agent, accompanied by all documents reasonably required by the paying agent to evidence such transfer and to evidence that any applicable stock transfer taxes relating to such transfer have been paid.

If your stock certificate has been lost, stolen or destroyed, the paying agent will deliver to you the applicable merger consideration for the shares represented by that certificate if:

- you make an affidavit claiming such certificate has been lost, stolen or destroyed; and
- if required by Multi-Channel, you post a bond in such reasonable amount as Multi-Channel may direct as indemnity against any claim that may be made with respect to that certificate against Multi-Channel.

You should not send your certificates now and should send them only pursuant to instructions set forth in the letters of transmittal to be mailed to stockholders promptly after the effective time. In all cases, the merger consideration will be provided only in accordance with the procedures set forth in this proxy statement and such letters of transmittal.

One year after the effective time, the paying agent will deliver to the surviving corporation any funds made available to the paying agent which have not been disbursed to holders of Blue Martini stock certificates. Any holders of certificates who have not complied with the above-described procedures to receive payment of the merger consideration during such one year period may thereafter look only to the surviving corporation for payment of the merger consideration to which they are entitled.

The cash paid to you upon conversion of your shares of Blue Martini common stock will be issued in full satisfaction of all rights relating to the shares of Blue Martini common stock.

Effect on Blue Martini Stock Options

Each stock option to acquire Blue Martini common stock outstanding at the effective time of the merger, whether or not then vested or exercisable, will be accelerated in accordance with the terms of our stock option plans (subject to any contrary terms of lesser acceleration specifically provided for in the terms of the grant documents related to a particular stock option) and canceled. In consideration of such cancellation, Blue Martini will pay to the holder of each such canceled stock option, as soon as practicable after the effective time, a cash payment equal to the product of (1) the excess of the merger consideration over the per share exercise price of such stock option, multiplied by (2) the aggregate number of shares of common stock then subject to such stock option, taking into account the acceleration provided for under the terms of our stock option plans and related grant documents.

Effect on Blue Martini Restricted Stock Grants

Each grant of restricted Blue Martini common stock outstanding at the effective time of the merger, whether or not then vested, will be accelerated in accordance with the terms of our stock option plans (subject to any contrary terms of lesser acceleration specifically provided for in the terms of the grant documents related to a particular stock grant).

Effect on Blue Martini Employee Stock Purchase Plan

Our Employee Stock Purchase Plan will be terminated immediately prior to the effective time of the merger. Any purchase rights outstanding at the time of termination of the purchase plan will be exercised, and each share

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of Blue Martini common stock acquired upon exercise of such purchase right will be converted in the merger into $4.00 in cash, without interest.

Effective Time of the Merger

The merger will become effective upon the filing of a certificate of merger with the Delaware Secretary of State or at such later time as is agreed upon by Multi-Channel and Blue Martini and specified in the certificate of merger. The filing of the certificate of merger will occur on the closing date. Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, at the effective time of the merger, Merger Sub, a wholly-owned subsidiary of Multi-Channel and a party to the merger agreement, will merge with and into Blue Martini. Blue Martini will survive the merger as a wholly-owned Delaware subsidiary of Multi-Channel.

Representations and Warranties

The merger agreement contains representations and warranties of each party to the agreement. The representations and warranties in the merger agreement are complicated and not easily summarized. You are urged to read carefully and in their entirety the sections of the merger agreement entitled Representations and Warranties of Blue Martini and Representations and Warranties of Parent and Merger Sub in Annex A to this proxy statement. However, the assertions embodied in these representations and warranties are qualified by information in a confidential disclosure schedule that Blue Martini provided to Multi-Channel in connection with the signing of the merger agreement. While Blue Martini does not believe that it contains information securities laws require it to publicly disclose other than information that has already been so disclosed, the disclosure schedule does contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the attached merger agreement. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, since they are modified in important part by the underlying disclosure schedule. The disclosure schedule contains information that has been included in Blue Martini s general prior public disclosures, as well as additional non-public information. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the agreement, which subsequent information may or may not be fully reflected in Blue Martini s public disclosures.

The merger agreement contains customary representations and warranties of Blue Martini as to, among other things:

- our organization, good standing and corporate power;
- our capitalization;
- authorization, execution, delivery, performance and enforceability of, and required consents, approvals, orders and authorizations of our stockholders, third parties and governmental authorities relating to, the merger agreement;
- our SEC documents and undisclosed liabilities;
- certain changes or events since September 30, 2004;

legal proceedings;

compliance with laws and permits;

information in this proxy statement;

tax matters;

employee benefits and labor matters;

environmental matters;

contracts;

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real property;

title to properties;

intellectual property;

insurance;

opinion of financial advisor;

brokers and other advisors;

state takeover statutes;

related party transactions; and

change of control payments.

In addition, the merger agreement contains representations and warranties by Multi-Channel and Merger Sub as to:

organization, good standing and corporate power;

authorization, execution, delivery, performance and enforceability of, and required consents, approvals, orders and authorizations of third parties and governmental authorities relating to, the merger agreement;

governmental approvals;

information supplied in this proxy statement;

ownership and operations of Merger Sub;

financing, including receipt of the commitment letter;

brokers and other advisors; and

ownership of capital stock of Blue Martini.

The representations and warranties of Blue Martini, Multi-Channel Holdings and Merger Sub will expire upon completion of the merger.

Covenants

Conduct of Blue Martini Business

We have agreed in the merger agreement that, except as permitted or contemplated by the merger agreement or required by law and except for certain actions set forth on a schedule or otherwise consented to by Multi-Channel in writing (which consent may not be unreasonably withheld or delayed), we will carry on our business in the ordinary course, consistent with past practice, use commercially reasonable efforts to comply in all material respects with all applicable laws and the requirements of all material contracts, and use commercially reasonable efforts to maintain and preserve intact our business organization and the goodwill of those having business relationships with us and retain the services of our present officers and key employees.

In addition, we have agreed that, subject to specified exceptions, neither we nor any of our subsidiaries may, without Multi-Channel s prior written consent (which, as to certain of the matters listed below, may not be unreasonably withheld or delayed):

issue, sell, grant, dispose of, pledge or otherwise encumber any notes, bonds or other debt securities, shares of our capital stock, voting securities or equity interests, or any securities or rights convertible into, exchangeable or exercisable for, or evidencing the right to subscribe for any shares of our capital

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stock, voting securities or equity interests, or any rights, warrants, options, calls, commitments or any other agreements of any character to purchase or acquire any shares of our capital stock, voting securities or equity interests or any securities or rights convertible into, exchangeable or exercisable for, or evidencing the right to subscribe for, any shares of our capital stock, voting securities or equity interests;

redeem, purchase or otherwise acquire any of our outstanding shares of capital stock, voting securities or equity interests, or any rights, warrants or options to acquire any shares of our capital stock, voting securities or equity interests;

declare, set aside for payment or pay any dividend on, or make any other distribution in respect of, any shares of our capital stock or otherwise make any payments to our stockholders in their capacity as such;

split, combine, subdivide or reclassify any shares of our capital stock;

establish or acquire any subsidiary;

incur any indebtedness for borrowed money or guarantee any indebtedness;

sell, transfer, lease, license, mortgage, encumber, subject to any lien or otherwise dispose of (including pursuant to a sale-leaseback transaction or an asset securitization transaction) any of our properties or assets (including securities of our subsidiaries) to any person;

amend or waive any of our rights under, or accelerate the vesting under, any provision of our stock plans;

make any capital expenditures, except in the ordinary course of business consistent with past practice and in an amount not in excess of $300,000 in the aggregate during any three-consecutive month period;

make any acquisition (by purchase of securities or assets, merger or consolidation, or otherwise) of any other entity, business, division or assets;

make any investment (by contribution to capital, property transfers, purchase of securities or otherwise) in, or loan to, or guarantee for the benefit of, any person;

make any advance to our employees;

increase in any manner the compensation of any of our directors, officers or employees;

enter into any indemnification agreement, enter into, establish or amend any employment, consulting, retention, change in control, collective bargaining, bonus or other incentive compensation, profit sharing, health or other welfare, pension, retirement, severance, deferred compensation or other compensation or benefit plan or agreement with, for or in respect of, any stockholder, director, officer, other employee or consultant;

hire any employee except, subject to certain conditions, for (1) replacements of current employees and (2) other new employees whose annual noncontingent cash compensation and annual target commission payments do not, in the aggregate with all other such new employees, does not exceed $500,000;

enter into, or materially amend, modify or supplement any material contract outside the ordinary course of business consistent with past practice or waive, release, grant, assign or transfer any of its material rights or claims or settle any material litigation or claim made against Blue Martini;

renegotiate or enter into any new license, agreement or arrangement relating to any intellectual property sold or licensed by us;

make or change any material election concerning taxes or tax returns;

make any changes in financial or tax accounting methods, principles or practices or change an annual accounting period, except insofar as may be required by a change in generally accepted accounting principles or applicable law;

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amend our charter documents or the charter documents of our subsidiaries;

adopt a plan or agreement of complete or partial liquidation, dissolution, restructuring, recapitalization, merger, consolidation or other reorganization; or

agree, in writing or otherwise, to take any of the foregoing actions or take any action or agree, in writing or otherwise, to take any action, which would cause any of the conditions to the merger not being satisfied.

The covenants in the merger agreement relating to the conduct of our business are complicated and not easily summarized. You are urged to read carefully and in its entirety the section of the merger agreement entitled Conduct of Business of the Company in Annex A to this proxy statement.

No Solicitation of Transactions by Blue Martini

We have agreed, prior to the merger becoming effective or being terminated in accordance with its terms, to certain limitations on our ability to take action with respect to other acquisition transactions. Except as set forth below, we have agreed to not directly or indirectly:

solicit, initiate or knowingly encourage the initiation of any proposals that constitute, or may reasonably be expected to lead to, any Takeover Proposal (as defined below);

participate in any discussions with any third party regarding, or furnish to any third party any non-public information with respect to, any Takeover Proposal;

enter into any agreement, arrangement or understanding with respect to, or otherwise endorse, any Takeover Proposal; or

terminate, amend, modify or waive any material provision of any confidentiality or standstill agreement;

and have agreed that:

our board of directors will not withdraw or modify, or propose publicly to withdraw or modify, in a manner adverse to Multi-Channel, our board of directors recommendation that our stockholders adopt the merger agreement;

neither our board of directors nor any committee thereof will approve or recommend, or propose publicly to approve or recommend, any Takeover Proposal; and

neither our board of directors nor any committee thereof will authorize or cause Blue Martini to enter into any letter of intent, agreement in principle, memorandum of understanding, merger, acquisition, purchase or joint venture agreement related to any Takeover Proposal.

Notwithstanding these limitations:

if we receive a bona fide written Takeover Proposal not solicited by Blue Martini in violation of the non-solicitation provisions of the merger agreement that our board of directors (or any committee thereof) determines in good faith is reasonably likely to result in a Superior Proposal (as defined below) and with respect to which our board of directors (or any committee thereof) determines in good faith, after consulting with outside legal counsel, that the failure to take such action would be inconsistent with its fiduciary duties to our stockholders, then we may (but only prior to obtaining stockholder approval of the merger and after notifying Multi-Channel of any such action we propose to take), in response to such Takeover Proposal (1) enter into a confidentiality agreement with the person making such Takeover Proposal, (2) furnish information to the person making such Takeover Proposal, but only after such person enters into a confidentiality agreement with us and provided that we concurrently with the delivery to such person, we deliver to Multi-Channel all such information not previously provided to them, and (3) participate in discussions and negotiations with such person regarding such Takeover

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Proposal (and terminate, amend, modify or waive any material provision of any confidentiality or standstill agreement in connection with such discussions and negotiations);

our board of directors may withdraw or modify its recommendation that our stockholders adopt the merger agreement, any committee of our board of directors may withdraw or modify its recommendation with respect to the merger and our board of directors (or any committee thereof) may recommend a Takeover Proposal, if our board of directors (or such committee) determines in good faith, after consulting with outside legal counsel, that the failure to make such withdrawal, modification or recommendation would be inconsistent with its fiduciary duties to our stockholders and at least two business days prior to withdrawing or modifying such board recommendation or recommending a Takeover Proposal, our board of directors notifies Multi-Channel or such action is propose to take and during such two business day period our board of directors (or any committee thereof) negotiates in good faith with Multi-Channel with respect to any revised proposal to acquire our common stock that Multi-Channel may make during such period; and

if terminate the merger agreement after receipt of a Superior Proposal (which we may do only (1) after we have provided Multi-Channel with a written notice of our intent to exercise such right to terminate which notice describes the Superior Proposal and the parties thereto and (2) if within two business days following the delivery of such notice, Multi-Channel does not propose adjustments in the terms and conditions of the merger agreement which our board of directors (or any committee thereof) determines in its good faith judgment (after consultation with an independent financial advisor) to be more favorable to our stockholders that such Superior Proposal), then our board of directors may, contemporaneously with such termination, cause Blue Martini to enter into a letter of intent, agreement in principle, memorandum of understanding, merger, acquisition, purchase or joint venture agreement related to any Takeover Proposal; however, in the event of such a termination, Blue Martini would be required to pay a $1,622,000 termination fee to Multi-Channel as described below under Fees and Expenses.

Under the merger agreement, Takeover Proposal means any proposal or offer from any person (other than Multi-Channel and its affiliates) providing for any:

acquisition (whether in a single transaction or a series of related transactions) of our assets having a fair market value equal to 15% or more of Blue Martini s consolidated assets;

direct or indirect acquisition (whether in a single transaction or a series of related transactions) of 15% or more of the voting power of Blue Martini;

tender offer or exchange offer that if consummated would result in any person beneficially owning 15% or more of any class of the voting power of Blue Martini;

merger, consolidation, share exchange, business combination, recapitalization or similar transaction (other than liquidation or dissolution of our wholly-owned subsidiaries) or similar transaction involving us (other than mergers, consolidations, business combinations or similar transactions (1) involving solely us and/or one or more of our subsidiaries and (2) that if consummated would result in a person beneficially owning not more than 15% of any class of our equity securities); or

public announcement of any agreement, proposal or plan to do any of the foregoing.

However, for purposes of the termination fee provisions of the merger agreement, as described below under Fees and Expenses, the references to 15% in the definition of Takeover Proposal shall be deemed instead to refer to 50% .

Under the merger agreement, Superior Proposal means a bona fide written offer obtained to acquire, for consideration consisting of cash and/or securities, equity securities or assets of Blue Martini, made by a third party, which is on terms and conditions which our board of directors (or any committee thereof) determines in its

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good faith judgment (after consultation with an independent financial advisor of nationally recognized reputation) to be more favorable to our stockholders than the merger (including any adjustment to the terms and conditions of the Merger proposed in writing by Parent in response to such proposal) and is, in the good faith judgment of our board of directors (or any committee thereof), reasonably capable or being consummated in a timely manner (taking into account, without limitation, the ready availability of cash on hand and/or commitments for the same, in each case as applicable, required to consummate any such proposal and any antitrust or competition law approvals or non-objections).

Other Covenants

The merger agreement contains a number of other covenants, including covenants relating to:

- preparation of this proxy statement and holding of the Special Meeting;
- recommendation by our board of directors that our stockholders adopt the merger agreement;
- use of commercially reasonable efforts to consummate the merger as promptly as practicable, including obtaining regulatory clearance and, in connection therewith, to vigorously defend any challenge by regulatory authorities to the completion of the merger;
- public announcements;
- access to information;
- notification of breaches of representations and warranties, breaches of covenants and certain other matters;
- indemnification and insurance;
- securityholder litigation;
- fees and expenses; and
- employee benefits.

Conditions to the Merger

The parties obligations to complete the merger are subject to the following conditions:

the adoption of the merger agreement by the requisite vote of Blue Martini s stockholders;

the expiration or termination of the waiting period under the HSR Act;

the expiration or termination of any applicable waiting periods under foreign antitrust laws and the receipt of any required foreign antitrust approvals except where the failure to allow such waiting period to expire or terminate or to obtain such approval would not have a material adverse effect on Blue Martini or Multi-Channel; and

no law, injunction, judgment or ruling shall have been enacted or shall be in effect that enjoins, restrains, prevents or prohibits the completion of the merger, makes the completion of the merger illegal or imposes material limitations on the ability of Multi-Channel effectively to acquire or hold the business of Blue Martini.

Multi-Channel s and Merger Sub s obligations to complete the merger are also subject to the following conditions:

our representations and warranties must be true and correct as of the date of the closing of the merger, except as would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on us;

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we must have performed in all material respects all of our obligations under the merger agreement;

since the date of the merger agreement through the closing date of the merger, there must not have been any change, event, occurrence or circumstance that, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on us;

there must not be any legal, administrative, arbitral or other proceeding pending before any governmental entity in which a governmental entity is a party that would or would reasonably be expected to restrain, enjoin, prevent, prohibit or make illegal the completion of the merger or impose material limitations on the ability of Multi-Channel to effectively exercise full rights of ownership of Blue Martini;

the sum of the cash amounts to be paid to (1) our stockholders in respect of our outstanding shares of common stock other than shares of common stock issued after the date of the merger agreement pursuant to our employee stock purchase plan, and (2) our option and warrant holders pursuant to the terms of the merger agreement must not exceed the sum of (a) $54,834,185 and the aggregate amount of cash paid or payable to Blue Martini upon the exercise of options and warrants identified on our disclosure schedule delivered to Multi-Channel in connection with the merger agreement and the notice of exercise of which was received by Blue Martini on or after February 28, 2005; and

we must have delivered to Multi-Channel certified copies of certain resolutions of our board of directors and stockholders and our certificate of incorporation and bylaws and Multi-Channel must have received an officer s certificate certifying as to the satisfaction of certain closing conditions.

The merger agreement provides that a material adverse effect on us means any change, event, occurrence or circumstance which:

has a material adverse effect on our business, results of operations or financial condition, except that none of the following shall be deemed either alone or in combination to constitute, and none of the following shall be taken into account in determining whether there has been or will be a material adverse effect on us: (1) any effect, change, event, occurrence or circumstance relating to the U.S. or any foreign economy in general to the extent not disproportionately affecting us; (2) any effect, change, event, occurrence or circumstance relating to the industries in which we operate to the extent not disproportionately affecting us; (3) any effect, change, event, occurrence or circumstance relating to fluctuations in the value of currencies; (4) any effect, change, event, occurrence or circumstance relating to acts of terrorism, war, national or international calamity or other similar event to the extent not disproportionately affecting us; (5) any effect, change, event, occurrence or circumstance that arises out of or results from the announcement of the merger agreement, the existence of the merger agreement or the fact that the merger may be consummated; (6) our failure to meet internal or analysts expectations or projections (it being understood that the underlying circumstances giving rise to such failure may be taken into account unless otherwise excluded pursuant to this definition); (7) any effect, change, event, occurrence or circumstance resulting from any action taken by us or our subsidiaries with Multi-Channel s express written consent or our compliance with the merger agreement; and (8) or any effect, change, event, occurrence or circumstance resulting from our failure to take any action we are prohibited from taking pursuant to the operational covenants in the merger agreement due to Multi-Channel s unreasonable withholding or delaying of consent; or

prohibits Blue Martini s consummation of the merger.

Our obligation to complete the merger is also subject to the following conditions:

Multi-Channel s and Merger Sub s representations and warranties must be true and correct as of the date of the closing of the merger, except as would not reasonably be expected to, individually or in the aggregate, prevent or materially delay or materially impair the ability of Multi-Channel to consummate the merger;

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Multi-Channel and Merger Sub must have performed in all material respects all of their respective obligations under the merger agreement; and

Multi-Channel must have deposited with the paying agent cash in an amount that, together with the cash that Multi-Channel may be causing the surviving corporation to deposit with the paying agent immediately following the effective time of the merger in accordance with the merger agreement, is sufficient to pay the aggregate merger consideration payable to the holders of Blue Martini common stock.

Termination of the Merger Agreement

The merger agreement may be terminated at any time prior to the closing of the merger:

by mutual written consent of Blue Martini and Multi-Channel;

by either Blue Martini or Multi-Channel if:

the merger is not completed by July 31, 2005; provided that a party may not so terminate the merger agreement if the failure of the merger to be completed was primarily due to the failure of such party or any affiliate of such party to perform any of its obligations under the merger agreement;

any law, injunction, judgment or ruling shall have been enacted and shall have become final and nonappealable that enjoins, restrains, prevents or prohibits the completion of the merger or makes the completion of the merger illegal; provided that a party may not so terminate the merger agreement if such restraint was primarily due to the failure of such party to perform any of its obligations under the merger agreement; or

the required vote of our stockholders is not obtained to adopt the merger agreement at a meeting of our stockholders duly convened therefore or at any adjournment thereof;

by Multi-Channel:

if we breach a representation, warranty, covenant or agreement in the merger agreement, or any representation or warranty shall have become untrue, subject to specified materiality thresholds and our ability to cure such breach; or

within ten days following our board of directors withdrawing or modifying its recommendation that our stockholders adopt the merger agreement, any committee of our board of directors withdrawing or modifying its recommendation with respect to the merger or our board of directors (or any committee thereof) recommending a Takeover Proposal;

by us:

if Multi-Channel breaches a representation, warranty, covenant or agreement in the merger agreement, or any representation or warranty shall have become untrue, subject to specified materiality thresholds and the ability of Multi-Channel to cure such breach; and

at any time prior to our stockholders adopting the merger agreement, following receipt of a Superior Proposal (as defined above) but only (1) after we have provided Multi-Channel with a written notice of our intent to exercise such right to terminate which notice describes the Superior Proposal and the parties thereto and (2) if within two business days following the delivery of such notice, Multi-Channel does not propose adjustments in the terms and conditions of the merger agreement which our board of directors (or any committee thereof) determines in its good faith judgment (after consultation with an independent financial advisor) to be more favorable to our stockholders that such Superior Proposal.

Fees and Expenses

Pursuant to the merger agreement, whether or not the merger is consummated, all fees and expenses incurred in connection with the merger agreement shall be paid by the party incurring such fees or expenses.

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However, we must reimburse Multi-Channel for reasonable, documented, out-of-pocket expenses incurred by it in connection with or related to the merger agreement and related transactions, in an amount not to exceed $500,000 in the event the merger agreement is terminated under the provision allowing for termination if our stockholders do not adopt the merger agreement. In addition, we must pay to Multi-Channel an amount equal to $1,622,000, less any reimbursed expenses as described in the preceding sentence, if the merger agreement is terminated under any of the following termination provisions (which provisions are more fully described above) in the following circumstances:

- we terminate the merger agreement pursuant to the provision allowing for termination by us after receipt of a Superior Proposal;

- Multi-Channel terminates the merger agreement pursuant to the provision allowing for termination within ten days following our board of directors withdrawing or modifying its recommendation that our stockholders adopt the merger agreement, any committee of our board of directors withdrawing or modifying its recommendation with respect to the merger or our board of directors (or any committee thereof) recommending a Takeover Proposal; or

- (1) we or Multi-Channel terminates the merger agreement pursuant to the provision allowing for termination for failure to obtain our stockholders approval, (2) a Takeover Proposal (for purposes of the termination fee provision of the merger agreement, the references to 15% in the definition of Takeover Proposal are deemed to refer to 50%) has been publicly disclosed, announced, commenced, submitted or made and not withdrawn at least five days prior to the Special Meeting; and (3) within 180 days after the date of the termination of the merger agreement we and the person who had made such Takeover Proposal consummate an Acquisition Transaction (as defined below).

Under the merger agreement, Acquisition Transaction means any transaction or series of transactions involving:

- an acquisition (whether in a single transaction or a series of related transactions) of our assets having a fair market value equal to 50% or more of Blue Martini s consolidated assets;

- direct or indirect acquisition (whether in a single transaction or a series of related transactions) of 50% or more of the voting power of Blue Martini;

- tender offer or exchange offer that if consummated would result in any person beneficially owning 50% or more of any class of the voting power of Blue Martini; or

- merger, consolidation, share exchange, business combination, recapitalization or similar transaction (other than liquidation or dissolution of our wholly-owned subsidiaries) or similar transaction involving us (other than mergers, consolidations, business combinations or similar transactions (1) involving solely us and/or one or more of our subsidiaries and (2) that if consummated would result in a person beneficially owning not more than 50% of any class of our equity securities).

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THE COMMITMENT LETTER

The following description summarizes the material provisions of the commitment letter and is qualified in its entirety by reference to the complete text of the commitment letter. The commitment letter is included as Annex D to this proxy statement. We encourage you to read it carefully and in its entirety.

Under the commitment letter, Golden Gate Private Equity, Inc. and Golden Gate Capital Investment Fund II, L.P. (collectively, the Golden Gate Entities) committed to invest an amount in cash in Multi-Channel as a source of funding for the merger that, together with the amount of cash that Multi-Channel may cause the surviving corporation to deposit with the paying agent, is equal to the aggregate merger consideration. The Golden Gate Entities commitment to invest such amount is conditioned only upon the prior fulfillment or waiver in writing by Multi-Channel of each and all of the conditions precedent to Multi-Channel s and Merger Sub s obligations to consummate the merger under the merger agreement.

The Golden Gate Entities further agreed that in the event that a court renders a judgment in a legal proceeding in which we claim or allege that Multi-Channel or Merger Sub has breached or committed a default under the merger agreement, and the terms of such judgment require that Multi-Channel or Merger Sub make a cash payment to Blue Martini, then the Golden Gate Entities will invest in Multi-Channel for the purpose of funding such judgment an amount in cash that is equal to the lesser of $5,000,000 or the cash payment required by the judgment. In addition, Multi-Channel and the Golden Gate Entities agreed not to cause or permit the redemption or repurchase by Multi-Channel of any securities of Multi-Channel held by the Golden Gate Entities until the cash payment required by such judgment has been paid in full by Multi-Channel and/or Merger Sub to Blue Martini.

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SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table presents certain information regarding the ownership of our common stock as of March 1, 2005 by:

- each director and nominee for director;
- our Chief Executive Officer and our most highly compensated executive officers;
- all of our executive officers and directors as a group; and
- all those known by us to be beneficial owners of more than five percent of our common stock.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, or SEC, and generally includes voting or investment power with respect to securities. Beneficial ownership also includes shares of our common stock subject to options currently exercisable within 60 days of February 28, 2005. These shares are not deemed outstanding for purposes of computing the percentage ownership of each other person. Percentage of beneficial ownership is based on 13,075,413 shares of our common stock outstanding as of March 1, 2005. Unless otherwise indicated, the address for each listed stockholder is c/o Blue Martini Software, Inc., 2600 Campus Drive, San Mateo, California 94403. All amounts shown are adjusted to reflect a one-for-seven reverse stock split of all outstanding shares of our common stock, which was effective on November 13, 2002.

	Beneficial Ownership(1)	
Name and Address of Beneficial Owner	**Number of Shares**	**Percent of Total**
Directors And Executive Officers		
Monte Zweben(2)	3,574,451	27%
Eran Pilovsky(3)	196,078	1.5
Eugene Davis	19,000	
Russell Gunderson	25,000	
Robert Cell(4)	87,855	
Mary Hamershock	0	
Dennis Carey(5)	73,038	
Mel Friedman(6)	73,802	
Dominic Gallello(7)	71,878	
Amal Johnson(8)	70,000	
Gary Wetsel(9)	70,000	
William Zuendt(10)	248,109	1.9
All directors and executive officers as a group (12 persons)(11)	4,509,211	32.4
5% Stockholders		
Multi-Channel Holdings, Inc.(12)	4,225,178	30.9

c/o Golden Gate Private Equity, Inc.

One Embarcadero Center, 33rd Floor San Francisco, CA 94111		
Entities Affiliated with CCM Master Fund, Ltd. One North Wacker Drive Suite 4725 Chicago, IL 60606	1,044.904	8
Dimensional Fund Advisors Inc. 1299 Ocean Avenue 11th Floor Santa Monica, CA 90401	666,071	5.1

* Represents beneficial ownership of less than one percent of the outstanding shares of our common stock.

(1) This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G filed with the Securities and Exchange Commission (the SEC). Unless

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otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned.

(2) Represents 3,006,551 shares held by Monte Zweben, Trustee of The Zweben Family Revocable Trust UTA dated 10/17/97, as amended, 413,142 shares held by The Zweben Family Limited Partnership and 154,758 shares issuable upon exercise of vested and unvested exercisable options within 60 days of February 28, 2005.

(3) Includes 146,498 shares issuable upon exercise of vested options within 60 days of February 28, 2005.

(4) Represents 87,855 shares issuable upon exercise of vested options within 60 days of February 28, 2005.

(5) Represents 73,038 shares issuable upon exercise of vested options within 60 days of February 28, 2005.

(6) Represents 73,802 shares issuable upon exercise of vested and unvested exercisable options within 60 days of February 28, 2005.

(7) Includes 71,592 shares issuable upon exercise of vested and unvested exercisable options within 60 days of February 28, 2005.

(8) Represents 70,000 shares issuable upon exercise of vested and unvested exercisable options within 60 days of February 28, 2005.

(9) Represents 70,000 shares issuable upon exercise of vested and unvested exercisable options within 60 days of February 28, 2005.

(10) Includes 73,261 shares issuable upon exercise of vested and unvested exercisable options within 60 days of February 28, 2005.

(11) Includes 820,705 shares issuable upon exercise of vested and unvested exercisable options within 60 days of February 28, 2005. See footnotes (2) through (10) above.

(12) Represents (i) 3,006,551 shares held by Monte Zweben, Trustee of The Zweben Family Revocable Trust UTA dated 10/17/97, as amended, 413,142 shares held by The Zweben Family Limited Partnership and 154,758 shares issuable upon exercise of vested and unvested options granted to Monte Zweben, which options are exercisable within 60 days of the date of February 28, 2005; (ii) 19,000 shares of Common Stock held of record by Eugene Davis; and (iii) 25,000 shares of Common Stock held of record by Russell Gunderson; (iv) an aggregate of 73,038 shares of Common Stock issuable upon exercise of stock options granted to Dennis Carey, which are exercisable within 60 days of February 28, 2005; (v) an aggregate of 73,802 shares of Common Stock issuable upon exercise of stock options granted to Mel Friedman, which are exercisable within 60 days of February 28, 2005; (vi) 286 shares of Common Stock held of record by and an aggregate of 71,592 shares of Common Stock issuable upon exercise of stock options granted to Dominic Gallello, which options are exercisable within 60 days of February 28, 2005; (vii) an aggregate of 70,000 shares of Common Stock issuable upon exercise of stock options granted to Amal Johnson, which are exercisable within 60 days of February 28, 2005; (viii) an aggregate of 70,000 shares of Common Stock issuable upon exercise of stock options granted to Gary A. Wetsel, which are exercisable within 60 days of February 28, 2005; and (ix) 174,848 shares of Common Stock held of record by and an aggregate of 73,261 shares of Common Stock issuable upon exercise of stock options granted to William Zuendt, which options are exercisable within 60 days of February 28, 2005. Multi-Channel maintains shared voting power of these shares with respect to matters related to the merger. See The Merger Voting Agreements.

In addition, as described above under The Merger Interests of Our Directors and Executive Officers in the Merger , immediately prior to the effective time of the merger, stock options held by our executive officers and directors, like all other stock options held by our other employees, will immediately vest and become exercisable, except as may be otherwise provided in the grant documents relating to such options. All stock options will be automatically converted into an amount in cash equal to, for each share of common stock of Blue Martini underlying such option, the excess (if any) of $4.00 over the exercise price per share of such option.

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MARKET FOR THE COMMON STOCK; DIVIDEND DATA

Our common stock is quoted on the Nasdaq National Market under the ticker symbol BLUE. This table shows, for the periods indicated, the high and low sales price per share for Blue Martini common stock as reported by the Nasdaq National Market.

	Blue Martini Common Stock	
	High	**Low**
Year ending December 31, 2005		
First Quarter (through March 22, 2005)	$ 3.97	$ 1.83
Year ended December 31, 2004		
Fourth Quarter	$ 3.40	$ 2.50
Third Quarter	$ 4.44	$ 2.40
Second Quarter	$ 5.55	$ 4.00
First Quarter	$ 5.95	$ 3.80
Year ended December 31, 2003		
Fourth Quarter	$ 6.05	$ 4.34
Third Quarter	$ 5.48	$ 3.50
Second Quarter	$ 4.00	$ 2.56
First Quarter	$ 3.14	$ 2.66

The high and low sales price per share for Blue Martini common stock as reported by the Nasdaq National Market on [•], 2005, the latest practicable trading day before the filing of this proxy statement was $[•] and $[•], respectively.

As of [•], 2005, our common stock was held of record by [•] stockholders.

We have not declared or paid any cash dividends on our capital stock previously. Historically, we have retained earnings, if any, to support the development of our business. Payment of future dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results and current and anticipated cash needs. Following the merger, our common stock will not be traded on any public market.

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OTHER MATTERS

As of the date of this proxy statement, our board of directors is not aware of any matter to be presented for action at the Special Meeting, other than the matters set forth in this proxy statement. Should any other matter requiring a vote of stockholders arise, the proxies in the enclosed form of proxy confer upon the person or persons entitled to vote the shares represented by such proxies discretionary authority to vote the same in accordance with their best judgment.

Adjournments

The Special Meeting may be adjourned without notice, other than by the announcement made at the Special Meeting, by approval of the holders of a majority of the shares of our common stock present, in person or by proxy, and entitled to vote at the Special Meeting. We are soliciting proxies to grant the authority to vote in favor of adjournment of the Special Meeting. In particular, authority is expected to be exercised if the purpose of the adjournment is to provide additional time to solicit votes in favor of adoption of the merger agreement. Our board of directors recommends that you vote in favor of the proposal to grant the authority to vote your shares to adjourn the meeting.

Stockholder Proposals

We will hold an Annual Meeting of Stockholders in 2005, or the 2005 Annual Meeting, only if the merger is not completed. Proposals of stockholders that are intended to be presented at the 2005 Annual Meeting must have been received at our executive offices in San Mateo, California no later than December 31, 2004 to be included in the proxy statement and proxy card related to such meeting.

Pursuant to our bylaws, stockholders who wish to bring matters or propose nominees for director at our 2005 annual meeting of stockholders must provide certain information to us between March 6, 2005 and April 5, 2005 unless the date of our 2005 annual meeting of stockholders is before May 5, 2005 or after July 4, 2005, in which case the dates for submission of such matters or proposals shall be not more than 90 days and not less than 60 days before the 2005 annual meeting of stockholders or, in the event public announcement of the date of the 2005 annual meeting of stockholders is first made by us fewer than 70 days prior to the date of the 2005 annual meeting of stockholders, the close of business on the 10th day following the day on which public announcement of the date of the 2005 annual meeting of stockholders is first made by us. Stockholders are also advised to review our bylaws, which contain additional requirements with respect to advance notice of stockholder proposals and director nominations.

Where You Can Find More Information

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information that we file with the SEC at the SEC public reference room at the following location: Public Reference Room, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. These SEC filings are also available to the public from commercial document retrieval services and at the website maintained by the SEC at www.sec.gov. Reports, proxy statements and other information concerning us may also be inspected at the offices of the Nasdaq Stock Market at 1735 K Street, N.W., Washington, D.C. 20006.

Multi-Channel has supplied all information contained in this proxy statement relating to Multi-Channel and Merger Sub and we have supplied all information relating to us.

You should rely only on the information contained in this proxy statement. We have not authorized anyone to provide you with information that is different from what is contained in this proxy statement. This proxy statement is dated [•], 2005. You should not assume that the information contained in this proxy statement is accurate as of any date other than that date. Neither the mailing of this proxy statement to stockholders nor the issuance of cash in the merger creates any implication to the contrary.

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Annex A

AGREEMENT AND PLAN OF MERGER

Dated as of February 28, 2005

among

MULTI-CHANNEL HOLDINGS, INC.,

BMS MERGER CORPORATION

and

BLUE MARTINI SOFTWARE, INC.

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